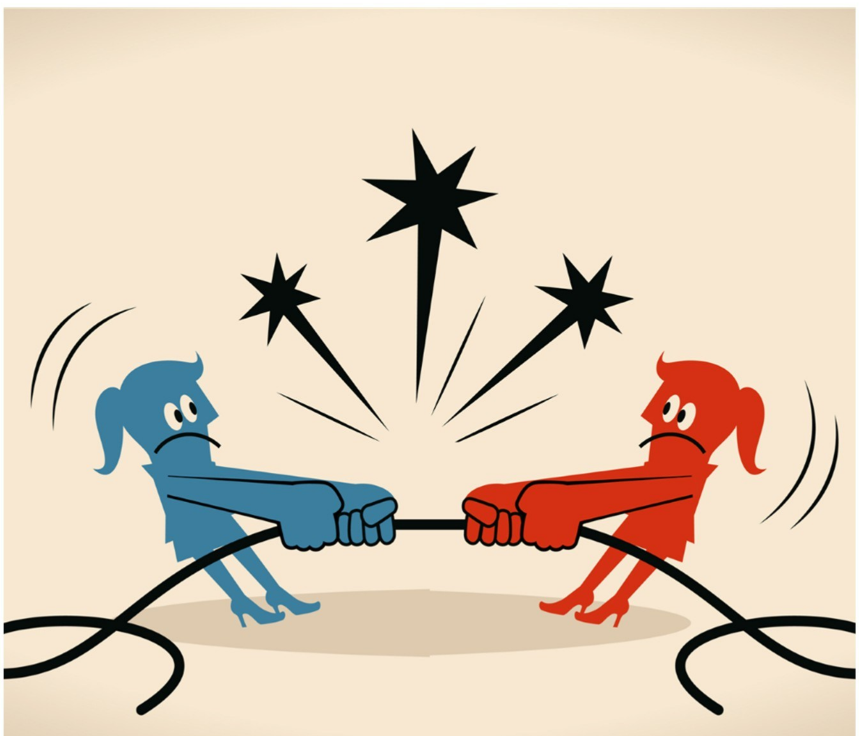
SCOTT SCHECHTER’S FINANCIAL NEWS DIGEST

MONEYLINE



Stop Being Your Worst Enemy

Courtesy of Scott Schechter, CFP®, MBA, CAP®

Some interesting insights gleaned from Barry Ritholtz, CIO of Ritholtz Wealth Management: “It all comes back to the advice your mom gave you: Don’t take candy from strangers. You don’t know who they are, what their motivation is or what’s in the candy. Who’s the stranger on TV telling you what to do with your money? And it’s not just the media, it’s pundits, fund managers, forecasters… None of them know who you are, what your tax bracket is, how much money you’ve saved. If they don’t know any of those things about you, why would you imagine their advice is good for you? It fits everybody, therefore it fits nobody. There’s a firehose of nonsense out there, especially on algorithmic social media. Why would you take candy from those strangers?”

“The vast majority of what you see on TV, or on social media is completely out of your control. Who’s elected, Fed rate cuts — you can’t control that. What’s going to happen in the Middle East, unemployment, inflation, corporate earnings — completely outside your control.”

“What’s in your control? A lot…Your asset allocation. How often you harvest tax losses. How often you rebalance. Think about what you’re saving and stop spending mental energy on things wholly out of your control.”

Eagle Strategies LLC

Scott Schechter, CFP®, MBA, CAP®
Financial Advisor

CA Insurance License #0E52859
AR Insurance License #7026896

(619) 350-3600
sschechter@eaglestrategies.com

Self-employed retirement savings account - a solo 401(k). If you are a business owner with no employees or just your spouse, a one-participant 401(k) plan (also called an individual 401(k)) can help you save for retirement. With a solo 401 (k) there's no age or income restrictions beyond the requirements to have earned income verified through tax records. Bonus: you can contribute as an employer and as an employee. As the employee you can contribute up to $23,500 or 100% of your compensation, whichever is less. An additional catch-up contribution of $7,500 is allowed for those aged 50 or older, with a “super catch-up” of $11,250 for ages 60-63. As the employer you can contribute up to effectively 20% of your earnings (there are some technical adjustments to this limit) to the account, with the combined contributions for 2015 not to exceed $70,000 for those under 50, $77,500 for those over 50, except those age 60-63 who max out at $81,250. Consult your tax advisor for details. *Source: BigIdeasForSmallbusiness.com*

“I'd like to live as a poor man with lots of money.”

-Pablo Picasso

Managing The Cost Of The Wedding

By Diane Harris, Kiplinger's Personal Finance

With the average cost of a wedding now at $36,000, the customary split — the bride’s family pays for the ceremony and reception, while the groom’s family handles the rehearsal dinner — is shifting to a more collaborative approach.

Hoping to contribute to your child’s dream wedding without breaking the family bank? Here’s what experts recommend:

Set your own budget first. Whether you’ve been saving for your child’s wedding for years or a recent engagement has triggered the discussion, assessing how much you can reasonably afford — before you commit to any amount with the couple — is critical, says Kris Maksimovich, president of Global Wealth Advisors in Lewisville, Texas.

“A lot of parents feel guilty if they can’t give as much as they think the folks next door did,” Maksimovich says. “But you don’t want to promise something you can’t deliver, and you don’t want to be eating ramen noodles the rest of your life to throw a big party, either.”

Run the numbers to come up with a fixed dollar amount. Your financial adviser can help. That’s preferable to saying you’ll pay for a certain part of the wedding or the entire reception. “Costs can easily balloon out of control when, in effect, you give a blank check,” Maksimovich says.

Get everyone involved. Once you’ve settled on an amount, sit down with the couple to talk about how much you’ll be able to contribute, so they can plan based on facts, not assumptions. Having expectations without a discussion or agreement is what causes tension.

Ideally, both sets of parents will be involved. According to Zola.com, a wedding-planning website, nearly two-thirds of engaged couples this year are getting financial support from both families, compared with just 30% for whom the bride’s family is solely responsible.

Couples themselves are contributing more, too. A survey earlier this year by The Knot found, on average, families are roughly splitting the bill, with parents covering 51% of the wedding costs and the couple getting married picking up the rest.

Find ways to save. The biggest driver of costs is the number of guests in attendance. “Every guest adds to your catering, rentals, invitations, favors and space needs, so trimming your list is like a built-in budget hack,” says Bishop.

A lower-cost way to include everyone the couple and families want to be part of the celebration: Host an intimate formal wedding for immediate family and close friends only, then throw a big party later at a restaurant or in one of the families’ backyards for a larger group.

Other ways to save include having the wedding during the off-season (think January or February), on a weekday, or during the day instead of an evening event. Limiting fresh flowers — often costly — can help too.

In the end, helping your child stay on budget may be as valuable as any financial contribution you make. Says Bishop, “Parents want to show up for their kids in big ways, but the best gift you can give is your support and love, not your retirement savings.”

The Retirement Rule Of $1 More

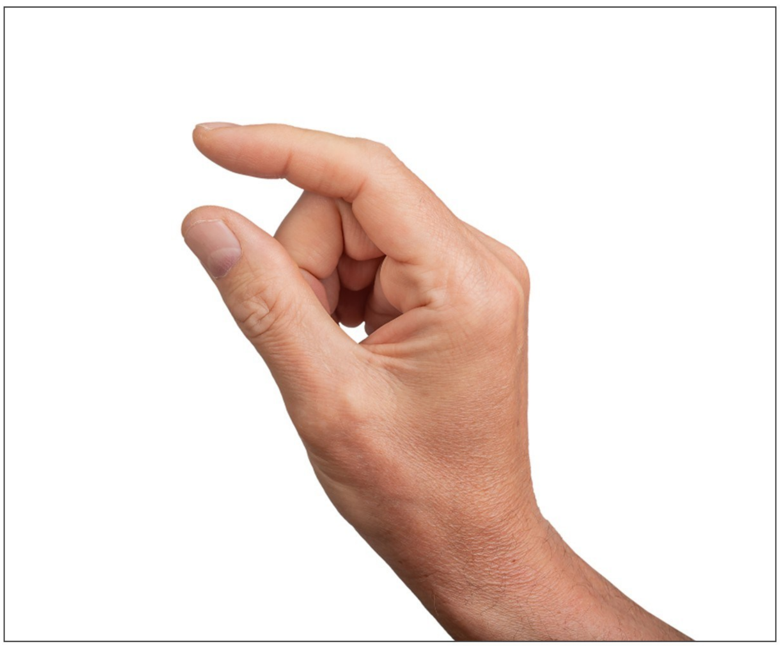
By Charles Lewis Sizemore, Tribune Media Service

Call it the retirement rule of $1 more. It's the idea that even a modest increase in income — say from a Roth conversion, part-time job or selling appreciated stock — can cause a cascade of unintended consequences, unless you have a thoughtful plan in place.

Here's where experts say that extra dollar can do the most damage, plus how to stay ahead of it.

Falling off a Medicare cliff (IRMAA)

If your income exceeds certain thresholds, you may be hit with Medicare premium surcharges known as IRMAA (Income-Related Monthly Adjustment Amount). These aren't gradual increases. They're cliffs. Go even $1 over the limit, and both you and your spouse could end up paying hundreds more each month for Medicare Parts B and D. In 2025, the first surcharge kicks in at $103,000 for single filers and $206,000 for married couples filing jointly.



Going from 0% to 20% in capital gains taxes

One of the more generous features of the tax code is the 0% long-term capital gains rate available to many retirees. But that window can slam shut quickly.

That's because ordinary income, such as a large withdrawal from a 401(k) or traditional IRA, stacks below your capital gains. So even a modest bump in income can nudge you into a higher tax bracket, turning gains that would've been tax-free into gains taxed at 15% or even 20%.

In 2025, a married couple filing jointly can realize up to $96,700 in long-term capital gains and still pay 0% in federal tax, assuming little or no other income.

Again, add just $1 in ordinary income, and you risk sending part of those gains into a higher bracket. It's why advisors emphasize that coordination with the rest of your retirement income is everything.

The taxman cometh for retirement withdrawals

Withdrawals from pre-tax accounts, such as traditional IRAs and 401(k)s, are taxed as ordinary income. Therefore, the amount withdrawn affects everything else, including your tax bracket, Medicare premiums, and how much of your Social Security is taxed, among other factors.

That's why taxes are often a key part of a retiree's withdrawal strategy, advisors say. Once required minimum distributions (RMDs) begin at age 73, they can easily push your income past multiple thresholds.

How to plan around the rule of $1 more

"Being strategic could save you six figures over the course of your retirement," says Bill Shafransky, CFP® and senior wealth advisor at Moneco Advisors.

That can mean meeting with a tax professional and/or financial advisor once a year to review your goals, discuss strategies and make any appropriate adjustments. You don't want the tax tail to wag the dog. But in retirement, you also don't want to step off a cliff just because of $1 more.

"Don't worry about the future. I swapped your retirement fund for five cords of firewood, some vegetable seeds, and a brooding hen."

Don't fall for the IRS stimulus check text scam. If you receive a text saying that a $1,400 stimulus check is waiting for you... and that you should just click on a link and provide bank information - don't click the link. These texts are a scam that ties into a legitimate IRS announcement in December saying checks up to $1,400 would be sent to certain people who did not get all of their federal stimulus checks during the COVID pandemic, but those payments are automatic, no action is required. *Important:* The IRS does not communicate with taxpayers by text. All genuine IRS notices are sent through US mail. Iif you receive one of these texts, copy and paste the caller ID from the suspicious message into an e-mail and send it to phishing@irs.gov.

Source: bbb.org

"Today, there are three kinds of people: the haves, the have-nots, and the have-not-paid-for-what-they-haves."

-Earl Wilson

SCOTT SCHECHTER'S FINANCIAL NEWS
DIGEST

Scott Schechter, CFP®, CLU®, MBA, CAP®
Financial Advisor

3161 1st Avenue, #2N
San Diego, CA 92103

CAP® CHARTERED ADVISOR IN PHILANTHROPY®

CLU® CHARTERED LIFE UNDERWRITER®

CFP®

Should You Start A 'Trump Account' For Your Child?

By Charles Lewis Sizemore Kiplinger's Personal Finance

The One Big, Beautiful Bill is not without its controversies, but one provision should be of interest to some current or expecting parents: The establishment of "Trump accounts," a new type of tax-deferred retirement account for American kids.

These accounts share some similarities with traditional IRAs and 529 college savings accounts. But they also have some quirks that make them unique.

Let's cut to the most important part first. All children born between in 2025 through 2028 will be eligible for a $1,000 seed payment directly from the U.S. Treasury.

There are no income limitations. The only requirements are that the child is a U.S. citizen with a valid Social Security number and that at least one parent must also have a valid Social Security number.

So, if your child was or will be born in that time frame, you might consider opening a Trump account for them, even if you have no intention of ever adding another nickel to the account, simply to claim the payment.

As for whether the accounts make sense for your children born prior to 2025, that's a more complex answer.

Parents can contribute up to $5,000 per year per kid into the account.

Unlike IRAs, contributions to a Trump account are not tax deductible. You get no tax break for contributing. Earnings grow tax-free, however. And here's an interesting twist: IRA distributions are taxed as ordinary income, but distributions from Trump accounts will be taxed at the generally lower long-term capital gains rate of 15% to 20%.

These are not college savings accounts. If you're looking to specifically save for college, a 529 plan is more tailored to that purpose.

Beyond that, consider focusing on your own retirement and your kid's college education funding first. But if you have those largely covered, then adding a Trump account to the mix can't hurt.

As always, check with your tax advisor first.