SPRING 2025

The Epley – Wolbeck Group

U P D A T E

THE EPLEY – WOLBECK GROUP AT MORGAN STANLEY

211 Fulton Street, Suite 500A, Peoria, IL 61602
309-671-2800
800-527-3579
https://advisor.morganstanley.com/the-epley-wolbeck-group

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8 Questions Financial Plans Should Answer

You may have a financial plan, but is it really working for you? The fact is, not all financial plans are created equal. To make sure your financial plan is going to help you achieve your financial goals, make sure it answers these eight questions.

How much do I have, and how much do I owe? Before you complete any other financial planning tasks, you need to take stock of where you currently stand. That means taking a complete inventory of your assets as well as assessing how much you owe. Subtracting the second from the first will tell you your net worth. Your financial plan should make it easy to determine your net worth at a glance.

What do I want to achieve with my money? We all have personal and financial goals. Perhaps you want to buy a bigger house in a nicer neighborhood. Maybe you want to be able to send your kids to college debt-free. You might be dreaming of owning a second home someday, retiring at 55, or starting your own business. Your financial plan should specifically identify your financial goals and outline steps you need to take to turn those dreams into reality.

Are my investments appropriate for my goals? You know what your goals are, but is your money invested in a way that will help you get there? Your financial plan should point you toward investments that are appropriate for both your goals and your risk tolerance. That means carefully balancing the risk you need to take to achieve acceptable invest-

Continued on page 2

News and Announcements

Welcome to the spring edition of our client newsletter. As I write this (early February), I am pleased that we are nearly done with another Central Illinois winter! For the second year in a row, we have had it pretty good (without much snow or cold)! It has been an exciting start to the year for our team. First, Shayne and Emily were married in early January, with a beautiful ceremony and reception. Shortly thereafter, Megan and Kenny, welcomed their first child, Gemma Anne. We are so happy for both couples! Despite persistent investor anxiety, the markets are off to another good start to the year. Morgan Stanley research shows this is due to strong corporate earnings, resilient economic growth and expectations of further rate cuts. Unemployment remains low and that continues to drive income generation, allowing consumers to remain in a position of strength. We expect this resilience to continue as we move through 2025.

Brooke is still living out west in the desert. She is still teaching third grade and continues to enjoy the great lifestyle that Tucson has to offer. She likes to spend time outdoors, especially hiking in the mountains with her dog, Dexter! We look forward to her next visit home!

Sophia is in her final semester as a high school student. It is hard to believe she is a few months shy of graduation! She had a great senior year of volleyball and now is enjoying her final months at home with her friends. She is actively engaged at school and attends many events. We toured several colleges this summer and she is anxiously waiting on their admission decisions. I can't believe she will be in college in a few months! Wow does time fly…

Speaking of time flying, Evan is just about done with his first year of high school. He has acclimated well to his studies and is enjoying the high school experience. His basketball team had a very good year, being competitive against many good teams in a great conference. We enjoyed getting to watch him and his team play. This spring he is looking forward to playing baseball.

Thank you for the opportunity to serve you and your families. Please don't hesitate to reach out to us with any questions or concerns regarding the markets.

Patrick J. Wolbeck, CFP
Senior Vice President
Financial Planning Specialist
Financial Advisor
NMLS#1270180

8 Questions

continued from page 1

ment returns with the amount of risk you're comfortable taking based on your personality (some of us are natural risk takers, while some are more risk averse).

Am I protected in case of a disaster or emergency? One of the main reasons to have a financial plan is to protect yourself and your family in the event that the unexpected happens. Part of being prepared is having an emergency fund, and your financial plan will tell you how much savings you should have. But that's just the beginning. You'll also want to protect your income with disability insurance and have proper insurance to safeguard your assets.

Am I paying the right amount in taxes? Thinking about taxes is no fun, but what's a real drag is realizing you've been paying the government more than you needed to. A comprehensive financial plan will include an evaluation of your tax situation. If necessary, your advisor will make suggestions for steps you can take to better manage your tax burden and keep more of the money you earn.

What's my plan for retirement? Whether you're a few years or a few decades away from retirement, your financial plan should include a plan for what will happen after you stop working full time. Your financial plan should address how much you need to be saving for retirement and how to invest that money.

What will happen to my money when I die? Your financial plan and your estate plan go hand in hand. Part of comprehensive financial planning involves checking to make sure the beneficiaries on your retirement accounts and insurance policies match with your overall estate planning goals. A financial planner can also work with your estate planning attorney to make sure your assets aren't lost to unnecessary taxes and address other issues related to how your wealth is distributed after your death.

Who is in charge of helping me achieve my money goals? Finally, your financial plan should clearly identify who is in charge of helping you achieve your most important money goals. Your financial advisor is a critical partner in your financial life, guiding you to make smart decisions that will put you on the path to achieving your goals.

Please call if you'd like to discuss this in more detail. ✔✔✔

How to Raise Financially Responsible Kids

Although you'll have to wait a good while before they'll thank you for it, teaching your children to be financially responsible is one of the best gifts you can give. Fortunately, most of the lessons can begin while they are still very young.

Lesson #1: Appreciation for the value of money — Prices are just abstract numbers until time and effort has been spent to generate those coins and bills. Consider forming an allowance-for-chores policy to teach your children about money management early on. You pay for the basics, but if they want the extras, they will have to save up and use their own money.

Lesson #2: Saving the money they earn — Teach them to save a portion of what they earn from the get-go. This habit will make it much easier for them to not spend their entire paycheck as well as leave their savings intact when they are on their own. You may need to encourage them firmly at first, with a fixed percentage or minimum amount. As they grow older and their savings increase, they will need less guidance.

Lesson #3: Setting goals and staying on track — Helping your children set short- and long-term goals is a key part of getting them to stick to a savings strategy. Most children are not that excited by slowly rising dollar amounts, but when a certain dollar amount represents a desperately-desired new toy, their focus sharpens considerably.

Lesson #4: The nitty-gritty of a balanced budget — Show your children the day-to-day workings of adult finances. Go through the line items on your budget and reveal your own percentage of savings for short- and long-term goals. You can explain the benefits of autopay, managing a bank account online, minimum balances and fees, and even how to fill out a check (some landlords and city utilities still require checks for bill payment). It may seem mundane to you, but depending on the child's age, the desire to be grown up could increase their interest level and make abstract concepts more understandable.

Lesson #5: Understanding debt and loans — When a young adult is first exposed to credit cards, they may not understand that purchasing things on credit or taking out a loan ends up costing more money. Explaining how interest can work for you (in a savings account) and against you (in a loan or on credit) can keep them from making bad decisions. Above all, modelling financial responsibility in your own life can help them form the basis for a lifetime of good money habits. ✔✔✔

Should You Contribute to a Roth 401(k) Plan?

While many people are at least vaguely familiar with 401(k) plans, IRAs, and even Roth IRAs, a much smaller number are familiar with Roth 401(k) plans. This means there are some people missing out on a retirement planning option that just might be the better one for them. While they both share a similar tax status, there are more than a few ways that Roth 401(k) plans differ from Roth IRAs.

Eligibility

Employees who are eligible for their employer's 401(k) plans are also eligible for the Roth 401(k) if this option is offered by the employer. Unlike a Roth IRA, there are no income limitations when it comes to who can contribute to a Roth 401(k). Contributions to a Roth IRA in 2025 are limited to those with a modified adjusted gross income under $165,000 for single filers but with reduced contributions starting at $150,000 ($161,000 and $146,000 in 2024) or under $246,000 for married joint-filers with reduced contributions starting at $236,000 (240,000 and $230,000 in 2024).

Contributions

When it comes to how much you are able to contribute annually, the limits are the same as those for a regular 401(k) plan. That means $23,000 in 2024 and $23,500 in 2025, with an additional $7,500 as a catch-up contribution for those 50 years of age and older in 2024 and 2025. It is important to note, however, that your employer may set lower limits in order to comply with nondiscrimination rules. You can split contributions between both types of 401(k) plans, but the total cannot exceed the maximum allowed contribution amount. The employer matching contributions (if any) must be held in the regular 401(k) account and will therefore be taxed upon withdrawal. In 2024 and 2025, the contribution limits for a Roth IRA are $7,000 plus an additional $1,000 catch-up contribution for individuals age 50 and over. You can make contributions to both a Roth 401(k) and a Roth IRA, as long as you meet the income eligibility rules for the Roth IRA.

Required Distributions

One of the reasons Roth IRAs are such effective estate-planning vehicles is because you are not required to take distributions from them at all in your lifetime. This means the tax-advantaged status rolls over to the beneficiaries of these assets, who will be able to withdraw qualified distributions without paying federal income taxes. However, this is not the case when it comes to Roth 401(k)s. With a Roth 401(k), you must start taking annual distributions after age 73, unless, of course, you roll the plan over to a Roth IRA.

Conversions

If you opted for a regular IRA when you began saving but now see the merits of a Roth IRA, you have the option of converting the regular IRA to a Roth IRA. However, income taxes must be paid on the amount that would have been taxable if withdrawn. In contrast, there is no option to convert a regular 401(k) to a Roth 401(k).

If you are having a difficult time deciding between plans, you will have to weigh the same factors as you would when choosing between a traditional IRA and a Roth IRA:

✔ **Your current income tax bracket versus your expected income tax bracket during retirement.** If you believe your income tax bracket will be higher during retirement than it is now, a Roth 401(k) will typically allow for more retirement funds. This is generally the case with younger workers who are not in their peak earning years, as well as those who plan to fund most of their retirement with IRAs and 401(k) plans. On the other hand, those who expect their tax rate to decline in retirement may want to choose a regular 401(k) plan.

✔ **Whether or not you plan to leave assets to beneficiaries.** If you are using your 401(k) plan as a vehicle to provide tax-advantaged assets to beneficiaries, you should consider the Roth 401(k). Once you retire, you can roll the balance in your Roth 401(k) to a Roth IRA, without any tax consequences. You then do not have to take any withdrawals during your life. When your beneficiaries inherit the Roth IRA after your death, they will have to take distributions over their expected life expectancies, but those distributions will be federal income tax free as long as the distributions are qualified.

Fortunately, if you can't choose between the plans you don't really have to. You can always contribute to both, if it makes sense for your financial circumstances. However, you will still be limited by the total amount of contributions allowed by the IRS for the year. ✔✔✔

Protect Your Family's Security

One of your first financial goals should be to protect your family's financial security from major catastrophes. To do so, consider these four items:

Market Data

	Month End			% Change	
Stocks:	Jan 25	Dec 24	Nov 24	YTD	12-Mon.
Dow Jones Ind.	44544.66	42544.22	44910.65	4.7%	16.8%
S&P 500	6040.53	5881.63	6032.38	2.7	24.7
Nasdaq Comp.	19627.44	19310.79	19218.17	1.6	29.4
Total Stock Market	60144.00	58399.25	60287.01	3.0	24.6
Precious Metals:					
Gold	2812.05	2616.45	2640.85	7.5	37.0
Silver	31.45	29.44	30.08	6.8	36.0
Interest Rates:	Jan 25	Dec 24	Nov 24	Dec 23	Jan 24
Prime rate	7.50	7.50	7.75	8.50	8.50
Money market rate	0.40	0.42	0.43	0.48	0.50
3-month T-bill rate	4.20	4.23	4.42	5.26	5.21
20-year T-bond rate	4.88	4.86	4.45	4.20	5.34
Dow Jones Corp.	5.37	5.45	5.23	5.17	5.31
Bond Buyer Muni	4.44	4.46	4.26	4.48	4.84

Sources: Barron's, Wall Street Journal. An investor may not invest directly in an index.

✔ **A cash reserve for short-term emergencies, such as a temporary job loss, major home repair, or large medical bill.** A common rule of thumb states that your cash reserve should equal two to six months of living expenses. However, how much you'll need depends on your age, health, job outlook, and borrowing capacity.

✔ **Adequate insurance in all major areas.** Your insurance needs will change over the years, so you may find yourself with too much or too little coverage. Thus, periodically review your life, disability, medical, and homeowner's insurance.

✔ **Umbrella liability insurance to protect against major lawsuits.** Umbrella policies are purchased in $1 million increments and kick in once limits of your homeowner's and automobile policies are exceeded. In addition to the items covered by those policies, an umbrella policy typically covers damages from use of non-owned property in your possession and from lawsuits for libel, slander, defamation of character, and invasion of privacy.

✔ **A power of attorney.** A power of attorney gives an individual you designate the power to act on your behalf when you are incapacitated, allowing him/her to take over your finances and make investment decisions. ✔✔✔

The Epley – Wolbeck Group at Morgan Stanley

Daren F. Epley
Managing Director – Wealth Management
Financial Advisor
Financial Planning Specialist • 309.671.4660

Patrick J. Wolbeck, CFP®
Senior Vice President – Wealth Management
Financial Advisor
Financial Planning Specialist • 309.671.2878

Hiral Hudson, CFP®
Senior Vice President – Wealth Management
Financial Advisor
Financial Planning Specialist • 309.671.2866

Shayne Christe, CFP®
Financial Advisor
309.671.2895

Megan Bannan
Portfolio Associate
309.671.2860

Shelly Thompson
Portfolio Associate
309.671.2894

Lori Douglas
Client Service Associate
309.671.2869