



## WHAT'S INSIDE



200.4 million

Record number of consumers who shopped over the five-day holiday weekend from Thanksgiving through Cyber Monday in November 2023, surpassing the previous record of 196.7 million set in 2022.

Source: *National Retail Federation, November 28, 2023*

### Will Holiday Spending Outpace Inflation?

Retail spending during the winter holiday months of November and December accounts for about 19% of total annual retail spending and is even more...

— page 02

### Where Americans Are Stashing Their Cash

The level of the federal funds rate affects many short-term interest rates, including the yield on money market funds, which invest in high-quality, short-term debt...

— page 02

### Would You Be Prepared for an Unplanned Early Retirement?

Most of us would prefer not to think about an unexpected (and unwelcome) early retirement, but it does happen frequently. In fact, nearly half of current retirees...

— page 03

### Home Energy Rebates Could Save You Money

The Inflation Reduction Act of 2022 included two provisions allowing rebates for home energy efficiency retrofit projects and home electrification and appliance...

— page 04

### ABLE Turns 10

A decade ago, the Stephen Beck Jr., Achieving a Better Life Experience (ABLE) Act was signed into law. The idea for it originated with a group of parents in Virginia...

— page 06

### Three Ways to Invest in Yourself

The end of the year is a good time to reflect on everything you've accomplished and given to others. As you set resolutions for the new year, why not think about how...

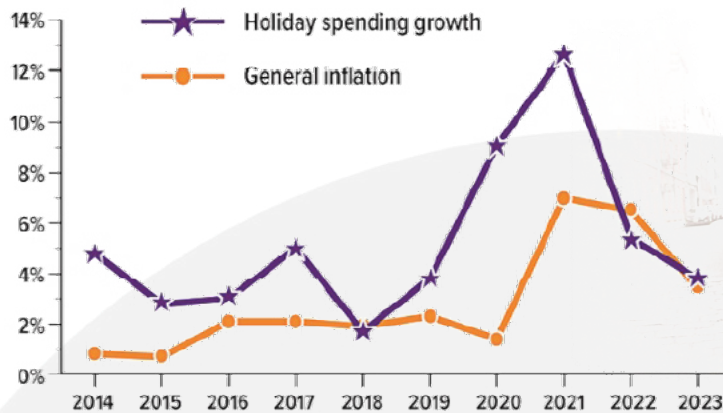
— page 08

# WILL HOLIDAY SPENDING OUTPACE INFLATION?

Retail spending during the winter holiday months of November and December accounts for about 19% of total annual retail spending and is even more significant for some retail sectors.

In 2023, consumers spent \$964.4 billion on retail goods and services during the holiday months. This was a 3.8% increase over 2022 and above the 3.4% rate of general inflation. Over the last decade, holiday spending has usually outpaced inflation, sometimes by a wide margin. With inflation slowing in 2024, this trend could continue.

Source: National Retail Federation (NRF), January 17, 2024; U.S. Bureau of Labor Statistics, 2024 (In calculating retail sales, the NRF includes stores, online, and other non-store sales but excludes automotive dealers, gas stations, and restaurants.)



# WHERE AMERICANS ARE STASHING THEIR CASH

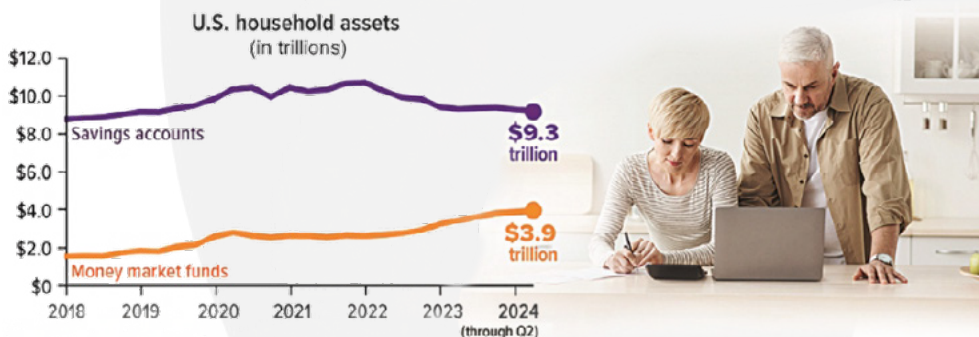
The level of the federal funds rate affects many short-term interest rates, including the yield on money market funds, which invest in high-quality, short-term debt instruments and cash equivalents. Investors often use money market funds as “sweep accounts” for clearing brokerage transactions. They can also be a good place to keep cash set aside for emergencies or large purchases such as a vacation, car, or home — especially now that they tend to offer higher yields than most savings accounts.



**\$1.26 trillion**

Amount of cash U.S. households have shifted to money market funds since interest rates started to climb in the second quarter of 2022.

Source: Federal Reserve, 2024



Source: Federal Reserve, 2024; Money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in such a fund. Mutual funds 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.

# WOULD YOU BE PREPARED FOR AN UNPLANNED EARLY RETIREMENT?

Most of us would prefer not to think about an unexpected (and unwelcome) early retirement, but it does happen frequently. In fact, nearly half of current retirees retired earlier than planned, and of that group, more than 60% did so due to changes at their company or a hardship, such as disability.<sup>1</sup> For that reason, it's a good idea to take certain steps now to help prepare for the unexpected.

## What you can do now

**Save as much as possible in tax-advantaged accounts.** If you're forced to retire earlier than planned, your work-sponsored retirement plans, IRAs, and health savings accounts (HSAs) could become critical resources. HSA assets can be used tax-free to pay for qualified medical expenses at any time, and you can generally tap your retirement plan and IRA assets after age 59½ without penalty. Although ordinary income taxes apply to distributions from pre-tax accounts, qualified withdrawals from Roth accounts are tax-free.<sup>2</sup>

In addition, the IRS has identified several situations in which retirement account holders may be able to take penalty-free early withdrawals. These include disability, terminal illness, leaving an employer after age 55 (work-based plans only),<sup>3</sup> to pay for unreimbursed medical expenses that exceed 7.5% of your adjusted gross income, and to pay for health insurance premiums after a job loss (IRAs only).

**Pay down debt.** Generally, it's wise to enter retirement (especially when unexpected) with as little debt as possible. Ensuring that your financial plan includes a strategy for paying down student loans, credit card debt, auto loans, and mortgages can help you minimize your income needs later in life.

**Know your bare-bones budget.** Another way to help cushion the shock of an unexpected early retirement is knowing exactly how much you spend each month on your basic necessities, including housing, food, utilities, transportation, and health care. Maintaining a written budget throughout life's ups and downs will help you quickly identify how much income you'd need over the short term while you work on a longer-term income-replacement strategy.

**Maintain adequate levels of disability insurance.** Your employer may offer group coverage at reduced rates; however, you lose those benefits if your employment is terminated. Private disability income insurance can help you secure coverage specific to your needs, and since the premiums are typically paid with after-tax dollars, any benefits would generally be tax-free (unlike work-sponsored coverage that is paid with pre-tax dollars).

**Understand Social Security benefits.** If you stop working due to disability, you may qualify for Social Security Disability Insurance benefits if you meet certain requirements. You must have earned a certain number of work credits in a job covered by Social Security and have a physical or mental impairment that has lasted or is expected to last at least 12 months or

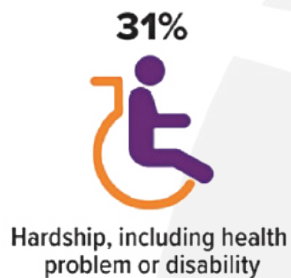
result in death. If you remain eligible, benefits may continue up to age 65 and then convert to Social Security retirement benefits.

If you need to retire earlier than planned for reasons unrelated to disability and are eligible for Social Security retirement benefits, you can apply as early as age 62. However, starting payments prior to your full retirement age (66 or 67, depending on year of birth) will result in a permanently reduced monthly benefit.

For more information on Social Security disability and retirement benefits, visit the Social Security Administration's website at [ssa.gov](https://ssa.gov).

**Consider your health insurance options.** Terminating employment prior to age 65 could leave you without health insurance. You may opt to continue your employer-sponsored health coverage for a limited period (permitted through COBRA, the Consolidated Omnibus Reconciliation Act), although this can be quite expensive. If you're married and your spouse works, you may get coverage under their plan. You may also seek coverage through the federal or a state-based health insurance marketplace. If you receive Social Security disability benefits, you'd automatically qualify for Medicare after 24 months.

## Why 49% of Retirees Retired Earlier Than Planned



Note: Retirees could have retired for more than one reason.

Source: *Employee Benefit Research Institute, 2024*

## Don't be caught off guard

Don't wait for an unwelcome surprise. Take steps now to help ensure your overall financial plan considers the "what-if" of an unexpected early retirement.

1) *Employee Benefit Research Institute, 2024*

2) *Qualified Roth withdrawals are those made after a five-year holding period and after the account owner dies, becomes disabled, or reaches age 59½. The penalty for early retirement account distributions and nonqualified withdrawals from Roth accounts is 10%. Nonqualified withdrawals from HSAs will be subject to ordinary income tax and a 20% penalty. After age 65, individuals can take money out of HSAs penalty-free, but regular income taxes will apply to funds not used for qualified medical purposes.*

3) *Age 50 or after 25 years of service for public safety officers*

## HOME ENERGY REBATES COULD SAVE YOU MONEY

The Inflation Reduction Act of 2022 included two provisions allowing rebates for home energy efficiency retrofit projects and home electrification and appliance projects. These home energy rebate programs are to be administered by state energy offices, with the U.S.

Department of Energy (DOE) providing guidance and oversight.

Many states have applied for or have received optional early funding to jumpstart their home energy rebate programs. Rebates are available in some states starting in 2024 (possibly delayed until 2025 for others). The DOE tracks the application progress of states on energy.gov.

## What are the DOE home energy rebates?

There are two DOE home energy rebates and various factors help determine the amount of rebates that may be available.

For a **home energy efficiency retrofit project** with at least 20% predicted energy savings, a rebate may be available per household for 80% of project costs, up to \$4,000 (reduced to 50% of project costs, up to \$2,000, if household income is above 80% of area median income (AMI)). For a home energy efficiency retrofit project with at least 35% predicted energy savings, a rebate may be available per household for 80% of project costs, up to \$8,000 (reduced to 50% of project costs, up to \$4,000, if household income is above 80% of AMI).

For a **home electrification and appliance project**, a rebate may be available per household for 100% of project costs, up to specific technology cost maximums, with a maximum total of \$14,000. The 100% of project costs limit is reduced to 50% if household income is above 80% of AMI. This rebate is not available if household income is above 150% of AMI. The specific technology cost maximums range from \$840 for an Energy Star electric stove to \$8,000 for an Energy Star electric heat pump for space heating and cooling.


An installed technology may be eligible for rebates either because of its predicted energy savings or because of its inclusion on the home electrification project qualified technologies list, but not for both reasons in a single household.

## Tax treatment of DOE home energy rebates


A rebate paid to or on behalf of a purchaser participating in either of the DOE home energy rebate programs is not includible in the purchaser's gross income and will be treated as a purchase price adjustment. This means that to the extent the rebate is provided at the time of sale, the rebate is not included in the purchaser's cost (or tax) basis in the property. If the rebate is provided later, the tax basis is reduced.

Payments of rebate amounts made directly to a business taxpayer, such as a contractor, in connection with the business taxpayer's sale of goods or provision of services to a purchaser are includible in the business taxpayer's income.

## Popular Home Energy Tax Credits

Energy efficient home improvement credit 	
Credits claimed	2,338,430
Average credit	\$882

Residential clean energy property credit 	
Credits claimed	1,246,440
Average credit	\$5,084

Source: IRS, 2024 (2023 tax return data)

## Coordination with the energy efficient home improvement credit

In some cases, a taxpayer can receive an energy efficient home improvement credit for federal income tax purposes. The credit is for 30% of amounts paid for certain qualified expenditures, with limits on the allowable annual credit and on the amount of credit for certain types of qualified expenditures. The maximum annual credit amount may be up to \$3,200.

If the taxpayer receives a DOE home energy rebate (whether at the time of sale or later), the amount of qualified expenditures used to calculate the energy efficient home improvement credit must be reduced by the amount of the rebate. If the taxpayer purchases items eligible for both the DOE home energy rebate and the energy efficient home improvement credit, the taxpayer can make a pro rata allocation of amounts received as rebates to the individually itemized expenditures as a share of total project cost in determining the amounts treated as paid or incurred for such items for purpose of the credit. The allocated rebate amounts reduce the qualified expenditures to which they are allocated, and the various limits on costs under the energy efficient home improvement credit are then applied.

## ABLE TURNS 10

A decade ago, the Stephen Beck Jr., Achieving a Better Life Experience (ABLE) Act was signed into law. The idea for it originated with a group of parents in Virginia who saw that individuals with disabilities and their families needed a way to save for the future without sacrificing eligibility for much-needed federal benefits. One of those parents was Beck, a congressman who had a daughter with Down syndrome. It took years for a bipartisan group in Congress, supported by many advocates, to develop the bill that was finally passed in December 2014.<sup>1</sup>

Ten years later, 46 states and the District of Columbia offer ABLE accounts.<sup>2</sup> These tax-advantaged accounts enable Americans with significant disabilities that began before age 26 to save or invest funds that can be used for qualified disability expenses. In honor of ABLE's tenth anniversary, here are a few key facts about ABLE accounts.

**Most state programs are open to nonresidents.** Individuals can open an ABLE account in their own state if it has an ABLE program or in any state that allows nonresidents to join (most do).

**Accounts offer several tax benefits.** Any earnings on contributions accumulate tax deferred at the federal level (and in some cases at the state level). When money is withdrawn, the earnings on these distributions will be tax-free if used to pay qualified expenses. Though no federal income tax deduction is available, some states offer tax incentives to residents, such as a deduction for contributions. Before investing in an ABLE plan, consider whether your state offers an ABLE plan that provides residents with favorable state tax benefits. Consult a tax professional for more information. ABLE accounts may be protected from creditors if you invest in your own state's program, depending on the state.

**Having an account generally does not affect eligibility for public benefits.** People with disabilities often rely on Supplemental Security Income (SSI), Medicaid, Medicare, and other public benefits. However, eligibility for these benefits depends on meeting a means or resource test. To qualify, individuals can have only \$2,000 in countable assets, such as savings and retirement funds. Because funds in an ABLÉ account generally do not count toward this asset limit, people may put money aside for their future needs without jeopardizing their eligibility for public benefits. (SSI benefits may be temporarily affected once an account reaches \$100,000.)

**Contributions can be made by the account owner or others.** Multiple people may contribute, including the individual with the disability, family members, friends, and employers. Contributions may also come from sources such as special needs trusts, estates, or 529 plan rollovers. Annual and lifetime contribution limits apply. Contributions from all donors combined during the year can't exceed the annual gift tax exclusion, which is \$18,000 in 2024. ABLÉ account owners who work and who don't have an employer-sponsored retirement account, may save an additional \$14,580 from their earnings in 2024 (\$16,770 in Hawaii and \$18,210 in Alaska). Each state sets its own lifetime limit.

**Funds can be spent on a wide range of items.** The definition of qualified disability expenses is broad and generally includes housing costs, home improvement and modification, transportation, health care, education, employment training, assistive technology, and personal assistance, among others.

**The eligibility age is changing.** Today, to be eligible for an ABLÉ account, the disability must have begun before age 26, but starting in 2026, this age will increase to 46, giving access to an estimated six million more Americans, including one million veterans.<sup>3</sup>

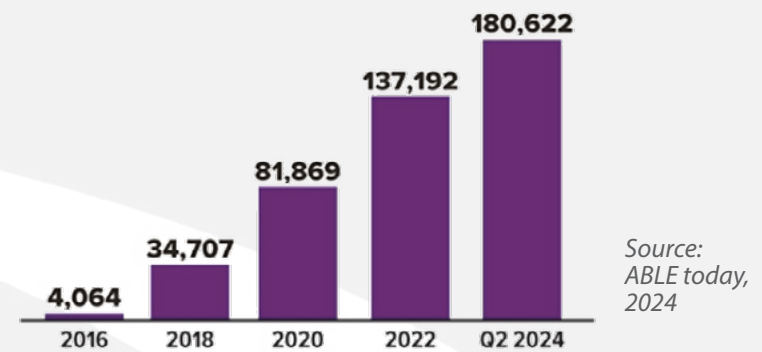
**Other planning tools may also be used.** An ABLÉ account is meant to be an additional tool — not the only tool — that can be used to save for future expenses. Other tools, which include third-party and special needs trusts, have unique benefits and drawbacks, and may also be suitable. (The use of trusts involves a complex web of tax rules and regulations and incur up-front costs and often have ongoing administration fees.)

Participating in an ABLÉ account may involve investment risk, including the possible loss of principal, and there can be no assurance that any investing strategy will be successful. Carefully consider a portfolio's level of risk, charges, and expenses before investing. The program's official disclosure statement and applicable prospectuses, contain this and other information about the investment options, underlying investments, and the investment company.

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1–2) ABLÉ today, 2024; 3) ABLÉ National Resource Center, 2024

## Growing Number of ABLÉ Accounts



# THREE WAYS TO INVEST IN YOURSELF

The end of the year is a good time to reflect on everything you've accomplished and given to others. As you set resolutions for the new year, why not think about how investing in yourself might give you a fresh start?

Investing in yourself means focusing on your personal growth and well-being. By fostering a stronger "you," you might be in a better position to give your time and energy to other people and things, including your financial goals, which require discipline, perseverance, and often sacrifice to maintain a robust savings effort month after month.

Here are three areas you might target.

## Your health and well-being

Staying active is critical to maintaining good physical and mental health, and it might make it easier for you to tackle all the tasks, financial and otherwise, on your plate each day. Feeling sluggish, stressed, or sore? Having trouble sleeping? To get on a better health track, consider joining a gym, working with a personal trainer or nutritionist, taking a fitness class, experimenting with a wearable fitness tracker, or buying home exercise equipment. Or you might invest in an ergonomic office chair, a stand-up work desk, or a new bed and pillows.

What about your diet? To take your eating habits to the next level, consider investing in some new kitchen equipment and/or appliances; signing up for a food delivery service that sends ingredients for healthy meals right to your door; or trying new cookbooks and recipes to discover dishes you enjoy.

Could you use more peace and quiet in a 24/7 world? To enhance your inner solitude, you might invest in a cozy chair, small desk, greenery, soft lighting, and assorted furnishings to create a quiet spot for reading, reflection, or meditation.

## Your lifelong learning

The world is a big place, and there is so much to see and do. Trying something new outside your normal routine or comfort zone can provide inspiration and a fresh perspective. Possibilities include traveling to a new destination, investing in new equipment for outdoor recreation, enrolling in an adult education class, or getting involved in a new project or hobby.

## Your everyday life

Still wearing clothes, eyeglasses, or a hairstyle from your younger days? Trying to get by using an older laptop, phone, or printer? It might be time to update your wardrobe, look, or tech gadgets.

By investing in yourself today, not only might you feel better now, but you might reap future benefits, too, in the form of potentially lower health-care costs, a wider social circle, expanded hobbies and experiences, and a new perspective on life.





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