

Beyond the Basics

Customized Wealth Strategies



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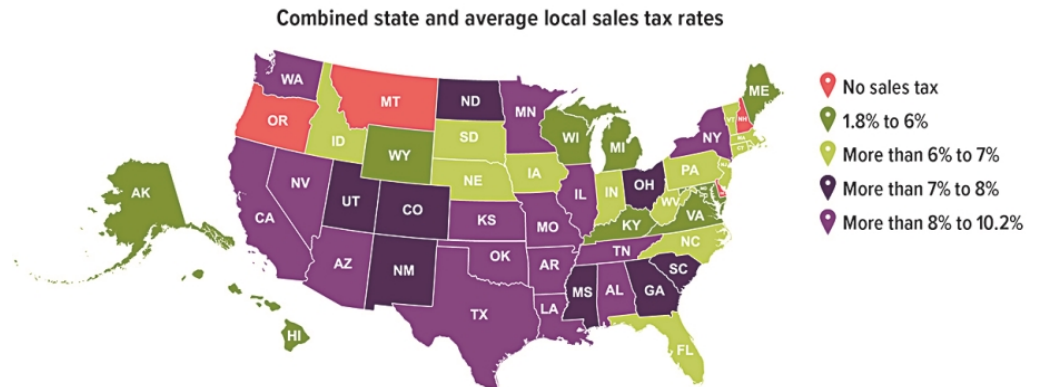
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Number of states that don't have a state income tax: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, and Wyoming; and Washington taxes only capital gains

Source: Tax Foundation, February 2025

State and Local Sales Tax Across the Map

Among the 46 states (and the District of Columbia) with a state and/or local sales tax, the combined state and average local sales tax rates range from about 1.8% to 10.2%. The sales tax base (defining what is taxable and nontaxable) can also vary greatly. Some states exempt groceries and/or clothing from the sales tax or tax them at a reduced rate. Five states have no statewide sales tax, and of those, only Alaska allows local sales taxes.



Source: Tax Foundation, February 2025

Will You Pay a Medicare Surcharge?

Medicare is a federal program that provides health insurance to retired individuals, regardless of their medical condition, and certain younger people with disabilities or end-stage renal disease. Medicare has several parts, many of which include a premium cost based on your tax filing status and income. If your income is high, in some cases you may be subject to a premium surcharge called the income-related monthly adjustment amount (IRMAA).

What does Medicare cover?

Medicare coverage consists of two main parts: Medicare Part A (hospital insurance) and Medicare Part B (medical insurance). These parts together are known as Original Medicare. A third part, Medicare Part C (Medicare Advantage), covers all Part A and Part B services and may provide additional services. A fourth part, Medicare Part D, offers prescription drug coverage that can help you handle the rising costs of prescriptions.

What does Medicare cost?

Most people age 65 or older who are citizens or permanent residents of the United States are eligible for Medicare Part A without paying a monthly premium. Although Medicare Part B is optional, most people sign up for it. If you want to join a Medicare Advantage plan, you'll need to enroll in both Parts A and B. And Medicare Part B is never free — you'll pay a monthly premium for it, even if you are eligible for premium-free Medicare Part A. If you delay starting Part B or Part D after age 65, you may also be subject to a surcharge unless you continue to work and are covered by a workplace health plan.

The standard Part B premium is \$185.00 in 2025. However, premiums for Part B and Part D can vary based on income levels. If your modified adjusted gross income (MAGI) as reported on your federal income tax return from two years ago is above a certain amount, you'll pay the standard premium plus the IRMAA surcharge. You'll receive a notice from the Social Security Administration if you're subject to IRMAA.

The table shows what you'll pay per month in 2025 based on your tax filing status and income:

MAGI for single filers	MAGI for joint filers	Part B premium	Part D premium
\$106,000 or less	\$212,000 or less	\$185.00	Your plan premium
\$106,001 – \$133,000	\$212,001 – \$266,000	\$259.00	\$13.70 + plan premium
\$133,001 – \$167,000	\$266,001 – \$334,000	\$370.00	\$35.30 + plan premium
\$167,001 – \$200,000	\$334,001 – \$400,000	\$480.90	\$57.00 + plan premium
\$200,001 – \$499,999	\$400,001 – \$749,999	\$591.90	\$78.60 + plan premium
\$500,000 or above	\$750,000 or above	\$628.90	\$85.80 + plan premium

Premiums for 2025 are based on MAGI for the 2023 tax year. Source: Centers for Medicare & Medicaid Services, 2024

What can you do to lower your income?

Most people may see a decline in their income once they retire. However, high-income Medicare recipients may want to lower their income to help reduce the potential premium surcharges. Here are some ideas:

- Put off transactions that could increase income, such as the sale of real estate or stocks.
- Defer distributions from tax-qualified accounts such as IRAs and 401(k)s as long as possible.
- Rethink the timing of converting IRA funds to a Roth IRA to avoid increased taxable income.

Since your income is based on information from two years ago, it may subsequently change, or you may experience a life-changing event (as defined by the SSA) that causes a reduction in your income. Report income changes to the SSA as soon as possible. You'll need to provide documentation verifying the event and your reduction in income. Visit <https://www.ssa.gov/benefits> for more information.

Get help

Navigating Medicare programs and their costs can be tricky. You might consider consulting with an appropriately qualified professional for help.

Fine-Tuning with Sector Funds

As its name suggests, the S&P 500 Index contains about 500 stocks. These represent the largest U.S. companies across a broad range of industries, and the index as a whole is generally considered representative of the U.S. stock market. But though index ups and downs may suggest uniform market movements, performance of individual companies and business sectors varies widely.

Stocks in the S&P 500 are classified by 11 sectors, each of which responds differently to market conditions. In 2024, a banner year for the index, the strongest performing sectors were communication services, information technology, financials, and consumer discretionary (see chart). These sectors tend to perform well when the economy is strong and can drop as quickly as they rise when conditions change. Other sectors — such as health care, consumer staples, and utilities — are considered "defensive" and may be good to hold through a bear market or recession because businesses in these sectors tend to remain strong regardless of economic conditions.

Index weighting

Many broad-based indexes, including the S&P 500, are weighted based on market capitalization — the total value of a company's outstanding stocks. Sectors have different sizes and weighting to begin with, and weight can change significantly due to growth of companies within the sector. For example, the information technology sector, which includes some of America's largest companies, rose from 20.1% of S&P 500 capitalization at the end of 2018 to 29.6% in March 2025, increasing its impact on the index. The health care sector dropped from 15.5% to 11.2% over the same period, decreasing its impact on the index.¹⁻²

This means that even if you invest primarily in broad-based index funds, you may be more heavily invested (overweight) or less invested (underweight) in a given sector than you realize. If you own individual stocks or funds with a more specific focus, your portfolio could be even more overweighted or underweighted. The appropriate sector weighting for your stock portfolio depends on your goals, risk tolerance, and economic outlook.

Sector funds

One way to shift sector weight in your portfolio is by adding one or more sector funds — mutual funds or exchange-traded funds (ETFs) that focus on stocks of companies in a particular industry or sector of the economy. These funds are available for many indexes, including those that focus on smaller companies. Because sector funds are less diversified, they typically carry a higher level of volatility and risk than broad-based funds and should be considered as a complement to a core portfolio of diversified funds rather than a replacement.

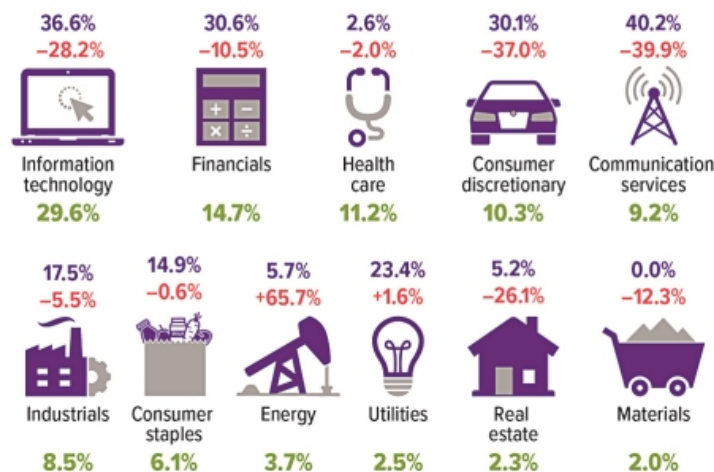
Varied Weight and Performance

This chart shows the total return for S&P 500 sectors in an up-market year (2024) and a down year (2022), with sector weighting below the icons.

2024 (S&P 500 25.0%)

2022 (S&P 500 -18.1%)

% of market capitalization (March 2025)



Source: S&P Dow Jones Indices, 2025. The S&P 500 is an unmanaged group of securities. 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 not a guarantee of future results. Actual results will vary.

Although sector funds offer flexibility in fine-tuning your portfolio, it's important to resist the temptation to chase performance and move assets into "hot" sectors without a more comprehensive strategy. Sector performance is cyclical, and last year's hot sector can easily turn cold. Also keep in mind that every business cycle is different, and unexpected events can disrupt regular trends.

The return and principal value of all investments, including sector funds, fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Asset allocation and diversification are methods used to help manage investment risk; they do not guarantee a profit or protect against investment loss.

Mutual funds and ETFs 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) S&P Dow Jones Indices, 2025

2) Sibilis Research, 2022 (historical data)

Peer-to-Peer Payments Are Popular, but Be Careful

Making a peer-to-peer (P2P) payment is a convenient way to transfer money to family, friends, or businesses. Whether you're splitting a bill or paying a babysitter, if you have someone's contact information, you can send or receive money quickly and easily using a mobile app or an online platform linked to your bank account or credit card.

Most P2P transactions go smoothly, but what happens when something goes wrong? Unauthorized transactions will generally be refunded by the P2P service. But what if you accidentally type an incorrect character in a username and send money to a stranger, or you're tricked into transferring funds to a scammer? Unfortunately, in either of those situations, because you've authorized the transaction, the P2P service or your financial institution is generally not required to reverse it or issue a refund, so your money is likely gone for good.

Take precautions to help avoid costly mistakes

Verify requests, especially if they are unexpected.

Scammers may try to persuade you to send money by pretending to be an acquaintance, a bank representative, or a merchant — make sure you really know and trust the person who contacted you.

Double-check information before sending funds.

Confirm that the recipient's contact information is correct, and consider sending a small test payment to

make sure that the right person received it. And check the amount you're sending to help avoid transferring more than you intended.

Use available security features. These include multi-factor authentication, biometrics, and passkeys. Keep your app up to date to ensure you have the latest protection, and never share your credentials or make payments through unsecured networks.



72% of consumers use P2P services.

Source: Federal Reserve Bank of Atlanta, 2024

Read terms and conditions. Make sure you understand what fraud protections and policies apply to the P2P service you're using.

Pay attention to permissions. If the app allows social sharing of transactions, check the permissions you're granting. Periodically review privacy notices and disclosures to make sure your selections match your privacy preferences.

If you do encounter a problem, contact the app's customer service department and your financial institution; ask them to investigate, and find out what recourse you may have.

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