Financial Strategies

News You Can Use!!

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$20.95 trillion

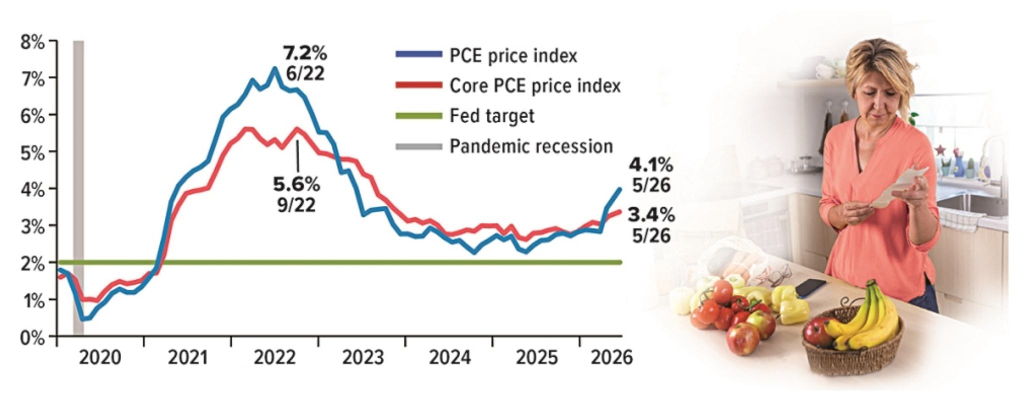
Total personal consumption expenditures (PCE) in 2025. Also called consumer spending, PCE measures all spending on goods and services by and on behalf of people living in the United States and generally accounts for about two-thirds of U.S. gross domestic product.

Source: U.S. Bureau of Economic Analysis, 2026

The Fed's Inflation Measure

While the media typically cites the consumer price index (CPI) as a measure of "headline inflation," the Federal Reserve prefers the personal consumption expenditures (PCE) price index. The PCE price index measures a broader range of expenditures and adjusts when consumers purchase less expensive alternative products, providing a clearer signal for setting interest rates.

The Fed targets a 2% annual increase in the PCE price index as a healthy rate of inflation. The central bank also looks closely at the core PCE price index, which strips out volatile food and energy costs. It may be surprising that full PCE inflation, which includes food and energy, generally ran lower than core PCE from early 2023 until the spring of 2026, when the Iran war caused surging energy prices.



Source: U.S. Bureau of Economic Analysis, 2026

August 2026

Test Your Knowledge of Estate Planning

Estate planning can mean different things to different people. This quiz may help you increase your understanding of estate planning.

Questions

1. What is the primary function of a last will and testament?

a. To provide legal instructions for the distribution of assets after death

b. To bypass the probate process entirely

c. To manage assets during the grantor's lifetime

d. To appoint a health care proxy for medical emergencies

2. If an individual dies intestate, what does that mean?

a. All assets were held in joint tenancy

b. He/she died without a valid will

c. The estate value is below the federal tax threshold

d. He/she died with a valid revocable living trust

3. What is a major advantage of a revocable living trust compared to a will?

a. It is a public document that anyone can view

b. It eliminates the need to pay any estate taxes

c. It cannot be changed once it is signed

d. It allows assets to bypass the probate process

4. Who is the person responsible for managing and settling the estate as specified in a will?

a. Grantor

b. Trustee

c. Beneficiary

d. Executor/personal representative

5. Each of the following assets typically bypasses probate because of its ownership structure except:

a. A house owned solely by the deceased

b. A checking account with a payable on death designation

c. Real estate owned as joint tenants

d. Life insurance proceeds with a named beneficiary

6. What is the purpose of a durable power of attorney?

a. To grant someone authority to act on your behalf if you become incapacitated

b. To guarantee that an estate will not be taxed

c. To provide instructions for funeral arrangements

d. To designate who will inherit real estate

7. In the context of a trust, who is the trustee?

a. The person who creates the trust

b. The person who manages the trust assets according to its terms

c. The judge who oversees the trust in court

d. The person who receives the income from the trust

8. The unlimited marital deduction does not apply to property you bequeath to someone other than your spouse.

a. True

b. False

56% of U.S. adults do not have a will or living trust.

Source: Gitnux.org, 2026

Answers

1. a. The primary purpose of a will is to direct how a person's property should be managed and distributed upon death.

2. b. Intestacy occurs when there is no legally binding will, leaving the state's laws to determine how and to whom assets are to be distributed.

3. d. A properly constructed and funded revocable living trust controls the management and distribution of assets held by the trust, generally eliminating the need for probate relative to the trust assets.

4. d. The executor, or personal representative, is the individual or institution named in the will to carry out the deceased person's instructions according to the terms of the will.

5. a. Real estate owned solely by an individual will almost always have to go through the probate process upon the death of the individual owner.

6. a. A durable power of attorney allows an individual to appoint another person to act on his or her behalf, even if the individual is no longer mentally capable of making decisions.

7. b. The trustee is the individual or entity appointed by the person who creates the trust to manage trust assets according to the terms of the trust.

8. a. The unlimited marital deduction lets you deduct the value of property from your gross estate that you leave only to your spouse.

New Job or Retirement? Take Control of Your 401(k)

When you leave your job or retire, you may have four options to manage funds in a work-based retirement plan, such as a 401(k), 403(b), or 457(b) plan.

Rollover to an IRA

The option that could give you the most control is to roll some or all of the funds to an IRA. IRAs typically offer a wider variety of investments than employer plans and enable you to consolidate retirement assets in a single account. Moreover, the IRA is yours to keep and control, regardless of your employment situation.

You can generally transfer funds without tax liability from a traditional employer account to a traditional IRA, or from a designated Roth employer account to a Roth IRA. Employer matching funds may be allocated to a traditional account even if the employer matches Roth contributions; if so, you might consider rolling funds to both a traditional and a Roth IRA.

You can convert traditional employer account funds to a Roth IRA, but you would owe income taxes (payable in the year of conversion) on the taxable portion of the conversion amount, generally the whole amount minus any after-tax contributions.

A rollover must be executed properly to preserve the tax-advantaged status of the funds. You can typically arrange a direct rollover (trustee-to-trustee transfer) by contacting the administrators of your employer plan and your IRA. The transfer may be electronic, or you could receive a check made out to the receiving IRA trustee, which you should mail to the appropriate address. There is no withholding, because the money is not considered as passing through your hands.

If you receive a check made out in your name, 20% of the distribution will generally be withheld for federal income taxes. In order to retain the tax-advantaged status, you must roll the distribution, including the 20% withheld, to the IRA within 60 days; otherwise, it will be considered a taxable distribution. You would have to pay the 20% withholding out of your own funds and wait for a potential tax refund of the withheld amount.

Rollover alternatives

If you don't want to transfer the funds to an IRA, you typically have three other options.

Leave assets in former employer's plan. If the vested portion of the employer account is more than $7,000, you generally can keep it in the plan at least until you reach the plan's normal retirement age. This strategy might make sense if fees are low and you are satisfied with the investment options. Your plan may offer investments not available in an IRA, and the cost structure for plan investments might be more favorable than for those in an IRA. Keep in mind that you can no longer contribute to or borrow from the plan.

Reasons to Roll

More than three out of five households who owned traditional IRAs in 2025 had executed at least one IRA rollover from a work-based retirement plan. These were the top reasons for the most recent rollover (multiple responses allowed).

Source: Investment Company Institute, 2026

Transfer assets to a new work-based retirement plan. You might prefer this if you are moving to a new job. Again, your decision may depend on investment options, fees, and expenses, and whether the new plan allows you to transfer the assets.

Withdraw the money. Cashing out is generally unwise because you would pay current income taxes and lose out on potential tax-advantaged growth. For immediate cash, you could make a partial withdrawal and preserve the tax-advantaged status of the remaining funds through one of the other options, including a direct rollover.

Distributions from traditional IRAs and traditional employer-sponsored retirement plans, and the earnings portion of nonqualified distributions from Roth IRAs and designated Roth accounts, are taxed as ordinary income. Withdrawals prior to age 59½ (or age 55 for an employer plan if leaving the job) may be subject to a 10% penalty, with some exceptions. To qualify for the tax-free and penalty-free withdrawal of earnings, a Roth IRA must meet a five-year holding requirement, and the distribution must take place after age 59½, unless another exception applies. A Roth IRA is not subject to required minimum distributions during the original owner's lifetime.

Generally, employer plan assets have unlimited protection from creditors under federal law, whereas IRA assets are protected in bankruptcy proceedings only (state laws vary).

Helping Protect Your Child's Identity in a Digital World

A recent survey estimated that about 10 million children have been victims of identity theft.[1] Children, unlike adults, generally do not have a credit history, which can make them attractive and easy targets. Criminals can use a child's clean credit record to open fraudulent accounts that can go undetected for years, as these activities rarely trigger red flags at financial institutions.

In today's digital world, your child may have established many online profiles on social media, gaming platforms, and educational and financial websites. This digital presence may put your child's data at risk since identity thieves can piece together basic information, such as a name or a birthday, to create fraudulent accounts in your child's name.

Criminals can use a child's clean credit record to open fraudulent accounts that can go undetected for years.

Taking action early may help reduce the impact of any breaches of your child's personal information. Consider these steps to help protect your child's identity:

- **Limit online information.** Do not share your child's name, birthday, school, or other similar data in social media posts because criminals can use this seemingly harmless information for illicit purposes.
- **Secure sensitive documents.** Store your child's Social Security card, birth certificate, medical records, and other sensitive information in a safe place.
- **Monitor online activity.** Review all applications, games, and websites your child visits and instruct your child to never share personal information.
- **Freeze credit.** Restrict access to your child's credit by requesting a credit freeze from the three major credit bureaus (Experian, Equifax, and TransUnion). This simple step may help prevent identity thieves from opening accounts in your child's name.
- **Watch for warning signs.** Be on the alert for any mail or calls from debt collectors in your child's name as this may indicate someone has fraudulently used your child's personal information to open credit accounts.
- **Leverage technology.** Use tools such as parental controls, strong passwords, and multi-factor authentication to help secure your child's sensitive data.

1) Security.org, December 2025