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Understanding Retirement Plan Options

The main differences between a Traditional IRA, Traditional 401(k), and Roth accounts boils down to when you pay taxes (now vs. later), how much you can contribute, when you can withdraw funds and whether your employer can add to your contributions.

A **Traditional IRA** (including SEP and SIMPLE IRA) is funded with pre-tax or tax-deductible dollars. This is a good choice for individuals without an employer plan or who want extra tax-deferred savings. This plan requires you to take Required Minimum Distributions (RMDs) in the future.

A **Traditional 401(k)** is like the Traditional IRA except this plan is through your employer. An additional benefit is it allows higher contribution limits, and it often includes employer match.

A **Roth IRA** is funded with after-tax dollars. This means you don't get any tax benefit from your contribution today. However, your money will grow tax-free and future withdrawals will be tax free. There are no RMDs which gives you more flexibility later in life.

A **Roth 401(k)** gives you the same benefits of the Roth IRA, but with higher contribution limits and the potential for employer match (this match goes into a traditional account).

Q: *What is a Roth Conversion?*

A: A Roth conversion is when you move money from a traditional IRA (Individual Retirement Account) or other pre-tax retirement account (like a 401(k) that's rolled into an IRA) into a Roth IRA.

With a Traditional plan you must pay taxes on future withdrawals so switching to a Roth where withdrawals are tax free sounds like a great plan. However, with tax deferred accounts, there is always a payday some day. When you transfer from a Traditional to a Roth, you must pay ordinary income taxes on the amount you convert. The amount converted is also added to your taxable income for that year.

If you meet the requirements (generally, age 59½ and the account is at least 5 years old), withdrawals are tax-free. But a Roth conversion doesn't benefit everyone equally. Those who benefit most from a Roth conversion generally fall into one or more of the following categories:

1. **Individuals that Expect a Higher Tax Rate in Retirement.** Converting now means you'll pay taxes at a lower rate today to avoid paying at a higher rate later in retirement. This could be a smart move for a young professional early in their career, someone having a lower income year or people in a "gap year" between retirement and when Social Security or RMDs (Required Minimum Distributions) start.
2. **Retirees Before RMDs Start** (Typically Age 59.5 to 73) This group often has low income before Social Security or RMDs begin. This creates a window of opportunity to convert funds at a lower marginal tax rate. You can "fill up" lower tax brackets (like the 12% or 22% bracket) with conversions. The goal is to convert only up to the amount that you can afford to pay the conversion tax on.
3. **People Who Want to Leave a Tax-Free Inheritance.** Heirs who inherit a Roth IRA get tax-free withdrawals

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iShares 20+ Year Treasury Bond ETF (TLT)

The iShares 20+ Year Treasury Bond ETF is an exchange traded fund launched by BlackRock, Inc. in 2002. The fund is managed by BlackRock Fund Advisors. The fund invests in U.S. dollar denominated fixed rate U.S. treasury securities with remaining maturity of greater than or equal to twenty years. It seeks to track the performance of the ICE U.S. Treasury 20+ Year Bond Index.

The fund will invest at least 90% of its assets in U.S. Treasury securities that the advisor believes will help the fund track the underlying index. The underlying index measures the performance of public obligations of the U.S. Treasury that have a remaining maturity greater than or equal to twenty years.

As we've covered in past articles, there's an inverse relationship between interest rates and bond prices. As interest rates rise, bond prices fall ... and as interest rates fall, bond prices rise. How sensitive a bond is, or how significant the price movement may be in response to changes in interest rates is measured by a statistic called duration. Bonds with a shorter duration (short term bonds) are less sensitive to changes in interest rates than bonds with longer durations (long term bonds).

As its name implies, the iShares 20+ Year Treasury ETF invests in long term U.S. Treasury bonds, and has a duration of 15.6 years. This is a comparatively high duration, meaning that this ETF is quite sensitive to changes in interest rates. We can see the effect of duration in real time by looking at the past performance of this ETF (see below). Clearly, the performance statistics don't look impressive. However, considering that interest rates were rising consistently and fairly dramatically during most of those years in an effort to get post-COVID inflation under control helps explain the results.

On the other hand, since interest rates have begun to fall as of late last year, bonds with longer durations have begun to fair well. Year-to-date through 10/16/2025 this fund has a total return (dividends and price appreciation) of +7.89%.

The Federal Reserve Board (the Fed) has two more policy setting meetings this year. One in late October, and the final for the year in early December. The Fed routinely informs us that interest rate decisions are based upon the most recent inflation and job market data, so at this point, nothing is etched in stone. However, the current consensus is that the Fed may lower interest rates by 0.25% or more at one or both of these meetings.

For many investors, in an effort to generate regular income and limit overall volatility, having a portion of their portfolio invested in high quality bond offerings is standard practice. If you're interested in this fund, or would like a portfolio review to determine if this fund might be an appropriate addition to your portfolio, please call Ted Black, CFP® at 888-878-0001, extension 3.

This fund has a current annual yield of 4.60% (dividends paid monthly) and the gross annual expense ratio is 0.15%. Performance annualized and updated through 9/30/2025: 1-Year: -4.89%; 3-Year: -0.81%; 5-Year: -8.77%.

If you have questions about Asset Allocation or Rebalancing and how they may currently apply to your situation, please feel free to call Ted Black, CFP® at 888-878-0001, extension 3.

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Storm Chasers and Skyrocketing Loss Ratios: A Growing Crisis in the Insurance Industry

In the wake of increasingly severe weather events across the United States, a troubling trend has emerged: the rise of storm-chasing contractors who aggressively pressure insurance carriers to approve roof replacements. While some contractors genuinely help homeowners recover from storm damage, others exploit the system, driving up claim volumes and costs. The result? A surge in loss ratios that threatens the stability of the property and casualty insurance sector.

> Storm-chasing contractors are reshaping the insurance landscape — and not for the better.

Who Are Storm Chasers?

Storm chasers are contractors who travel to areas recently hit by hail, wind, or hurricanes. They often canvas neighborhoods immediately after a storm, offering free inspections and promising homeowners a new roof — typically paid for by their insurance company. While some operate ethically, many use high-pressure tactics, questionable documentation, and even fraudulent claims to force insurers into covering full roof replacements.

The Impact on Insurance Loss Ratios

Loss ratio — the percentage of premiums paid out in claims — is a key metric for insurers. A healthy loss ratio typically hovers around 60–70%. But in storm-prone regions, insurers are seeing ratios spike well above sustainable levels due to:

- **Increased Claim Frequency:** Hail-related claims rose by $1 billion from 2021 to 2022 for State Farm alone.
- **Higher Claim Severity:** Roof replacements are costly, often exceeding $10,000 per home. When thousands of homes are affected, the financial impact is massive.
- **Fraudulent or Inflated Claims:** Some contractors fabricate damage or exaggerate the extent of repairs needed, leading to unnecessary payouts.

According to Verisk, roof claims in the U.S. exceeded $30 billion in 2024, underscoring the scale of the problem.

How Contractors Strong-Arm Insurers

Storm-chasing contractors often use aggressive tactics to push claims through:

- **Manipulating Homeowners:** Encouraging them to file claims even for minor or pre-existing damage.
- **Threatening Legal Action:** Some contractors partner with public adjusters or attorneys to intimidate insurers into settling.
- **Submitting Questionable Documentation:** Photos, estimates, and reports may be doctored or misleading.

These tactics put insurers in a bind: deny the claim and risk litigation or bad press, or approve it and absorb the cost.

Industry Response

Insurers are fighting back with a mix of technology and policy changes:

- **AI-Powered Damage Assessment:** Tools like aerial imagery and predictive analytics help verify claims more accurately.
- **Stricter Underwriting:** Some carriers are pulling out of high-risk areas or raising premiums to offset losses.
- **Legislative Advocacy:** Pushing for laws that curb contractor abuses and tighten claim verification standards.

The Fallout for Homeowners

While some homeowners benefit from a new roof, the broader consequences are severe:

- **Rising Premiums:** As insurers absorb more losses, they pass costs onto consumers.
- **Reduced Coverage Options:** Fewer carriers are willing to write policies in storm-prone regions.
- **Longer Claim Processing Times:** Increased scrutiny slows down legitimate claims.

Storm-chasing contractors are reshaping the insurance landscape — and not for the better. Their aggressive tactics and questionable practices are fueling a crisis that affects insurers, homeowners, and the broader economy. As the industry grapples with rising loss ratios, the need for reform, regulation, and innovation has never been more urgent.

Please call us at Novak Insurance if you would like to discuss your insurance!
Craig Novak | 440-914-0606

• *continued from page 1*

(subject to certain rules). This is especially powerful under the SECURE Act, which requires inherited IRAs to be emptied within 10 years—tax-free growth is a big advantage. This is ideal for high-net-worth individuals or those who don't need to spend all their retirement savings.

4. **Taxpayers Concerned About Rising Tax Rates.** If you believe tax rates will increase (either personally or across the board due to national debt, policy changes, etc.), you might prefer to pay tax now at a known rate.

5. **Those Who Can Pay the Conversion Taxes with Outside Funds.** Paying the taxes due on the conversion without using money from the IRA makes the strategy more efficient. It lets more money grow tax-free inside the Roth.

Roth conversion is less Ideal for:

- Those currently in high tax brackets and expect to be in a lower bracket later.
- People who need to use converted money soon. Roth restrictions require you to wait 5 years before you begin tax free withdrawals.
- Those who don't have the cash on hand to pay the taxes due on large conversion amounts.
- Those who may trigger Medicare IRMAA surcharges (if over ~$103k income single / ~$206k married)
- Those who are close to a higher tax bracket. The income from a tax conversion can push you into a higher bracket and may eliminate tax breaks you would typically benefit from.

Q: ***When discussing ROTH conversions, I see a lot about filling up the 12% or 22% bracket. What does that mean?***

A: This is a strategy to keep the amount you convert each year from triggering a higher tax bracket. For example, let's look at the 2025 Married Filing Jointly (MFJ) Tax Brackets

Bracket	Taxable Income Range
10%	$0 – $23,200
12%	$23,201 – $94,300
22%	$94,301 – $201,050

The Top of the 12% bracket is $94,300 taxable income. The 2025 standard deduction for MFJ = $30,900. So your adjusted gross income (AGI) can be about $94,300 + $30,900 = $125,200 for you to still stay in the 12% bracket (assuming no other deductions or credits). Let's say you and your spouse had income of $60,000 in 2025, that means you could convert $65,200 ($125,200-$60,000) to Roth without bumping into the 22% bracket. (The total tax due on this return would be $10,852 with around $7,824 of that being due to the conversion amount)

Q: ***How is the Required Minimum Distribution (RMD) affected by which Retirement Account I choose?***

A: A Required Minimum Distribution (also known as an RMD) is the minimum amount of money that someone with certain retirement accounts (like a traditional IRA, 401(k), or 403(b)) must withdraw each year after reaching a certain age. As of current U.S. law, RMDs typically start at age 73 (or 75 for some people depending on their birth year). When choosing a retirement plan, RMDs are a big factor. If you don't take your RMD on time and for the right amount, the IRS can impose hefty penalties.

The RMD is calculated by using your account balance at the end of the previous year and dividing that by a "life expectancy factor" from their tables. For example, if your account balance is $500,000 and the IRS factor is 26.5, your RMD for the year will be $18,868. ($500,000 ÷ 26.5 ≈ $18,868)

Roth IRAs are NOT subject to RMDs while the original owner is alive) After death, beneficiaries may have RMD requirements depending on their status.

The Roth 401(k) was previously subject to RMDs, but starting in 2024, Roth 401(k)s no longer have RMDs during the owner's lifetime.

All traditional IRA types (including SEP and SIMPLE IRAs) are subject to RMDs.

RMDs must start by April 1 of the year after you turn 73 (if you were born in 1951 or later — this age may rise to 75 in the future depending on birth year).

For Employer-sponsored plans such as 401(k) (including traditional 401(k)s), 403(b) (used by schools and nonprofits) and 457(b) (governmental deferred compensation plans) RMDs generally must begin at age 73, but if you're still working and not a 5% owner, you may be able to delay RMDs from your current employer's plan until retirement.

If you inherit an account, RMD rules depend on your relationship to the original owner and when they died. Many non-spouse beneficiaries must empty the account within 10 years (under the SECURE Act), though some must also take annual RMDs during that period.

From the Financial Hotline

Call, fax or e-mail for answers to all your financial questions.

Q ***I received a windfall of $50,000. I have no investments or savings and a lot of credit card debt. Should I put this money towards paying down debt or save it and invest?***

A: Receiving an unexpected $50,000 gift is a remarkable opportunity to improve your financial situation. If you currently have no savings or investments and are burdened by significant credit card debt, it is vital to make careful decisions to secure your financial future. The following plan outlines a practical approach to using your windfall effectively.

Step 1: Establish an Emergency Fund

Begin by opening an emergency fund account, preferably a high-yield savings account for easy access and better returns. Financial experts typically recommend setting aside at least three months' worth of living expenses. You can start with an initial deposit of $5,000. After you have paid down your debt, continue to build this fund until it is fully funded.

Step 2: Pay Down High-Interest Credit Card Debt

Use up to $30,000 of your windfall to pay off credit card balances with the highest interest rates first. If your total credit card debt exceeds $30,000, focus on eliminating the highest-rate accounts. If your debt is less than $30,000, allocate the remaining amount towards your emergency fund for greater financial security.

Step 3: Begin Investing

Set aside $14,600 for investments. You can start by opening a traditional or Roth IRA. In 2025, you may contribute up to $7,000 ($8,000 if you are age 50 or older), and in 2026, the contribution limit increases to $7,600 ($8,600 if you are age 50 or older). If your employer offers a 401(k) match, contribute enough to maximize this benefit.

Step 4: Free Up Monthly Cash Flow

As you pay down your debt, your monthly financial obligations will decrease. Use any extra funds to continue paying off high-interest debt. If you have money left after addressing your monthly debts, split the remainder between your emergency fund and additional investments. Prioritize having enough cash on hand to eliminate the need for racking up new high interest debt.

Why This Plan Works. Maintaining cash reserves in an emergency fund prevents you from needing to rely on high-interest credit card debt during unexpected events. While investing is a key long-term goal, it should not take priority over eliminating credit card debt with interest rates between 18% and 30%. Carrying such debt results in significant annual losses, whereas average stock market returns are only 6% to 8% per year after inflation. For example, paying $10,000 towards a card with 25% interest saves you $2,500 in interest charges annually, while investing that same amount might yield $1,000 in a strong market year. Prioritizing debt repayment stops these losses and allows you to redirect monthly savings into building your emergency fund and investments.

Additional Benefits. Eliminating debt not only strengthens your finances but also improves your credit score. A higher credit score can help you qualify for lower interest rates on future loans and reduce insurance premiums. Reducing debt also lowers stress and can contribute to better sleep and overall well-being.

Q ***I see so many ads for remote jobs that end up being scams. Are there any trusted platforms you can recommend?***

A: Sometimes you can find more reliable listings by going to a company's website directly. Look for related links like "Careers" or "Jobs". Use search terms like "remote" and "work from home" to narrow down the options.

Check out tech companies like Amazon, Google, Meta (Facebook) and Github. For financial services visit the website for American Express, Wells Fargo, Intuit and Doloitte. In the medical field, search job offers at United Health, CVS/Aetna, Anthem and Humana. There are customer service jobs listed at Chewy, Wayfair and Shopify.

Here are some other sites that are generally safer and more reliable:

- FlexJobs is a vetted remote and flexible work listing site
- Remote.co has only remote job listings
- We Work Remotely is one of the more established boards, especially for tech and customer service
- JustRemote and Remotive are smaller boards but focused on remote job listings

Top 10 Tips for Bargain Hunting

Finding the best discounts on everything, from everyday essentials to luxury items, is all about knowing where to look and using the right tools. Here are some of the top places and strategies to find great deals:

1 Online Discount Websites & Apps

Use apps like Honey, Slickdeals, or Rakuten to set deal alerts for items you're looking to buy. These tools will notify you when prices drop or when promo codes are available. RetailMeNot is a go-to for finding coupon codes for nearly every major retailer, plus cashback offers. Groupon is great for local discounts, travel deals, and experiences, as well as online shopping codes.

2 Check for Discount Programs Specific to You

UNiDAYS and Student Beans offers discounts for students across hundreds of brands like Apple, ASOS, Nike, and more. It's free to sign up with your .edu email. Teachers, Veterans, First Responders, and many other professions are eligible for discounts on lodging, trips, restaurants and even retailers like Adidas, Michaels, and Levi's. It doesn't hurt to check.

3 Use Third Party Sites for a Broader Search

Sites like CarGuru, AutoTrader and AutoTempest pull listings from all over the internet. Travel sites like Hopper and Priceline can help you narrow down the best deals for travel.

4 Download Phone Apps

Gas station apps like Shell, 7-Eleven, SmartPay Rewards and the Upside App give you cash-back or instant discounts on gas plus deals or freebies likes sodas and food. Restaurants and fast-food chains regularly offer free food, discounts, and other rewards with apps like McDonalds, MyPanera, Jimmy Johns Rewards and Chick-fil-a. Retail and Grocery stores like Target, Kroger and Save A Lot are known for special in-app deals.

5 Deal Aggregator Apps

Honey (also mentioned above) also allows you to track price history and set up alerts when prices drop. CamelCamelCamel and Keepa are apps that track prices and show you the price history of an item. This helps you figure out if a sale is truly a deal or if the item is regularly priced. DealNews is great for finding the best deals across a variety of categories, including tech, home goods, and fashion.

6 Flash Sale Sites

Gilt and Hautebook offer 'while supplies last' sales on designer clothing, shoes, and accessories, often at 50%+ off. Zulily is a go-to for deep discounts on fashion, home goods, and kids' items, often with limited-time offers. LivingSocial is known for deals on experiences (like travel, dining, activities), home goods, and more. Overstock and Wayfair offer online shopping for discounted furniture, home decor, and more with regular sales.

7 Comparison Shop

Use apps like Google Shopping or ShopSavvy to compare prices before purchasing something. Check out TheZebra.com to compare insurance rates. You might be able to find a better deal at a competitor.

8 Tech & Electronics Deals

B&H Photo Video and Newegg are known for good prices on electronics, cameras, and tech equipment. Best Buy Open Box Deals offers heavily discounted open-box products, which are often still in great condition.

9 Cashback & Rewards Programs

Ibotta is a cashback app that gives you money back on grocery shopping and other purchases, available at many major retailers. Dosh is a cashback app that links to your credit/debit card and gives you money back when you make purchases at participating stores and restaurants. Swagbucks lets you earn (Swagbucks) for shopping online, answering surveys, and watching videos, which can be redeemed for gift cards or PayPal cash.

10 Social Media & Newsletters

Follow Your Favorite Brands on social media (especially Instagram and Twitter for exclusive sales and discounts. Join private groups like deal-sharing Facebook groups or Reddit communities (like r/Frugal or r/Deals) that post real-time deals and coupon codes.

Q&A

Q Are there any circumstances where the rent paid to an Assisted Living Facility can be deducted?

A: Generally, rent paid to an assisted living facility is not deductible like mortgage interest or property taxes. However, if certain conditions are met, you can deduct payments to an assisted living facility as medical expenses. If you itemize, you can deduct expenses that exceed 7.5% of your adjusted gross income (AGI).

According to the IRS, long-term care services, including assistance with daily activities, can be deductible as medical expenses if they are primarily for medical care rather than just housing or convenience. The following must apply:

A doctor (or licensed health care practitioner) certifies that the resident is "chronically ill", meaning: They can't perform at least two activities of daily living (ADLs) without help (such as eating, bathing, dressing, toileting, transferring, or continence), or they require substantial supervision due to cognitive impairment (e.g., dementia). and the services must be provided according to a plan of care prescribed by a licensed health care professional.

If the above conditions are not met, only the medical portion of the fees (e.g., nursing care, assistance with ADLs) is deductible, not room and board. Many assisted living facilities can provide an itemized statement showing what percentage of monthly fees qualifies as medical care.

Q My doctor recommended I stop smoking and lose weight for health reasons. Can I deduct the cost of the programs and therapy?

A: You can deduct costs for smoking-cessation programs and prescribed medications to reduce nicotine withdrawal, but not over-the-counter gum or patches. Weight-loss programs qualify if prescribed to treat a physician-diagnosed disease. Deductible costs include program fees and meeting charges, but not the cost of diet food.

Q Has the limit on how much I can deduct in property and sales taxes changed for 2025?

A: Yes. The One Big Beautiful Bill Act (OBBBA) allows more taxpayers to fully deduct their state and local tax (SALT) expenses (including property tax). Here are the details. Under the Tax Cuts and Jobs Act (TCJA), the itemized deduction for SALT was limited to $10,000 ($5,000 for married individuals who file separately) beginning in 2018.

This limitation negatively affected taxpayers living in locations with high state income tax rates and those who pay high property taxes because they live in a high-property-tax jurisdiction, own an expensive home, or they own both a primary residence and one or more vacation homes.

Under the OBBBA, for 2025 through 2029, the SALT deduction limit increases from $10,000 to $40,000 (or $20,000 for separate filers) with 1% annual inflation adjustments. So, for 2026, the cap will be $40,400 ($20,200 for separate filers). Note: Several states have established SALT deduction workarounds for pass-through entities. These workarounds aren't addressed or limited by the OBBBA.

The higher SALT limit begins to be reduced for taxpayers with modified adjusted gross income (MAGI) over $500,000 ($250,000 for separate filers) and doesn't benefit taxpayers with MAGI at or above $600,000 ($300,000 for separate filers).

The SALT deduction continues to be available for property taxes plus the total state and local income taxes or the total of all sales taxes. Choosing to deduct sales taxes is a helpful option if you owe little or nothing for state and local income taxes or you made a major purchase that causes your sales tax to exceed your state and local income tax.

If you opt to deduct sales tax, you don't have to save all your receipts for the year and manually calculate your sales tax; you can use the IRS Sales Tax Calculator on the IRS website to determine the amount of sales tax you can claim. (It includes the ability to add actual sales tax paid on certain big-ticket items, such as a car.)

If you have high SALT expenses, to get the maximum benefit from the increased deduction limit, you need to plan carefully between now and year end. For example, you may want to take steps to keep your MAGI under the reduction threshold. Or you might want to accelerate property tax payments into 2025.

Q Is the IRS no longer accepting paper checks?

A: Not exactly, but changes are coming. Officially, as of Sept. 30, 2025, the federal government stopped issuing paper checks, including those for tax refunds, Social Security benefits and more but the reality is more of a push towards prioritizing electronic payments. Also, certain federal agencies, such as the IRS and the Dept. of Labor (DOL), will generally stop accepting payments by paper check. This is part of a program to modernize payments, improve efficiency in processing payments and reduce administrative burdens. Historically, the government stated that checks issued by the Dept. of the Treasury are more likely to be lost, stolen or subject to other forms of fraud. The IRS will publish detailed guidance for 2025 tax returns before the 2026 filing season begins. There will be options available for those who do not have bank accounts and until further notice, taxpayers should continue using existing forms and procedures.

Q How has the deduction for Research and Development (R&E) expenses changed for 2025?

A: Under the Tax Cuts and Jobs Act (TCJA), businesses had to amortize deductions for Section 174 (R&E) costs over five years for expenses incurred in the United States or 15 years for those incurred abroad. This provision used a mid-year rule that effectively stretched write-offs over six years. The OBBBA changes that by permanently allowing full, immediate deductions for domestic R&E expenses starting in the 2025 tax year. Foreign R&E expenses will still be amortized over 15 years.

In addition, the OBBBA lets "small businesses" (in 2025, those with average annual gross receipts of $31 million or less for the past three years) claim R&E deductions retroactively to 2022. A business of any size with domestic R&E costs from 2022 to 2024 can choose to speed up the remaining deductions for those years over a one- or two-year period.

Q Is there a higher cap for deducting business interest?

A: Yes. Generally, the TCJA limited business interest deductions to 30% of the taxpayer's adjusted taxable income (ATI) for the year. Before the OBBBA, ATI generally referred to earnings before interest and taxes. For tax years beginning after December 31, 2024, the OBBBA increases the cap on the business interest deduction by excluding depreciation, amortization and depletion when calculating ATI. This change typically increases ATI, allowing taxpayers to deduct more business interest expense.

But it's important to note that, in 2025, taxpayers with average annual gross receipts for the last three years that don't exceed $31 million are exempt from the interest deduction limitation.

Q Can Your Business Benefit from the Work Opportunity Tax Credit (WOTC)?

A: Employers who hire new workers may qualify for a tax benefit, but they shouldn't wait too long. is a valuable federal tax credit that incentivizes employers to hire from certain targeted groups that face employment barriers. But it will expire after 2025 unless Congress acts to extend it.

Targeted groups include qualified veterans, recipients of certain aid programs, ex-felons, and qualified long-term unemployment recipients. Employers must file a form with their state workforce agency to prescreen and certify individuals they wish to hire.

Q Are Dependent Care Flexible Spending Accounts right for My Business?

A: Employers seeking to offer family-friendly benefits may want to consider flexible spending accounts (FSAs) for dependent care. These FSAs let employees make pre-tax contributions through payroll withholding to help cover eligible expenses. The annual contribution limit, currently $5,000, will rise to $7,500 in 2026.

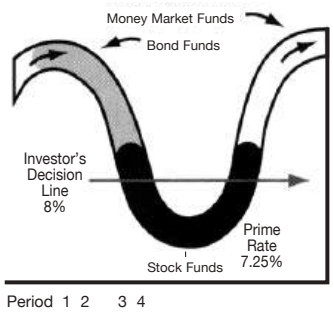
FSA contributions reduce employees' income tax and payroll tax and employers' payroll tax. Withdrawals used to pay qualified expenses are tax-free. These include expenses for care for a child under age 13 or other dependent unable to care for themselves due to physical or mental limitations.

Q How do I report income from platforms like Etsy, Uber and Fiverr on my 1040?

A: Income is reported on IRS Form 1040 using Schedule C and Schedule SE. You must report all earnings, even if you didn't receive 1099. Use Schedule C (Form 1040) to report income from self-employment on Line 1, You will use Lines 8-27 to list and deduct eligible expenses such as mileage, supplies or software. Follow directions to get your net profit or loss on Line 31. This number will then flow to Form 1040. If your net earnings equal $400 or more, you must file Schedule SE (Form 1040) to calculate your self-employment tax (Social Security and Medicare).

The Money Movement Strategy

Prime Rate Chart for Money Movement Strategy



How It Works

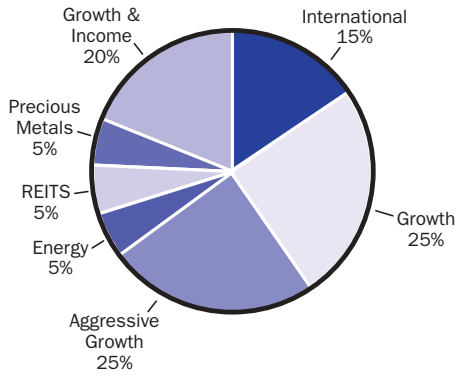
Long-term increases or decreases in the value of stocks, bonds and money market instruments are caused by changes in interest rates, primarily the Prime Rate. Of the three categories of mutual funds — stock, bond, or money market, there is only one type of investment that will give you above-average returns at any given time.

The Money Movement chart represents typical changes of interest rates smoothed out over time. The Investor's Decision Line (IDL) indicates the point at which you should move your money from one type of fund to another. Contact the Stock and Mutual Hotline or Investment Holine for the best evaluation of how the Money Movement Strategy will work for your specific circumstances.

Models For Portfolio Management

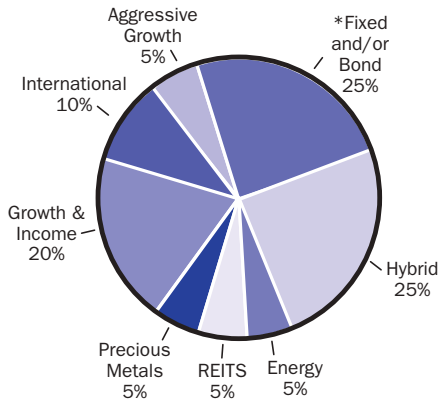
Aggressive

Keep all mutual funds and retirement money in stock funds.



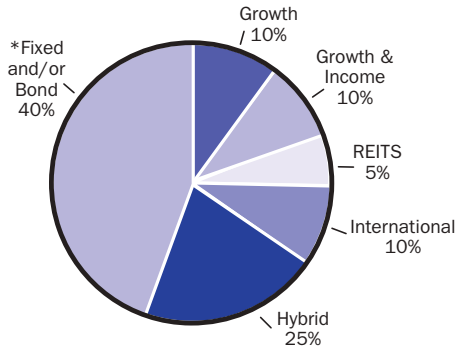
Moderate

Keep most mutual funds and retirement money in stock funds.



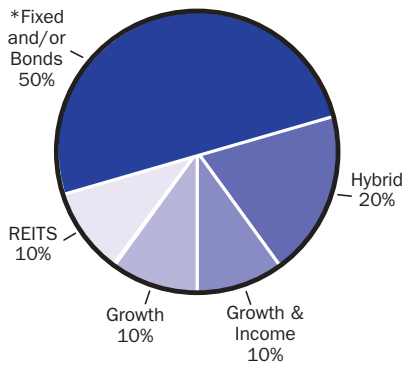
Conservative

Keep most mutual funds and retirement money in stock funds.



Retirees

Note: This portfolio does not follow the Money Movement Strategy! Create the proper mix of Stock, Bond, and money market funds.



*Fixed Market-Linked CDs

No-Load Mutual Funds*

Fund Name/Type	Stock Symbol	Buy, Sell or Hold	3 Month % Change	Average Annual Returns as of to 09/30/25 1 Year % Change	5 Year % Change	10 Year/ % Change	Expense Ratio
Aggressive Growth							
BNY Mellon Small Cap Index	DISSX	Buy	8.98	3.14	12.40	9.50	0.51
Kinetics Paradigm No Load	WWNPX	Buy	-6.52	15.66	28.84	17.98	1.64
Needham Growth	NEEGX	Buy	9.42	-3.44	9.32	11.18	1.71
Schwab Health Care	SWHFX	Buy	4.45	-7.27	5.75	7.79	0.79
Value Line Small Cap Opp	VLEOX	Buy	3.89	1.25	10.77	11.13	1.18
Growth							
American Century Mid Cap	ACMVX	Buy	6.02	5.78	12.15	9.50	0.97
BNY Mellon MidCap Index	PESPX	Buy	5.42	5.58	13.06	10.29	0.51
Janus MidCap Value T	JMCVX	Buy	3.36	1.87	12.01	8.83	0.89
Neuberger Berman Partners Inv	NPRTX	Buy	6.38	8.84	15.07	12.56	0.76
Selected American Shares	SLASX	Buy	5.32	15.84	15.30	12.18	0.98
American Century Small Cap Value	ASVIX	Hold	4.69	-2.16	13.55	9.45	1.08
Growth & Income							
American Century Equity	TWEIX	Buy	5.30	6.49	9.54	9.46	0.94
American Century Large Value	ALVIX	Buy	6.83	8.88	12.53	10.02	0.84
Fairholme	FAIRX	Hold	3.79	-8.04	11.55	6.25	1.00
Parnassus Core Equity Inv	PRBLX	Buy	2.57	10.20	13.41	13.67	0.81
Janus Contrarian T	JSVAX	Buy	6.99	10.43	12.82	11.99	0.76
T. Rowe Price Equity Income	PRFDX	Buy	3.84	6.99	14.75	10.85	0.67
Hybrid							
American Century Balanced	TWBIX	Buy	4.83	7.15	7.44	8.11	0.89
James Balanced Golden Rainbow	GLRBX	Buy	6.12	9.32	7.21	4.40	1.23
Oakmark Equity & Income	OAKBX	Buy	2.91	7.31	11.00	8.33	0.85
Impax Sustainable Allocation Inv	PAXWX	Buy	2.14	7.12	3.45	4.68	0.93
Permanent Portfolio	PRPFX	Buy	7.52	22.48	13.41	10.43	0.81
Value Line Asset Allocation Inv	VLAAX	Buy	-3.39	-1.39	6.18	8.90	1.06
International							
American Century Intl Growth	TWIEX	Buy	0.85	5.80	4.12	6.47	1.22
Artisan International Inv	ARTIX	Buy	5.03	29.38	10.09	8.81	1.20
Matthews China Investor	MCHFX	Hold	23.05	27.26	-0.50	8.12	1.25
William Blair Intl. Growth	WBIGX	Buy	2.35	8.10	4.17	6.90	1.15
T. Rowe Price Emerging	PRMSX	Buy	11.67	15.13	0.31	5.61	1.22
Sector Funds							
American Century Real Estate Inv	REACX	Buy	2.09	-3.88	6.95	5.85	1.15
Cohen & Steers Realy Shares	CSRSX	Buy	1.16	-3.11	8.05	7.42	0.88
T. Rowe Price Health Sciences	PRHSX	Buy	5.00	-9.18	3.93	8.35	0.80
Victory Precious Metals/Minerals	USAGX	Sell	43.00	94.92	14.56	17.94	1.14
US Global Investors Global Res	PSPFX	Hold	29.53	39.82	12.28	7.86	1.58
Bond Funds							
American Century Infl-Adj Bond	ACITX	Buy	2.17	3.65	1.25	2.65	0.54
Fidelity Capital & Income	FAGIX	Buy	4.78	11.69	8.65	7.74	0.90
Janus Flexible Bond	JAFIX	Buy	1.92	2.98	-0.08	2.07	0.65
Loomis Sayles Bond Retail	LSBRX	Buy	2.23	6.07	3.10	3.42	0.89
Impax High Yield Bond Indv Inv	PAXHX	Buy	2.14	7.12	3.45	4.68	0.93
American Century Sh-Dur Bd fund	APOIX	Buy	1.52	5.39	3.51	2.92	0.61
Western Asset Core Bond	WATFX	Buy	2.19	2.90	-1.11	1.96	0.45

* Some funds may be closed to New investors due to demand.

The performance data quoted represents past performance and the principal value and investment return will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Returns shown, unless otherwise indicated, are total returns, with dividends and income reinvested. Past performance is no guarantee of future results.

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Economic Outlook

–By Russ Colbert

The government shutdown has thrown a curve ball into the data calculation of the stock and bond markets, as well as the Federal government. It is possible that it may be over by the time you read my article, but since they come along every so often you should know how they really affect economy and our government's daily operations. Now that the shutdown is in effect, we will miss some data releases such as jobless claims and job reports until the Federal government reopens. Government shutdowns tend to have minimal and short-lived effects on economic activity. The bigger risk is the vacuum of data effected by the interruption to the collection and release of official economic data. In most cases the risk is overstated.

Economic data is all over the place. GDP continues to grow in spite signs of weakness in the labor markets. The tariff policy is volatile, immigration has slowed, monetary policy tightened in 2023-2024, with the M2 measure of money declining and real short-term interest rates consistently higher than any time since 2010. We know M2 grew 4.8% in the past year, but this is slower than the pre-covid trend of about 6.0%. Currently the value of the stock market is expensive. It keeps moving up and higher, and the investors continue to show no signs of worrying about anything. Even with the government shutdown markets don't seem to be worried at all despite talking media heads and analysts warning it could cause a recession. But there is no evidence of a link between shutdowns and recessions. In other words, the U.S. economy has been less likely to be in a recession when the government has been shut down than when it has been open.

The closest recession following these shutdowns was fourteen months after the 2018-2019 shutdown, and that recession was due to COVID. Of course, in my opinion, it is not impossible that a recession could possibly not follow on the tail end or closely behind a government shutdown just because it hasn't happened before. But if we get a recession it is going to be due to other factors such as tighter money (higher interest rates) and volatile tariffs, not the shutdown.

I don't believe the shutdown is going to lead to some type of emergency. The Treasury Department will still receive revenue and entitlement payments will continue to go out for Social Security, Medicare, and Medicaid. Treasury bond holders would get paid in full, both principal and interest. The military, border control, weather services, FAA, and the Post Office, among other operations, would continue.

What is making this shutdown different is the posture of the Trump Administration. Normally the essential federal employee continues to work, and the non-essential federal employee stays home. When the shutdown ends, everyone gets back pay. This time President Trump is playing hardball. The Administration is telling agencies and departments to make a list of non-essential workers who can be permanently let go. This means that these workers would have no job to go back to. Democrats are being forced to make a choice between a reduction in government workers and using the budget battle and the potential shutdown to boost spending. Government Jobs have already declined due to the Supreme Court recently backed cuts to foreign aid. The Federal government has been way too large and growing for a long time, reducing long-term economic growth. Shrinking the government boosts our long-term economic growth potential. That is good news for the stock market if the economic news continues this overall positive trend.

If you have any questions or need a portfolio review to keep you on track with your investments or retirement plan, please call me. Russ Colbert, Senior Portfolio Manager 888-878-0001.

Russ Colbert
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___ Transferring or Rollover of IRA or retirement account
___ Review of my Investment Portfolio
___ Where to invest in 2025

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___ $100,001 - $500,000
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