

FINANCIAL CONNECTIONS



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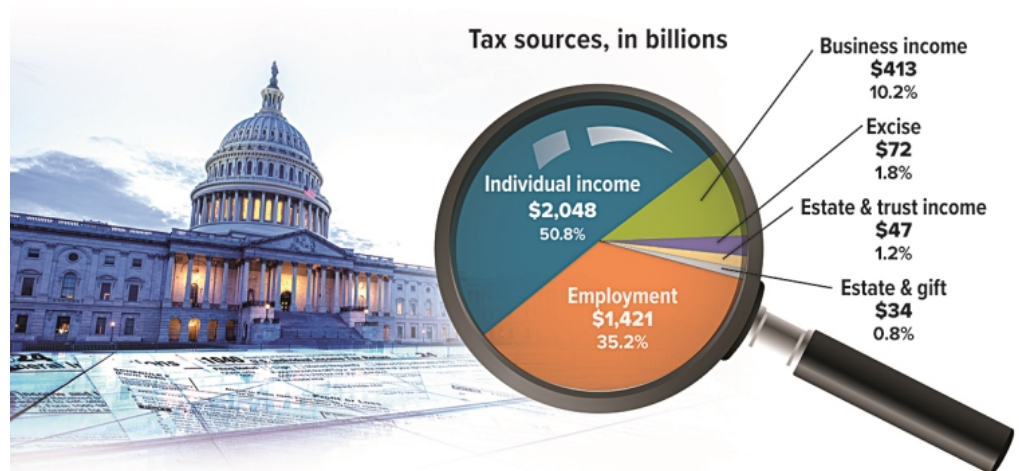
Spring is just around the corner, and with it comes the promise of blooming flowers, warmer weather, and... exciting personal news from the Fox household! We're thrilled to announce that our wonderful daughter has gotten engaged! While we never expected our biggest financial planning challenge would be budgeting for a wedding, we are over the moon about this new chapter in her life.

In this edition, we'll share some sweet tips for planning your financial future—because as we're learning, love might be free, but weddings certainly aren't! We'll also dive into some current market trends and remind you that even in the world of finance, laughter is the best investment.

Thank you for being part of our journey, both professional and personal. Here's to love, laughter, and hopefully not too many wedding planning stressors!

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

The Versatile Roth IRA

Used with care, the Roth IRA may help serve several objectives at once — like a multipurpose tool in your financial-planning toolbox.

Retirement

First and foremost, a Roth IRA is designed to provide tax-free income in retirement. If your modified adjusted gross income (MAGI) falls within certain limits, you can contribute up to \$7,000 (\$8,000 for those age 50 or older) in earned income to a Roth IRA in 2024 and 2025. Although Roth IRA contributions are not tax-deductible, qualified withdrawals are tax-free. A qualified withdrawal is one made after the account has been held for at least five years and the account owner reaches age 59½, becomes disabled, or dies. Nonqualified withdrawals of earnings are subject to ordinary income taxes and a 10% penalty, unless an exception applies.

2025 Income Limits for Roth Contributions

Filing status	Contribution limited if MAGI is:	No contribution allowed if MAGI is:
Single/Head of household	\$150,000 to \$164,999	\$165,000 or more
Married filing jointly	\$236,000 to \$245,999	\$246,000 or more
Married filing separately	\$0 to \$9,999	\$10,000 or more

Source: IRS

Emergency savings

Because contributions to a Roth IRA are made on an after-tax basis, they can be withdrawn at any time — which means, in a money crunch, you could withdraw just your Roth contributions (not the earnings) free of taxes and penalties. In addition, account holders may withdraw up to \$1,000 in earnings each year to cover emergency expenses.¹

Teachable moments

A Roth IRA can also be an ideal way to introduce a working teen to long-term investing. Minors can contribute to a Roth IRA as long as they have earned income and a parent or other adult opens a custodial account in their name. Alternatively, an adult can contribute to a Roth IRA within a custodial account on a child's behalf, as long as the total amount doesn't exceed the child's total wages for the year.

College and first home

Roth IRA earnings can be withdrawn penalty-free to provide funds for college and the purchase of a first home.

College. Roth IRA funds can help pay for certain undergraduate and graduate costs for yourself or a

qualified family member. Expenses include tuition, housing and food (if the student attends at least half time), fees, books, supplies, and required equipment not covered by other tax-free sources, such as scholarships or employer education benefits. An advantage of using a Roth IRA to help pay for college is that assets held in retirement accounts are excluded from the government's financial-aid formula. (A related point: up to \$35,000 in 529 plan assets that are not used to pay for college may be rolled over to a Roth IRA for the same beneficiary, provided certain rules are followed.)

First home purchase. Up to \$10,000 (lifetime limit) can be used for qualified expenses associated with a first-time home purchase. You are considered a first-time home buyer if you haven't owned or had interest in a home during the previous two years. Funds may be used for acquisition, construction, or reconstruction of a principal residence and must be used within 120 days of the distribution. If the account has been held for at least five years, the distribution will be income tax-free as well.

Estate planning

Roth IRAs are not subject to the age-based required minimum distribution rules that apply to non-Roth retirement accounts during your lifetime. For this reason, if you don't need your Roth IRA funds, they can continue to accumulate. After your death, the tax-free income benefit continues to apply to your beneficiaries (however, the value of your Roth IRA will be assessed for federal and possibly state estate tax purposes).

Proceed with caution

Although it's generally best to avoid tapping money earmarked for retirement early, the Roth IRA can help serve multiple needs — if used wisely.

The tax implications of a 529 savings plan should be discussed with your legal and/or tax professional because they can vary from state to state. Also be aware that most states offer their own 529 plans, which may provide advantages and benefits exclusively for their residents and taxpayers. These other state benefits may include financial aid, scholarship funds, and protection from creditors. Before investing in a 529 savings plan, please consider the investment objectives, risks, charges, and expenses carefully. The official disclosure statements and applicable prospectuses, which contain this and other information about the investment options, underlying investments, and investment company, can be obtained by contacting your financial professional. You should read these materials carefully before investing.

¹ Due to ordering rules, Roth IRA contributions will always be distributed before earnings.

Return of Premium Term Life Insurance: Is It Right for You?

You have decided you need life insurance coverage and are considering buying a term policy. But you might be wondering, "Do I get any of my money back at the end of the term?" It's possible, if you consider buying a special kind of term insurance called return of premium term insurance, or ROP.

How ROP compares to straight term insurance

In general, straight term life insurance provides coverage for a specific number of years, called the term. The face amount of the policy, or death benefit, is paid to your beneficiaries if you die during the term. If you outlive the term, or you cancel your policy during the term, nothing is paid. By contrast, an ROP term life insurance policy returns some or all of the premiums you paid if you live past the term of your policy and haven't cancelled coverage. Some issuers may even pay back a prorated portion of your premium if you cancel the ROP life policy before the end of the term. Also, the premium returned generally is not considered ordinary income, so you won't have to pay income taxes on the money you receive from the insurance company. (Please consult your tax professional.)

A return of premium feature may be appealing if you want to have a return of some or all of your premium if you outlive the policy term. Yet the cost of ROP term insurance can be significantly higher than straight term insurance, depending on the issuer, age of the insured, the amount of coverage (death benefit), and length of the term. But ROP term insurance almost always costs less than permanent life insurance with the same death benefit. While straight term insurance can be purchased for terms as short as one year, most ROP term insurance is sold for terms of 10 years or longer.

ROP considerations

It's great to know you can get your money back if you outlive the term of your life insurance coverage, but there is a cost for that benefit. Also, if you die during the term of insurance coverage, your beneficiaries will receive the same death benefit from the ROP policy as they would from the less-expensive straight term policy.

Advantages and Disadvantages of ROP Term Insurance

PROS

- If you outlive the policy term, you get your money back, unlike straight term life insurance
- Premiums are generally returned free of income tax

CONS

- It's typically more expensive than straight term life insurance
- You generally don't earn interest on your money
- If you cancel the policy or let it lapse before the end of the term, you may not get your money back
- There may be a minimum amount of coverage you must buy, such as \$100,000

When choosing between straight term life insurance and ROP term, you might think about the amount of coverage you need, the amount of money you can afford to spend, and the length of time you need the coverage to continue. Your insurance professional can help you by providing information on straight term and ROP term life insurance, including their respective premium costs.

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. Optional riders are available for an additional fee and are subject to contractual terms, conditions and limitations as outlined in the prospectus and may not benefit all investors. Any guarantees associated with payment of death benefits, income options, or rates of return are based on the claims-paying ability and financial strength of the insurer.

Concerned About Cyberattacks? The Threat Is Real

According to a 2024 survey, 60% of small businesses believe that cyberattacks are the biggest threat they currently face, and rightly so.¹

When a data breach occurs, hackers gain access to the personally identifiable information of customers or other individuals, opening the door for identity theft and other financial crimes. Even small companies can be held legally responsible when their customers' personally identifiable information is disclosed. Moreover, the time and expense involved in recovering from any type of cyberattack could be insurmountable.

Does your company handle potentially sensitive information about customers, employees, or competitors? If so, you may want to be proactive about addressing this risk.

Methods of attack

Phishing often involves emails sent to employees. Clicking on a link provides access to the company's network, allowing the installation of malicious code (malware) designed to steal or hijack critical data.

A **watering hole attack** targets individuals or organizations by infecting websites that they frequently visit with malware.

Ransomware is a menacing virus that locks businesses out of their computer files and demands payment of a ransom in exchange for the return of company systems and data.

Fortify your defenses

The Federal Communications Commission has some cybersecurity tips for small businesses.

- Install and update antivirus software on every computer, and maintain firewalls between the internal network and the Internet. Lock up computers, laptops, and tablets to prevent them from falling into the wrong hands.
- If you have a Wi-Fi network, set it up so the network name is hidden and a secure password is required for access. Require passwords to be changed on a regular basis.
- Train employees in security practices, especially not to open emails from unknown senders. Set up a separate account for each user, and provide access only to the data needed for users to perform their jobs. Backup critical data regularly and delete data when it's no longer needed.
- Consider purchasing cyber insurance, which may offer some protection (up to policy limits) from the financial repercussions of a cyberattack, such as the cost of restoring lost or stolen data; liability stemming from a security failure; and in some cases, lost income due to business interruption.

The cost of cyber insurance depends on the types of coverage selected, and policies have exclusions, terms, and conditions for keeping them in force.

1) U.S. Chamber of Commerce, 2024

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