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TAX TIME: PROCRASTINATION IS COMMON AND CAN BE COSTLY

April 15, 2025, is the tax filing deadline for most taxpayers. In a nationwide survey, three out of 10 Americans said they wait until the last minute to file their tax returns, and 50% rush to complete the filing process as quickly as possible. If you procrastinate, you might face an unexpected tax bill with little or no time to come up with the money. It may also be too late to act on opportunities to reduce your tax burden. In fact, taking a thoughtful approach to tax planning throughout the year could help you keep more of your earnings and improve your finances.

Top Reasons Taxpayers Procrastinate

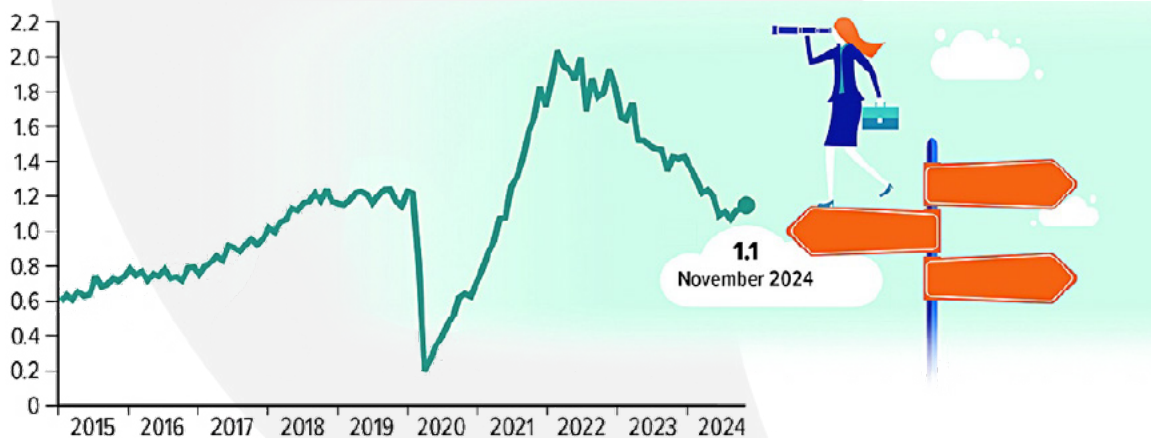


Source: Chamber of Commerce, 2024

SAY HELLO AGAIN TO A SO-SO JOB MARKET

In mid-2024, the ratio of job openings to job seekers — which represents the balance of supply and demand in the U.S. labor market — returned to pre-COVID levels. While the easing of the labor market might disappoint workers hoping to land a new job, it could also be seen as a positive sign for consumer prices. A severe labor shortage that drove up wages was a strong source of inflationary pressure in 2022.

Number of Unfiled Job Openings per Unemployed Worker



Source: U.S. Bureau of Labor Statistics, 2025 (seasonally adjusted data)

THE VERSATILE ROTH IRA

Used with care, the Roth IRA may help serve several objectives at once — like a multipurpose tool in your financial-planning toolbox.

Retirement

First and foremost, a Roth IRA is designed to provide tax-free income in retirement. If your modified adjusted gross income (MAGI) falls within certain limits, you can contribute up to \$7,000 (\$8,000 for those age 50 or older) in earned income to a Roth IRA in 2024 and 2025. Although Roth IRA contributions are not tax-deductible, qualified withdrawals are tax-free. A qualified withdrawal is one made after the account has been held for at least five years and the account owner reaches age 59½, becomes disabled, or dies. Nonqualified withdrawals of earnings are subject to ordinary income taxes and a 10% penalty, unless an exception applies.

Emergency savings

Because contributions to a Roth IRA are made on an after-tax basis, they can be withdrawn at any time — which means, in a money crunch, you could withdraw just your Roth contributions (not the earnings) free of taxes and penalties. In addition, account holders may withdraw up to \$1,000 in earnings each year to cover emergency expenses.¹

2025 Income Limits for Roth Contributions

Filing status	Contribution limited if MAGI is:	No contribution allowed if MAGI is:
Single/Head of household	\$150,000 to \$164,999	\$165,000 or more
Married filing jointly	\$236,000 to \$245,999	\$246,000 or more
Married filing separately	\$0 to \$9,999	\$10,000 or more

Source: IRS

Teachable moments

A Roth IRA can also be an ideal way to introduce a working teen to long-term investing. Minors can contribute to a Roth IRA as long as they have earned income and a parent or other adult opens a custodial account in their name. Alternatively, an adult can contribute to a Roth IRA within a custodial account on a child's behalf, as long as the total amount doesn't exceed the child's total wages for the year.

College and first home

Roth IRA earnings can be withdrawn penalty-free to provide funds for college and the purchase of a first home.

College. Roth IRA funds can help pay for certain undergraduate and graduate costs for yourself or a qualified family member. Expenses include tuition, housing and food (if the student attends at least half time), fees, books, supplies, and required equipment not covered by other tax-free sources, such as scholarships or employer education benefits. An advantage of using a Roth IRA to help pay for college is that assets held in retirement

accounts are excluded from the government's financial-aid formula. (A related point: up to \$35,000 in 529 plan assets that are not used to pay for college may be rolled over to a Roth IRA for the same beneficiary, provided certain rules are followed.)

First home purchase. Up to \$10,000 (lifetime limit) can be used for qualified expenses associated with a first-time home purchase. You are considered a first-time home buyer if you haven't owned or had interest in a home during the previous two years. Funds may be used for acquisition, construction, or reconstruction of a principal residence and must be used within 120 days of the distribution. If the account has been held for at least five years, the distribution will be income tax-free as well.

Estate planning

Roth IRAs are not subject to the age-based required minimum distribution rules that apply to non-Roth retirement accounts during your lifetime. For this reason, if you don't need your Roth IRA funds, they can continue to accumulate. After your death, the tax-free income benefit continues to apply to your beneficiaries (however, the value of your Roth IRA will be assessed for federal and possibly state estate tax purposes).

Proceed with caution

Although it's generally best to avoid tapping money earmarked for retirement early, the Roth IRA can help serve multiple needs — if used wisely.

The tax implications of a 529 savings plan should be discussed with your legal and/or tax professional because they can vary from state to state. Also be aware that most states offer their own 529 plans, which may provide advantages and benefits exclusively for their residents and taxpayers. These other state benefits may include financial aid, scholarship funds, and protection from creditors. Before investing in a 529 savings plan, please consider the investment objectives, risks, charges, and expenses carefully. The official disclosure statements and applicable prospectuses, which contain this and other information about the investment options, underlying investments, and investment company, can be obtained by contacting your financial professional. You should read these materials carefully before investing.

1) Due to ordering rules, Roth IRA contributions will always be distributed before earnings.

ARE YOU MISSING THE BULL'S-EYE WITH A TARGET-DATE FUND?

Two out of three 401(k) participants have assets in a target-date fund — an “all-in-one” fund intended in theory to be the holder's only investment (see chart). These funds are often the default option in workplace plans, so you may have a target-date fund without fully understanding what it is, or perhaps without even knowing you own it.

In fact, target-date funds are not as simple as they appear to be. Like all investment options, they have strengths and weaknesses.

Focused on time

Target-date funds offer a professionally managed mix of assets — typically a combination of other funds containing stocks, bonds, and cash alternatives — selected for a specific time horizon.

The target date, usually included in the fund's name, is the approximate date when an investor would begin to withdraw money for retirement (or another purpose, such as paying for college). An investor expecting to retire in 2055, for example, might choose a 2055 fund. As the target date approaches, the fund typically shifts toward a more conservative asset allocation to help preserve the value it may have accumulated and potentially provide income.

One size may not fit all

Target-date funds utilize basic asset allocation principles that are often used to construct more complex portfolios. But the allocation is based solely on the target date and does not take into account the investor's risk tolerance, personal goals, asset levels, sources of income, or any other factors that make an investor unique.

An investor with \$200,000 in a target-date fund has the same asset allocation as an investor with \$20,000 in the fund. An investor who also has a pension and might be comfortable taking more risk with 401(k) investments is placed in the same risk category as an investor who will depend primarily on savings in the 401(k) account.

Considering this one-size-fits-all approach, target-date funds may be especially appealing to novice investors with relatively low assets or to those who prefer a simple set-and-forget option in their 401(k), IRA, or other investment account. But even if simplicity is the goal, it's important for any investor who keeps assets in a target-date fund to learn more about the specific fund and how it operates.

Glide to or beyond retirement

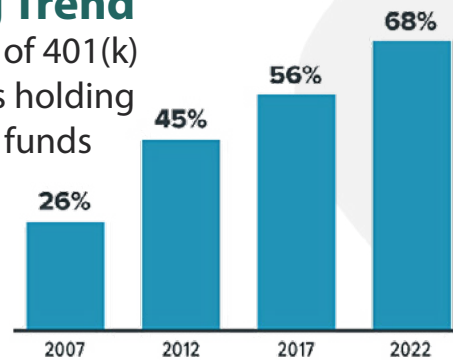
The transition from more aggressive to more conservative investment allocations is driven by a formula called the glide path, which determines how the asset mix will change over time. The glide path may end at the target date or continue to shift assets beyond the target date, taking the fund into your retirement years.

Funds with the same target date may vary not only in their glide path but also in the underlying asset allocation, investment holdings, turnover rate, fees, and fund performance. Be sure you understand the asset mix of your fund and how it changes over time. It's especially important to closely examine your target-date fund as you approach retirement. You can find detailed information in the prospectus.

Asset allocation is a widely accepted method to help manage investment risk. It does not guarantee a profit or protect against investment loss, and there is no guarantee that you will be prepared for retirement on the target date or that the fund will meet its stated goals. Keep in mind that investing in other securities outside of a target-date fund may change your overall asset allocation. It's generally wise to consider the

Growing Trend

Percentage of 401(k) participants holding target-date funds



Source: Investment Company Institute, 2024 (2022 year-end data, most recent available)

allocation strategy of your full portfolio.

The principal value of a target-date fund is not guaranteed before, on, or after the target date. The return and principal value of all mutual funds fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

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.

BREAKING DOWN THE NUMBERS: THE SOARING U.S. NATIONAL DEBT

The U.S. national debt is the total amount of money owed by the federal government. As of January 2025, it stands at \$36.16 trillion.¹

The difference between deficit and debt

When the federal government spends more money than it collects in taxes in any given fiscal year (the government's fiscal year runs from October 1 to September 30), there is a deficit. The opposite of a deficit is a surplus.

To fund its operations when there is a deficit, the government borrows money by selling Treasury notes, bills, bonds, and other securities to investors, paying interest based on the interest rate environment at the time the security is issued. The interest owed to these investors adds to each year's spending deficit (if any) and further increases the national debt over time.

In the past 50 years, the U.S. has run a deficit 46 times. The last U.S. budget surplus was in 2001. In 2024, the deficit was \$1.83 trillion, the third-highest on record. The highest deficit was in 2020 during the pandemic, when it was \$3.13 trillion.²

Why is the national debt so high?

There are several reasons for the ballooning national debt. One reason is previous tax cuts and pandemic spending. Another major reason is the increasing cost of Social Security and Medicare, two popular programs that serve a growing demographic of older Americans and make up the two biggest slices of the federal budget pie.³ Cutting spending on these programs is not politically popular, though in theory, future benefits could be trimmed. Military spending also consumes a significant portion of the federal budget.

A category of spending that can't be cut is the interest the federal government must pay to investors who have purchased Treasury securities, which is consuming an increasing share of the federal budget. This is sometimes referred to as "servicing the national debt." As of September 2024, \$1.13 trillion went toward maintaining the debt, which was 17% of total federal spending in fiscal year 2024.⁴



Comparing a country's total debt to its gross domestic product (GDP) is typically a better way to gauge a country's ability to pay down its debt than just looking at the raw debt number. For fiscal year 2024, the U.S. debt-to-GDP ratio was 124%. This was just under the record 126% in 2020.⁵ According to the nonpartisan Congressional Budget Office, based on current spending and revenue projections, the debt-to-GDP ratio is projected to reach 179% by 2054.⁶

Clearly, Congress has work ahead to better balance U.S. revenue and spending.

Projections are based on current conditions, subject to change, and may not come to pass.

1-5) fiscaldata.treasury.gov, 2025

6) Congressional Budget Office, 2025

RETURN OF PREMIUM TERM LIFE INSURANCE: IS IT RIGHT FOR YOU?

You have decided you need life insurance coverage and are considering buying a term policy. But you might be wondering, "Do I get any of my money back at the end of the term?" It's possible, if you consider buying a special kind of term insurance called return of premium term insurance, or ROP.

How ROP compares to straight term insurance

Not In general, straight term life insurance provides coverage for a specific number of years, called the term. The face amount of the policy, or death benefit, is paid to your beneficiaries if you die during the term. If you outlive the term, or you cancel your policy during the term, nothing is paid. By contrast, an ROP term life insurance policy returns some or all of the premiums you paid if you live past the term of your policy and haven't canceled coverage. Some issuers may even pay back a prorated portion of your premium if you cancel the ROP life policy before the end of the term. Also, the premium returned generally is not considered ordinary income, so you won't have to pay income taxes on the money you receive from the insurance company. (Please consult your tax professional.)

A return of premium feature may be appealing if you want to have a return of some or all of your premium if you outlive the policy term. Yet the cost of ROP term insurance can be significantly higher than straight term insurance, depending on the issuer, age of the insured, the amount of coverage (death benefit), and length of the term. But ROP term insurance almost always costs less than permanent life insurance with the same death benefit. While straight term insurance can be purchased for terms as short as one year, most ROP term insurance is sold for terms of 10 years or longer.

ROP considerations

It's great to know you can get your money back if you outlive the term of your life insurance coverage, but there is a cost for that benefit. Also, if you die during the term of insurance coverage, your beneficiaries will receive the same death benefit from the ROP policy as they would from the less-expensive straight term policy.

When choosing between straight term life insurance and ROP term, you might think about the amount of coverage you need, the amount of money you can afford to spend, and the length of time you need the coverage to continue. Your insurance professional can help you by providing information on straight term and ROP term life insurance, including their respective premium costs.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Before implementing a strategy involving life insurance, it would be prudent to make sure that you are insurable. Optional riders are available for an additional fee and are subject to contractual terms, conditions and limitations as outlined in the prospectus and may not benefit all investors. Any guarantees associated with payment of death benefits, income options, or rates of return are based on the claims-paying ability and financial strength of the insurer.

Advantages and Disadvantages of ROP Term Insurance

PROS

- If you outlive the policy term, you get your money back, unlike straight term life insurance
- Premiums are generally returned free of income tax

CONS

- It's typically more expensive than straight term life insurance
- You generally don't earn interest on your money
- If you cancel the policy or let it lapse before the end of the term, you may not get your money back
- There may be a minimum amount of coverage you must buy, such as \$100,000

IMPORTANT DISCLOSURES

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