# Financial Strategies

News You Can Use!!


**Hal Perkins, AIF® & Eugene Tunitsky, CFP®**
**Managing & Executive Directors**
**Oppenheimer & Co. Inc.**
**Perkins Tunitsky Group**
711 Louisiana
Suite 1500
713-650-2119
713-650-2142 Fax
hal.perkins@opco.com
https://www.oppenheimer.com/perkinsgroup/


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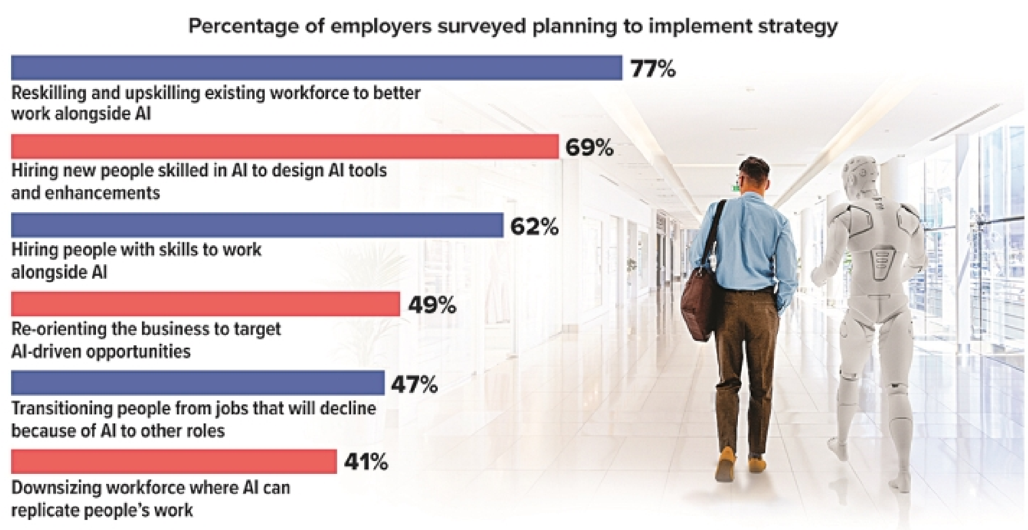
## $61.9 billion

Corporate spending on generative AI by businesses worldwide in 2025. This is expected to increase to more than $202 billion in 2028.

Source: IDC, 2025

## How Will AI Transform the Workplace? Employers Weigh In

Rapid developments in artificial intelligence (AI) have left workers wondering when their jobs might be significantly affected or even eliminated. One international survey found that it won't be long — 86% of employers across the globe expect AI and other information technologies to transform their businesses by 2030. Here are the top strategies employers surveyed expect to adopt within the next five years to leverage AI in the workplace.




Source: World Economic Forum, 2025

# Q and A on RMDs

Tax-deferred retirement savings accounts, including IRAs and employer-based plans, are an appropriate way to build assets. Your accounts can potentially grow without losing ground to income taxes each year, and depending on the account type and your income level, you may also benefit from a tax deduction for your contributions.

However, with traditional, non-Roth accounts, you can't defer taxes indefinitely. The IRS will eventually get its share through what's known as required minimum distributions (RMDs).[1]

## What are RMDs?

RMDs are annual distributions that must be taken from traditional, non-Roth IRAs and employer plans once you reach a certain age. If you were born from 1951 to 1959, you must begin RMDs after you reach age 73. If you were born in 1960 or later, your RMD age is 75. There is one exception to this rule: If you work beyond RMD age and you're not a 5% owner of your company, you can defer RMDs from your *current* employer's plan until you retire. You'll still be required to take RMDs from any previous employer plans.

## Which accounts are subject to RMDs?

Traditional IRAs, SEP IRAs, SIMPLE IRAs, SARSEPS, and all work-based retirement plans — including 401(k), 403(b), 457(b), and profit-sharing plans — are all subject to RMDs.

## How much must I withdraw?

RMDs are calculated based on the value of your account as of the previous December 31, divided by a life expectancy factor published in tables included in IRS Publication 590-B. There are three different tables, each of which applies to certain situations.

For example, say you reach age 73 in 2026 and your work-based retirement plan account was worth $750,000 on December 31, 2025. Assuming you use Table III, the Uniform Lifetime table, your plan account RMD for 2026 would be $28,302 ($750,000 ÷ 26.5).

You must calculate RMDs for each account you own. With IRAs, the IRS allows you to total all RMD amounts and take your distribution from one IRA. Similar rules apply to 403(b) plans. With other work-based plans, you must calculate your RMD and take a distribution separately from each account.

You can always withdraw more than the required amount in any given year.

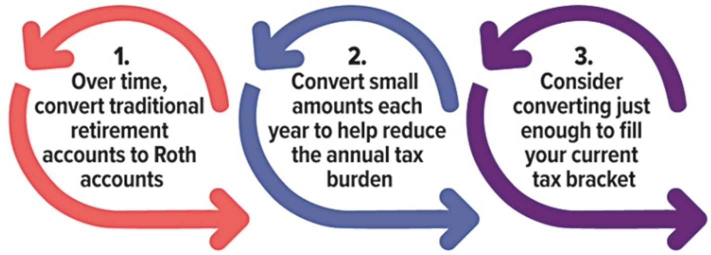
## How do RMDs affect my income taxes?

RMDs (except amounts that were previously taxed, i.e., non-deductible contributions) are reported as taxable income. Consequently, a large RMD could result in a sizeable tax obligation.

Generally, you must take RMDs by December 31 each year; however, you may delay your first RMD until April 1 of the year following the year you reach RMD age. Keep in mind that your second RMD will be still be required by December 31 of that same year, which could significantly increase your income taxes.

### Another Tax Strategy: Consider Roth Conversions

Roth conversions are taxable events, but they may help reduce RMDs later. How they work:




Taxes owed are payable in the year of conversion.

In addition, neglecting to withdraw the required amount can result in a penalty tax of 25% of the difference between what you should have withdrawn and the actual distribution. This amount may be reduced to 10% or even waived entirely if corrected as soon as possible within two years (see IRS Form 5329 and associated instructions).

One way to satisfy your annual IRA RMD without increasing your tax burden is to make a qualified charitable distribution (QCD). A QCD is a charitable contribution made directly from your IRA trustee to a qualified charity of your choice. Although QCDs are not tax deductible, you can exclude up to $111,000 in 2026 ($222,000 if you're married filing jointly) in QCDs from your gross income.[2]

[1] Unlike traditional accounts, Roth accounts don't offer tax-deductible contributions. Withdrawals from traditional accounts prior to age 59½ and non-qualified withdrawals from Roth accounts are subject to ordinary income taxes and a 10% early distribution penalty, unless an exception applies. Qualified withdrawals from Roth accounts are those made after a five-year holding period and the participant reaches age 59½, dies, or becomes disabled. Roth accounts are not subject to RMDs during the account owner's lifetime, but most Roth account beneficiaries, like traditional account beneficiaries, are subject to highly complex RMD rules beyond the scope of this article. For more information, speak with a tax professional.

[2] QCDs are not permitted from employer plans.

# Variable Annuities: Strategies to Help Counter Retirement Risks

You might have the foresight and enough excess income to take full advantage of the tax breaks associated with IRAs, employer-sponsored retirement plans, and health savings accounts. Still, these tax-deferred accounts are subject to strict annual contribution limits, so it may not be possible to save enough money in them to maintain your current lifestyle through 20 to 30 years of retirement — or longer.

However, there are no federal contribution limits for variable annuities, which are insurance contracts that offer the potential for growth because a portion of the premium is invested in the financial markets, and investment gains won't be taxed until withdrawals are made. The annuity's future value and income payments will largely be determined by the performance of investment subaccounts that you select.

Guaranteed living benefits are optional riders that can be attached to a variable annuity for an additional cost. Here's how they might be used to address two worrisome retirement risks.

## 1. Outliving your savings

You can set up a lifetime income stream from your annuity in one of two ways: annuitization or withdrawals. When a contract is annuitized, the cash value is converted into a series of periodic income payments based primarily on current interest rates (or market-based returns) and your life expectancy. Control of the account transfers to the insurance company, so you no longer have access to the investment principal.

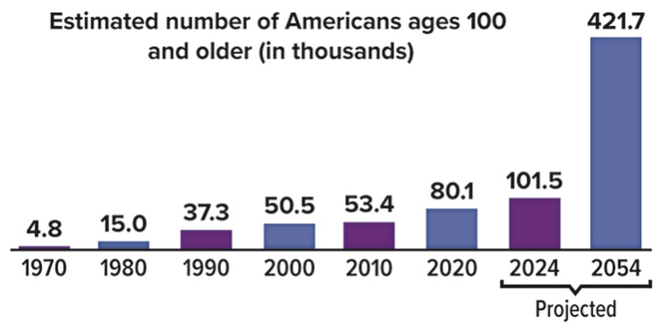
With an optional *guaranteed lifetime withdrawal benefit (GLWB),* you can withdraw a minimum amount of income from a variable annuity for life without having to annuitize, even if the original account value is depleted. If the markets perform well, the income amount could increase, but it typically cannot decrease unless you take a withdrawal that exceeds the guaranteed withdrawal amount. The remaining account value may be available for other purposes and inherited by your designated beneficiaries.

## 2. Paying for long-term care

Adding a long-term care (LTC) rider to a variable annuity might help prevent your savings from being depleted by escalating costs. Benefits are typically triggered if you are diagnosed with dementia or are unable to perform two or more activities of daily living, such as eating, bathing, and dressing. If care is needed, the payout is increased for a specified period or until the account value reaches zero. And if you never need care, you can continue to earn a return on your money. Medical underwriting requirements tend to be more lenient with an LTC rider than with a standalone policy, and you don't have to worry about future rate increases or the issuer canceling the policy.

### Should You Count on Living Longer?

With advances in medical care lengthening life expectancies, the U.S. Census Bureau projects that the number of centenarians will quadruple over the next several decades.




Source: Pew Research, 2025

A variable annuity is a long-term investment product designed for retirement purposes. Variable annuities that come with living benefits tend to have more limited investment options. The investment return and principal value of the investment options are not guaranteed and may fluctuate with changes in market conditions. When the annuity is surrendered or annuitized, the principal may be worth more or less than the original amount invested. Withdrawals reduce annuity contract (living and death) benefits and values. Withdrawals of annuity earnings are taxed as ordinary income and may be subject to surrender charges plus a 10% federal tax penalty if made prior to age 59½.

Annuity guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company. Annuities are not guaranteed by the FDIC or any other government agency. They are not deposits of, nor are they guaranteed or endorsed by, any bank or savings association. Annuities typically have contract limitations, fees, and charges, which can include mortality and expense charges, account fees, investment management fees, administrative fees, charges for optional benefits, holding periods, termination provisions, and terms for keeping the contract in force.

*Variable annuities 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 variable annuity contract and the underlying investment options, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.*

# Don't Take the Bait: Top Tax Scams in 2025

As tax filing season approaches, the IRS warns taxpayers to watch for scams that can cause identity theft, financial loss, or criminal penalties. The agency's "Dirty Dozen" list, published annually since 2002, highlights 12 common tax schemes.

- **Phishing and smishing:** Fake emails and texts that appear to be from the IRS or other tax agencies lure you into disclosing your personal and financial data.
- **Bad social media advice:** Social media platforms circulate inaccurate tax tips that can lead to improper filings or disclosure of sensitive personal data.
- **IRS Individual Online Account help from scammers:** Third parties pose as "helpful" guides who offer to set up IRS online accounts for you but instead steal your identity or file fraudulent returns.
- **Fake charities:** Fraudulent charities prey on your goodwill to steal your donations and personal information.
- **False Fuel Tax Credit claims:** Scammers who encourage you to improperly file a Fuel Tax Credit claim, which is not available to most taxpayers.
- **Credits for Sick Leave and Family Leave:** Employees following bad advice have been improperly claiming a pandemic-era tax credit available only to self-employed individuals. This credit is no longer available.
- **Bogus self-employment tax credit:** Social media posts that promote a nonexistent self-employment tax credit to entice you into filing a fraudulent claim.
- **Improper household employment taxes:** Fraudsters convince you to file for fictional household employees to claim a refund based on false sick and family medical leave wages that you never paid.
- **The overstated withholding scam:** Social media messaging that encourages you to fabricate large income and withholding amounts through W-2s, 1099s, and other forms to inflate refunds.
- **Misleading Offers in Compromise:** Promoters, or "mills," that misrepresent the federal tax debt relief program to trick you into paying fees for resolutions for which you do not qualify.
- **Ghost tax return preparers:** Unscrupulous tax professionals who prepare returns without signing them or providing their IRS Preparer Tax Identification Number as required by law, subjecting you, the taxpayer, to potential tax fraud claims.
- **New client scams and spear phishing:** Cybercriminals who impersonate clients in an email to trick tax professionals into responding to access sensitive client information.

To help avoid scams, the IRS recommends never clicking on unsolicited links purporting to be from the IRS, verifying charities before donating, and only working with trusted tax professionals to potentially protect your personal information.