Welcome to Transition Insights!

With the new year upon us, it's the perfect time to refocus on our financial goals. January marks Financial Wellness Month, and we've got some tips to help you take control of your finances. Whether it's setting new budgets or finding ways to save more, our latest article has got you covered.

Additionally, as inflation continues to be a concern for many, our follow-up piece delves into the impacts of rising prices and how you can protect your purchasing power. Explore effective investment strategies that can combat inflation and secure your financial future.

Wishing you a prosperous and financially fit 2025!

Financial Wellness in 2025

As we kick off 2025, it's the perfect time to take stock of your financial health — especially since **January is Financial Wellness Month**. To help you start the year on the right foot, we've put together a few key tips and updates that may make a significant difference in your finances this year.

1. **Take Note of the 401(k) Automatic Enrollment Under SECURE 2.0**: Starting in 2025, SECURE 2.0 mandates automatic enrollment in 401(k) and 403(b) plans, with some exceptions for small businesses. This aims to increase participation, which benefits employees and employers through tax advantages and enhanced employee retention. Eligible participants will be automatically enrolled but can choose to opt out.
2. **Plan for Higher Retirement Account Catch-Up Contributions**: Individuals aged 50 and older can make catch-up contributions to their retirement plans within specified limits. Starting this year, SECURE 2.0 significantly raises these limits for those aged 60 to 63, allowing contributions of either $10,000 or 50% more than the standard catch-up amount, whichever is greater.
3. **Prepare for Potential Tax Changes in 2026**: Some experts are calling 2025 the "Super Bowl of tax law changes," with the Tax Cuts and Jobs Act set to expire on December 31, 2025. This includes the reduction of individual income tax rates, increased standard deductions, the doubling of the child tax credit, and limits on various deductions like state and local taxes and mortgage interest. The alternative minimum tax will apply to more people after 2025 as exemptions revert to pre-TCJA levels, while the 20% pass-through deduction and increased estate tax exemption will expire. Additionally, international tax provisions like GILTI, FDII, and BEAT will become more restrictive.
4. **Enhance Your Health Savings**: With health care costs rising, don't overlook the advantages of a Health Savings Account (HSA). The 2025 annual HSA contribution limit is $4,300 for individuals with high-deductible health coverage (up from $4,150 in 2024) and $8,550 for family coverage (up from $8,300 in 2024).

Financial Wellness Month is all about taking proactive steps to improve your financial health, and we're here to support you in that journey. Whether you need help reviewing your current strategy or just have a few questions, feel free to reach out — we're here to help.

Inflation and Purchasing Power

Do you remember what year it was that a gallon of gas was $0.63? Depending on your age, you may or may not! Answer: The year was 1978.

When the costs of goods and services rise in an economy, inflation may be a part of that price increase. These inflationary forces can help create challenges. As savers see their purchasing power decrease, it can lead to less of a desire to save cash. People living on fixed incomes can be especially impacted. Fortunately, there are ways to protect yourself against inflation. Here are five:

1. **TIPS**[1]**:** Treasury Inflation-Protected Securities help provide protection against inflation. The principal of a TIPS increases with inflation and decreases with deflation, as measured by the Consumer Price Index. When a TIPS matures, you are paid the adjusted principal or original principal, whichever is greater. Interest is paid semiannually at a fixed rate. TIPS can be held until maturity or sold prior to maturity on the second market, but you may receive less than the principal invested.
2. **Precious Metals Funds**[2]**:** Historically, the price of gold tends to increase during inflationary periods as the purchasing power of the dollar decreases. As it takes more dollars to buy an ounce of gold, the price tends to rise. How has the price of gold behaved lately? There are numerous precious metals funds that invest in gold and silver with some even including platinum and palladium in their holdings.
3. **Commodity Mutual Funds**[3]**:** Broadly speaking, the price of commodities tends to increase during periods of inflation. Think of the corn and wheat that go into a box of cereal —the rising cost of the raw materials tend to increase the price of the finished product. There are many mutual funds that invest in

agricultural and energy commodities that can potentially benefit from an increase in underlying commodity prices.

4. **Equities / Equity Mutual Funds:** Companies that are in inflationary-sensitive sectors such as industrials and materials can potentially benefit in a higher inflation environment. If a company's activity is producing a commodity, inflation could potentially contribute to improving the company's bottom line. There are specialty mutual funds that offer such underlying equities within the fund's portfolio.
5. **Real Estate / REITs**4**:** Real Estate Investment Trusts can help provide protection against inflation. Real Estate rentals and values tend to increase when prices do. For REITs, the dividends can be a benefit. According to Nareit/October 2019, REIT dividends have outpaced inflation as measured by the Consumer Price Index in all but two of the last twenty years.
6. It is always wise to be proactive and have strategies at the ready when the possibility of inflation arrives. These assets, among others, can provide diversified methods of protection from eroding purchasing power due to inflation. Although, a diversified portfolio does not assure a profit or protect against loss in a declining market.

If inflation is a concern of yours, please feel free to reach out to us. We would be delighted to discuss a personalized plan tailored to your individual investment objectives and situation.

All investing involves risk, including the possible loss of principal. There is no assurance that any investment strategy will be successful. The information contained in this material is for general information only and are those of the author, and not a recommendation or solicitation to buy or sell investment products. This material was developed and produced by Levitate which is not affiliated with the named broker-dealer. For a comprehensive review of your personal situation, always consult with a tax or legal advisor.

1 Tips are purchased in multiples of $100, terms are 5, 10, and 30 years. TIPS can be sold on the secondary market, which are determined by supply and demand.

2 Precious metal funds can have volatile price fluctuations and initial costs can be high.

3 Commodity funds are not appropriate for all people. Certain market conditions could contribute to a substantial risk of loss. You should consider the losses prior to making a purchase.

4 REIT funds hold Real Estate investment Trust in their portfolios which are subject to various risks such as liquidity and property devaluations based on adverse economic and real estate market conditions and may not be suitable for all investors. They are sensitive to interest rates, economic conditions (both nationally and locally), property tax rates, and other factors. Changes in real estate values or economic downturns can have a significant negative effect on issuers in the real estate industry. Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, economic or other developments.

Mutual funds are sold by a prospectus. Investors should consider the investment objectives, risks and charges and expenses of the funds carefully before investing. The prospectus contains this and other information about the funds. Contact your Financial Professional to obtain a prospectus, which should be read carefully before investing or sending money.

Ease the Financial Squeeze

It won't come as a surprise that 77% of American households have debt of some sort—especially as inflation hits a 40-year high and prices on just about everything skyrocket.

When you couple that with the fact that three in five people report living paycheck-to-paycheck, it's easy to see the challenge facing American families this year.

That said, if you find yourself trying to tame consumer debt while living paycheck-to-paycheck, you're not alone. The good news is there are small ways to ease the financial squeeze and lessen future fallout.

Here are five:

1. **Avoid new debt.** If possible, avoid new debt right now. As interest rates rise, save and pay cash for non-essential purchases.

2. **Always pay on time**. Consider enrolling in auto-pay when possible. Remember, payment history makes up 35% of your credit score, so it's critical for your future financial health to make payments on time.

3. **Activate the debt snowball**. Here's how it works. Make a list of your debts, with the lowest balance first. Pay the minimum payments on all but your smallest debt. Send extra funds there until it's paid off, then use that money to throw at the next largest debt.

4. **Add to your emergency fund**. Building an emergency fund of 3-6 months of living expenses feels daunting—especially in this inflationary environment. But keep at it as you're able! Every dollar you can set aside now will help you build a safety net and stay out of debt when unexpected expenses come your way.

5. **Assess various side hustles**. Paying off debt is one of our top tips for clients, but increasing income is close behind. Consider if a side hustle is right for you. The gig economy is exploding, and you can easily find a profitable side hustle to start with little or no money.

If you have questions or would like to discuss your financial situation to ensure you're making the best decisions for you and your family, given the current climate, we're here to help. Reach out anytime.