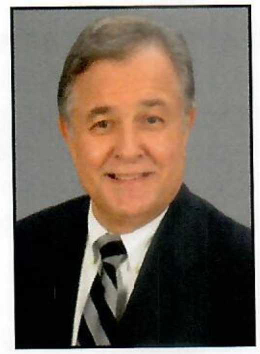
GFC Report

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

Choosing Your Lifespan

When asked how long they would like to live if they could control their lifespan, 24% of adults age 50 and older said they would like to live into their 80s, 28% said they would like to live into their 90s, and 26% said they would like to live to between 100 and 109. In general, older people chose older target ages.

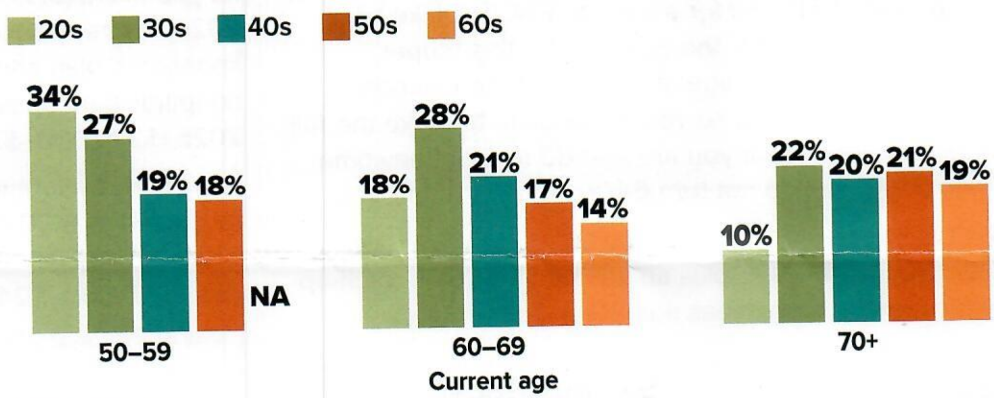
Source: AARP, 2024

Happy Now but Happier When?

Despite the difficulties of aging, 86% of adults age 50 and older say they are happy, though only 21% say they are very happy, while 65% say they are pretty happy. It's probably not surprising that those who are in excellent or very good health are much more likely to say they are very happy.

Although a large majority of older adults are happy with their current prospects, about two-thirds say their best decade came before age 50.

Best decade of your life



Source: AARP, 2024

Practical Insights for Your Financial Goals

Catch Up for a More Comfortable Retirement

A 2024 survey found that only a third of U.S. workers age 50 and older feel that their savings contributions have them on track to enjoy a comfortable retirement.[1] If your retirement account balance is lagging — or even if your nest egg seems robust — you can give your savings a boost by taking advantage of catch-up contributions that are available to those age 50 or older. This is often a time when salaries are highest, and you may thank yourself later if you put your current income to work for the future.

This opportunity is available for IRAs and employer-sponsored retirement plans — and there is a new opportunity in 2025 for some workers to make even bigger contributions to employer plans. You might be surprised by how much your savings could grow late in your working career.

Employer plans

Employer plans offer the most generous tax-advantaged contribution limits, and employers often match employee contributions up to a certain percentage of salary. Employer plan contributions for a given tax year must be made by December 31 of that year, but employers will generally allow you to adjust your contributions during the year.

For 2025, the individual contribution limit for 401(k), 403(b), and government 457(b) plans is $23,500, with an additional $7,500 catch-up contribution for those age 50 and older, for a total of $31,000. However, beginning in 2025, workers age 60 to 63 can make a larger catch-up contribution of $11,250 for a total of $34,750. Like all catch-up contributions, the age limit for this "super catch-up" is based on age at the end of the calendar year. It is not prorated, so you are eligible to make the full $11,250 contribution if you are age 60 to 63 at any time during 2025 and do not turn 64 by the end of the year.

SIMPLE retirement plans have lower but still generous limits: $16,500 in 2025 plus an additional $3,500 catch-up contribution for employees age 50 and older or an additional $5,250 for employees age 60 to 63. (Some plans have higher standard and age-50 catch-up limits: $17,600 and $3,850, along with the $5,250 super catch-up.)

IRAs

Unlike contributions to employer plans, IRA contributions can be made for the previous year up to the April tax filing deadline. So you can make contributions for 2024 up to April 15, 2025, and contributions for 2025 up to April 15, 2026. Make sure your IRA administrator knows which year the contributions are for.

The federal contribution limit in 2024 and 2025 for all IRAs combined is $7,000, plus a $1,000 catch-up contribution for those 50 and older — for a total of $8,000 each year. An extra $1,000 might not seem like much, but it could make a big difference by the time you're ready to retire. If only one spouse is working, a married couple filing a joint return can contribute to an IRA for each spouse as long as the working spouse has earned income that is at least equivalent to both contributions.

IRA MAGI limits

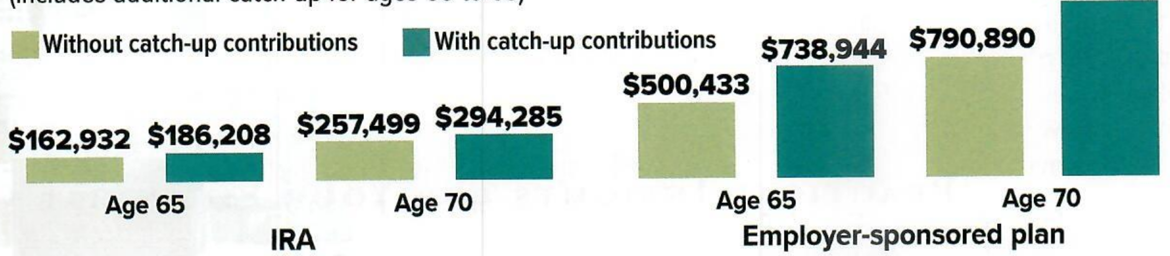
IRA contributions up to the combined limit can be traditional, Roth, or both. If an individual is an active participant in an employer-sponsored retirement plan, the ability to deduct traditional IRA contributions phases out in 2025 at a modified adjusted gross income (MAGI) of $79,000–$89,000 for single filers or $126,000–$146,000 for joint filers ($77,000–$87,000 and $123,000–$143,000 in 2024). If one spouse is an active participant in an employer-sponsored plan and the other is not, deductions for the nonparticipant phase out from $236,000–$246,000 in 2025 ($230,000–$240,000 in 2024).

The ability to contribute to a Roth IRA phases out in 2025 at a MAGI of $150,000–$165,000 for single filers and $236,000–$246,000 for joint filers ($146,000–$161,000 and $230,000–$240,000 in 2024).

1) AARP Financial Security Trends Survey, 2024

Savings Boost

Additional amounts that might be accrued between age 50 and age 65 or 70, based on making maximum annual contributions at current limits to an IRA or an employer-sponsored plan (includes additional catch-up for ages 60 to 63)



Assumes a 6% average annual return. If annual inflation adjustments to maximum contribution amounts were included, actual totals could be higher.

This hypothetical example of mathematical compounding is used for illustrative purposes only and does not represent any specific investment. It assumes contributions are made at end of the calendar year. Rates of return vary over time, particularly for long-term

Individual Bonds vs. Bond Funds: What's the Difference?

Individual bonds and bond funds can both provide an income stream, but there are important differences. An individual bond can offer more certainty and stability than a fund, while a fund can offer diversification that might be difficult to obtain with individual bonds.

Coupon, maturity, and yield

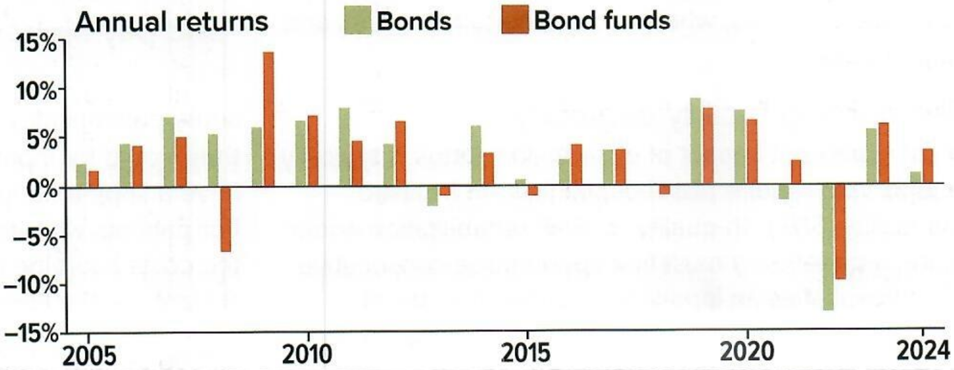
An individual bond has a coupon rate — the annual interest rate paid on the face value of the bond — and a maturity date, which is the date the principal is returned to the borrower. If you hold a bond to maturity, you will receive any interest payments due during the time you own it (typically paid quarterly or semi-annually) and the full principal at maturity, unless the bond issuer defaults. If you sell the bond on the secondary market before maturity, you will receive the market price, which may be higher or lower than the face value or the amount you paid, depending on market conditions.

By contrast, a bond fund does not have a coupon rate or a maturity date (with the exception of certain defined-maturity funds). A fund typically pays monthly distributions based on the bonds in the fund. The rate can change as bonds are replaced (due to maturity or sales) and as market conditions change. A fund also has fees and expenses, which reduce the interest paid, and fund managers can adjust to market conditions in various ways, depending on the fund's objective. Because there is no maturity date, you can hold the fund as long as the fund company remains in business. However, there is never a guarantee that you will receive your principal no matter how long you hold the shares. Fund shares, when sold, may be worth more or less than your original investment.

Yield is the expected return from a bond or bond fund, based on the interest rate and purchase price. If you buy a $1,000 bond at face value with a coupon rate of 4%, the yield is 4%. But if you buy the same bond on the secondary market for $800, the yield is 5%, because you receive interest based on the face value: 4% x $1,000 face value = $40 interest / $800 purchase price = 5% yield. Bond fund yields are more complex, but the 30-day SEC yield (or standardized yield) — which you can generally find with other information about the fund — offers a helpful comparison. This is typically calculated using the maximum share price on the last day of the month and projects annual net investment income assuming it remains the same as the previous 30 days.

Varied Performance

Individual bonds and bond funds have performed differently over the past 20 years. In part, this is because fund managers may respond to the market in different ways; for example, they might try to preserve yield over share price or vice versa. Note that the performance of individual bonds only applies to values on the secondary market, not to bonds held to maturity.



Source: London Stock Exchange Group, 2025, for the period 12/31/2004 to 12/31/2024. Bonds are represented by the Bloomberg U.S. Aggregate Bond TR Index, and bond funds are represented by the Thomson US: All Gen Bond - MF Index. Expenses, fees, charges, and taxes are not considered. The performance of an unmanaged index is not indicative of the performance of any particular investment. Individuals cannot invest directly in an index. Rates of return will vary over time, particularly for long-term investments. Investments seeking higher rates of return involve a higher degree of risk. Past performance is no guarantee of future results. Actual results will vary.

Interest rate sensitivity

Bonds and bond funds are sensitive to changes in interest rates. Generally, when rates rise, the market value of existing bonds and bond funds falls, because newly issued bonds pay higher interest rates. Conversely, when rates fall, the market value of existing bonds and bond funds rises. This only applies to market values and would not affect an individual bond held to maturity.

If you owned bond funds during the period that the Federal Reserve was aggressively raising interest rates, you may have been frustrated as you watched the value of your shares drop. Now that the Fed has begun to lower rates, share values may stabilize and could increase. Bond funds typically replace underlying bonds as they mature, and new bonds added in a high-rate environment increase the interest paid by the fund. This might make the fund more appealing as rates on other fixed-income investments decline. On the other hand, if rates continue to fall, new lower-yielding bonds added to a fund could make the fund less appealing if rates rise again.

Diversification does not guarantee a profit or protect against investment 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.

Look Out for Observation Care

Generally, no one wants to be admitted to a hospital, but the use of observation care (also called observation status) — during which a patient may be in a hospital room with hospital services but is not officially admitted — has raised concerns for both patients and providers. Anyone can be under observation care, but it is of particular concern for Medicare beneficiaries, who may lose certain benefits and pay higher costs.

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Skilled nursing facility eligibility

The most significant impact of observation status is typically on patients who require post-hospital care in a skilled nursing facility (SNF). To qualify for SNF rehabilitation under Medicare, a beneficiary must first spend three consecutive days in a hospital as an inpatient (counting the day of admission but not the day of discharge), and a doctor must recommend SNF treatment. Days under observation do not count toward the three-day minimum.

Part A or Part B?

Medicare Part A pays inpatient hospital charges, including prescription drugs, above the annual deductible ($1,676 in 2025), with no coinsurance for the first 60 days. Outpatient services, including observation care and physician services, are covered under Medicare Part B after meeting the annual deductible ($185 in 2025), with 20% coinsurance for each service and no cap on total expenditures. Outpatient prescription drugs may be covered under Medicare Part D, which also has out-of-pocket costs.

Although the deductible is higher for Medicare Part A than for Part B, the coinsurance and copays can add up, and some patients may pay more for observation care than they would for inpatient care, particularly if they do not have a supplemental policy (Medigap) to cover Part B costs. For patients who do not have Part B or other insurance, the costs could be catastrophic. Patients with a Medicare Advantage Plan may have different costs and coverage.

Changes and appeals

Under Medicare guidelines, hospitals should generally admit patients if they are expected to be under care for at least two midnights and must provide detailed oral and written notice to any patient who receives outpatient observation services for more than 24 hours. Your doctor may be able to change your status before you are discharged, but doctors must follow Medicare guidelines and changes are not easily made. Starting in early 2025, patients who have been admitted to a hospital and then changed to observation care (and meet certain other criteria) can appeal the decision while in the hospital, after discharge, or retroactively back to 2009.

For more information, see ***medicareadvocacy.org*** and ***medicare.gov***.

Are you concerned that your retirement contributions are lagging your objective? Would you like to discuss the role of funds and individual bonds in your fixed income portfolio? 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.