SAMALIN WEALTH

# FINANCE FOCUS

Q2 2025

IN THIS ISSUE



## Key Retirement and Tax Numbers for 2025

Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans and various tax deduction, exclusion, exemption, and threshold amounts. Here are a few of the key adjustments for 2025.

### Estate, gift, and generation-skipping transfer tax

- The annual gift tax exclusion (and annual generation-skipping transfer tax exclusion) for 2025 is $19,000, up from $18,000 in 2024.
- The gift and estate tax basic exclusion amount (and generation-skipping transfer tax exemption) for 2025 is $13,990,000, up from $13,610,000 in 2024.

### Standard deduction

A taxpayer can generally choose to itemize certain deductions or claim a standard deduction on the federal income tax return. In 2025, the standard deduction is:

- $15,000 (up from $14,600 in 2024) for single filers or married individuals filing separate returns
- $30,000 (up from $29,200 in 2024) for married joint filers
- $22,500 (up from $21,900 in 2024) for heads of households

The additional standard deduction amount for the blind and those age 65 or older in 2025 is:

- $2,000 (up from $1,950 in 2024) for single filers and heads of households
- $1,600 (up from $1,550 in 2024) for all other filing statuses

Special rules apply for an individual who can be claimed as a dependent by another taxpayer.

### IRAs

The combined annual limit on contributions to traditional and Roth IRAs is $7,000 in 2025 (the same as in 2024), with individuals age 50 or older able to contribute an additional $1,000.

The limit on contributions to a Roth IRA phases out for certain modified adjusted gross income (MAGI) ranges (see table). For individuals who are active participants in an employer-sponsored retirement plan, the deduction for contributions to a traditional IRA also phases out for certain MAGI ranges (see table). The limit on nondeductible contributions to a traditional IRA is not subject to phaseout based on MAGI.

### Employer-sponsored retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to $23,500 in compensation in 2025 (up from $23,000 in 2024); employees age 50 or older can defer up to an additional $7,500 in 2025 (the same as in 2024), increased to $11,250 in 2025 for ages 60 to 63.
- Employees participating in a SIMPLE retirement plan can defer up to $16,500 in 2025 (up from $16,000 in 2024), and employees age 50 or older can defer up to an additional $3,500 in 2025 (the same as in 2024), increased to $5,250 in 2025 for ages 60 to 63.

### Kiddie tax: child's unearned income

Under the kiddie tax, a child's unearned income above $2,700 in 2025 (up from $2,600 in 2024) is taxed using the parents' tax rates.

**MAGI Ranges: Contributions to a Roth IRA**

| | 2024 | 2025 |
|---|---|---|
| Single/Head of household | $146,000–$161,000 | $150,000–$165,000 |
| Married filing jointly | $230,000–$240,000 | $236,000–$246,000 |
| Married filing separately | $0–$10,000 | $0–$10,000 |

**MAGI Ranges: Deductible Contributions to a Traditional IRA**

| | 2024 | 2025 |
|---|---|---|
| Single/Head of household | $77,000–$87,000 | $79,000–$89,000 |
| Married filing jointly | $123,000–$143,000 | $126,000–$146,000 |

Note: The 2025 phaseout range is $236,000–$246,000 (up from $230,000–$240,000 in 2024) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered. The phaseout range is $0–$10,000 when the individual is married filing separately and either spouse is covered by a workplace plan.

# Breaking Down the Numbers: The Soaring U.S. National Debt

The U.S. national debt is the total amount of money owed by the federal government. As of January 2025, it stands at $36.16 trillion.[1]

## The difference between deficit and debt

When the federal government spends more money than it collects in taxes in any given fiscal year (the government's fiscal year runs from October 1 to September 30), there is a deficit. The opposite of a deficit is a surplus.

To fund its operations when there is a deficit, the government borrows money by selling Treasury notes, bills, bonds, and other securities to investors, paying interest based on the interest rate environment at the time the security is issued. The interest owed to these investors adds to each year's spending deficit (if any) and further increases the national debt over time.

In the past 50 years, the U.S. has run a deficit 46 times. The last U.S. budget surplus was in 2001. In 2024, the deficit was $1.83 trillion, the third-highest on record. The highest deficit was in 2020 during the pandemic, when it was $3.13 trillion.[2]

## Why is the national debt so high?

There are several reasons for the ballooning national debt. One reason is previous tax cuts and pandemic spending. Another major reason is the increasing cost of Social Security and Medicare, two popular programs that serve a growing demographic of older Americans and make up the two biggest slices of the federal budget pie.[3] Cutting spending on these programs is not politically popular, though in theory, future benefits could be trimmed. Military spending also consumes a significant portion of the federal budget.

A category of spending that can't be cut is the interest the federal government must pay to investors who have purchased Treasury securities, which is consuming an increasing share of the federal budget. This is sometimes referred to as "servicing the national debt." As of September 2024, $1.13 trillion went toward maintaining the debt, which was 17% of total federal spending in fiscal year 2024.[4]

Comparing a country's total debt to its gross domestic product (GDP) is typically a better way to gauge a country's ability to pay down its debt than just looking at the raw debt number. For fiscal year 2024, the U.S. debt-to-GDP ratio was 124%. This was just under the record 126% in 2020.[5] According to the nonpartisan Congressional Budget Office, based on current spending and revenue projections, the debt-to-GDP ratio is projected to reach 179% by 2054.[6]

Clearly, Congress has work ahead to better balance U.S. revenue and spending.

*Projections are based on current conditions, subject to change, and may not come to pass.*

Sources:
1–5) fiscaldata.treasury.gov, 2025
6) Congressional Budget Office, 2025

# Are You Missing the Bull's-Eye with a Target-Date Fund?

Two out of three 401(k) participants have assets in a target-date fund — an "all-in-one" fund intended in theory to be the holder's only investment (see chart). These funds are often the default option in workplace plans, so you may have a target-date fund without fully understanding what it is, or perhaps without even knowing you own it.

In fact, target-date funds are not as simple as they appear to be. Like all investment options, they have strengths and weaknesses.

## Focused on time

Target-date funds offer a professionally managed mix of assets — typically a combination of other funds containing stocks, bonds, and cash alternatives — selected for a specific time horizon.

The target date, usually included in the fund's name, is the approximate date when an investor would begin to withdraw money for retirement (or another purpose, such as paying for college). An investor expecting to retire in 2055, for example, might choose a 2055 fund. As the target date approaches, the fund typically shifts toward a more conservative asset allocation to help preserve the value it may have accumulated and potentially provide income.

## One size may not fit all

Target-date funds utilize basic asset allocation principles that are often used to construct more complex portfolios. But the allocation is based solely on the target date and does not take into account the investor's risk tolerance, personal goals, asset levels, sources of income, or any other factors that make an investor unique.

An investor with $200,000 in a target-date fund has the same asset allocation as an investor with $20,000 in the fund. An investor who also has a pension and might be comfortable taking more risk with 401(k) investments is placed in the same risk category as an investor who will depend primarily on savings in the 401(k) account.

Considering this one-size-fits-all approach, target-date funds may be especially appealing to novice investors with relatively low assets or to those who prefer a simple set-and-forget option in their 401(k), IRA, or other investment account. But even if simplicity is the goal, it's important for any investor who keeps assets in a target-date fund to learn more about the specific fund and how it operates.

## Glide to or beyond retirement

The transition from more aggressive to more conservative investment allocations is driven l a formula called the glide path, which determi how the asset mix will change over time. The glide path may end at the target date or contir to shift assets beyond the target date, taking tl fund into your retirement years.

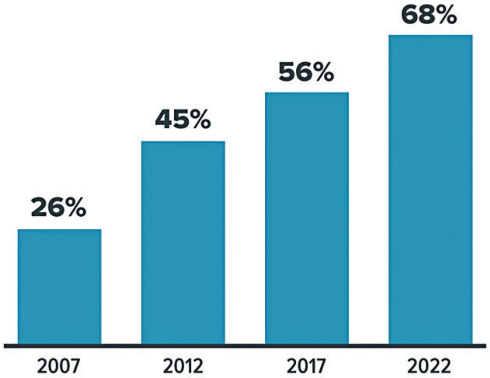
Funds with the same target date may vary not only in their glide path but also in the underlyi asset allocation, investment holdings, turnove rate, fees, and fund performance. Be sure you understand the asset mix of your fund and how it changes over time. It's especially important to closely examine your target-date fund as you approach retirement. You can find detailed information in the prospectus.

Asset allocation is a widely accepted method to help manage investment risk. It does not guarantee a profit or protect against investment loss, and there is no guarantee that you will be prepared for retirement on the target date or that the fund will meet its stated goals. Keep in mind that investing in other securities outside of a target-date fund may change your overall asset allocation. It's generally wise to consider the allocation strategy of your full portfolio.

The principal value of a target-date fund is not guaranteed before, on, or after the target date. The return and principal value of all mutual funds fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

## Growing Trend

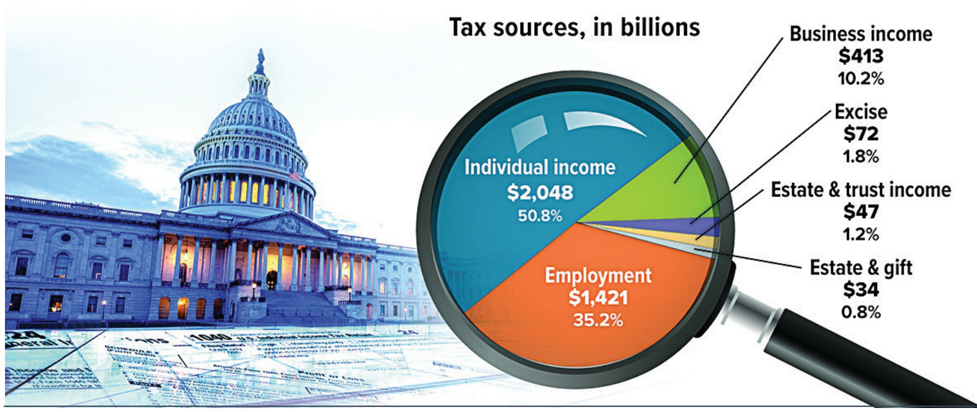
**Percentage of 401(k) participants holding target-date funds**




Source: Investment Company Institute, 2024 (2022 year-end data, most recent available)

Mutual funds 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.

# Funding the Federal Government



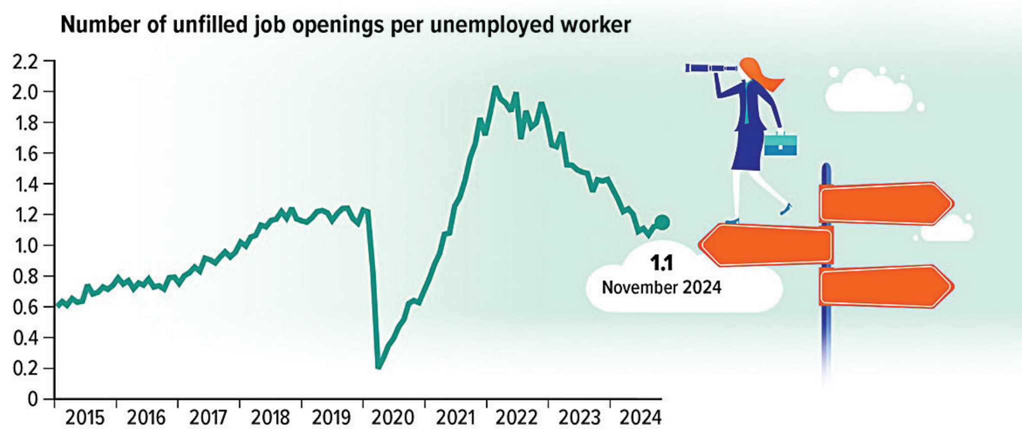

The IRS collected a little more than $4 trillion in net taxes (after refunds) in fiscal year 2023. About half was individual income taxes, and around 35% was employment (payroll) taxes, including Social Security, Medicare, unemployment insurance, and railroad retirement.

Business income taxes made up a little over 10% of the total, with relatively small contributions from excise, estate and trust income, and estate and gift taxes.

Source: Internal Revenue Service, April 2024

# Say Hello Again to a So-So Job Market

In mid-2024, the ratio of job openings to job seekers — which represents the balance of supply and demand in the U.S. labor market — returned to pre-COVID levels. While the easing of the labor market might disappoint workers hoping to land a new job, it could also be seen as a positive sign for consumer prices. A severe labor shortage that drove up wages was a strong source of inflationary pressure in 2022.

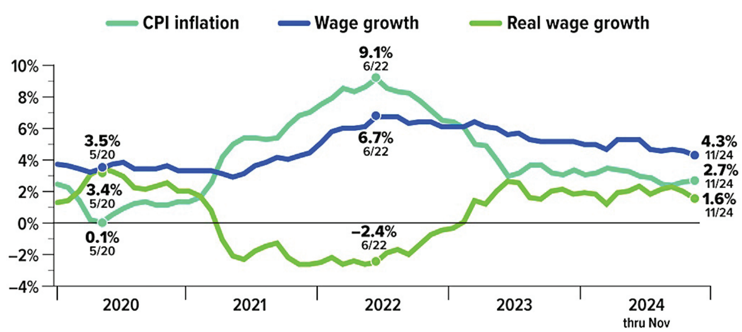



Source: U.S. Bureau of Labor Statistics, 2025 (seasonally adjusted data)

# Steady Growth in Real Wages

Wages rose strongly with inflation beginning in mid-2021, but the pace of price increases was faster than wage increases, leading to a loss of buying power despite higher income. Real wages — adjusted for inflation — actually declined during this period. For example, at the height of inflation in June 2022, wages increased at an annual rate of 6.7%, but real wages declined by 2.4%.

Inflation has dropped dramatically since then, while wage growth has cooled more slowly, leading to solid gains in real wages. If this trend continues, it could help keep the economy strong as workers catch up from the hardship of high inflation and benefit from increased income in relation to the cost of living.




Sources: Federal Reserve Bank of Atlanta, 2024; U.S. Bureau of Labor Statistics, 2024. Wage growth is calculated by comparing the median percentage change in wages reported by individuals 12 months apart; real wage growth is calculated by subtracting CPI-U inflation from wage growth.

# Distressed Loans Pressure Some Banks: Is Your Money Safe?

In March 2023, two of the largest bank failures in history alarmed savers who worried their own bank accounts could be at risk and investors who feared a wider financial crisis. To help restore confidence in the U.S. financial system, the federal government pledged to make all depositors whole and to support other banks that might face liquidity issues stemming from the rapid rise in interest rates[1].

Still, these events brought renewed attention to how banks operate and the risks they take to earn money on customer deposits, as well as the government's role in regulating and supervising bank activities.

## Interest rate risks remain

Between March 2022 and July 2023, the Federal Reserve raised the benchmark federal funds rate rapidly (from near 0% to a range of 5.25% to 5.5%) in a quest to bring down inflation[2]. Banks earn money by investing customer deposits, often in relatively safe long-term Treasuries and other government-backed bonds. U.S. Treasury securities are backed by the full faith and credit of the U.S. government as to the timely payment of principal and interest. But as interest rates rose, bonds lost value on the secondary market. And in early 2023, this became a problem for banks that had to sell bond holdings before they matured to meet customer withdrawals.

Though the Fed has begun lowering the federal funds rate, borrowing costs remain elevated, leaving concerns that a similar fate could befall regional banks with distressed real estate loans in their portfolios. Already, many commercial lenders have set aside large reserves to help cover future losses from nonperforming assets (primarily office and retail buildings with high vacancy rates).[3]

## Focus on the FDIC

The Federal Deposit Insurance Corporation (FDIC) is an independent agency backed by the full faith and credit of the U.S. government. FDIC insurance is intended to reassure depositors and offer protection in case an insured bank becomes insolvent, is liquidated, or experiences other financial difficulties. Most banks in the United States are insured by the FDIC, which protects deposits up to $250,000 (per person, insured bank, and account category). A joint account with two named owners qualifies for up to $500,000 of coverage.

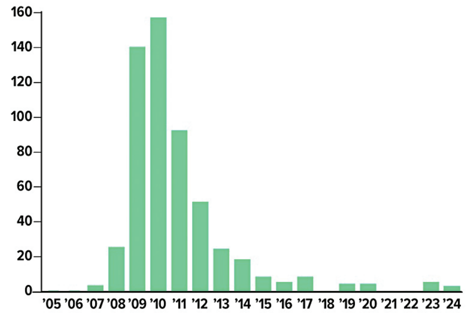
When a member bank fails, the FDIC issues payments to depositors (typically up to the limits provided by law) and takes over the administration of the bank's assets and liabilities. Generally, the FDIC will try to arrange for a healthy bank to take over the deposits of a failed bank. If no bank assumes that role, the FDIC taps a fund that is financed by premiums paid by insured banks.

## Are your savings protected?

If you have multiple accounts at one bank, you might check to see who is listed as the owner(s) of each account, what category it falls into, and whether it overlaps with other categories that might affect the amount that's covered. Ownership categories consist of individual accounts, joint accounts, retirement accounts, trust accounts, and business accounts, among others. You can't increase your coverage by owning different product types (a checking account, savings account, or CDs, for example) within the same ownership category. A tool on the FDIC's website, FDIC.gov, can help you estimate the total FDIC coverage on your deposit accounts. If your assets aren't fully insured, you might consider shifting them to increase your coverage.

If you are married, for example, you could expand your total coverage up to $1 million at one bank by opening two separate individual accounts in addition to a joint account. If you have personal or business account balances that regularly exceed $250,000, you might consider dividing your holdings between multiple financial institutions — or possibly rethink your cash-management strategy altogether.

## Number of bank failures




Source: Federal Deposit Insurance Corporation, 2024

In 2024, there were just two bank failures in the United States, following a turbulent 2023 in which five banks failed.

Sources:
1. Federal Reserve and Federal Deposit Insurance Corporation, 2023
2. Federal Reserve, 2023–2024
3. The Wall Street Journal, April 19, 2024

SAMALIN WEALTH

297 King Street
Chappaqua, New York 10514

THE SAMALIN WEALTH TEAM

WESTCHESTER & THE HUDSON VALLEY | NEW YORK | PHILADELPHIA | DALLAS | 914.666.6600 | SAMALINWEALTH.COM