

GFC Report

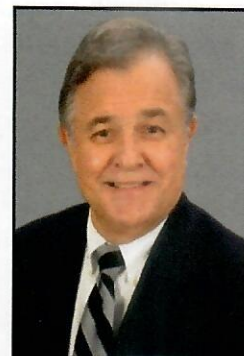
Building Your Wealth & Retirement Income

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Fewer Workers Support Beneficiaries

The Social Security program is supported by current workers. In 1960, there were 5.1 workers for each Social Security beneficiary. This dropped to 4.0 just five years later and has been declining steadily since then. In 2025, there are 2.7 workers for each beneficiary, with the number projected to drop to 2.3 by 2040. This demographic shift is the primary reason that the Social Security program faces severe fiscal challenges.

Source: Social Security Administration, 2024

Social Security Wage Base for 2025 Is Highest Yet

The Social Security wage base (also called the “contribution and benefit base” or the “taxable maximum”) is the amount of earnings subject to Social Security tax in a given year. The Social Security Administration sets the wage base each year according to changes in the national average wage index. In 2025, the wage base is \$176,100, a 4.4% increase over 2024 and a 48.6% increase over the last decade.

The wage base limit is only for Social Security tax. There is no wage base limit for Medicare tax.

Social Security wage base 2016–2025

2016	\$118,500
2017	\$127,200
2018	\$128,400
2019	\$132,900
2020	\$137,700
2021	\$142,800
2022	\$147,000
2023	\$160,200
2024	\$168,600
2025	\$176,100

Source: Social Security Administration, 2024

PRACTICAL INSIGHTS FOR YOUR FINANCIAL GOALS

Consider Roth for Tax-Free Income

The adage “pay me now or pay me later” applies to the differences between traditional and Roth accounts in both IRAs and employer retirement saving plans. Traditional accounts (pay me later) offer a current-year tax deduction, but future withdrawals, including contributions and earnings, are subject to ordinary income tax.

On the other hand, Roth accounts (pay me now) offer no current tax benefit — so you are using funds that have already been taxed — but withdrawal amounts attributable to contributions can always be withdrawn tax-free, and earnings can be withdrawn tax-free as long as they meet certain conditions (see below). Unlike traditional accounts, there are no required minimum distributions for original owners of Roth accounts, so funds can continue to pursue growth, providing flexibility for retirement income and estate planning.

Tax brackets and time frames

Roth accounts are often recommended for younger people, who may be in a lower tax bracket — making the current-year deduction of a traditional account less valuable — and have a longer time frame to benefit from tax-free growth. Obviously, older people could also benefit from tax-free retirement income, but whether it’s better to contribute to a

traditional or Roth account, or to convert traditional assets to Roth assets, requires a cost-benefit analysis.

If you are in a high tax bracket now, the current-year deduction for traditional contributions might be more appealing than tax-free retirement income. But if you expect to be in the same or higher tax bracket in retirement, Roth contributions or conversions could make sense. It’s also important to keep in mind that retirement can last a long time. A 65-year-old retiring today might spend 20 or 30 years in retirement, giving Roth assets plenty of time to pursue tax-free growth, potentially providing benefits greater than the current tax cost.

Contributions and conversions

If you are still working, you might consider splitting your contributions to an employer plan or IRA between traditional and Roth accounts (if your employer offers a Roth option). Contribution limits apply to combined accounts. If you are 50 or older in 2025, you can contribute \$31,000 combined to traditional and Roth 401(k)s (\$34,750 if you reach age 60 to 63 in 2025) and \$8,000 combined to traditional and Roth IRAs.

You can build a bigger Roth nest egg by converting traditional assets from an IRA and/or employer account. Converted assets are subject to federal income tax in the year of conversion and may also be subject to state taxes. This could result in a substantial tax bill and might move you into a higher tax bracket. One strategy is to “fill your bracket” by converting only the amount that would keep you in the same bracket. This requires projecting your income for the year.

Two five-year tests


Roth accounts are subject to two different five-year holding requirements: one related to withdrawals of earnings and the other related to amounts converted.

For a tax-free and penalty-free withdrawal of earnings, a Roth account must meet a five-year holding period beginning on January 1 of the year your first Roth account was opened, and the withdrawal must take place after age 59½ or meet an IRS exception. If you have had a Roth IRA for some time, this may not be an issue, but it could come into play if you open your first Roth IRA for a conversion or late in your career.

Assets converted to a Roth IRA can be withdrawn free of ordinary income tax at any time (because you paid taxes at the time of the conversion), but a 10% penalty may apply to the converted amount if you withdraw the assets before the end of a different five-year period, which begins on January 1 of the year of the conversion, unless you are age 59½ or another exception applies. Each conversion is subject to a separate five-year holding period.

Income Limits

The ability to deduct contributions to a traditional IRA if you participate in a workplace plan or to make contributions to a Roth IRA regardless of participation phases out at the following modified adjusted gross income (MAGI) ranges in 2025.



	Federal tax filing status	
	Single or head of household	Married filing jointly or qualified widow(er)
Deductible contributions to traditional IRA for participant in employer plan*	\$79,000–\$89,000	\$126,000–\$146,000
Contributions to Roth IRA	\$150,000–\$165,000	\$236,000–\$246,000

*Deductible contributions for a spouse who is not covered by a plan but filing jointly with a spouse who is covered phase out at \$236,000–\$246,000.

Avoiding Probate with a TOD Deed and TOD Account

If you want to leave your home to your children or other heirs and keep the property out of the costly and time-consuming probate process, you could place your home in a living trust. Trusts offer numerous advantages, but they incur up-front costs, often have ongoing administrative fees, and involve a complex web of tax rules and regulations.

More than half of U.S. states offer a simpler and less expensive way to avoid probate through a transfer-on-death (TOD) deed (also called a beneficiary deed). As the name suggests, this is a legal document that directly transfers ownership of the property from you to your designated beneficiary or beneficiaries upon your death. You retain full ownership and control while you are alive, and your beneficiary has no rights to the property until after your death. (Beneficiaries also inherit any associated financial obligations, such as a mortgage or lien.)

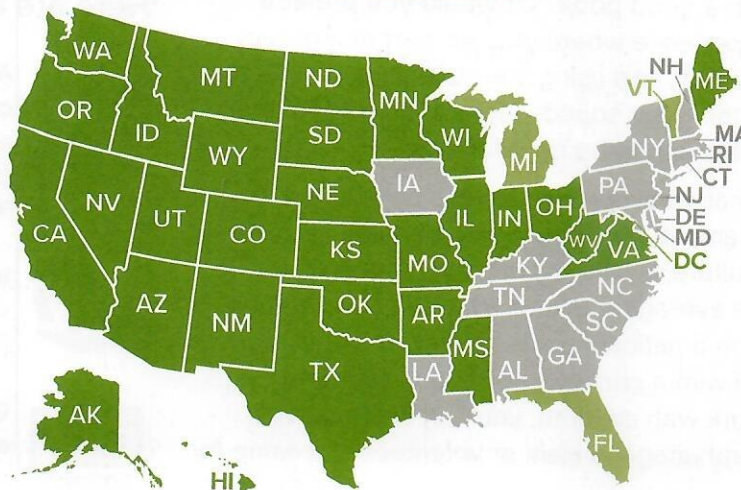
The TOD deed must be filed with the appropriate land records office. The deed supersedes your will, so be sure the provisions of your will match the deed. If you change your mind, the deed can be revoked and/or replaced through a new filing. As with all beneficiary documents, it would be wise to designate contingent beneficiaries in the event that a designated beneficiary predeceases you.

In some states, a married couple who own a house together through joint tenancy or as community property with right of survivorship would each have to complete a TOD deed. The deed for the first spouse who dies would be void, and the deed for the second spouse would transfer ownership to the designated beneficiary/(ies).

TOD accounts

In most states, you can apply a transfer-on-death provision to individual non-retirement brokerage

States in dark green allow a TOD deed



Florida, Michigan, and Vermont (light green) allow a similar document called an enhanced life estate deed or Lady Bird deed. (Texas and West Virginia allow TOD and Lady Bird deeds.)

accounts. This typically involves filing a form with the financial institution to designate a beneficiary or beneficiaries (including contingent beneficiaries) and register the account as TOD. Ownership of the TOD account would transfer directly to the designated beneficiary/(ies) upon your death without going through probate. Like TOD deeds, a TOD account designation supersedes your will.

For a joint account, the effect of a TOD designation would depend on the type of account.* Retirement accounts generally go directly to the beneficiary/(ies) without probate and do not require being retitled as TOD.

Bank accounts offer a similar designation called Payable on Death (POD). One key difference is that POD accounts typically do not allow contingent beneficiaries.

Estate and capital gains taxes

A TOD deed or account designation does not remove the property or account assets from your taxable estate. However, with high federal estate tax exclusion amounts (\$13.99 million in 2025, \$27.98 million for a married couple), few estates would likely be subject to federal estate taxes.**

If your heirs sell your home or account assets, they could be subject to capital gains taxes regardless of whether they receive the property/account through a living trust or a TOD deed. However, the *step-up in basis* provision of U.S. tax law automatically sets the basis as the fair market value of the home or account at the time of your death, effectively eliminating all capital gains up to that time. Your heirs could shelter \$250,000 of gains (\$500,000 for a married couple) if they live in the home for two out of five years before selling. (There is no shelter provision for financial accounts.)

Although you do not need an attorney to execute a TOD deed in most states, you may want to consult an attorney familiar with the laws of your state. You should consider the counsel of experienced estate planning, legal, and tax professionals before implementing trust strategies.

*A TOD designation on a *joint ownership/tenancy or tenants by/in the entirety* account would only become effective if both owners die simultaneously. A TOD on a *tenants in common* account would be similar to an individual account.

**The federal estate tax exclusion is scheduled to revert to 2017 levels (\$5.49 million, \$10.98 million for a married couple, indexed for inflation) in 2026, but it seems likely that Congress will extend the current provision.

Voluntourism: A Vacation That Makes a Difference

Is your idea of a perfect vacation spending time alone on a beach with a good book? Or would you prefer a more active experience where you are part of a group, challenging yourself, and using your talents and skills to help others? If the latter sounds more appealing, then a volunteer vacation might be right for you.

A volunteer vacation allows you to give back, meet new people who share your interests, and immerse yourself in a different culture — with experiences that are not available to the average tourist. If you love the outdoors, you can work on a national parks project in the United States or travel with a conservation group to Peru. If you want to work with children, you can find a service project at an orphanage in Haiti or volunteer at a camp for children with special needs in Hawaii. Or you could make a difference teaching English at a school in a major city, working on an art conservation project in a museum, or caring for injured animals at a zoo.

Some basics

Trip lengths vary, but many last from one to four weeks. During that time, you'll be expected to devote a substantial number of hours to project work. Yet volunteer vacations aren't all work and no play. Trips generally incorporate rest days or leisure periods where you're free to explore on your own or participate in a group tour, giving you unique insight into the area and a chance to unwind.

Some people are surprised that there's a cost associated with volunteering, but you'll typically need to pay for your own travel expenses. You may be able to deduct certain trip-related expenses when you file your federal

Many organizations offer volunteer vacations. Here are three to get you started.



American Hiking Society (americanhiking.org/volunteer-vacations) — rugged, outdoor experiences working on U.S. hiking trails in beautiful landscapes (projects range from easy to strenuous).



International Volunteer HQ (volunteerhq.org) — volunteer vacation opportunities in 48 countries (including programs for seniors).



Go Overseas (gooverseas.com/volunteer-abroad) — links to a variety of overseas volunteer opportunities, with a blog (gooverseas.com/blog/best-volunteer-programs-for-older-travelers) that focuses on specific opportunities for seniors.

income tax return. To do so, your trip must be sponsored by a qualified charitable organization, the personal element of your trip must be insignificant, and you must itemize deductions on your tax return. Consult with a tax professional if you have questions.

Before you sign up for a volunteer vacation, research the organization, including its tax status and how long it has been offering similar trips. Be sure that you understand exactly what you will be doing each day, what the organization will provide, and what your costs will be, including airfare, meals, lodging, local transportation, and insurance. With advance preparation, you might embark on a fun and meaningful adventure.

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Would you like to discuss your retirement or investment accounts? Are your account beneficiary designations up to date? Call us for an appointment today.

Best Regards,



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.