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REYNOLDS & Associates

focus on®

Financial Management

Six Steps to Financial Success

Contents

This material was written and prepared by Broadridge Advisor Solutions.

Making the Most of Your Money

Sound financial management is a process that begins with your first paycheck and continues through each stage of life. Every financial decision you make about money today will form the foundation for your financial future, as well as help you handle financial challenges that may come your way.

You may be working hard in order to build wealth, but is your money working as hard for you? Putting your money to work through careful planning creates additional opportunities for success and gives you greater control of your financial future.

"An investment in knowledge pays the best interest."

— Benjamin Franklin

Source: Brainyquote.com

Developing a comprehensive, long-term strategy typically requires the coordination of all your personal finances. To succeed, you need to set goals and make sure that all the various financial components of your life work together. This requires covering all the bases — from insurance protection to reduce the risks of everyday life, to managing your tax burden and freeing up money to invest, to building a portfolio that will fund a comfortable retirement and help you achieve other goals (such as a college education for your kids), to preserving wealth so you can leave a lasting legacy for your loved ones.

Six Steps to Financial Success

This six-step plan is designed to help you pursue financial success — to take you from where you are now to where you want to be.

1 **Protect What You Have**

2 **Take Control of Your Cash Flow**

3 **Invest Wisely**

4 **Manage Your Taxes**

5 **Save for Retirement**

6 **Leave a Legacy**

Key Areas of Insurance Coverage

Many individuals attempt to achieve financial success without protecting what they already have. That can be a mistake.

A well-designed risk management program may help protect you in the event of a disaster without burdening you with payments for protection you don't really need. In order to be adequately insured, you need to consider six areas of insurance coverage:

- **Medical**
- **Long-term care**
- **Disability income**
- **Liability**
- **Property and casualty**
- **Life**

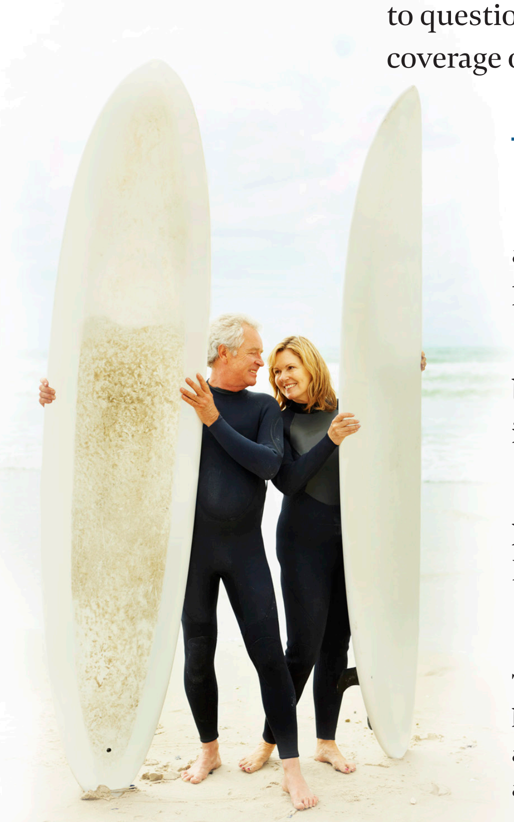
Consider an HSA

A tax-advantaged health savings account (HSA) may help you save money for current and future medical expenses. Interest and earnings accumulate tax deferred, and withdrawals are tax-free if spent on qualified health-care expenses.

In order to establish and contribute to an HSA, you must be enrolled in a qualified high-deductible health plan and not be enrolled in Medicare.

Health Insurance Marketplace

If you don't have health coverage through an employer and are not eligible for a government plan such as Medicare, you can check out different plans on the Health Insurance Marketplace. At *HealthCare.gov*, you can find answers to questions about different plans and eligibility, and compare plans based on coverage options, deductibles, and cost.



Three Critical Life Insurance Questions

How much life insurance do I need? Some experts recommend at least two to five years of salary; others recommend as much as 10 years.

What type of policy will meet my family's needs? Would I be best served by term insurance, or should I buy a permanent life insurance policy?

Who will get the money upon my death? Should the benefit pass directly to my heirs, or do I want it to accomplish other goals? Is it important to keep the benefit outside of my taxable estate?

A financial professional can help you address these concerns.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Before implementing a strategy involving life insurance, it would be prudent to make sure that you are insurable.

Life Insurance Worksheet

How much life insurance would your family need to maintain its comfortable lifestyle over the long term?

	Example	You
1. Calculate your dependents' total annual living costs. *(Include all mortgage and loan payments)*	$ 70,000	$_______
2. How much annual income would be available to them?		
A. Spouse's income $__________		
B. Investment income $__________		
C. Social Security $__________		
D. Pension $__________		
E. Other income $__________		
F. Total income available $__________	$ 42,000	$_______
3. How much more income would your family need?* *(Subtract the total on line 2F from line 1)*	$ 28,000	$_______
4. What return could they expect on investments?	7 %	_______%
5. Resulting life insurance benefit *(Divide total on line 3 by the rate of return on line 4)*	$ 400,000	$_______

*To estimate how much capital it would take to provide $28,000 in annual income for an indefinite number of years, you would estimate the return that might be expected on a hypothetical investment portfolio (7% in this example). To calculate the amount of principal, or life insurance benefit, that would be needed to invest at 7% to generate an annual income of $28,000, you would divide $28,000 (line 3) by .07 (line 4), which results in $400,000 of life insurance coverage.

If you need more money for a child's college education or other needs, you might want additional insurance coverage.

This hypothetical example is used for illustrative purposes only. The investment return does not represent the performance of any specific investment.

Origins of Insurance

Many modern insurance practices began with the wealthy ship captains, merchants, and ship owners who frequented Edward Lloyd's coffee house in London in the late 1600s.

This group eventually went on to become Lloyd's of London.

Source: Lloyd's of London

Group Coverage May Not Be Sufficient

Keep in mind that group insurance through your employer — whether for medical, life, or disability income insurance — may not be sufficient for your family's long-term needs. And if you should lose your job, you would also lose this coverage. Although you might be able to extend health-care coverage under your former employer's plan through COBRA for up to 18 months after separation from service, you would be responsible for the full premium.

That's why you may want to consider purchasing individual policies to enhance or supplement your group insurance coverage.

Cash Management Process

Effective cash management consists of three main steps.

Assess and take control of your current situation. You can't very well control spending if you have no idea what you're spending your money on. Once you see where you are wasting capital, you can put it to work more productively.

Build a cash reserve or emergency fund. This is the "rainy day" money that you set aside for life's little and not-so-little emergencies. As a general rule, your cash reserve fund should be large enough to cover living expenses for at least three to six months.

Pay down your credit-card debt. Credit cards are a double-edged sword. They can be powerful allies. But using credit cards can also lull you into thinking that you aren't paying all that much when you make low monthly payments over time.

Traditional Savings Vehicles

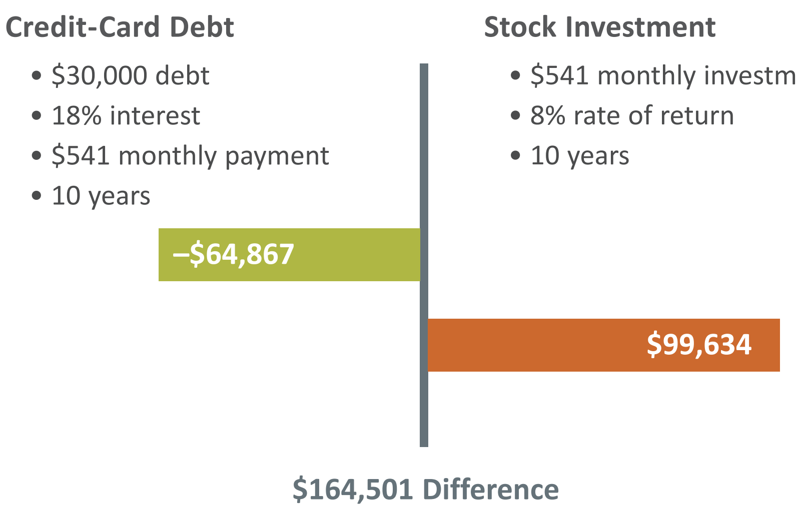
Your cash reserve fund, by definition, should be liquid and safe. Many people use savings accounts, certificates of deposit, and money market mutual funds.

Bank savings accounts and CDs are FDIC insured for up to $250,000 per depositor, per federally insured institution, and generally provide a fixed rate of return.

Money market funds are neither insured nor guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at $1 per share, it is possible to lose money by investing in such a fund.

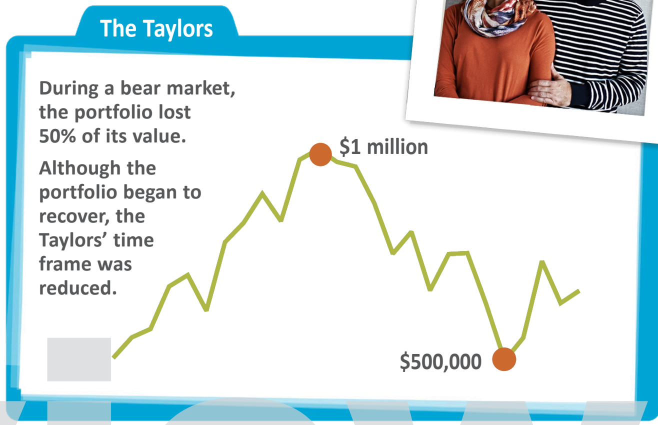
The $160,000 Credit Card

If you're like many people who have a high credit-card balance, it may make more sense to "invest" in paying off high-interest credit-card debt before you make any other investment. This example illustrates the investment opportunity lost to credit-card debt.



This hypothetical example is used for illustrative purposes only and does not represent any specific investment or credit card. It does not take into account taxes or investment fees, which would reduce the investment amount shown. The example assumes an 8% annual return on the stock market investment and an 18% annual interest rate on the credit cards. It also assumes a 10-year repayment schedule for the credit-card debt with no new charges added. Actual results will vary.

This hypothetical case study shows what could happen when investors don’t have a sound investment strategy.



This hypothetical example is used for illustrative purposes only and does not reflect any specific investment. Actual results will vary.

Mr. and Mrs. Taylor

- Age 50
- $1 million portfolio
- One type of investment
- Did not protect against risk

The return and principal value of stocks and mutual fund and ETF shares fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

Lessons Learned

Several time-tested investment tactics might have helped the Taylors better manage investment risk as they pursued their goals.

Diversify investments. Diversification involves investing in different investment vehicles and asset classes in an attempt to limit exposure to losses in any one sector of the market.

Assess risk tolerance. Every investment has some risk associated with it. Putting an entire portfolio into only one type of investment subjects the principal to undue risk.

Manage portfolio on a regular basis. Investing is not a passive process. It’s also important to be realistic about the returns you might receive over time, and to realize that the market experiences good years as well as bad ones.

Diversification does not guarantee a profit or protect against investment loss. It is a method used to help manage investment risk.

Why Do People Invest in Mutual Funds and ETFs?

Mutual funds and exchange-traded funds have become a popular way to invest. Funds have objectives ranging from conservative to aggressive to meet individual investors’ needs.

- Convenience
- Flexibility
- Professional management
- Diversification

Mutual funds and ETFs are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

The investment return and principal value of mutual fund and ETF shares fluctuate with changes in market conditions. When redeemed, shares may be worth more or less than their original cost. Investments seeking to achieve higher returns carry an increased level of risk.

First Mutual Funds

Closed-end investments became popular in Europe and moved to the United States in the 1890s. The Boston Personal Property Trust, formed in 1893, was the first closed-end mutual fund in the United States.

Mutual funds that resemble those available today followed in the early 1920s, including the Massachusetts Investors Trust, which is considered to be the first modern mutual fund.

Source: Investopedia.com

Types of Funds

- Money market funds
- Municipal bond funds
- Income funds
- Balanced funds
- Growth & income funds
- Growth funds
- International funds
- Global funds
- Sector funds
- Aggressive growth funds

Money market funds are neither insured nor guaranteed by the FDIC or any other government agency. Although a money market fund attempts to maintain a stable $1 share price, you can lose money by investing in such a fund.

Bond funds are subject to the interest-rate, inflation, and credit risks associated with the underlying bonds in the fund. As interest rates rise, bond prices typically fall, which can adversely affect a bond fund's performance.

Investments seeking to achieve higher returns carry an increased level of risk. Growth-oriented funds and international funds tend to be more volatile than the market in general. Investing internationally carries additional risks, such as differences in financial reporting, currency exchange risk, and economic and political risk unique to a specific country.

How Many Mutual Funds Are There?

In 1929, there were about 19 open-end mutual funds and 700 closed-end funds. By the early 1950s, the number of open-end funds reached 100.

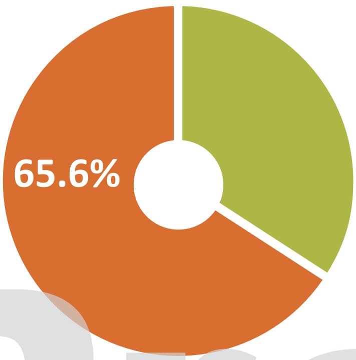
Today, the Investment Company Institute collects statistics on over 7,000 different U.S.-based mutual funds, in addition to a number of closed-end funds, exchange-traded funds, and unit investment trusts.

Sources: Investopedia.com; Investment Company Institute, 2025

Mutual Fund Checklist

	Yes	No
1. Do the objectives of the fund you are considering meet your personal objectives?	☐	☐
2. Are you emotionally committed to leaving your money in this investment for the long term, through the ups and downs of the market cycle?	☐	☐
3. Is the fund you are considering part of a "family of funds"?	☐	☐
4. Have you reviewed the fund's 1-year, 5-year, and 10-year performance record?	☐	☐
5. Is the current portfolio manager the same manager who produced the track record you reviewed?	☐	☐
6. Have you reviewed the costs associated with this fund:		
Management costs?	☐	☐
Marketing costs?	☐	☐
Acquisition costs?	☐	☐
Liquidation costs?	☐	☐
7. Do you have the privilege of telephone exchanges between funds in the family?	☐	☐
Is there a cost for exchanges?	☐	☐
Is a specified time required to elapse between exchanges?	☐	☐
8. Have you investigated the fund's reputation for investor services?	☐	☐
9. Is the investment philosophy of the fund the same as it was:		
5 years ago?	☐	☐
10 years ago?	☐	☐
10. Have you investigated the tax aspects of the fund?	☐	☐

Taxes Are Not Equal



Over 65% of federal income taxes are paid by the wealthiest 5% of taxpayers.

The wealthiest 5% are households with over $252,840 in adjusted gross income.

Source: Tax Foundation, 2024
(2021 data, most current data available)

View from the Top

"Government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it."

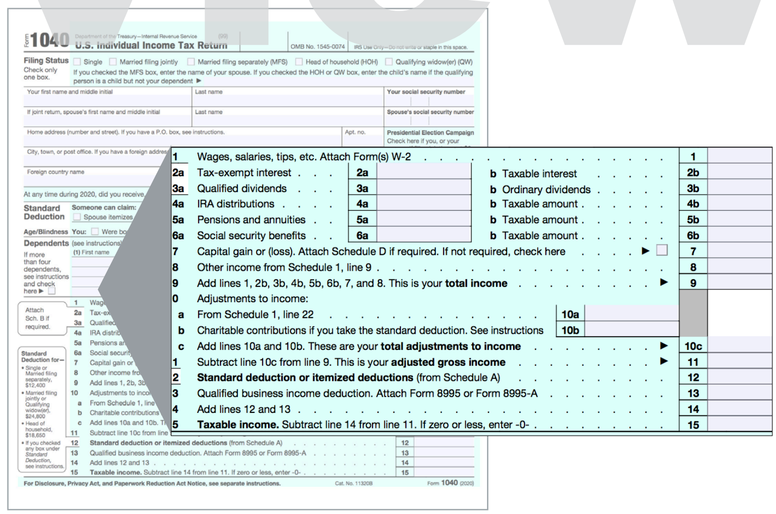
— Ronald Reagan

Source: quotationspage.com

Take a Close Look at Your Tax Return

Could you be paying too much in income taxes?

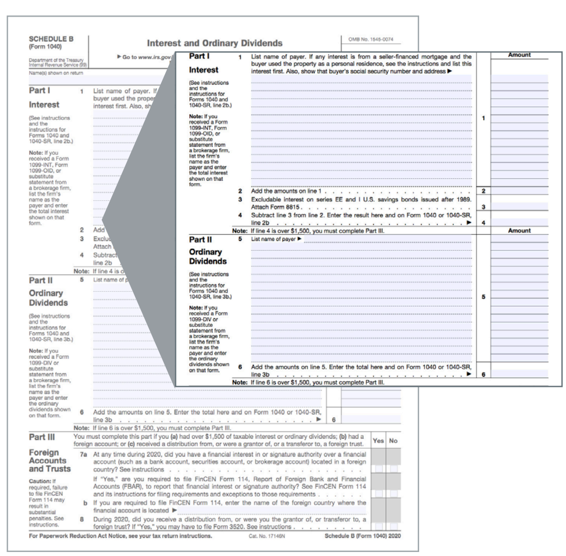
Start by taking a look at Form 1040. You're specifically interested in the section showing various income, as shown here. This section has several items over which you have some control.


1 Wages, salaries, tips, etc. Attach Form(s) W-2 — 1
2a Tax-exempt interest — 2a — b Taxable interest — 2b
3a Qualified dividends — 3a — b Ordinary dividends — 3b
4a IRA distributions — 4a — b Taxable amount — 4b
5a Pensions and annuities — 5a — b Taxable amount — 5b
6a Social security benefits — 6a — b Taxable amount — 6b
7 Capital gain or (loss). Attach Schedule D if required. If not required, check here — 7
8 Other income from Schedule 1, line 9 — 8
9 Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income** — 9
10 Adjustments to income:
a From Schedule 1, line 22 — 10a
b Charitable contributions if you take the standard deduction. See instructions — 10b
c Add lines 10a and 10b. These are your **total adjustments to income** — 10c
11 Subtract line 10c from line 9. This is your **adjusted gross income** — 11
12 **Standard deduction or itemized deductions** (from Schedule A) — 12
13 Qualified business income deduction. Attach Form 8995 or Form 8995-A — 13
14 Add lines 12 and 13 — 14
15 **Taxable income.** Subtract line 14 from line 11. If zero or less, enter -0- — 15

Interest and ordinary dividends are listed on Schedule B.

If there is taxable interest income that is simply being reinvested each year, it represents a tremendous opportunity. This is income that isn't being used effectively.

If these assets were shifted into tax-favored investments that have the potential to grow over time, you could save quite a bit on your income taxes.


SCHEDULE B (Form 1040)
Interest and Ordinary Dividends
Part I Interest
Part II Ordinary Dividends
Part III Foreign Accounts and Trusts

Taxing Economist

"The avoidance of taxes is the only intellectual pursuit that carries any reward."

— John Maynard Keynes

Source: quotationspage.com

Deferring Taxes on Retirement Savings

When you participate in an employer-sponsored retirement plan such as a 401(k), you can allocate a percentage of your salary to your retirement account. Contributions made with pre-tax dollars offer an effective way to reduce your current taxable income. Funds accumulate tax deferred until withdrawn, when they are taxed as ordinary income.

Annual required minimum distributions (RMDs) generally must begin once you reach age 73 (75 if age 73 is reached after December 31, 2032). RMDs from your current employer's retirement plan may be postponed if you are still working for the employer sponsoring the plan.

Investment Taxes to Consider

The tax code treats long-term capital gains and qualified dividends more favorably than ordinary income, such as that received from wages or interest from bonds and savings accounts. Long-term capital gains are profits realized from the sale of investments that are held for more than 12 months. Qualified dividends are those paid to shareholders from a domestic corporation or a qualified foreign corporation.

Lower-income filers pay zero tax on long-term capital gains and dividends. In 2025, single filers whose taxable incomes range from $48,350 up to $533,400 (married filers, $96,700 up to $600,050) are taxed at a 15% rate. Higher-income filers, whose taxable incomes are over $533,400 for single filers (over $600,050 for joint filers), pay 20%.

Single filers	Joint filers	Tax rate
Long-term capital gain and dividend tax (2025 taxable income thresholds)		
Up to $48,350	Up to $96,700	0%
$48,350 up to $533,400	$96,700 up to $600,050	15%
Over $533,400	Over $600,050	20%
Net investment income tax (2025 MAGI thresholds)		
Over $200,000	Over $250,000	3.8%

Source: Internal Revenue Service, 2025

Nonqualified dividends and short-term capital gains (profits on investments held for 12 months or less) are taxed as ordinary income.

Some high-income taxpayers may be subject to the 3.8% unearned income tax on net investment income — capital gains, dividends, interest, royalties, rents, and passive income — if their modified adjusted gross incomes (MAGIs) exceed the $200,000 threshold for single filers or the $250,000 threshold for joint filers. The 3.8% net investment income tax applies to the lesser of (a) net investment income or (b) MAGI exceeding the thresholds. It does not apply to withdrawals from IRAs and qualified retirement plans, nor does it apply to municipal bond interest.

Tax-Favored Investments

Tax Exempt

- Municipal bonds
- Roth IRA

Tax Deferred

- Traditional IRA
- Employer-sponsored retirement plans
- Annuities

Municipal bonds are free of federal income tax and may be exempt from state and local income taxes for investors who live in the jurisdiction where the bond is issued. Some municipal bonds may be subject to the federal alternative minimum tax. To qualify for a tax-free and penalty-free withdrawal of earnings, Roth IRA distributions must meet the five-year holding requirement and take place after age 59½ (other exceptions may apply). Distributions from traditional IRAs, most employer-sponsored retirement plans, and annuities (typically, only the earnings portion of annuities) are taxed as ordinary income and may be subject to a 10% tax penalty if taken prior to reaching age 59½. Most annuities have surrender charges that are assessed during the early years of the contract if the annuity is surrendered.

Retirement by the Numbers

Employer-sponsored retirement plans with numeric names — such as 401(k) and 403(b) — are named for the sections of the Internal Revenue Code under which they are governed.

Tax-Exempt Investing

How do you decide whether tax-exempt investing is appropriate for you? This chart compares the tax-exempt yield to its taxable equivalent.

Tax-exempt yield

Federal income tax bracket	2%	3%	4%	5%
10%	2.22%	3.33%	4.44%	5.56%
12%	2.27%	3.41%	4.55%	5.68%
22%	2.56%	3.85%	5.13%	6.41%
24%	2.63%	3.95%	5.26%	6.58%
32%	2.94%	4.41%	5.88%	7.35%
35%	3.08%	4.62%	6.15%	7.69%
37%	3.17%	4.76%	6.35%	7.94%

Taxable equivalent yield

Generally, the higher your taxable income, the more you can benefit from tax-exempt investments.

Calculating the Taxable Equivalent Yield

	Example	You
1. Take the tax-exempt yield	4 %	____ %
2. Your federal income tax rate	22 %	____ %
3. Subtract your rate from 100% *(1.00 – line 2)*	78 %	____ %
4. Taxable equivalent yield *(line 1 ÷ line 3)*	5.13 %	____ %

The chart and the hypothetical example are used for general illustrative purposes only and do not reflect the performance of any specific investments. Possible state taxes, capital gains taxes, and alternative minimum taxes are not considered. This formula is only one factor that should be considered when purchasing securities and is meant to be used only as a general guideline when calculating the taxable equivalent yields on agency and treasury securities. Rates of return will vary over time, particularly for long-term investments. Actual results will vary.

Will the Smiths Have Enough to Retire?

To give you some perspective on planning for retirement, here's a hypothetical example of one couple's plans for generating income.

The Smiths are 64 years old and want to retire in about two years. They currently have a gross income of $12,000 per month and figure they can live on $9,000 a month after they retire. The Smiths will have three projected sources of income during retirement.

Social Security Benefits

The earliest age to claim Social Security retirement benefits is 62, full retirement age is 66 to 67 (depending on year of birth), and the latest age (to receive the maximum worker benefit) is 70.

If your income exceeds annual limits, your Social Security benefits are taxable. Married couples with "combined incomes" above $44,000 and single filers with "combined incomes" above $34,000 may incur income taxes on up to 85% of their Social Security benefits.

The combined income formula is adjusted gross income plus tax-exempt interest plus 50% of Social Security benefits.

The Smiths

- **Social Security**
  — **$3,089 per month**
  (at full retirement age)
- **401(k) plans**
  — **$2,000 income per month**
- **Personal savings and investments**
  — **$450,000 portfolio could generate $2,250 per month**
  (assuming a 6% annual rate of return)

	Projected monthly income
Social Security	$3,089
401(k) plans	$2,000
Portfolio income	$2,250
	$7,339
Goal	$9,000
Shortfall →	$1,661

The Smiths' projected income results in a $1,661 monthly shortfall! They can't do much to change their Social Security benefits, unless they work longer before claiming Social Security to receive a higher benefit amount. And it's a bit too late to do much about the amount they've set aside in their 401(k) plans, unless they maximize their contributions for the next couple of years. Additional options would be to significantly increase the amount they are saving and investing in their personal savings and investments. Otherwise, in retirement, they could live on a reduced income or spend down their portfolio's principal to maintain their retirement lifestyle.

This hypothetical example is used for illustrative purposes only and does not reflect the performance of any particular investment. Nor does it consider the effect of taxes or investment expenses. Actual results will vary.

Calculating the Cost of Retirement

An effective retirement plan identifies your retirement goals, shows you how to take advantage of your funding sources, and accounts for the effects of taxes and inflation. Without an effective strategy, you could end up with a collection of investments and accounts that don't work together to help you achieve your objectives.

The first step in any effective retirement plan is to calculate the cost. You don't want to reach retirement with an income shortfall like the Smiths, so you should start by calculating how much you will need to save and invest in order to retire comfortably. Factors to consider:

- **Retirement age**
- **Lifestyle you envision**
- **Length of retirement**
- **Estimated income sources**
- **Tax situation (current and future)**

Keep in mind that if you claim Social Security before reaching full retirement age, you will receive a permanently reduced benefit. On the other hand, if you delay claiming Social Security benefits past full retirement age, you could receive a higher benefit amount. In fact, for each year that you wait to claim Social Security after reaching full retirement age, your benefit would increase by about 8%, so your benefit at age 70 would be up to 132% of the primary insurance amount.

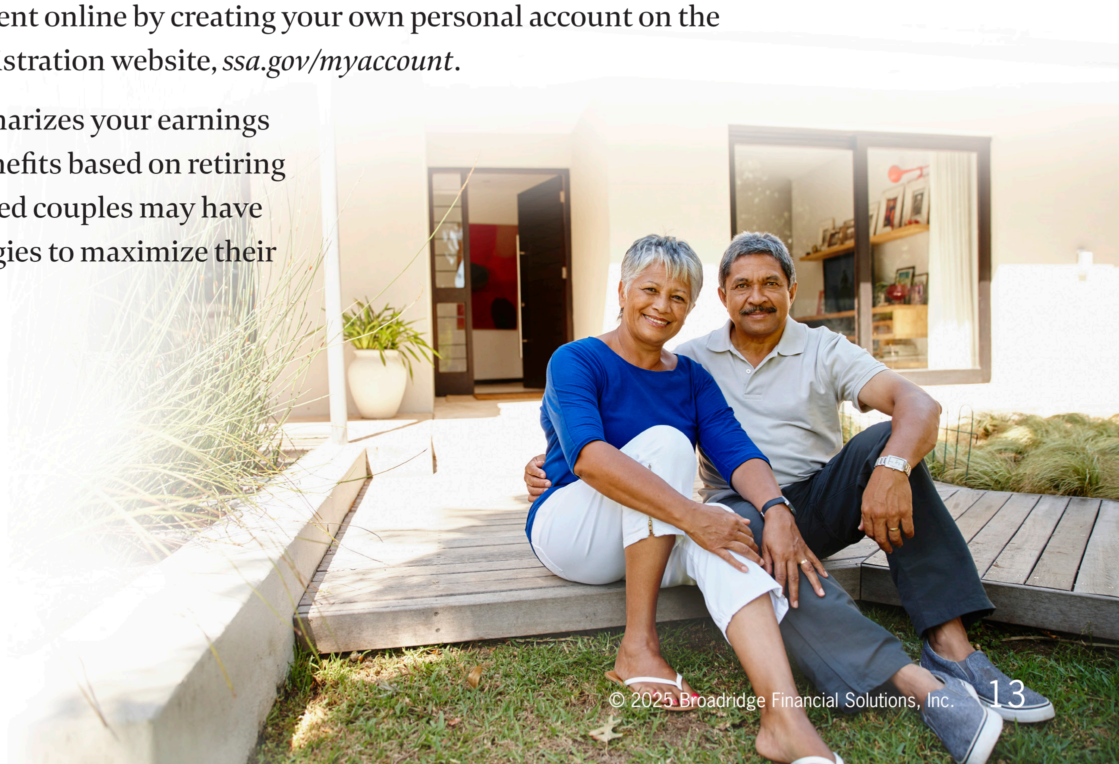
For an estimate of the benefit you might receive, you can view your Social Security Statement online by creating your own personal account on the Social Security Administration website, *ssa.gov/myaccount*.

The statement summarizes your earnings and estimates your benefits based on retiring at different ages. Married couples may have additional filing strategies to maximize their lifetime benefits.

Ongoing Concern

If Medicare benefits remain at current levels, a 65-year-old couple who retired in 2023 and live an average life expectancy might need an estimated $351,000 to cover their health expenses in retirement.

Source: Employee Benefit Research Institute, 2024 (estimated savings needed to cover premiums for Medicare Part B and Part D, the Part D deductible, premiums for Medigap Plan G, and median out-of-pocket prescription drug expenses)



How Much Will You Need to Retire?

Use the following worksheet to determine how much money you may need in order to fund the retirement lifestyle you have envisioned. The factors on the facing page will help you complete the calculations.

	Example	You
1. Expected retirement age	67	________
2. Estimated length of retirement *(years)*	25	________
3. Current annual income	$ 75,000	$ ________
4. Percentage of income desired in retirement	80 %	________ %
5. Annual income desired in current dollars *(line 3 times line 4)*	$ 60,000	$ ________
6. Expected annual Social Security income in current dollars	$ 23,712	$ ________
7. Expected annual pension plan income in current dollars	$ 10,000	$ ________
8. Income needed from savings and investments in current dollars *(line 5 minus lines 6 and 7)*	$ 26,288	$ ________
9. Income needed from savings and investments in future dollars *(line 8 times Factor A)*	$ 69,750	$ ________
10. Amount you must save by retirement, in future dollars *(line 9 times Factor B)*	$ 1,214,564	$ ________
11. Amount you have saved already	$ 150,000	$ ________
12. What your savings might grow to by the time you retire *(line 11 times Factor C)*	$ 699,150	$ ________
13. Amount you still need to save by the time you retire *(line 10 minus line 12)*	$ 515,414	$ ________
14. Amount you need to save each year *(line 13 times Factor D)*	$ 11,288	$ ________

Feeling Confident

Seven out of 10 Americans feel confident they have enough money to live comfortably throughout retirement.

Source: Employee Benefit Research Institute, 2024

The hypothetical example shown assumes a 47-year-old who plans to retire at age 67 and spend 25 years in retirement. It is used for illustrative purposes only and does not represent any specific investment. Even though the example uses a hypothetical 8% rate of return, remember that rates of return will vary over time, particularly for long-term investments. Actual results will vary.

You should bear in mind that roughly calculating the cost of retirement is only a beginning. We recommend a more thorough cash-flow analysis considering all sources of income and expenses.

Years Until Retirement	Factor A	Factor C	Factor D	Expected Life Span After Retirement	Factor B
1	1.0500	1.0800	1.0000	1	0.9709
2	1.1025	1.1664	0.4808	2	1.9135
3	1.1576	1.2597	0.3080	3	2.8286
4	1.2155	1.3605	0.2219	4	3.7171
5	1.2763	1.4693	0.1705	5	4.5797
6	1.3401	1.5869	0.1363	6	5.4172
7	1.4071	1.7138	0.1121	7	6.2303
8	1.4775	1.8509	0.0940	8	7.0197
9	1.5513	1.9990	0.0801	9	7.7861
10	1.6289	2.1589	0.0690	10	8.5302
11	1.7103	2.3316	0.0601	11	9.2526
12	1.7959	2.5182	0.0527	12	9.9540
13	1.8857	2.7196	0.0465	13	10.6350
14	1.9799	2.9372	0.0413	14	11.2961
15	2.0789	3.1722	0.0368	15	11.9379
16	2.1829	3.4259	0.0330	16	12.5611
17	2.2920	3.7000	0.0296	17	13.1661
18	2.4066	3.9960	0.0267	18	13.7535
19	2.5270	4.3157	0.0241	19	14.3238
20	2.6533	4.6610	0.0219	20	14.8775
21	2.7860	5.0338	0.0198	21	15.4150
22	2.9253	5.4365	0.0180	22	15.9369
23	3.0715	5.8715	0.0164	23	16.4436
24	3.2251	6.3412	0.0150	24	16.9355
25	3.3864	6.8485	0.0137	25	17.4131
26	3.5557	7.3964	0.0125	26	17.8768
27	3.7335	7.9881	0.0114	27	18.3270
28	3.9201	8.6271	0.0105	28	18.7641
29	4.1161	9.3173	0.0096	29	19.1885
30	4.3219	10.0627	0.0088	30	19.6004

Assumptions:

Factor A – 5% inflation rate

Factor B – 3% real rate of return

Factor C – 8% return on investment

Factor D – 8% discount factor

Typically, you face three main challenges in leaving a lasting legacy: probate, estate taxes, and the potential expense of long-term care.

Ins and Outs

The estate tax was first established in 1797 to help fund a naval buildup. Since then, it has been abolished and reinstated seven times.

Source: Joint Committee on Taxation

Probate

Probate is simply the court proceedings that conclude all the legal and financial matters of the deceased. Most people would prefer to avoid it, if possible.

Probate can be expensive. Costs vary depending on the state in which probate takes place. In addition, attorney fees could rise significantly if the will is contested or when other extraordinary issues arise.

Probate can take a long time — often a few months to a year or more. And the more complex your estate (will, assets, and debts), the longer it could take. Your beneficiaries may have to wait until probate is concluded to receive the bulk of their inheritance.

Probate offers no privacy. In most states, the proceedings of the probate courts are a matter of public record. Unless you take specific steps to safeguard your privacy, almost anyone can find out exactly how much you owned, as well as how much you owed and to whom, after your death.

Estate Taxes

Note: The full amount of the applicable estate tax exclusion is available at death only if there have been no prior taxable gifts.

Estate taxes are levied by the federal government and several states on any property that passes from the deceased to the living. Estate taxes are calculated on the net value of your estate — your home, stocks, bonds, life insurance, and anything else of value that you own — less allowable debts, expenses, and deductions.

The federal estate tax exclusion shelters a portion of an estate from federal estate taxes. If, upon your death, the total value of your estate is less than the applicable exclusion amount, no federal estate taxes will be due on your estate.

Transfers of wealth between spouses are exempt from federal estate and gift taxes (as long as the surviving spouse is a U.S. citizen). But when the surviving spouse dies, the remaining estate assets are subject to taxation.

In 2025, the federal estate tax exclusion amount is $13.99 million per individual. Because of the high exclusion amount, very few estates will be subject to federal estate taxes. However, after 2025, the exclusion is scheduled to revert to its inflation-adjusted 2017 level and be cut by about half. The federal estate tax rate on assets above the exclusion amount remains at 40%.

Given the uncertainty of estate taxes over time, you might consider planning strategies to help leave more of your wealth to your heirs.

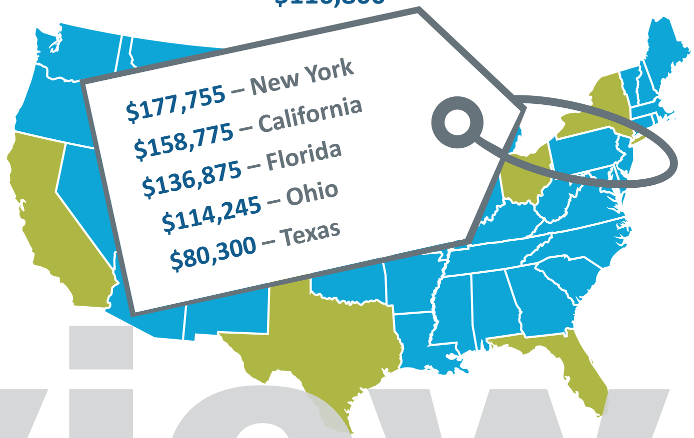
Long-Term Care

Statistically, 70% of 65-year-olds will need long-term care services and support at some point in their lives. Unfortunately, long-term care can be very expensive, and few people can afford to pay these costs out of pocket for very long.

Have you considered what would happen to your estate and intended legacy if you — or your parents — needed long-term care for an extended period?

Source: National Council on Aging, 2024

National median nursing-home cost:
$116,800



Source: Genworth Cost of Care Survey, 2024 (2023 data, most current available, costs for a private room in a nursing home)

Estate Distribution Techniques

1. **Will**
2. **Jointly held property**
3. **Contracts**
4. **Trusts**

A will is what most people think of when they think about estate planning. Indeed, wills have been used for centuries. Everyone should have a will.

Holding property jointly with others can affect the distribution of assets. Property held in joint tenancy with rights of survivorship or tenancy by the entirety will pass automatically to the surviving co-owners.

Using contracts, you can pass assets directly to your designated beneficiaries. The assets in life insurance policies, annuity contracts, IRAs, pensions, and employer-sponsored retirement plans will pass directly to the beneficiaries you have designated on the account beneficiary forms. That's why it is important to keep the beneficiary forms up to date to help ensure that the assets go to the appropriate people.

And finally, you can establish a trust. A trust is a legal arrangement under which one person or institution controls property given by another person for the benefit of a third party. Many people think trusts are only for the rich, but trusts can be very effective estate planning tools for all types of estates. Some trusts can completely avoid probate.

A trust typically involves upfront costs and often has ongoing administrative fees. The use of trusts involves a complex web of tax rules and regulations. You should consider the counsel of an experienced estate planning professional before implementing such strategies.

SECURE Act of 2019 Eliminated Stretch IRAs for Most Beneficiaries

Most nonspouse beneficiaries who inherit IRA and qualified retirement plan assets can no longer "stretch" distributions over their lifetimes. Instead, they must liquidate inherited accounts within 10 years of the original account owner's death. This could result in heirs being hit with higher-than-expected tax bills.

Key exceptions to this rule include surviving spouses, disabled and chronically ill individuals, and those who are not more than 10 years younger than the decedent.

Figuring Out Your Net Cash Flow

How much discretionary income do you have available after your monthly obligations are met? Can you account for where the money goes? Some people are surprised at the amount they should be able to save and invest each month but don't. Analyze your cash flow for the current month. Because income and expenses can vary from month to month, you may wish to estimate your cash flow through all 12 months or take a 12-month average.

Monthly Income	
Wages, salary, tips	$
Alimony, child support	$
Dividends from stocks, mutual funds, etc.	$
Interest on savings accounts, bonds, CDs, etc.	$
Social Security benefits	$
Pensions	$
Other income	$
TOTAL MONTHLY INCOME	**$**

Monthly Expenses			
Mortgage payment or rent	$	Other transportation	$
Vacation home mortgage	$	Life insurance	$
Automobile loan(s)	$	Homeowners insurance	$
Personal loans	$	Automobile insurance	$
Charge accounts	$	Medical, dental, disability insurance	$
Federal income taxes	$	Unreimbursed medical, dental expenses	$
State income taxes	$	Entertainment/dining	$
FICA (Social Security)	$	Recreation/travel	$
Real estate taxes	$	Club dues	$
Other taxes	$	Hobbies	$
Utilities (electricity, heat, water, telephone, etc.)	$	Gifts	$
Household repairs and maintenance	$	Major home improvements and furnishings	$
Food	$	Professional services	$
Clothing/laundry	$	Charitable contributions	$
Education expenses	$	Other expenses	$
Child care	$		
Automobile expenses (gas, repairs, etc.)	$	**TOTAL MONTHLY EXPENSES**	**$**

NET CASH FLOW	
Total monthly income	$
Total monthly expenses	$
Discretionary monthly income *(Subtract your expenses from your income)*	**$**

How much of your discretionary monthly income are you investing or saving each month? $______________

Figuring Out Your Net Worth

How much are you worth? Just as corporations prepare a balance sheet to determine their current net worth, you may want to complete a personal balance sheet.

Tangible Assets	
Residence	$
Vacation home	$
Furnishings	$
Automobiles	$
Rental real estate	$
Art, jewelry, or other valuables	$

Equity Assets	
Qualified retirement funds	$
Stocks	$
Equity mutual funds	$
Variable life insurance (cash value)	$
Variable annuities	$
Limited partnerships	$
Business interests	$

Fixed-Principal Assets	
Fixed-interest annuities	$
Life insurance (cash value)	$
Other assets	$

Debt Assets	
U.S. government bonds and agency securities	$
Municipal bonds	$
Corporate bonds	$
Face amount certificates	$
Debt mutual funds	$

Cash and Cash Alternatives	
Checking accounts	$
Savings accounts	$
Money market funds	$
Certificates of deposit	$
Other cash reserve accounts	$
TOTAL ASSETS *(Add tangible, equity, fixed principal, debt assets, and cash)*	**$**

Liabilities	
Home mortgage	$
Other mortgage	$
Automobile loans	$
Bank loans	$
Personal loans	$
Charge-account debt	$
Other debts	$
TOTAL LIABILITIES	**$**

NET WORTH	
Total assets	$
Total liabilities	$
NET WORTH *(Subtract your liabilities from your assets)*	**$**

Set a goal for yourself.

What would you like your net worth to be in 5 years? $ ____________

What would you like it to be in 10 years? $ ____________

What to Bring

Please bring the following documents to your complimentary, no-obligation consultation:

1. ______________________________

2. ______________________________

3. ______________________________

4. ______________________________

5. ______________________________

Your consultation is scheduled for:

____

Date Time

REYNOLDS & Associates

broker-dealer disclosure