

2024 YEAR END CLIENT LETTER

Key Wealth Management Strategies for 2024 and 2025



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RETIREMENT PLANNING

401(K) Plans at Work

If your employer offers a 401(k) plan, contribute the maximum to boost your retirement savings and reduce income taxes.

For 2024, contribute up to \$23,000 by December 31st. If you're 50 or older, make a catch-up contribution of up to \$7,500.

For 2025 contribute up to \$23,500. if you're 50 or older, make a catch-up contribution of up to \$7,500. Starting in 2025 those aged 60 to 63 can make an additional extra catch-up contribution of up to \$3,750, bringing your total contribution limit to \$11,250.

SIMPLE IRA Plans at Work

If your employer offers a SIMPLE IRA plan, contribute the maximum to boost your retirement savings and reduce income taxes.

For 2024, contribute up to \$16,000 by December 31st. If you're 50 or older, make a catch-up contribution of up to \$3,500.

For 2025, contribute up to \$16,500. If you're 50 or older, make a catch-up contribution of up to \$3,500. Starting in 2025 those aged 60 to 63 can make an additional extra catch-up contribution of up to \$5,250, bringing your total contribution limit to \$8,750. This can help boost your retirement savings as you get closer to retirement.



RETIREMENT PLANNING

SEP IRA Plans at Work

If your employer offers a SEP IRA plan, contributions are funded by your employer. They can contribute up to 25% of your compensation or \$69,000 annually for 2024 (whichever is lower). For 2025 the maximum contribution amount is \$70,000 or 25% of your compensation (whichever is lower).

IRA Contributions: Traditional or Roth

Contribute to your Traditional or Roth IRA for the 2024 tax year by the April 15th, 2025 deadline. The maximum contribution is \$7,000. Those aged 50 and above can contribute \$8,000.

Starting January 1st, 2025, you can begin making contributions for the 2025 tax year. The maximum contribution is \$7,000. Those aged 50 and above can contribute \$8,000.



RETIREMENT PLANNING

HSA Maximization

If eligible contribute to a Health Savings Account (HSA) for tax-deductible contributions, tax-free growth, and tax-free withdrawals for medical expenses. You can contribute up to \$4,300 as an individual and \$8,550 as a family. Those aged 55 and older can contribute an additional \$1,000.

Required Minimum Distributions (RMD)

You are required to begin withdrawing Required Minimum Distributions (RMDs) from your traditional IRA by April 1 following the year you turn 73 to avoid excise taxes.

INVESTMENT PORTFOLIO REVIEW

Rebalance Portfolio

Adjust your asset allocations to ensure they align with your risk tolerance and long-term financial objectives. Regular rebalancing helps maintain your investment strategy amidst market fluctuations.

Diversification

Ensure that your portfolio is well-diversified across various asset classes and sectors. A balanced mix of investments reduces risk and improves the potential for consistent returns.

Evaluate Performance

Assess the performance of your investments. Identify and consider removing assets that consistently underperform or no longer align with your financial goals.

ESTATE PLANNING

Review Wills and Trusts

Regularly assess and update your will and trust documents to ensure they align with your current financial goals, family dynamics, and any changes in laws.

Annual Gift Exclusions

Take advantage of the annual gift tax exclusion, which allows you to gift up to \$19,000 per individual in 2025 without triggering federal gift tax. This strategy can help reduce the size of your taxable estate while benefiting loved ones.

529 Plans

Contribute to 529 education savings plans, which offer tax-advantaged growth for future education expenses. Contributions to these plans may reduce the taxable estate, potentially lowering estate taxes upon your passing. States like Maryland, DC, and Virginia offer state tax deductions or credits for 529 contributions.

CHARITABLE GIVING STRATEGIES

Donor-Advised Funds (DAFs)

Contribute to a DAF to make tax-deductible contributions now while granting funds to charities over time. DAFs are a strategic tool for managing philanthropy and legacy planning.

Qualified Charitable Distributions (QCDs)

Qualified Charitable Distributions (QCDs) allow individuals aged 73 or older to make charitable donations directly from their IRA to a qualified charity, satisfying their Required Minimum Distribution (RMD) requirement. These donations are not included in taxable income, providing a tax advantage.

QCDs can be up to \$100,000 per year and offer a way to support charitable causes while reducing taxable income, potentially lowering overall tax liability. This strategy is especially beneficial for those who do not need to withdraw funds from their IRA for personal use and wish to make a positive impact through charitable giving.

INSURANCE AND RISK MANAGEMENT

Review Policies

Ensure coverage levels for Life, Health, and Property Insurance match your needs. Adjust for changes like family size and income.

Flexible Spending Accounts (FSAs)

Check your FSA balance and use remaining funds before they expire.



FINANCIAL HOUSEKEEPING

Emergency Fund Review

Ensure you have three to six months worth of essential living expenses saved as an emergency fund. This financial buffer is vital for managing unexpected situations such as job loss or medical emergencies.

Debt Payoff Strategy

Develop a plan to address high-interest debts, such as credit cards or personal loans. Prioritizing these obligations will help improve cash flow and strengthen your overall financial position.

Update Your Beneficiaries

Review and update beneficiary designations on all financial accounts and insurance policies. Ensuring these details are accurate will help align your estate planning with your current intentions and family structure.



PLANS FOR THE FUTURE

Set Goals

Define financial objectives for the upcoming year. These could include increasing retirement savings, reducing debt, or building an emergency fund of 3-6 months of expenses. Defining your priorities today sets the stage for tomorrow's success.

Invest in Education

Contribute to 529 plans or other education savings accounts. Planning early helps ensure that future educational opportunities are within reach, whether for children, grandchildren, or even personal advancement.

Professional Guidance:

Meet with us to help you navigate your financial journey. For those who do not currently use our Wealth Management service, we provide a free second opinion for all of our clients on their investment accounts.







CONTACT

We provide these recommendations to help you achieve your financial goals and to attain better financial well-being. If you have any questions, please see our contact information below and we would be happy to assist you.

We look forward to working with you into the new year and beyond.

Best,

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