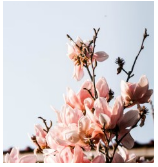
Bennett Associates Wealth Management

2025 Q2



Spring is Here!

2nd QUARTER DATES TO REMEMBER:	
Deadline to file income taxes	APR 15
Deadline for tax estimates for Q1 of 2025	APR 15
Deadline to fund IRA contributions for 2024	APR 15
Good Friday **(Markets Closed)**	APR 18
Memorial Day **(Markets Closed)**	May 26
Deadline for tax estimates for Q2	Jun 16
Juneteenth **(Markets Closed)**	June 19

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Bennett Associates Wealth Management

The Great Wealth Transfer

Over the next twenty years, roughly 84 trillion dollars worth of assets are set to be passed down via inheritance and gifting. According to Cerulli Associates, the majority of this wealth will come from the baby boomer generation (born 1946-1964), with about 72 trillion going to subsequent generations and 12 trillion going to charity. With the largest transfer of wealth in our country's history set to occur, what exactly are the implications of this historic transition?

The first perspective to consider is that of those passing the wealth down. For much of American history, a transfer of wealth simply meant tangible goods, such as a house or precious metals. With the rise of investing in the 20th century, those who have accumulated wealth are forced to engage in conversations past generations never have. Some of these discussions might be simple, such as analyzing if the right beneficiaries are named for the assets, or more complicated, like figuring out what the tax implications are for those inheriting the wealth. You may be surprised to know that retirement distribution strategies exist to best maximize your legacy and minimize any tax consequences your beneficiaries will be confronted with. For example, there may be opportunities to convert some of your pre-tax IRA dollars to Roth dollars in retirement, thus allowing for tax-free distributions once passed to the next generation. When it comes to legacy planning, efficiency is key!

For the beneficiaries, there are big questions to be answered too. Of course, inheriting assets isn't a bad thing, but with the transfer of wealth comes the possibility of the aforementioned tax consequences. For the inheritance of non-retirement assets, the beneficiary may receive a stepped-up cost basis, which allows for the cost basis of the asset to reflect the value when it was inherited instead of when it was originally purchased, potentially avoiding capital gains tax. For pre-tax dollars, often held in 401k's or IRA's, the beneficiary will likely have to recognize the money as income over the span of a decade. The tax consequences of this can be significant, possibly bumping up their marginal tax rate. Roth dollars must typically be liquidated within the same ten-year time frame but will face no tax implications.

There are many other unknowns in the meantime. How much of this transfer of wealth will be negated by the potential rising of retirement health care expenses or nursing home care? Will those inheriting the wealth invest the money in the same manner, or take favor in different asset classes and avenues for growth? These questions are left unanswered, but what we are certain of is a monumental transition of accumulated assets in the decades ahead.

A New Addition to the Team!

As you may already know, Bennett Associate's founder, Wendy Bennett, is retiring at the end of the 2025 calendar year. Beginning her career managing local government finances, Wendy decided to pursue her passion of personal financial planning in 2006. in 2015, she branched off from Morgan Stanley to build her own practice, and proceeded to build Bennett Associates into the business you see today! Wendy has done her best in building a firm that prides itself on comprehensive financial planning with the client's needs always at the forefront. With this in mind, she wanted to be absolutely certain her practice was in good hands when she left.

With Collin Randall as Wendy's successor, having been by her side since 2019, the team decided to make an additional hire, bringing fellow Butler native Donovan Slater on board in 2024. Donovan has been in the industry since he graduated from Yale in 2021, and shares Wendy and Collins' passion for financial planning. As Bennett Associates Wealth Management hits a decade of serving clients, it looks forward to upholding the same standards in the decades to come.

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We're on the web!
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It All Begins With a Plan!

Our Services …

Retirement Planning

- *Retirement Goal Setting*
- *Cash Flow Analysis*
- *RMD and Withdrawal Strategies*
- *Roth Conversions*
- *Socials Security and Pension Analysis*

Investment Planning

- *Asset Allocation*
- *Withdrawal Strategies*
- *Account Consolidation*

Tax Planning

- *Tax Sensitive Investing*
- *Review of Realized and Unrealized Gains*
- *Tax Loss Harvesting*
- *Roth Conversion Opportunities*
- *Tax Return Review*

Trust & Estate Planning

- *Minimize Estate Taxes*
- *Analyze Trust Needs*
- *Analyze stepped up cost-basis for highly appreciated assets*

Assistance to Others

- *Charitable giving through Qualified Charitable Distributions (QCDs)*
- *Charitable giving of appreciated assets*
- *529 College Saving Plans*
- *Donor-Advised Funds*

The Widow's Penalty

When building a financial plan as a couple, and in particular a retirement plan, many couples' first question is if they are comfortable to retire given their current assets and the lifestyle they envision for themselves in their retirement. Different analyses can be ran to attempt to predict if a couple will successfully retire and not run out of money, such as the Monte Carlo analysis, which runs hundreds of hypothetical retirement trials with differentiating variables such as interest rates and market returns. Many retirement scenarios, though, fail to take into account the possible implications of one partner prematurely dying. One of these implications is the widow's penalty.

The Widow's penalty is the 'penalty' the surviving spouse incurs by filing their taxes single instead of jointly after their partner dies. Not only does the surviving spouse often lose income sources, such as a social security benefit or pensions, but they will also often times climb up a marginal tax bracket because they will be filing single. For some, this may be inconsequential, but for others, it may lead to a lowered probability to see their retirement through successfully.

The surviving spouse may argue that their expenses will be lower with one less individual in the household, and thus they can lessen distributions from income sources like a pre-tax IRA. It is important to remember that many distributions, such as pensions and required minimum distributions, will remain a constant. Thus, when considering retirement, it may be smart to consider the potentiality of you or your spouse passing early, and any implications that may be associated with it.

Q&A...

Q: Is it fair to say most people take a step back lifestyle wise in retirement?

A: The short answer is, it depends! Although some individuals and couples believe they can live off of less in retirement, often times any decreases in debt obligations are offset by increases in spending. After all, you have much more time during the week to spend money!

Q: I'm worried my grandchild isn't going to go to college. Is there anything else they can use their 529 plan for? I don't want the money to go to waste!

A:The Secure Act 2.0 now allows for unused 529 plans open for at least 15 years to be rolled into a Roth IRA for the beneficiary, in accordance with contribution limits and with a lifetime maximum of $35,000. Of course, another option is to change the beneficiary of the 529 plan to another qualified family member.

Q: Are after-tax and Roth contributions to my 401k the same?

A: They are not the same. Don't worry, a lot of people confuse the two! Although Roth dollars are contributed with after-tax dollars, the contributions grow tax-exempt, and are withdrawn tax-free after 59.5 years of age. After-tax contributions, however, are contributed after-tax, and grow tax-deferred with the growth remaining susceptible to income tax and required minimum distributions. Be mindful of this when you elect your contributions!