

Realize Wealth Management Group at Morgan Stanley

Winter 2025

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Market Insights: Observations & Outlook

By: Aron Huddleston, CFA® & Andy Jacobitz, CFA®



Stocks: A Look Back and a View for the Year Ahead

Stocks had a great year in 2024, but what is less appreciated is how a handful of companies again drove returns in the most cited market index. The S&P 500 finished 2024 with a total return of 25.02%¹. Many factors provided a boost, including interest rate cuts from the Fed and national election results, but continued excitement about artificial intelligence (AI) has particularly elevated the so-called Magnificent 7 stocks. These seven extremely large technology companies (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla) have proven to be the primary beneficiaries of the market's acute interest in AI and its potential to drastically change the way we live our daily lives. That potential has stoked speculation as investors throw caution to the wind to chase these stocks, pushing them to prices and valuations rarely seen in history.

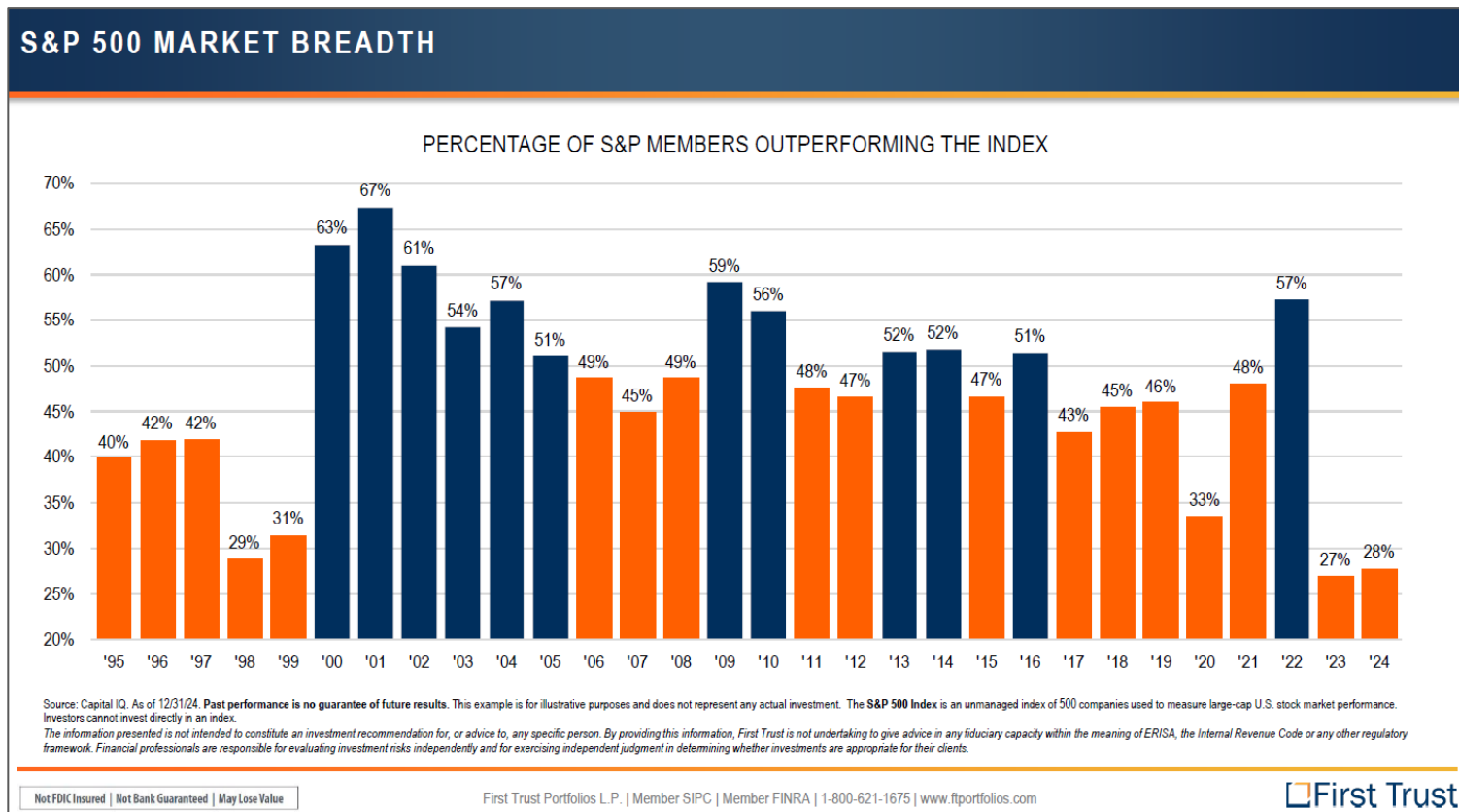
While we do believe the members of the Magnificent 7 are great companies and we do anticipate AI will have a positive impact on our daily lives, we caution against chasing returns in any situation. Stocks of great companies can still perform poorly if the price paid is too high. The high valuations on these seven stocks make them especially vulnerable to even a small change in future growth expectations. Our job is to evaluate potential risks and weigh them against return opportunities, based on current and forward-looking conditions. Right now, we believe there is opportunity to allocate capital elsewhere to more reasonably valued companies with great businesses and potentially less downside risk.

Of the S&P 500's total return in 2024, more than half² of the performance can be attributed to these seven stocks, which now make up a third of the index because it is weighted by

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company size³. 2024 was the second narrowest market in the last 3 decades, with only 28% of the names in the S&P 500, doing better than the index as a whole, only outdone by 2023 as seen in the chart below. This narrow market breadth is similar to the market breadth seen during the late stages of the dotcom bubble in 1998 and 1999, which ultimately led to one of the largest market

corrections in history. In the years after, the S&P 500 index did poorly, as did the highly valued stocks that propelled the index returns before the correction. But other companies that were previous laggards had out-sized returns in the aftermath of the market correction. That's a trend that we believe could easily repeat itself.



Our current portfolio positioning reflects our steadfast belief that more companies will benefit in the months and years ahead. We have consistently rebalanced into areas of the market that we believe provide opportunities for strong returns at reasonable valuations. We may have been early in this regard, but history shows it is far better to be early than late because market sentiment can change in the blink of an eye.

A truly diversified portfolio designed to preserve wealth will always have some positions that aren't performing as well as the market darlings getting media attention. The urge to sell them and go all in on the short-term winners historically has not been a winning strategy. Rather, your goals, financial plan and tolerance for risk should direct your specific portfolio asset allocation. We compare bond returns to bond indices and stocks to stock indices, and the S&P 500 sometimes moves out of

step with the rest, especially given its recent concentration with the growth of its largest members.

Looking ahead to 2025 and beyond, analyst estimates point toward accelerating year-over-year earnings growth for the 493 stocks in the S&P 500 that aren't part of the Magnificent 7². This development should drive an increase in market breadth and is in line with how we are positioned. The outlook for growth stocks in 2025 and beyond has begun to normalize, as the rapid multiple expansion that occurred in 2023 and 2024 has led to valuations that provide little margin for error. Vanguard's 10-year annualized nominal return forecast pictured on the following page illustrates this view. Their return expectation for U.S. growth stocks is lower than for any other market segment. In short, they expect that other asset classes should provide the opportunity for better risk-adjusted returns at more reasonable valuations.

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EQUITIES	RETURN PROJECTION	MEDIAN VOLATILITY	FIXED INCOME	RETURN PROJECTION	MEDIAN VOLATILITY
U.S. equities	2.8%–4.8%	16.9%	U.S. aggregate bonds	4.3%–5.3%	5.7%
U.S. value	4.2%–6.2%	19.2%	U.S. Treasury bonds	4.1%–5.1%	6.0%
U.S. growth	-0.4%–1.6%	17.8%	U.S. intermediate credit bonds	4.6%–5.6%	5.2%
U.S. large-cap	2.5%–4.5%	16.5%	U.S. high-yield corporate bonds	5.3%–6.3%	10.1%
U.S. small-cap	4.2%–6.2%	22.4%	U.S. Treasury Inflation-Protected Securities	3.4%–4.4%	5.1%
U.S. real estate investment trusts	3.8%–5.8%	20.1%	U.S. cash	3.1%–4.1%	1.4%
Global equities ex-U.S. (unhedged)	6.9%–8.9%	18.5%	Global bonds ex-U.S. (hedged)	4.3%–5.3%	4.5%
Global ex-U.S. developed markets equities (unhedged)	7.3%–9.3%	16.8%	Emerging markets sovereign bonds	5.0%–6.0%	9.8%
Emerging markets equities (unhedged)	5.2%–7.2%	26.1%	U.S. inflation	1.9%–2.9%	2.4%

IMPORTANT: The projections and other information generated by the VCMM regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Distribution of return outcomes from VCMM are derived from 10,000 simulations for each modeled asset class. Simulations as of November 8, 2024. Results from the model may vary with each use and over time. For more information, see page 4.

Source: Vanguard Investment Strategy Group.

Notes: These probabilistic return assumptions depend on current market conditions and, as such, may change over time.

Managing risk is a crucial part of our portfolio management strategy and there are certainly many risks and unknowns today. Geopolitical conflict, unknowns with a new administration and federal policies, continued inflation and natural disasters all pose risks to the economy and financial markets. The elevated valuations of the Magnificent 7 is yet another risk we must consider when allocating capital.

We continue to be defensively positioned in our portfolios as we manage the many unknowns. We remained focused on areas of the market that we believe have a positive risk-reward trade-off and are trading at more reasonable valuations than the Magnificent 7. We remain committed to our long-term strategy and will continue to avoid chasing “last year’s winners” that we believe are overpriced. Virtually no portfolio strategy more reliably produces worse returns than performance chasing.

Interest Rates

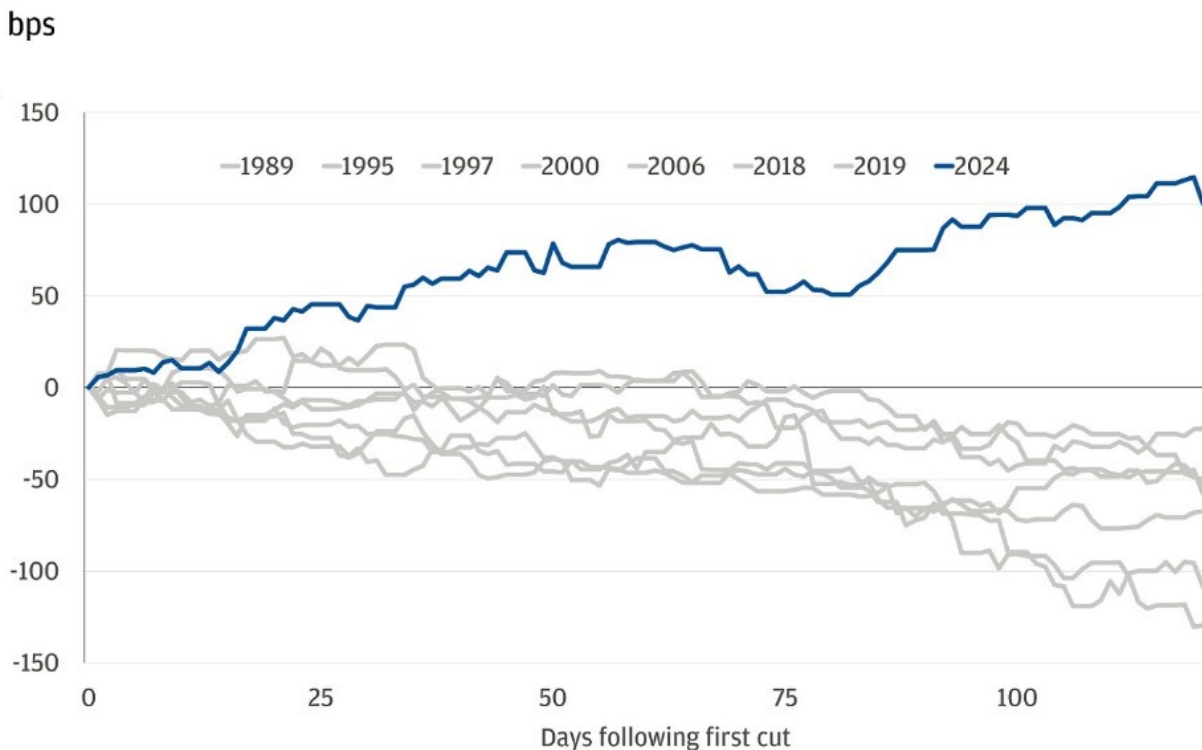
Interest rate cuts were a hot button topic throughout 2024 and will continue to be in 2025. The Federal Reserve sets the Federal Funds rate, which is the rate at which banks lend their excess reserves to one another overnight, so it impacts all short-term rates. This is the only rate that the Federal Reserve completely controls. Other rates along the Treasury yield curve may be influenced by the Fed Funds rate to varying degrees, but they are also subject to supply and demand dynamics and the market’s longer term economic expectations. This is especially true for longer-term rates, such as 10- and 30-year Treasury rates, which is the benchmark for pricing mortgages and other lending rates.

Traditionally, when the Fed begins a cutting cycle, the long end of the yield curve follows to some degree, but the current cutting cycle appears to be an anomaly. Since the Federal Reserve began cutting rates in September, the 10-year Treasury rate has gone up by almost a full percentage point⁴ rather than going down. This raises the question: What’s driving the long end of the curve higher as the short end is being cut?

There are a few logical reasons why investors may have begun to demand higher yields to invest in longer-term bonds. One is that the budget deficit in Washington has ballooned to unsustainable levels and the ability of the Treasury to service this debt has been called into question. Investors demand higher returns for higher risks with any asset. As the perceived risk of the budget deficit has increased, investors may be demanding more to take on that risk and offset increased unknowns.

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Change in 10-year yield post first Fed cut



Source: Bloomberg Finance L.P. Data as of January 15, 2024.

Another reason relates to concerns around the rekindling of inflation. The Fed has begun a rate cutting cycle, even though inflation has remained above its 2% target. Inflation expectations are reflected in Treasury yields, especially in longer dated ones as investors seek to allocate capital to assets that generate a return that exceeds the expected rate of inflation.

A third potential reason relates to increased growth expectations for the US economy. At the end of 2024, consensus estimates projected real GDP growth of 2.1% in 2025⁵ which would be considered historically strong, but less regulation and greater main street confidence in the economy could produce a virtuous cycle of stronger and stronger economic growth. Investors allocate capital to riskier assets when they expect accelerating economic activity. With fewer dollars chasing the safety Treasuries provide, yields must come up to entice investors to allocate capital to Treasuries.

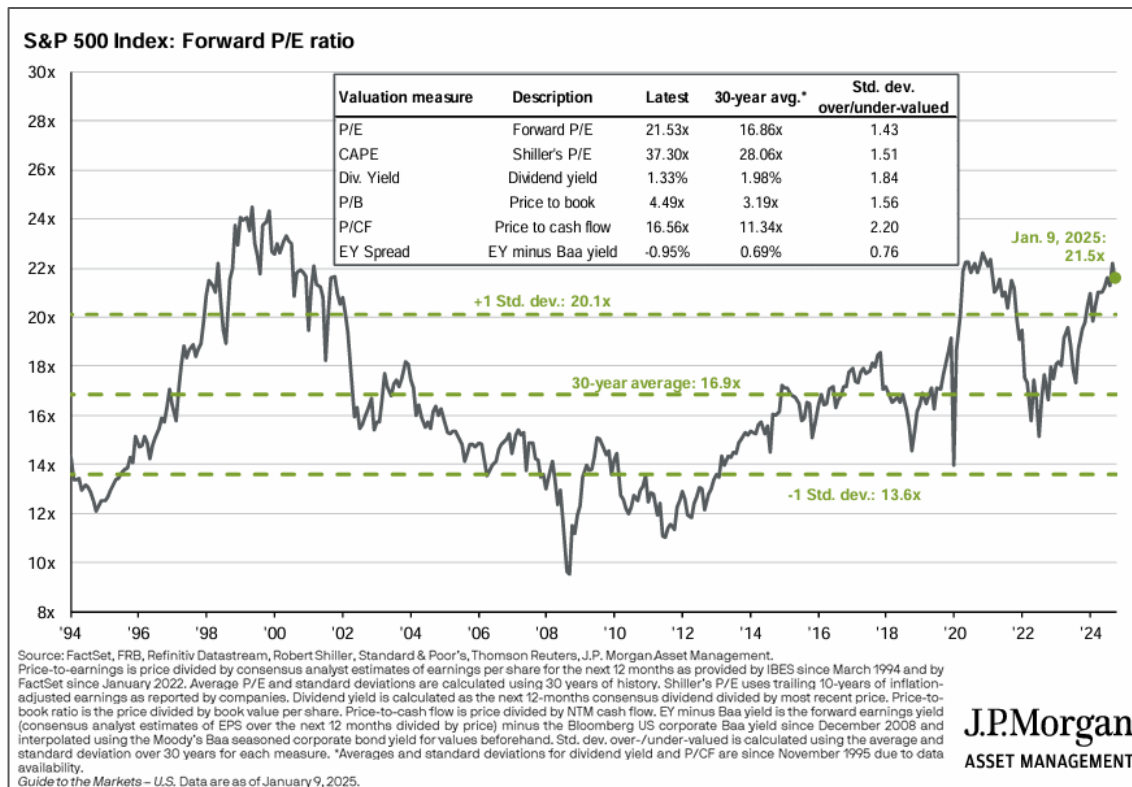
Ultimately all of these factors result in a mismatch in the supply and demand for Treasuries. The supply of Treasuries in the market could outweigh the demand for them until a high enough yield entices investors to compensate for potential risks. It's difficult to say what combination of the three factors is driving the 10-year Treasury yield higher but we will be monitoring this anomaly closely as 2025 unfolds.

Putting it Together

Historically, higher market interest rates have put downward pressure on P/E (price-to-earnings) ratios. Recently, this hasn't been the case, as illustrated by the chart on the following page⁶. Sometimes the market is irrational, and it can stay that way for an unpredictable amount of time. But as we have seen before, fundamentals eventually do matter again and historically these relationships revert to a similar pattern.

Above all, staying committed to your financial plan and the asset allocation derived from it is essential to your long-term success. Your approach shouldn't change unless your long-term goals and needs change. We must continually overcome the powerful emotions of greed and fear that accompany market cycles. Of course, we are here to help with that. Please reach out if you would like to discuss your portfolio and how it is positioned in greater detail. Also, let us know if your situation has changed and you feel that your portfolio may need to be adjusted as well. We will be glad to fully discuss and update our advice and recommendations accordingly.

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We wish you a healthy, happy, and prosperous 2025! We're always here to answer your questions or address your concerns. Thank you for being our clients. It is a privilege to serve you. ■

2024 Tax Form Mailing Schedule

When will I receive my 2024 tax forms?

The dates listed below are when we expect to have your tax forms available online and by mail. Depending on your activity and portfolio, you may receive your tax form later.

Form	Date Available Online (if you have elected e-tax docs)	Mailing Date (if you have elected paper tax docs)
1099-R	January 18 th , 2025	January 18 th , 2025
Consolidated 1099	February 28 th , 2025	March 7 th , 2025
5498 ¹	May 12 th , 2025	May 12 th , 2025
K-1s ²	www.taxpackagesupport.com	On or before March 15, 2025
REMIC/CDO ³	March 10 th , 2025	March 10 th , 2025

- IRA Contributions Information which you do not need to file your taxes.
- Partnership K-1s are sent to clients from the partnership, not Morgan Stanley.
- Clients with REMICs and CDOs generally receive an updated Form 1099-OID and should NOT file their taxes until they receive their corrected 1099 information.

529 Plan to Roth IRA Rollovers

By: Nick Nalbach, CFP®, CIMA®, CPWA®

The Financial Planning Corner

In the SECURE 2.0 Act passed in 2022, Congress passed a provision that permitted tax and penalty-free rollovers of certain assets held in a 529 Plan to a Roth IRA effective January 1, 2024. This increased flexibility may help to address the needs for account owners whose beneficiaries do not pursue higher education or who have leftover funds within their 529 account.

While further guidance from the IRS may clarify the interpretations of the rules, below are several key provisions of the Act as it relates to these rollovers⁷:



- The designated beneficiary of the 529 Plan must be the owner of the Roth IRA to which the money will be directly transferred.
- The 529 Plan has been maintained for at least a 15-year period.
- Contributions received in the last 5 years and their earnings are not eligible for rollover.
- The assets being rolled over will not exceed the annual IRA Contribution Limit applicable to the designated beneficiary for the tax year (i.e., the lesser of the annual IRA contribution dollar limit or the designated beneficiary's taxable compensation for the tax year), reduced by the total annual contributions made for such tax year to all the designated beneficiary's IRAs (including Traditional and Roth IRAs) and any prior rollovers from any 529 Plan to any Roth IRA for the designated beneficiary for such tax year.
- The aggregate amount transferred to any of the designated beneficiary's Roth IRAs from any 529 Plan for this tax year and all prior tax years cannot exceed \$35,000.
- The assets being rolled over can be designated for the current year or the prior tax year if made before the tax filing deadline.

This provision became effective January 1, 2024. As a reminder, funds within 529 plans can be used to cover qualified education expenses and account owners have the ability to transfer a 529 account to another qualifying family member without incurring taxes or penalties. If you would like to review and discuss how this may apply to your situation, please contact our team to set up an appointment. ■

2025 Contribution Limits

IRS Retirement Savings Contribution Limits			
Below are the contribution limits for tax year 2025.			
2025	Under Age 50	Over Age 50	Contribution Deadline
Traditional & Roth IRAs	\$7,000	\$8,000	4/15/2025
SEP IRAs	\$70,000	\$70,000	4/15/2025 + extensions
Elective Deferrals 401(k), 403(b), 457(b)	\$23,500	\$31,000	12/31/2024

You have until the tax deadline of 4/15/2025 to still make 2024 contributions!

Team News

Realize Wealth Management Group is Named to Forbes Best-In-State Wealth Management Teams for the Second Year in a Row!



Morgan Stanley

Realize Wealth
Management Group

2025 Forbes Best-In-State Wealth Management Teams

Pictured Left to Right: Cat Morrison, Portfolio Associate; Christina Large, Group Director; Bob Forrest, Financial Advisor; Aron Huddleston, Financial Advisor; Andy Jacobitz, Financial Advisor; Nick Nalbach, Financial Advisor; Jackie Mockelstrom, Client Service Associate; Andrew Wegner, Wealth Management Analyst

Source: Forbes (Awarded Jan 2025) Data compiled by SHOOK Research LLC based for the period 3/31/23–3/31/24. [Awards Disclosures](#)

Bob Forrest Earns the Chartered Advisor in Philanthropy® Designation!

We are proud to announce that **Bob Forrest** has recently earned the **Chartered Advisor in Philanthropy® (CAP®) designation!** This prestigious credential is awarded to financial professionals who have completed specialized training in philanthropic planning, helping clients integrate charitable giving into their overall financial strategies.

The CAP® designation provides deep expertise in working with high-net-worth individuals, families, and nonprofit organizations to develop strategic, tax-efficient giving plans. With this knowledge, Bob is even better equipped to guide clients in achieving their philanthropic goals while aligning them with their broader financial objectives.

Please join us in congratulating Bob on this outstanding accomplishment! ■



Celebrating Well-Deserved Promotions!



We are excited to share some incredible news—three members of our team have received well-earned promotions within Morgan Stanley’s Wealth Management division!

Aron D. Huddleston, Financial Advisor has been promoted to **Managing Director**—a prestigious milestone that reflects his unwavering dedication to clients, exceptional leadership, and the profound impact he has made on our team’s success.

Christina Large, Group Director has been promoted to **Vice President**, a recognition of her hard work, commitment to excellence, and significant contributions to both our team and the Firm.

Nick Nalbach, Financial Advisor has been promoted to **Associate Vice President**, a testament to his dedication to clients and the expertise he brings to our team and the organization.

These promotions highlight the strength of our team and our commitment to helping clients *realize their financial goals*. Please join us in celebrating **Aron, Christina, and Nick** on these outstanding achievements! ■

Giving Back at Timberlake Outreach Center

Our team recently volunteered at the Timberlake Outreach Center, a vital part of the Open Door Mission. This incredible organization helps prevent homelessness by providing essential resources like food, clothing, and household goods to those in need. The center allows members of our community to shop for these items at no cost, easing financial stress.

We were grateful for the chance to organize donations and restock shelves, helping ensure items are accessible and ready for the center’s customers. It’s humbling to play a small part in the incredible work this center does for our community.

At Morgan Stanley, we believe in giving back, and we are honored to support organizations that make a meaningful difference in people’s lives. A huge thank you to the staff and volunteers at Timberlake Outreach Center for their dedication to serving others! ■



Pictured: James Silva, Client Service Associate; Nick Nalbach, Financial Advisor; Aron Huddleston, Financial Advisor; Bob Forrest, Financial Advisor; Jackie Mockelstrom, Client Service Associate; Cat Morrison, Portfolio Associate; Christina Large, Group Director

Thoughts from the Realize Wealth Management Group at Morgan Stanley

References:

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2. First Trust Monthly Strategy Deck. January 2025.
3. LinkedIn. The S&P 500 barely moves without the Magnificent 7. 01/06/2025.
4. JP Morgan. [Chart](#).
5. Federal Reserve Bank of St. Louis. [Chart](#).
6. JP Morgan Guide to the Markets. 01/09/2025.
7. Saving for College. 529 to Roth IRA: Rollover Rules, Conversion Guide, and FAQs. 01/16/2025

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Morgan Stanley

Tax Tables 2025 Edition

2025 Tax Rate Schedule

TAXABLE INCOME (\$)		BASE AMOUNT OF TAX (\$)	PLUS	MARGINAL TAX RATE (%)	OF THE AMOUNT OVER (\$)
OVER	NOT OVER				
SINGLE					
\$0	\$11,925	\$0	+	10.0	\$0
\$11,925	\$48,475	\$1,192.50	+	12.0	\$11,925
\$48,475	\$103,350	\$5,578.50	+	22.0	\$48,475
\$103,350	\$197,300	\$17,651.00	+	24.0	\$103,350
\$197,300	\$250,525	\$40,199.00	+	32.0	\$197,300
\$250,525	\$626,350	\$57,231.00	+	35.0	\$250,525
\$626,350		\$188,769.75	+	37.0	\$626,350
HEAD OF HOUSEHOLD					
\$0	\$17,000	\$0	+	10.0	\$0
\$17,000	\$64,850	\$1,700.00	+	12.0	\$17,000
\$64,850	\$103,350	\$7,442.00	+	22.0	\$64,850
\$103,350	\$197,300	\$15,912.00	+	24.0	\$103,350
\$197,300	\$250,500	\$38,460.00	+	32.0	\$197,300
\$250,500	\$626,350	\$55,484.00	+	35.0	\$250,500
\$626,350		\$187,031.50	+	37.0	\$626,350
MARRIED FILING JOINTLY AND SURVIVING SPOUSES					
\$0	\$23,850	\$0	+	10.0	\$0
\$23,850	\$96,950	\$2,385.00	+	12.0	\$23,850
\$96,950	\$206,700	\$11,157.00	+	22.0	\$96,950
\$206,700	\$394,600	\$35,302.00	+	24.0	\$206,700
\$394,600	\$501,050	\$80,398.00	+	32.0	\$394,600
\$501,050	\$751,600	\$114,462.00	+	35.0	\$501,050
\$751,600		\$202,154.50	+	37.0	\$751,600
MARRIED FILING SEPARATELY					
\$0	\$11,925	\$0	+	10.0	\$0
\$11,925	\$48,475	\$1,192.50	+	12.0	\$11,925
\$48,475	\$103,350	\$5,578.50	+	22.0	\$48,475
\$103,350	\$197,300	\$17,651.00	+	24.0	\$103,350
\$197,300	\$250,525	\$40,199.00	+	32.0	\$197,300
\$250,525	\$375,800	\$57,231.00	+	35.0	\$250,525
\$375,800		\$101,077.25	+	37.0	\$375,800
ESTATES AND TRUSTS					
\$0	\$3,150	\$0	+	10.0	\$0
\$3,150	\$11,450	\$315	+	24.0	\$3,150
\$11,450	\$15,650	\$2,307	+	35.0	\$11,450
\$15,650		\$3,777.00	+	37.0	\$15,650

Kiddie Tax: All net unearned income over a threshold amount of \$2,700 for 2025 is taxed using the marginal tax and rates of the child's parents.

Tax Rates on Long-Term Capital Gains & Qualified Dividends

LTCG TAX	TAXABLE INCOME				
	SINGLE FILERS	MARRIED FILING JOINTLY	HEAD OF HOUSEHOLD	MARRIED FILING SEPARATELY	ESTATES & TRUSTS ⁽¹⁾
0%	\$48,350 or less	\$96,700 or less	\$64,750 or less	\$48,350 or less	\$3,250 or less
15%	More than \$48,350 and less than \$533,400	More than \$96,700 and less than \$600,050	More than \$64,750 and less than \$566,700	More than \$48,350 and less than \$300,000	More than \$3,250 and less than \$15,900
20%	\$533,400 or more	\$600,050 or more	\$566,700 or more	\$300,000 or more	\$15,900 or more

1. Estates and irrevocable trusts that do not distribute capital gains are subject to these rates.

Net Investment Income Tax

For individuals, 3.8% tax on the lesser of: (1) Net Investment Income, or (2) MAGI in excess of \$200,000 for single filers, or head of households, \$250,000 for married couples filing jointly, and \$125,000 for married couples filing separately.⁽²⁾

2. A different calculation applies to trust and estates.

Standard Deductions for Non-Itemizers

FILING STATUS	STANDARD DEDUCTION	PERSONAL EXEMPTION	PHASEOUTS BEGIN AT AGI OF:
Single	\$15,000	N/A	N/A
Head of household	\$22,500	N/A	N/A
Married, filing jointly and surviving spouses	\$30,000	N/A	N/A
Married, filing separately	\$15,000	N/A	N/A
Dependent filing own tax return	\$1,350 ⁽³⁾	N/A	N/A

ADDITIONAL DEDUCTIONS FOR NON-ITEMIZERS

Blind or over 65 Married Filing Jointly	Add \$1,600
Blind or over 65 and unmarried and not a surviving spouse	Add \$2,000

3. For taxable years beginning in 2025, the standard deduction amount under § 63(c)(5) for an individual who may be claimed as a dependent by another taxpayer cannot exceed the greater of (1) \$1,350, or (2) the sum of \$450 and the individual's earned income.

Alternative Minimum Tax

EXEMPTION AMOUNTS AND PHASEOUTS

	EXEMPTION AMOUNT/PHASEOUT AMOUNT BEGINS AT:
Single	\$88,100/\$626,350
Married, filing jointly or surviving spouses	\$137,000/\$1,252,700
Married, filing separately	\$68,500/\$626,350
Estates and trusts	\$30,700/\$102,500

AMT TAX RATES

	MARRIED FILING SEPARATELY	ALL OTHERS
26% tax rate applies to income below:	\$119,550	\$239,100
28% tax rate applies to income over:		

Child Tax Credit

CREDIT	MAXIMUM CREDIT	INCOME PHASEOUTS BEGIN AT MAGI OF:
Child Tax Credit ⁽⁴⁾	\$2,000 per qualifying child	\$400,000 – married filing jointly \$200,000 – all others

4. Subject to eligibility requirements

Gift and Estate Tax Exclusions and Credits

Gift tax annual exclusion	\$19,000
Estate, gift & generation skipping transfer tax exclusion amount (per taxpayer)	\$13,990,000
Exclusion on gifts to non-citizen spouse	\$190,000
Maximum estate, gift & generation skipping transfer tax rate	40%

Tax Deadlines (As of November 2024)

Jan 15, 2025 – 4th installment deadline to pay 2024 estimated taxes due

April 15, 2025 – Last day to file amended return for 2021 (subject to limited exceptions); Last day to contribute to most employer-sponsored retirement plans, including SEPs and profit-sharing plans for 2024 if the federal income tax return deadline for the business that maintains such plans is April 15, 2025 (unless the federal income tax return filing deadline for the business has been extended). Tax filing deadline to request an extension until Oct. 15, 2025, for businesses whose tax return deadline is April 15, 2025. 1st installment deadline to pay 2025 estimated taxes due. Last day to file federal income tax returns for individuals. Tax filing deadline to request an extension until Oct. 15, 2025 for individuals whose tax return deadline is April 15, 2025. Last day to contribute to Roth or traditional IRA or HSA for 2024.

Jun 16, 2025 – 2nd installment deadline to pay 2025 estimated taxes due.

Sep 15, 2025 – 3rd installment deadline to pay 2025 estimated taxes due.

Oct 15, 2025 – Last day to file federal income tax return if 6-month extension was requested by April 15, 2025 (subjected to limited exceptions). Last day to recharacterize an eligible Traditional IRA or Roth IRA contribution from 2024 if extension was filed or tax return was filed by April 15, 2025 (and certain conditions were met). Last day to contribute to most employer-sponsored retirement plans, including SEPs and profit-sharing plans for 2024 if the federal income tax return deadline for the business that maintains such plans is April 15, 2025, and federal income tax return extension was filed for such business.

Dec 31, 2025 – Last day to: 1) pay expenses for itemized deductions for 2025; 2) complete transactions for capital gains or losses.

10. Subject to eligibility requirements

Traditional IRA Deductibility Limits

The contribution limit for Traditional IRAs is **\$7,000**; the catch up at age 50+ is **\$1,000**.

FILING STATUS ⁽¹⁾	MODIFIED AGI	CONTRIBUTION
Single/HOH; covered by a plan at work	\$79,000 or less	Fully Deductible
	More than \$79,000 and less than \$89,000	Partially Deductible
Married Filing Jointly; covered by a plan at work	\$89,000 or More	Not Deductible
	\$126,000 or less	Fully Deductible
Married Filing Jointly; not covered by a plan at work and spouse is covered by a plan at work	More than \$126,000 and less than \$146,000	Partially Deductible
	\$146,000 or More	Not Deductible
Married Filing Separately ⁽²⁾ and you or your spouse are covered by a plan at work ⁽²⁾	\$236,000 or less	Fully Deductible
	More than \$236,000 and less than \$246,000	Partially Deductible
Married Filing Separately ⁽²⁾ and you or your spouse are covered by a plan at work ⁽²⁾	\$246,000 or More	Not Deductible
	Less than \$10,000	Partially Deductible
	\$10,000 or More	Not Deductible

1. If not covered by a plan, single, HOH and married filing jointly/separately (both spouses not covered by a plan) tax filers are able to take a full deduction on their IRA contribution without MAGI limitations.

Roth IRAs Contribution Limits

The contribution limit for IRAs is **\$7,000**; the catch up at age 50+ is **\$1,000**.

ALLOWABLE CONTRIBUTION	MODIFIED AGI ⁽³⁾		
	SINGLE/HOH	MARRIED FILING JOINTLY	MARRIED FILING SEPARATELY ⁽²⁾
Full	Less than \$150,000	Less than \$236,000	N/A
Partial	\$150,000 less than \$165,000	\$236,000 less than \$246,000	\$0 – less than \$10,000
None	\$165,000 or more	\$246,000 or more	\$10,000 or more

2. If spouses did not live together at any time during the year, Single/HOH MAGI limit apply. 3. Roth conversion income is not included in MAGI.

Other Retirement Plan Contribution Limits

RETIREMENT PLAN TYPE	MAX. CONTRIBUTION LIMIT ⁽⁴⁾	CATCH-UP (50+)	MAXIMUM COMPENSATION TAKEN INTO ACCOUNT
SEP IRA	The lesser of 25% of compensation or \$70,000 ⁽⁵⁾	N/A	Employer contributions cannot take into account compensation in excess of \$350,000
SIMPLE IRA ⁽⁶⁾	\$16,500	\$3,500	If matching contributions, up to 3% of employee compensation. If nonelective contribution (2% to 10%), employee compensation for calculation capped at \$350,000, generally subject to a maximum of \$5,100
Defined Benefit Plan	Individual benefit limited to the lesser of: 100% of average compensation in highest 3 consecutive calendar years, or \$280,000	N/A	Compensation for benefit calculation capped at \$350,000 or lower limit defined in the plan
401(k)	\$23,500	\$7,500 ⁽⁷⁾	Employer contributions cannot take into account compensation in excess of \$350,000
403(b), 457(b), Roth 401(k)	\$23,500	\$7,500 ⁽⁷⁾⁽⁸⁾	Employer contributions cannot take into account compensation in excess of \$350,000

4. For SIMPLE IRA, 401(k), 403(b), 457(b), and Roth 401(k), limit applies to employee contributions; additional employer contributions may be made. 5. For self-employed individuals, 25% of net earnings from self-employment. 6. For employers with 25 or fewer employees or that meet a higher matching or nonelective contribution threshold, higher limits for each of these amounts generally apply. 7. Effective January 1, 2025, catch-up contributions are increased to \$11,250 for employees age 60-63, if plan permits. 8. For certain 403(b) and 457(b) plans, special additional catch-up contributions may be permitted in specified circumstances. 457(b) plans of tax-exempt employers do not permit regular catch-up contributions.

Health Savings Accounts⁽⁹⁾

COVERAGE TYPE	MAXIMUM CONTRIBUTION
Self-Only HDHP Coverage	\$4,300
Family HDHP Coverage	\$8,550
Catch-up for 55 and older by end of calendar year	\$1,000

9. HSAs are only available for taxpayers enrolled in a qualifying high-deductible health plan (HDHP).

Education Credits & Exclusions

CREDIT / EXCLUSION	MAXIMUM CREDIT / EXCLUSION	INCOME PHASEOUTS AT MAGI OF:
American Opportunity Tax Credit/Hope	\$2,500 credit	\$160,000 – \$180,000 joint \$80,000 – \$90,000 all others
Lifetime Learning Credit	\$2,000 credit	\$160,000 – \$180,000 joint \$80,000 – \$90,000 all others
Savings bond interest tax-free if used for education	Exclusion limited to amount of qualified education expenses	\$149,250–\$179,250 joint \$99,500 - \$114,500 all others

Social Security

FILING STATUS	PROVISIONAL INCOME ⁽¹⁰⁾	% of SS SUBJECT TO TAXES
TAX ON SOCIAL SECURITY BENEFITS: INCOME BRACKETS		
Single, HoH, surviving spouse, married filing separately and living apart from spouse	\$25,000 or less	0
	More than \$25,000 and less than \$34,000	up to 50%
	\$34,000 or more	up to 85%
Married filing jointly	\$32,000 or less	0
	More than \$32,000 and less than \$44,000	up to 50%
Married filing separately and living with spouse	Over \$44,000	up to 85%
	More than \$0	up to 85%

10. Adjusted Gross Income + nontaxable interest + ½ of Social Security benefits.

FICA

SS TAX PAID ON TAXABLE INCOME UP TO \$176,100	PERCENTAGE WITHHELD	MAXIMUM TAX PAYABLE
Tax (FICA)		
Employer pays	6.2%	\$10,918.20
Employee pays	6.2%	\$10,918.20
Self-employed pays	12.4%	\$21,836.40

Medicare Tax

SS TAX PAID ON INCOME	PERCENTAGE WITHHELD
Employer pays	1.45%
Employee pays	1.45% + 0.9% on wages over \$200,000 (single) or \$250,000 (joint)
Self-employed pays	2.90% + 0.9% on self-employment income over \$200,000 (single) or \$250,000 (joint)

Social Security Benefits Reduction Before Full Retirement Age

AGE WHEN BENEFITS BEGIN	PERCENTAGE OF SOCIAL SECURITY BENEFITS	
	FRA of 66 ⁽¹¹⁾	FRA of 67 ⁽¹¹⁾
62	75.0%	70.0%
63	80.0%	75.0%
64	86.7%	80.0%
65	93.3%	86.7%
66	100.0%	93.3%
67	100.0%	100.0%

11. Full retirement age determined by year of birth

Retirement Earnings Exempt Amounts

Before Full Retirement Age (FRA)	\$23,400
During the year in which FRA is reached	\$62,160
After FRA	No limit after FRA

Deductibility of Long-Term Care Premiums on Qualified Policies

ATTAINED AGE BEFORE CLOSE OF TAX YEAR	AMOUNT OF LTC PREMIUMS THAT QUALIFY AS MEDICAL EXPENSES IN 2025
40 or under	\$480
Over 40 and 50 or under	\$900
Over 50 and 60 or under	\$1,800
Over 60 and 70 or under	\$4,810
Over 70	\$6,020

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