Matthew A. Hetrick, CFA®, CFP®
Insight Wealth Advisors LLC
21550 Oxnard Street
3rd Floor, Suite 56
Woodland Hills, CA 91367
818-528-2995
fax: 818-626-3342
mahetrick@insight-wealth.com
www.insight-wealth.com

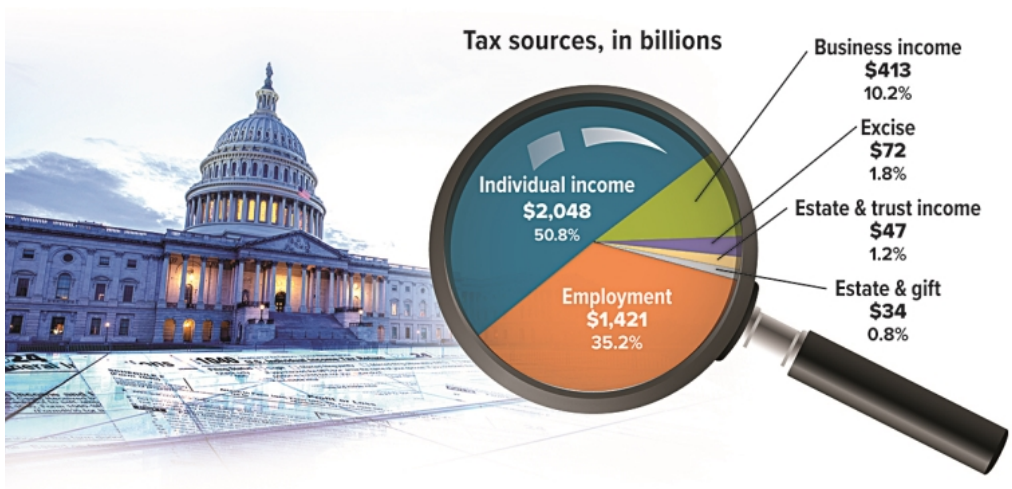
$3,138

Average refund on individual income tax returns in the 2024 filing season. About 64% of individual filers received refunds.

Source: Internal Revenue Service, January 3, 2025

Funding the Federal Government

The IRS collected a little more than $4 trillion in net taxes (after refunds) in fiscal year 2023. About half was individual income taxes, and around 35% was employment (payroll) taxes, including Social Security, Medicare, unemployment insurance, and railroad retirement. Business income taxes made up a little over 10% of the total, with relatively small contributions from excise, estate and trust income, and estate and gift taxes.



Source: Internal Revenue Service, April 2024

Accounts for Two: A Team Approach to Retirement Savings

Almost half of U.S. families headed by a married couple include two working spouses.[1] With dual careers, many spouses accumulate assets in separate retirement accounts. Each might have funds in an employer-sponsored plan and an IRA.

Even if most of a married couple's retirement assets reside in different accounts, open communication and teamwork can help them craft a unified retirement strategy.

Working together

Tax-deferred retirement accounts such as 401(k)s, 403(b)s, and IRAs can be held in only one person's name. [A spouse is required to be the beneficiary of a 401(k), and to some extent, a 403(b), unless the spouse signs a written waiver.] Taxable investment accounts, on the other hand, may be held jointly.

Owning and managing separate portfolios allows each spouse to choose investments based on his or her individual risk tolerance. Some couples may prefer to maintain a high level of independence for this reason, especially if one spouse is more comfortable with market volatility than the other.

However, sharing plan information and coordinating investments could help some couples build more wealth over time. For example, one spouse's workplace plan may offer a broader selection of investment options, while the offerings in the other's plan might be somewhat limited. One employer may offer a better contribution match than the other.

Spouses who use a joint strategy might agree on an appropriate asset allocation for their combined savings and invest their contributions in a way that takes advantage of each plan's strengths while minimizing any weaknesses. (Asset allocation is a method to help manage investment risk; it does not guarantee a profit or protect against loss.)

In 2025, the maximum employee contribution to a 401(k) or 403(b) plan is $23,500 (plus an extra $7,500 for those age 50 and older or an extra $11,250 for those age 60 to 63). Employers often match contributions up to a set percentage of salary.

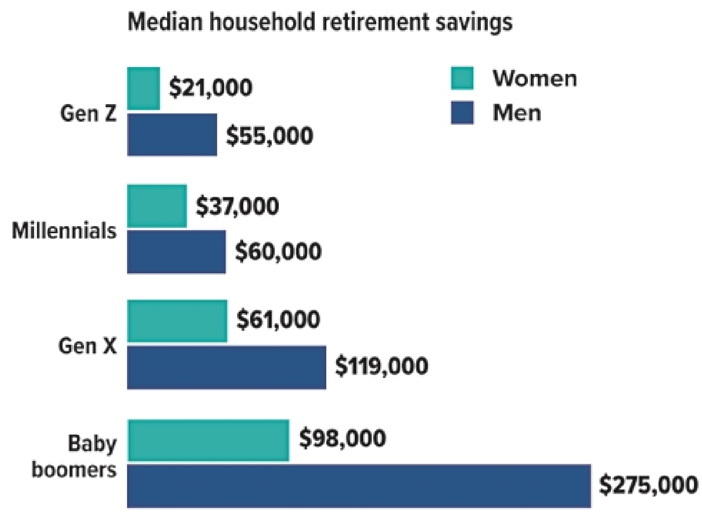
Spousal IRA opportunity

While many married couples have two wage earners, some spouses stay home to take care of children or other family members, or just to take a break from the workforce. And it's not unusual for one spouse to retire while the other continues to work. In any of these situations, it can be difficult to keep retirement savings on track.

Fortunately, a couple can contribute $7,000 to the working spouse's IRA and an additional $7,000 to the nonworking spouse's IRA (in 2024 and 2025), as long as their combined income exceeds both contributions and they file a joint tax return. An additional $1,000 catch-up contribution can be made for each spouse who is age 50 or older. All other IRA eligibility rules must be met.

Lagging Balances

Despite solid saving habits, women report lower household retirement savings than men across all age groups. This is due primarily to lower wages, more women working part-time without benefits, and more women taking time off to care for children and other family members.



Source: Transamerica Center for Retirement Studies, 2024 (2023 data)

Contributing to a spousal IRA may not only help a couple with a nonworking spouse save more towards retirement, it might also offer a potentially valuable tax deduction. That's because the IRS imposes higher income limitations for deductible contributions to spousal IRAs than for contributions made to the IRA of an active participant in an employer plan.

For married couples filing jointly, the ability to deduct contributions to the IRA of an active participant in a work-based plan is phased out at a modified adjusted gross income (MAGI) between $123,000 and $143,000 in 2024 ($126,000 and $146,000 in 2025). When the contribution is made to the IRA of a nonparticipating spouse, the phaseout limits are higher: MAGI between $230,000 and $240,000 in 2024 ($236,000 and $246,000 in 2025).

IRA contributions for the 2024 tax year can be made up to the April 15, 2025, tax filing deadline (May 1, 2025, for taxpayers affected by certain natural disasters).

Withdrawals from tax-deferred retirement plans are taxed as ordinary income and may be subject to a 10% federal tax penalty if withdrawn prior to age 59½, with certain exceptions as outlined by the IRS.

1) U.S. Bureau of Labor Statistics, 2024 (2023 data)

Distressed Loans Pressure Some Banks: Is Your Money Safe?

In March 2023, two of the largest bank failures in history alarmed savers who worried their own bank accounts could be at risk and investors who feared a wider financial crisis. To help restore confidence in the U.S. financial system, the federal government pledged to make all depositors whole and to support other banks that might face liquidity issues stemming from the rapid rise in interest rates.[1]

Still, these events brought renewed attention to how banks operate and the risks they take to earn money on customer deposits, as well as the government's role in regulating and supervising bank activities.

Interest rate risks remain

Between March 2022 and July 2023, the Federal Reserve raised the benchmark federal funds rate rapidly (from near 0% to a range of 5.25% to 5.5%) in a quest to bring down inflation.[2] Banks earn money by investing customer deposits, often in relatively safe long-term Treasuries and other government-backed bonds. U.S. Treasury securities are backed by the full faith and credit of the U.S. government as to the timely payment of principal and interest. But as interest rates rose, bonds lost value on the secondary market. And in early 2023, this became a problem for banks that had to sell bond holdings before they matured to meet customer withdrawals.

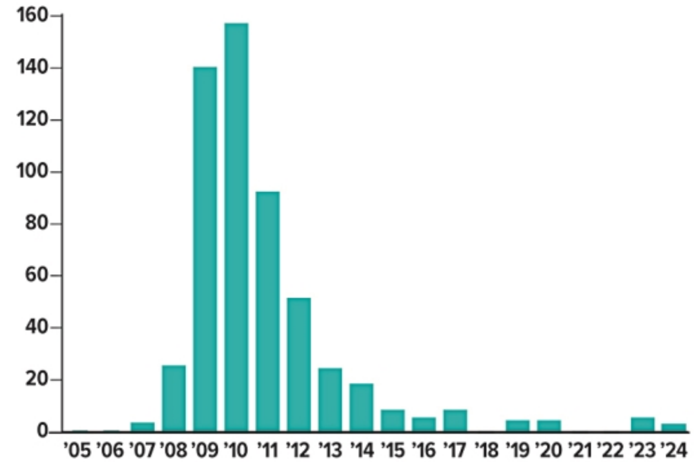
Though the Fed has begun lowering the federal funds rate, borrowing costs remain elevated, leaving concerns that a similar fate could befall regional banks with distressed real estate loans in their portfolios. Already, many commercial lenders have set aside large reserves to help cover future losses from nonperforming assets (primarily office and retail buildings with high vacancy rates).[3]

Focus on the FDIC

The Federal Deposit Insurance Corporation (FDIC) is an independent agency backed by the full faith and credit of the U.S. government. FDIC insurance is intended to reassure depositors and offer protection in case an insured bank becomes insolvent, is liquidated, or experiences other financial difficulties. Most banks in the United States are insured by the FDIC, which protects deposits up to $250,000 (per person, insured bank, and account category). A joint account with two named owners qualifies for up to $500,000 of coverage.

When a member bank fails, the FDIC issues payments to depositors (typically up to the limits provided by law) and takes over the administration of the bank's assets and liabilities. Generally, the FDIC will try to arrange for a healthy bank to take over the deposits of a failed bank. If no bank assumes that role, the FDIC taps a fund that is financed by premiums paid by insured banks.

Number of bank failures



In 2024, there were just two bank failures in the United States, following a turbulent 2023 in which five banks failed.

Source: Federal Deposit Insurance Corporation, 2024

Are your savings protected?

If you have multiple accounts at one bank, you might check to see who is listed as the owner(s) of each account, what category it falls into, and whether it overlaps with other categories that might affect the amount that's covered. Ownership categories consist of individual accounts, joint accounts, retirement accounts, trust accounts, and business accounts, among others. You can't increase your coverage by owning different product types (a checking account, savings account, or CDs, for example) within the same ownership category. A tool on the FDIC's website, FDIC.gov, can help you estimate the total FDIC coverage on your deposit accounts. If your assets aren't fully insured, you might consider shifting them to increase your coverage.

If you are married, for example, you could expand your total coverage up to $1 million at one bank by opening two separate individual accounts in addition to a joint account. If you have personal or business account balances that regularly exceed $250,000, you might consider dividing your holdings between multiple financial institutions — or possibly rethink your cash-management strategy altogether.

All investing involves risk, including the possible loss of principal.

1) Federal Reserve and Federal Deposit Insurance Corporation, 2023

2) Federal Reserve, 2023–2024

3) *The Wall Street Journal,* April 19, 2024

Get Ready for Tax Time

According to one survey, 42% of Americans would rather go to the dentist than file their taxes.[1] Tax season might not be your favorite time of the year, but a little preparation can help make the tax filing process as smooth and painless as possible.

Review last year's tax return. Not everything will stay the same, but checking last year's return can reveal information you might need this year. If you use an accountant or professional tax preparer, you may receive a checklist or questionnaire to help you get organized.

Think about recent life events. During 2024, did you tie (or untie) the knot, grow your family, buy or sell a home, start a job, send a child to college, retire, receive an inheritance, or have high health-care costs? These are just some of the common events that might affect your tax return, including the filing status you choose, the amount of income or expenses you have, or tax deductions and credits you might be entitled to.

April 15, 2025, is the tax filing deadline for most taxpayers.

Gather supporting documents. You'll automatically receive some tax documents and statements electronically or by mail in January or February. You may need to locate others yourself.

Depending on your situation and whether you itemize deductions or take the standard deduction, supporting documents may include:

- W-2 forms showing wages from your employers
- 1099 forms that report other types of income you received, including interest from banks and brokers, dividends and distributions, retirement plan or health savings account (HSA) distributions, Social Security benefits, and self-employment income
- 1098 forms for mortgage interest, property taxes, or education-related payments
- Receipts or statements for child-care or medical costs
- Receipts for donations to charity

Collect supporting documents in one place, and make a list of information you're missing so that you can check it off the list once you have it.

Consider making IRA or HSA contributions. If you're eligible, you can contribute to a traditional IRA (deductible or not), Roth IRA, or an HSA for 2024 up until the tax filing deadline, as long as you haven't already reached the contribution limit for the year.

1) Chamber of Commerce, 2024