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"Partners in Your Financial Future"

KAREN BROWN TISDALE

Financial News

4TH QUARTER 2024

IRS Releases 2025 Tax Brackets

The Internal Revenue Service released the updated income tax brackets, standard deduction, and retirement contribution limits for the 2025 tax year. While these changes won't impact you for some time, it may benefit you to start thinking ahead.

The top rate remains 37%, but remember that 2017's Tax Cuts and Jobs Act expires at the end of 2025. Overall, more than 60 provisions have changed at the federal level. Here are a few of the most critical changes in the federal tax bracket and retirement contribution limit. While the IRS has highlighted its changes, keep an eye out for any changes to individual and business taxes that may be pending in your state.[1]

Tax Bracket Inflation Adjustment
Overall, tax brackets have been adjusted upwards for 2025. This adjustment is based on the Consumer Price Index and primarily accounts for inflation.

Standard Deduction
The standard deduction has increased to $30,000 for married couples filing jointly, up $800 from the previous year. For single filers, this number increased by $400 to $15,000.

Marginal Rates
Marginal tax rate brackets are also increasing.

Gift Tax
The annual gift tax exclusion for 2025 is $19,000, an increase of $1,000 from the previous year.

Estate Tax Credit
Individuals receiving an inheritance in 2025 will be able to exclude $13,990,000 from federal taxation, up from $13,610,000 in the previous year.

All information sourced from IRS.gov. Remember that we provide updates for informational purposes only, so consult with your tax professional before making any changes in anticipation of the new 2025 levels. You can also contact our offices, and we can provide information about the pending changes. Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming don't levy a state income tax.

Fed Cuts Rates; Focuses on Dual Mandate

The Federal Reserve approved its second consecutive interest rate cut following its November meeting, telling investors that it's continuing its push to "right-size monetary policy."

The benchmark Fed funds rate has a target range of 4.5 percent to 4.75 percent. That rate can influence everything from mortgages to car loans to credit card rates.

Taking a step back, it's important to remember that the Fed has a dual mandate when managing monetary policy. Since 1977, Congress has tasked the Fed with price stability while maximizing employment.

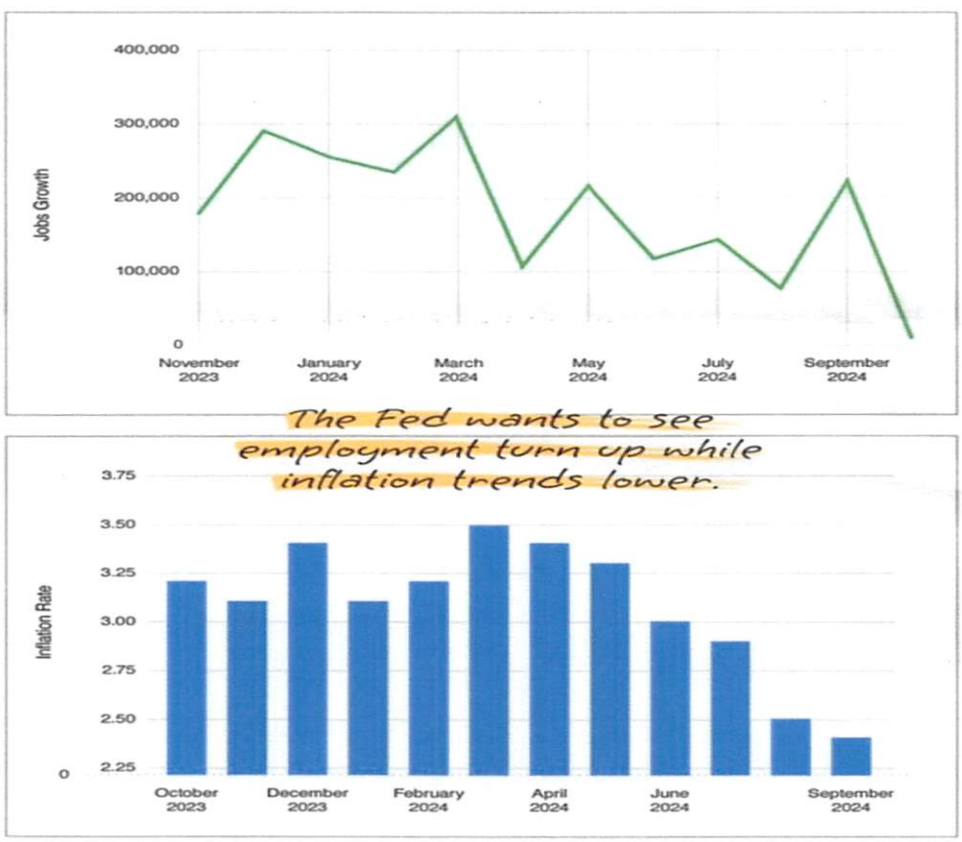
As the two charts show, in recent months, the Fed appears more successful at managing inflation than boosting employment. Inflation fell to 2.4 percent in September, but the economy added only 12,000 jobs in October. So, while it's upbeat news on inflation, it's a bit concerning that job creation has trended lower for most of 2024.Remember, the U.S. economy is a massive (nearly $30 trillion GDP) and complex system influenced by a wide range of factors. So, the Fed has many factors to consider when adjusting monetary policy to guide inflation and employment.

But remember, to me, the most important economy is your family's economy.

With the 2024 election over and the New Year in sight, please reach out if you have any concerns about our strategy.

The Fed's Dual Mandate

In the 1977 amendment to the Federal Reserve Act, Congress gave the Fed policy makers the dual mandate of promoting maximum employment and stable prices.



Source: TradingEconomics.com, 2024

Understanding Qualified Charitable Distributions (QCDs)

As you build your legacy, considering how to leverage your charitable contributions can be a fulfilling endeavor. Qualified Charitable Distributions (QCDs) can offer an opportunity to support your favorite causes and manage your retirement income. Here are some factors to consider with QCDs and how they've changed based on recent legislation, such as the SECURE Act.

What Is a Qualified Charitable Distribution (QCD)? A Qualified Charitable Distribution allows individuals aged 70½ or older to donate directly from specific retirement accounts to qualified charities without recognizing the distribution as taxable income. Such distributions can help you manage your required minimum distributions (RMDs). Additionally, the SECURE Act 2.0 changed the age of RMDs to 73.[2] Remember, this is for informational purposes only and is not a replacement for real-life advice. We encourage you to consult with your tax, legal, and accounting professionals before modifying your retirement income strategy.[2]

Age and Account Requirements. You must be at least 70½ years old to qualify for a QCD. The distribution can be made from an IRA. You can use SEP IRAs or SIMPLE IRAs so long as they are inactive, meaning that you've made no contributions to the account in the year the QCD is taken. However, keep in mind that 401(k)s and other non-IRA retirement vehicles do not qualify for QCDs.[2] Once you reach age 73, you must begin taking RMDs from a traditional IRA, SEP IRA, or SIMPLE IRA in most circumstances. Withdrawals from traditional IRAs are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty. To qualify for the tax- and penalty-free withdrawal of earnings, Roth IRA distributions must meet a 5-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawals can also be taken under certain other circumstances, such as the owner's death. The original Roth IRA owner is not required to take minimum annual withdrawals.[2]

Limits and Adjustments. The maximum annual limit for QCDs is currently set at $100,000 for 2024, an amount that adjusts for inflation yearly. Therefore, staying updated on the annual cap is important, as it can influence your donation strategy.[2]

Financial Pros and Cons. In addition to helping you support a charity, a QCD may also offer to help you manage your tax situation. IRA withdrawals are generally taxable, but QCDs are excluded from taxable income, meaning they don't increase your adjusted gross income (AGI). For some, this may be an opportunity to consider when balancing supporting a charitable organization and managing taxes. Additionally, QCDs may enable you to satisfy your RMD requirements. You also benefit from the fact that you might not need to itemize deductions to take advantage of a QCD, allowing you to use the standard deduction.[2]Again, this article is for informational purposes only. Speak with your tax, legal, and accounting professionals if you have specific questions about your deductions.

Charity and RMD Considerations. QCDs are versatile in that there is no restriction on the number of charities you can support, provided they qualify under IRS guidelines. However, the donation must go directly from your IRA to the charity to be a QCD. Gifts made as QCDs can fulfill all or part of your annual RMD requirement. It's worth noting that if you donate over your RMD amount, the excess cannot be rolled over to the following year's RMD.

Final Key Details. It's prudent to confirm the status of your chosen charity through the IRS Online Search Tool or by consulting with a professional who can speak to the organization's tax status. If you withdraw and then donate the funds, it does not count as a QCD and becomes taxable.

As with most financial strategies, your state may have specific rules impacting how QCDs are treated. Check with a tax professional about state-specific regulations.

Why You Shouldn't Store Your Money In Payment Apps

Many of us rely on payment apps for convenience, but it's important to understand their limitations. While these apps make transferring money easy, storing funds in them might not be the wisest financial move.

Did you know that money left in most payment apps isn't FDIC-insured? This means your funds could be at risk if something goes wrong. Plus, you're missing out on potential interest from high-yield savings accounts.

Consider promptly transferring money out of payment apps. It's a simple step that can help protect your funds and potentially earn you more over time.

Interested in learning more about maximizing your money's potential? Let's discuss strategies that align with your financial goals. #FinancialSafety #DigitalPayments #SmartMoney

BRUCE & KAREN'S NOTES

We hope this newsletter finds you all well and looking forward to the Holiday Season. We are sending this quarterly update to provide our continued perspective on the stock market situation. 2024 has continued to be positive particularly following the election. The Federal Reserve Board has now lowered interest rates two times for a total of 75 basis points (.75%) which has been well-received by market watchers. Additionally, with the election results providing for a Republican President as well as a Republican controlled Senate and House, there has been significant short-term optimism concerning prospects for economic expansion. Accordingly, portfolios have seen good gains for the year so far. We expect that trend to continue especially if the Federal Reserve Board continues to lower rates. Lower rates make borrowing more cost-effective which helps many and tends to stimulate business.

As we mentioned in the last quarterly newsletter, our Broker Dealer, which was Securities America, Inc., officially merged into Osaic Wealth, Inc. as of this past June. The majority of our Albridge Solutions platform problems have been corrected, but please know that we are continuing to monitor and deal with any issues we can identify. We very much appreciate your patience as we work through any interruptions in service. Please let us know of any issues you may find.

We take this special time of year to send our heart-felt thanks for your continued trust and confidence. All of us here at B&A feel very blessed to be given the opportunity to work with you. As always, we thank you and encourage you to call or email us with any concerns or questions. We appreciate you allowing us the opportunity to work with you.

Bruce Karen

1. IRS.gov
2. IRS.gov, 2024