GFC Report

Building Your Wealth & Retirement Income

GFC FINANCIAL MANAGEMENT

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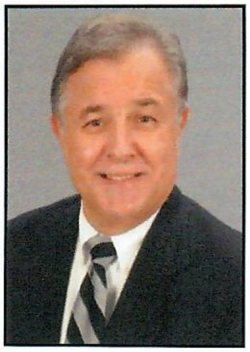


George F. Cerwin, CFP®
President

Setting a Savings Goal

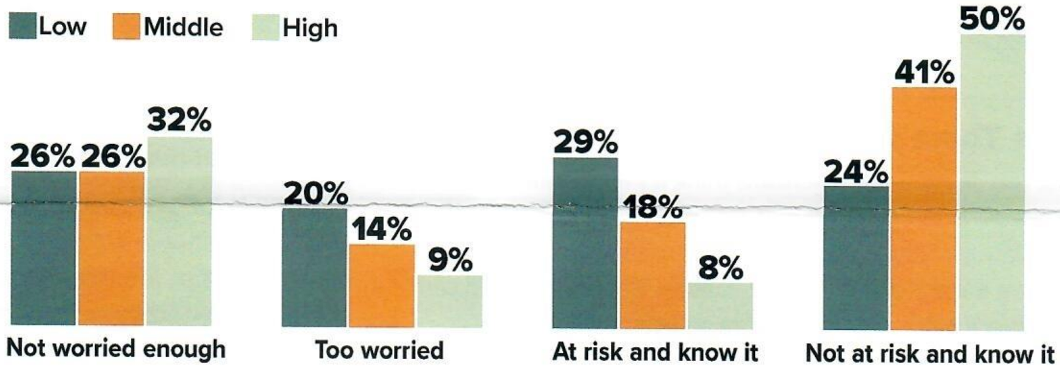
Only about half of workers or their spouses have tried to calculate how much money they will need to save in order to live comfortably in retirement. And just half of retirees say they made such a calculation before they retired.

Source: Employee Benefit Research Institute, 2023

Do You Know if Your Retirement Is at Risk?

An analysis of data from the Federal Reserve *Survey of Consumer Finances* found that 47% of U.S. households were at risk of not having adequate retirement income, but only 19% were aware of their risk. On the other hand, 53% were not at risk, but only 38% knew it. This means that more than four out of 10 households were either too worried about their retirement readiness or not worried enough. It may be surprising that lower-income households were more likely to be too worried, while higher-income households were more likely to be not worried enough.

Percentage of households that correctly or incorrectly assessed their retirement readiness, by income group



Source: Center for Retirement Research at Boston College, 2023

PRACTICAL INSIGHTS FOR YOUR FINANCIAL GOALS

What's Required of the Executor of an Estate?

Being named as the executor of a friend's or family member's estate is generally an honor, but settling an estate can be a difficult and time-consuming job. Each state has specific laws detailing an executor's responsibilities.

If you are asked to serve as an executor, you may want to research the legal requirements, the complexity of the estate, and the potential time commitment. You should also consider seeking the counsel of experienced legal and tax professionals. An executor generally has the right to be compensated for services and reimbursed for expenses; fees vary depending on the situation.

Typical duties

The executor of an estate (referred to as a personal representative in some states) is named in the deceased's legal will. An executor typically must file a petition for probate, the legal process for establishing the validity of the will. Some estates may not require probate, depending on size, types of assets, and state laws. If there is no will, there is technically no executor, but the probate court will appoint an administrator or personal representative to carry out the same duties.

If the deceased created a letter of instruction, it should include much of the information needed to close out an estate, such as a list of documents and their locations, contacts for legal and financial professionals, a list of bills and creditors, login information for important online sites, and final wishes for burial or cremation and funeral or memorial services.

Where There's a Will...

Almost two out of three Americans think it's important to have an estate plan, but only one out of three actually has a will or other estate planning document. The most common reason for not having a will is simple procrastination. Not having a will can make it much more difficult to settle an estate.

Percentage of Americans with a will, by age group

26% **27%** **46%**

18–34 **35–54** **55+**

Source: Caring.com, 2023

Here are some duties you might take on as an executor.

Arrange for funeral and burial costs to be paid from the estate. Collect multiple copies of the death certificate from the funeral home or coroner. They may be needed to fulfill official obligations, such as presenting the will to the court for probate, claiming life insurance proceeds, reporting the death to government agencies, and transferring ownership of financial accounts or property to the beneficiaries.

Handle any government benefits and file tax returns. The funeral home will typically notify the Social Security Administration. Federal benefits received after the date of death must be returned. However, Social Security benefits are paid a month behind, so a payment in the month of death for the previous month would not have to be returned. You may have to file final personal income tax returns for the deceased, estate income tax returns, and estate tax and gift tax returns if applicable.

Protect assets while the estate is being closed out. This might involve securing a vacant property; paying the mortgage, utility, and maintenance costs; changing the name of the insured on home and auto policies to the estate; and tracking investments.

Inventory, appraise, and liquidate valuable property. You may need to sort through a lifetime's worth of personal belongings and list a home for sale.

Notify potential creditors and pay any debts or taxes. You may have to publish a notice to potential creditors, as directed by the probate court and state law. Debts such as medical bills, credit card balances, and taxes due should be paid out of the estate. The executor and/or heirs are not personally responsible for the debts of the deceased that exceed the value of the estate.

Distribute assets according to the estate documents. Proceeds from life insurance policies and retirement accounts generally go directly to named beneficiaries. You typically must wait until the end of the probate process to distribute remaining assets. Trust assets can usually be disbursed right away without court approval.

The executor has a fiduciary duty to act in the best interests of the estate and its beneficiaries. This means you could be held liable if estate funds are mismanaged and the beneficiaries suffer losses.

If for any reason you are not willing or able to perform the executor's duties, you have a right to refuse the position. If no alternate is named in the will, an administrator will be appointed by the court.

ESG Investing in the Spotlight

It's probably safe to say that most people choose an investment with an eye toward adding financial value to their portfolio. Over the past two decades, however, many investors have added another layer of values in making investment decisions. The most common criteria are related to environmental, social, and corporate governance issues, typically referred to as ESG factors.

More recently, ESG investing has become controversial, primarily due to large institutional investors such as universities and pension funds using ESG factors to construct their portfolios. Critics say that this approach compromises potential returns, while proponents claim that better ESG practices may help lower risk and provide more stability without sacrificing performance.

As an individual investor, the choice to apply personal values to your investments is entirely up to you, and it may be helpful to know more about this approach.

Top Issues

In 2022 (most recent data), about $8.4 trillion of professionally managed U.S. assets incorporated ESG criteria in choosing investments and/or filing shareholder resolutions. These were the leading criteria used by money managers, based on the value of assets to which they were applied.

$3.45 trillion	**$1.78 trillion**	**$1.70 trillion**	**$1.23 trillion**	**$1.02 trillion**
Climate change/ carbon	**Military/weapons**	**Tobacco**	**Fossil fuel divestment**	**Anti-Corruption**

Source: US SIF Foundation, December 2022

What's in a name?

Values-based investing was originally called Socially Responsible Investing (SRI), and this term is still commonly used. Other terms, often using the SRI acronym, include sustainable and responsible investing; sustainable, responsible, and impact investing; or simply sustainable investing. The emphasis on ESG factors developed as a way to analyze companies in constructing funds or portfolios.

SRI and ESG are often used interchangeably, but some analysts see them as two separate practices. According to this view, SRI takes more of a pure values-based approach in screening potential investments; for example, it might screen out companies involved in tobacco, weapons, or fossil fuels extraction and screen in companies that produce "green" products or focus on financial inclusion or health. ESG looks at these factors more in terms of risk management and financial performance; for example, a company with poor labor relations could face a workers' strike and a company with poor waste management could be fined or constrained with government regulations.

Investments and performance

ESG strategies are often applied by professional managers for large institutional investors, but individual investors might consider these factors when developing their own portfolios. Along with screening individual stocks, investors can choose from more than 650 ESG/sustainable funds.[1] As with any fund, it's important to understand the objectives and criteria for choosing investments. Funds labeled ESG, sustainable, or socially responsible can vary widely in their objectives, in how they define and evaluate ESG factors, and in how strictly they apply selection criteria.

It's difficult to assess the effect of ESG factors on investment performance, because there is no standard definition of what companies or investments should be included in an ESG analysis. A review of more than 1,000 research studies published from 2015–2020 reported that 33% of studies that focused on investment results found a positive correlation between ESG and performance, 26% reported a neutral impact, 28% were mixed, and just 14% found a negative correlation.[2] The S&P 500 ESG index, which includes more than 300 of the S&P 500 companies based on ESG scores, outperformed the full index in eight out of 10 years from 2014 to 2023.[3]

Limiting the universe

Although many companies and funds consider ESG factors, focusing on these strategies limits the total universe of available investments and could make it more challenging to diversify and maintain your desired asset allocation. Like all investments, SRI/ESG stocks and funds entail risk and could lose money, and there is no guarantee that an SRI/ESG investment will achieve its objectives.

Diversification and asset allocation do not guarantee a profit or protect against loss. Funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1) Morningstar, October 25, 2023

2) NYU Stern Center for Sustainable Business, August 2021 (most recent data)

3) S&P Dow Jones Indices, 2023. The S&P 500 Index is an unmanaged group of securities considered to be representative of the U.S. stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Past performance is no guarantee of future results. Actual results will vary.

You Might Save on Taxes with an IRA Contribution

The tax treatment of contributions to a traditional IRA is the same regardless of when you contribute during the year. But it may be easier to see the immediate benefits at tax time, when you have a clearer picture of your income tax liability. Whether you owe taxes or expect a refund, the reduction in your tax liability could help fund your contribution (see chart). There may also be a reduction in state income taxes. And don't forget the potential for tax-deferred growth to help fund your retirement.

You can make 2023 contributions to your traditional IRA up to the April 15, 2024, tax deadline. (You must indicate to the plan sponsor that the contribution is for 2023.) If you miss the deadline or have already maximized your 2023 contribution, you can get started on 2024. The 2023 contribution limit is $6,500, increasing to $7,000 in 2024. If you're 50 or older, you can make an additional $1,000 catch-up contribution in either year. Contributions to a traditional IRA are generally tax deductible; however, income limits apply for workers who are covered by a retirement plan at work.[1]

Help from Uncle Sam

Potential reduction in 2023 federal income tax liability for contributions to a traditional IRA, based on regular annual limit and limit with additional age 50+ catch-up

Contribution	Tax bracket					
	12%	**22%**	**24%**	**32%**	**35%**	**37%**
$6,500	**$780**	**$1,430**	**$1,560**	**$2,080**	**$2,275**	**$2,405**
$7,500	**$900**	**$1,650**	**$1,800**	**$2,400**	**$2,625**	**$2,775**

This hypothetical example of mathematical principles is used for illustrative purposes only. The actual net reduction in federal income taxes owed will vary.

Spousal IRA opportunity

In order to make an IRA contribution, you must have earned income from wages or self-employment at least equivalent to the contribution. Income from pensions, Social Security, and investments does not count as earned income, so some retirees or stay-at-home spouses may not have enough earned income of their own to qualify. However, a working spouse filing a joint tax return can contribute up to the annual maximum to his or her own IRA and to a spouse's IRA as long as the couple's combined earned income exceeds both contributions. A worker whose income is too high to contribute to his or her own IRA may be able to contribute to a spouse's IRA.[2]

Traditional vs. Roth

Annual contribution limits apply to traditional and Roth IRAs combined. Along with the tax deduction for contributions to a traditional IRA, any earnings are tax-deferred. However, traditional IRA withdrawals are taxed as ordinary income, and distributions taken prior to age 59½ may be subject to a 10% federal income tax penalty, with certain exceptions.

Roth contributions are not tax deductible, but they can always be withdrawn tax-free. To qualify for a tax-free and penalty-free withdrawal of earnings, a Roth distribution must meet a five-year holding requirement and take place after age 59½, with some exceptions. You must meet certain income limits to contribute to a Roth IRA.[3]

1) For active participants in employer-sponsored retirement plans, traditional IRA deductions phase out in 2023 at a modified adjusted gross income (MAGI) of $73,000–$83,000 for single filers or $116,000–$136,000 for joint filers ($77,000–$87,000 and $123,000–$143,000 in 2024).

2) If one spouse is an active participant in an employer-sponsored retirement plan and the other is not, deductions for the nonparticipant phase out from $218,000–$228,000 in 2023 ($230,000–$240,000 in 2024).

3) The ability to contribute to a Roth IRA phases out in 2023 at a MAGI of $138,000–$153,000 for single filers and $218,000–$228,000 for joint filers ($146,000–$161,000 and $230,000–$240,000 in 2024).

Do you have questions about the investments in your portfolio? Would you like to discuss estate planning? Call us for an appointment today.

Best Regards,

George

George F. Cerwin, CFP®, CLU is President of GFC Financial Management and has over 45 years of experience working with retirees and those about to retire. George offers Securities and Investment Advisory Services through **Osaic Wealth, Inc.** member FINRA and SIPC. Insurance Services offered through GFC Financial Management, not affiliated with **Osaic Wealth.** Visit our website: www.gfcfinancial.com. Our office address is 2764 Sunset Point Road, #600, Clearwater, FL 33759, and phone number 727-724-9499.