

GFC Report

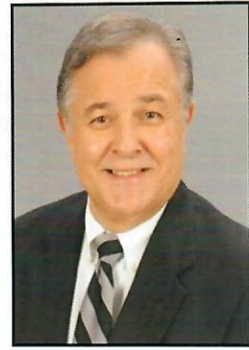
Building Your Wealth & Retirement Income

GFC FINANCIAL MANAGEMENT

2764 Sunset Point Road, Suite 600 • Clearwater, FL 33759

Office: 727-724-9499 • Fax: 727-724-9438

www.gfcfinancial.com



George F. Cerwin, CFP®
President



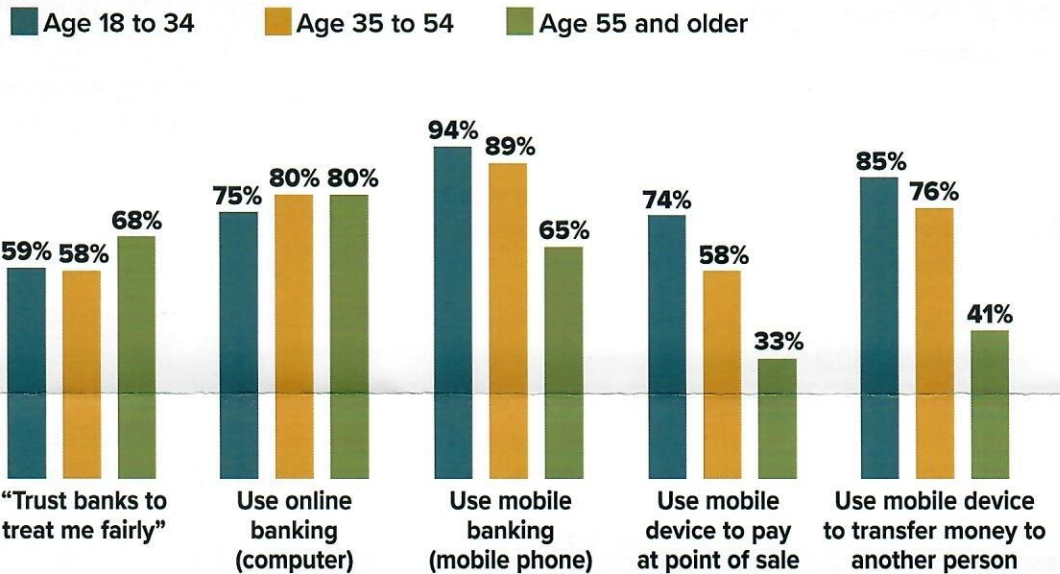
Expensive Credit Card Practices

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Source: FINRA Investor Education Foundation, July 2025

Banking and Payments Vary by Generation

A study of financial capability found interesting differences across generations in banking and electronic payment practices. It's probably not surprising that younger people are less trusting of banks and more likely to use mobile banking and payment apps. But older people are also adopting various forms of electronic banking and payment.



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PRACTICAL INSIGHTS FOR YOUR FINANCIAL GOALS

Strategies for Taking RMDs

Contributions to traditional (non-Roth) tax-deferred retirement accounts such as IRAs and employer plans are tax deductible (up to the annual limit) if they are made directly, or they are made with pre-tax dollars, typically through a payroll deduction.

Unfortunately, you cannot defer taxes indefinitely on the money you've accumulated in these accounts. You must take required minimum distributions (RMDs) each year once you reach age 73 if you were born from 1951 to 1959, or age 75 if you were born in 1960 or later. If you are still employed, you may be able to delay taking RMDs from your current employer's plan until after you retire.

One-time option

Even though you must take an RMD for the tax year in which you turn 73 (or 75), you have a one-time option to wait until April 1 of the following year to take your first distribution. For example, if you turn 73 in 2025, you must take an RMD for 2025 no later than April 1, 2026. You must then take your 2026 distribution by December 31, 2026. While it may be helpful in some cases to wait until the following year to take your first RMD, taking two RMDs in one year could put you in a higher tax bracket.

How much to take

Annual RMDs are based on the account balances of your traditional IRAs and employer plans as of December 31 of the previous year, your age in the current tax year, and your life expectancy as defined in IRS tables. Most people use the IRS Uniform Lifetime Table (Table III). If your spouse is more than 10 years younger and the sole beneficiary of your IRA, you must use the Joint Life and Last Survivor Expectancy Table (Table II).

Calculating RMDs

This example assumes a \$500,000 traditional IRA or employer plan balance each year. Note that as the divisor decreases at later ages, the RMD increases, assuming the account balance remains the same. In practice, the account balance may decline over time.

Age	Divisor from IRS Table III	RMD
73	26.5	$\$500,000 / 26.5 = \$18,868$
75	24.6	$\$500,000 / 24.6 = \$20,325$
80	20.2	$\$500,000 / 20.2 = \$24,752$
85	16.0	$\$500,000 / 16.0 = \$31,250$
90	12.2	$\$500,000 / 12.2 = \$40,984$

To calculate your RMD, divide the value of each retirement account balance as of December 31 of the previous year by the distribution period in the IRS table (see example).

If you have multiple tax-deferred accounts, calculating RMDs can be complex — one reason that it might be helpful to consolidate your retirement accounts. The IRA custodian or administrator of your retirement plan may provide information regarding your RMD for a specific account, but you might also consult with your tax professional.

When should you take your RMD?

Many people take a lump sum at the end of the year to give the funds more time to pursue potential growth, but this approach also comes with a higher risk of a market downturn if the funds are invested in securities that change in value with the markets.

A recent study found that taking equal monthly distributions of 1/12 of your RMD, regardless of market activity, can provide similar returns with less risk over a 10-year withdrawal period. For example, if your RMD is \$24,000, you could take \$2,000 each month and either reinvest it or use it for living expenses. The study also found that a hybrid approach where half the RMD was taken in monthly installments and half taken at the end of the year offered a good balance of risk and return.¹

Another strategy would be to plan ahead and keep enough funds for one to three years of RMDs in cash alternatives that can be easily liquidated or CDs or bonds that mature at the times you want to take your distributions. This could help prevent the need to sell more volatile securities during a down market.

Steep penalties

The penalty for not taking an RMD is 25% of the amount that should have been withdrawn. The penalty is reduced to 10% if "timely corrected" by making up the missed RMD, generally within two years unless the penalty is assessed earlier.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful. The principal value of cash alternatives may be subject to market fluctuations, liquidity issues, and credit risk. It is possible to lose money with this type of investment. The FDIC insures CDs and bank savings accounts, which generally provide a fixed rate of return, up to \$250,000 per depositor, per insured institution. The principal value of bonds may fluctuate with market conditions. Bonds redeemed prior to maturity may be worth more or less than their original cost.

¹) *The Wall Street Journal*, July 3, 2025

Taxing Social Security Benefits: Clearing the Confusion



On July 3, 2025, the Social Security Administration (SSA) posted a blog on its website regarding tax legislation, commonly called the One Big Beautiful Bill Act (OBBBA), which was signed into law the following day. The same message was sent in a mass email to all subscribers, including many Social Security beneficiaries.¹

While highlighting the benefits of OBBBA for seniors, the message caused some confusion about taxation of Social Security benefits, which was not fully resolved by a correction posted a few days later.² Here is some basic information that may help clarify any questions you have about the new law and taxation of benefits.

What does OBBBA do and not do for seniors?

First and foremost, OBBBA does *not* change the rules for taxing Social Security benefits. The process used to pass OBBBA in the Senate — called budget reconciliation — prohibits any changes to the Social Security program.

OBBBA *does* provide an additional \$6,000 deduction for taxpayers 65 and older (\$12,000 for a married couple) for tax years 2025–2028. However, this deduction has no direct relationship with Social Security benefits. It is available regardless of whether the taxpayer age 65 and older is receiving benefits. And it is not available to taxpayers who are receiving benefits if they are under age 65. The deduction phases out at higher income levels: \$75,000–\$175,000 for single filers, \$150,000–\$250,000 for joint filers.

Taxation of Social Security benefits is based on income. That means the additional senior deduction should reduce the number of people who have to pay taxes on their Social Security benefits by reducing their taxable income. And many of those who do pay taxes will pay less.

Three Deductions

The new senior deduction is available regardless of whether a taxpayer takes the standard deduction or itemizes. For those who take the standard deduction, it is in addition to the standard deduction — which applies to all taxpayers — and the already existing additional standard deduction for taxpayers age 65 and older. The combination of all three deductions could result in a substantial reduction of taxable income. These are the deductions for 2025.

Deduction	Filing status			
	Single	Joint	Head of household	Married filing separately
Standard	\$15,750	\$31,500	\$23,625	\$15,750
Additional standard 65+	\$2,000	\$1,600 each \$3,200 total	\$2,000	\$1,600
OBBBA 65+	\$6,000	\$6,000 each \$12,000 total	\$6,000	Not available
Total	\$23,750	\$46,700	\$31,625	\$17,350

According to the White House, 64% of Social Security beneficiaries did not pay taxes on their benefits before OBBBA, and the new senior deduction will increase that to 88%.³ Other analysts indicate that both figures are too high, because they assume that all deductions are applied directly to Social Security income, whereas many seniors receive other taxable income. The nonpartisan Urban-Brookings Tax Policy Center estimates that about half of beneficiaries will still pay some taxes on their Social Security benefits.⁴

How are Social Security benefits taxed?

The tax liability for Social Security benefits is based on your *combined income*, defined by the IRS as your adjusted gross income plus tax-exempt interest plus one-half of your Social Security benefits.

If your combined income exceeds a base amount of \$25,000 for single filers or \$32,000 for joint filers, you may owe federal income taxes on up to 50% of your Social Security benefits. If your combined income

exceeds a higher base amount of \$34,000 for single filers or \$44,000 for joint filers, you may owe federal income taxes on up to 85% of your benefits. So the only taxpayers for whom taxation of benefits will be completely eliminated by the new law are those whose combined income drops below the \$25,000/\$32,000 base amount.

Whether or not your Social Security benefits are taxed, the new senior deduction should reduce your tax burden to some extent. Unfortunately, it comes with a long-term effect on the Social Security and Medicare programs, which are funded in part by taxes on Social Security benefits. One estimate suggests that the new deduction will move the expiration date of the trust funds that help fund Social Security and Medicare up from 2033 to 2032, unless Congress takes action to strengthen the programs.⁵

1) Social Security Administration, July 3, 2025

2) MarketWatch, July 25, 2025

3) The White House, July 1, 2025

4) Urban-Brookings Tax Policy Center, July 9, 2025

5) Committee for a Responsible Federal Budget, June 27, 2025

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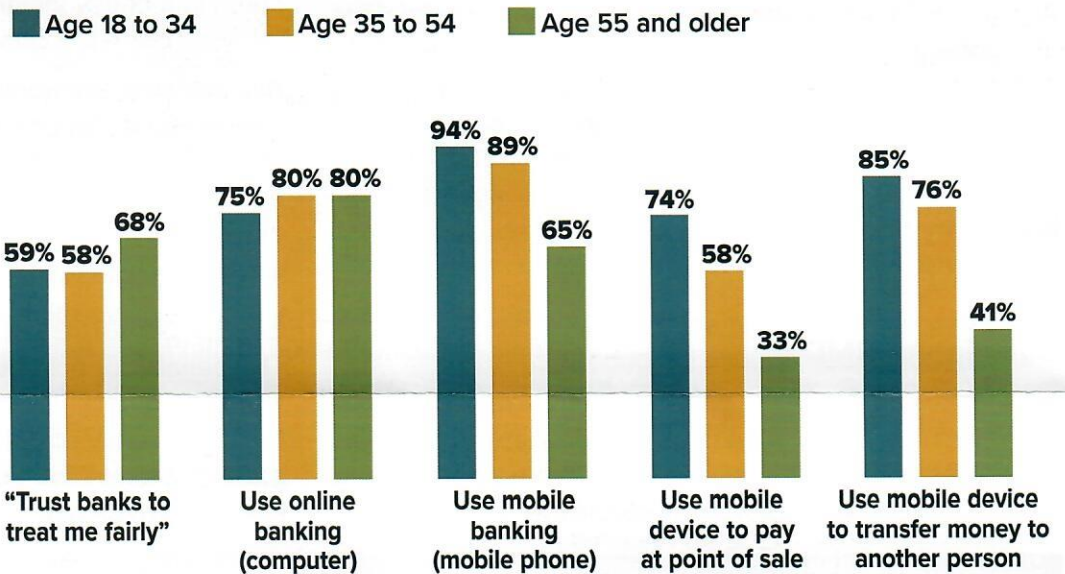
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