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\$11,582

Average national cost of care for one child in a child care center in 2023. This would require 10% of median income for a married couple and 32% for a single parent — both higher than the U.S. Department of Health and Human Services recommendation that child care should cost no more than 7% of a family's income.



Source: *ChildCare Aware of America, 2024*

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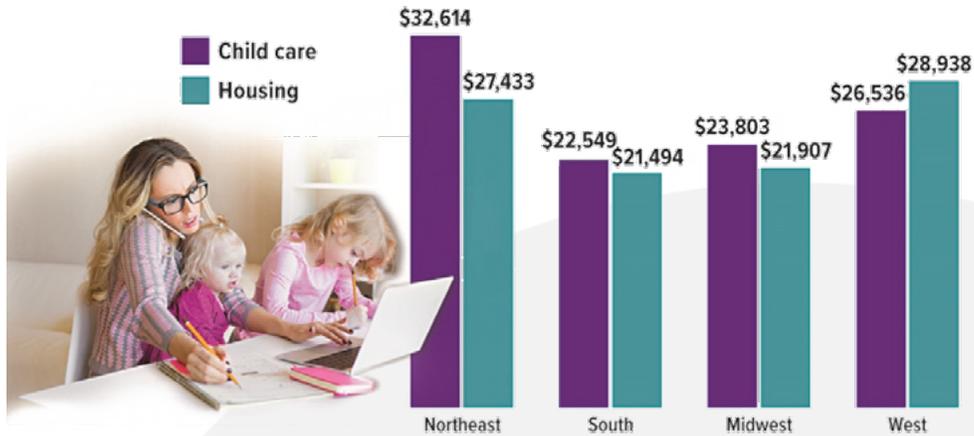
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CHILD CARE COSTS MORE THAN HOUSING

For a family with two young children, the average annual cost for child care in 2023 was higher than the cost of mortgage payments in 45 states and higher than the cost of rent in every state. Here is a comparison of regional costs for housing and child care for two children — an infant and a four-year-old — in a child care center.



Source: *ChildCare Aware of America, 2024*

YEAR-END 2024 TAX TIPS

Here are some things to consider as you weigh potential tax moves before the end of the year.

Set aside time to plan

Effective planning requires that you have a good understanding of your current tax situation, as well as a reasonable estimate of how your circumstances might change next year. There's a real opportunity for tax savings if you'll be paying taxes at a lower rate in one year than in the other. However, the window for most tax-saving moves closes on December 31, so don't procrastinate.

Defer income to next year

Consider opportunities to defer income to 2025, particularly if you think you may be in a lower tax bracket then. For example, you may be able to defer a year-end bonus or delay the collection of business debts, rents, and payments for services in order to postpone payment of tax on the income until next year.

Accelerate deductions

Look for opportunities to accelerate deductions into the current tax year. If you itemize deductions, making payments for deductible expenses such as qualifying interest, state taxes, and medical expenses before the end of the year (instead of paying them in early 2025) could make a difference on your 2024 return.

Make deductible charitable contributions

If you itemize deductions on your federal income tax return, you can generally deduct charitable contributions, but the deduction is limited to 50% (currently increased to 60% for cash contributions to public charities), 30%, or 20% of your adjusted gross income, depending on the type of property you give and the type of organization to which you contribute. (Excess amounts can be carried over for up to five years.)

Increase withholding

If it looks as though you're going to owe federal income tax for the year, consider increasing your withholding on Form W-4 for the remainder of the year to cover the shortfall. The biggest advantage in doing so is that withholding is considered as having been paid evenly throughout the year instead of when the dollars are actually taken from your paycheck.

Save more for retirement

Deductible contributions to a traditional IRA and pretax contributions to an employer-sponsored retirement plan such as a 401(k) can help reduce your 2024 taxable income. If you haven't already contributed up to the maximum amount allowed, consider doing so. For 2024, you can contribute up to \$23,000 to a 401(k) plan (\$30,500 if you're age 50 or older) and up to \$7,000 to traditional and Roth IRAs combined (\$8,000 if you're age 50 or older). The window to make 2024 contributions to an employer plan generally closes at the end of the year, while you have until April 15, 2025, to make 2024 IRA contributions. (Roth contributions are not deductible, but qualified Roth distributions are not taxable.)

Take any required distributions

If you are age 73 or older, you generally must take required minimum distributions (RMDs) from your traditional IRAs and employer-sponsored retirement plans (an exception may apply if you're still working for the employer sponsoring the plan). Take any distributions by the date required — the end of the year for most individuals. The penalty for failing to do so is substantial: 25% of any amount that you failed to distribute as required (10% if corrected in a timely manner). Beneficiaries are generally required to take annual distributions from inherited retirement accounts (and under certain circumstances, a distribution of the entire account 10 years after certain events, such as the death of the IRA owner or the beneficiary); there are special rules for spouses.

Weigh year-end investment moves

Though you shouldn't let tax considerations drive your investment decisions, it's worth considering the tax implications of any year-end investment moves. For example, if you have realized net capital gains from selling securities at a profit, you might avoid being taxed on some or all of those gains by selling losing positions. Any losses above the amount of your gains can be used to offset up to \$3,000 of ordinary income (\$1,500 if your filing status is married filing separately) or carried forward to reduce your taxes in future years.

More to Consider

Here are some other things to consider as part of your year-end tax review.

Consider postponing income and/or accelerating deductions if



You expect to be in a lower tax bracket next year (perhaps you'll retire next year)



Your itemized deductions are greater than the standard deduction this year



You want to delay payment of tax

Consider accelerating income and/or postponing deductions if



You expect to be in a higher tax bracket next year (perhaps you have a lower income this year)



The standard deduction is greater than your itemized deductions this year



You're subject to alternative minimum tax this year and certain deductions are disallowed

CHARITABLE GIFTS OF LIFE INSURANCE

Life insurance can be an excellent tool for charitable giving. Not only does life insurance allow you to make a substantial gift to charity but you may also benefit from tax rules that apply to gifts of life insurance.

Why gift life insurance?

Life insurance allows you to make a much larger gift to charity than you might otherwise be able to afford. Generally, the amount the charity will receive (the death benefit) is usually much greater than the cost to you (premium payments). As long as you continue to pay the premiums on the life insurance policy, the charity will receive the proceeds of the policy when you die. Since life insurance proceeds paid to a charity are not subject to income taxes, probate costs, and other expenses, the charity can count on receiving 100% of your gift.

What are the possible tax benefits?

Giving life insurance to a qualified charity also has certain income tax benefits. Depending on how you structure your gift, you may be able to take an income tax deduction of the premium payments.

Charitable income tax deductions may be available if the charity is named owner and beneficiary of an existing life insurance policy. You can generally deduct the lesser of your cost basis in the policy or the value of the policy at the time of the transfer to the charity. In addition, subsequent gifts to the charity to pay premiums may be eligible for charitable income tax deductions in the year the gifts are made. You may also receive a charitable income tax deduction if you buy a new policy naming the charity as owner and beneficiary. Also, irrevocable gifts to charity are not subject to federal gift tax. There may also be estate tax benefits where either the policy is not included in your estate, or you receive a federal estate tax deduction.

Are there disadvantages to charitable gifting of life insurance?

Donating a life insurance policy to charity (or naming the charity as beneficiary on the policy)

means that you have less wealth to distribute among your heirs when you die. This may discourage you from making gifts to charity. However, this problem is relatively simple to solve. You could consider buying another life insurance policy that will benefit your heirs instead of a charity.

How can life insurance be given to a charity?

The simplest way is to name a charity as beneficiary of your life insurance policy. Most policies allow you to name multiple beneficiaries, so you could split the death benefit between individuals, such as family members, and a charity. If the policy is a form of cash value life insurance, you still have access to the cash value of the policy during your lifetime. However, this type of charitable gift does not provide many of the income tax benefits of charitable giving, because you retain control of the policy during your life. When you die, the proceeds are included in your gross estate, although the full amount of the proceeds payable to the charity can be deducted from your gross estate.

You may donate an existing life insurance policy to charity. To do this, you must assign all ownership rights in the policy to the charity. You must also deliver the policy itself to the charity. By doing this, you give up all control of the life insurance policy. This strategy provides the full tax advantages of charitable giving because the transfer of ownership is irrevocable. You may be able to take an income tax deduction, and the policy may not be included in your gross estate when you die.

As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications. The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased.

2023 Charitable Giving, by Source

In 2023, Americans gave \$557.16 billion to charity.

Source	Percentage	Amount (in billions)
Individuals	67%	\$374.40
Foundations	19%	\$103.53
Bequests	8%	\$42.68
Corporations	7%	\$36.55

Source: Giving USA, June 25, 2024

A CRITICAL COMBO: LIFE INSURANCE WITH LONG-TERM CARE BENEFITS

An important part of any retirement strategy involves accounting for potential long-term care (LTC) expenses, which can be surprisingly high. The median cost of a private room in a nursing home was \$9,733 in 2023, while a full-time home health aide was \$6,292 per month.¹

If you plan to pay for care out of pocket, consider how long your retirement savings would last if you or your spouse end up needing care in a nursing home for several years. How would writing those checks every month affect the healthy spouse's quality of life?

On the other hand, you may not like the idea of paying costly premiums for traditional long-term care insurance that you might never need. If so, you may be interested in one of these alternatives that combine permanent life insurance with long-term care coverage.

An efficient hybrid

Although LTC insurance is typically a “use-it-or-lose-it” proposition, a hybrid (or linked-benefit) policy can help pay for care if it’s needed or provide a larger death benefit for your beneficiaries if it’s not. Hybrid policies are generally more expensive than standalone LTC policies, and the maximum LTC benefit may be smaller. Currently, the max LTC benefit amount is typically equal to about five times the premium.²

A hybrid policy may be purchased with a single premium, or installments paid over a few years (usually no more than 10). And you won’t have to worry about future rate increases or the issuer canceling the policy, which can happen with a traditional LTC policy.

Tack on a rider

Another option is to buy a life policy with an attached long-term care rider — which typically can’t be added later. Any LTC payments are usually limited to the death benefit, which means they are generally not as robust as with a standalone LTC policy or a linked-benefit policy. However, the death benefit is larger (for the same premium).

If you consider either of these strategies, you should have a need for life insurance and evaluate the policy on its merits as life insurance.

Collecting benefits

Long-term care benefits kick in when the insured person needs help with two or more activities of daily living (such as eating, bathing, and transferring) or is severely cognitively impaired, though there is typically a 90-day waiting, or elimination, period. Care may be provided in your home or at a facility.

With linked-benefit policies and LTC riders, benefits may be paid through reimbursement of the actual cost of care or an indemnity model that pays a certain

cash benefit regardless of the actual cost of care. If your policy uses an indemnity model, it might allow you to pay a family caregiver. When you use the LTC benefit, the death benefit is reduced, but some policies may still offer a small death benefit even if you use up the LTC coverage.

Plus, permanent life policies and most hybrid life-LTC policies have a cash-value component that you could tap into for emergencies or retirement income if you are lucky enough to need little or no care. (Loans and withdrawals will reduce the policy’s cash value and death benefit.)

Probability of needing care, by attained age (for someone who is currently age 65)

Age	Female	Male
70	5.6%	5.3%
75	13.9%	12.7%
80	27.2%	24.3%
85	43.9%	38.7%
90	58.3%	51.1%

Source: American Association for Long-Term Care Insurance, 2022

The danger in waiting to explore combination life-LTC policies — beyond the fact that premiums rise with age — is that you could develop a health condition that would disqualify you from coverage.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Policies commonly have mortality and expense charges. If a policy is surrendered prematurely, there may be surrender charges and income tax implications. Optional benefit riders are available for an additional cost and are subject to the contractual terms, conditions, and limitations outlined in the policy; they may not, however, benefit all individuals. Any guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company.

1) Genworth Cost of Care Survey, December 2023

2) American Association for Long-Term Care Insurance, 2024 (estimate is for benefits at age 90 for policies with inflation growth option)

EIGHT IDEAS FOR SMARTER HOLIDAY SHOPPING

Whether you're shopping online or hitting the mall this holiday season, here are some tips that might help you save time and money.

1. Make a list. Establish an overall budget, then make a list of gifts you will need to buy and how much you can afford to spend on each person.

2. Shop early. If you shop early in the season, items are more likely to be in stock, and you may face fewer shipping delays. Sales often start well before Black Friday, so keep an eye out for promotions. Signing up for online or social media deal alerts can help.

3. Search for deals. Knowing whether a deal is truly good can be tricky, but many websites and phone apps are available that can help you compare items and prices as you shop. Promotions might be limited to certain items and may expire quickly, so read the fine print. Retailers may also match competitor prices on identical items — it doesn't hurt to ask.

4. Set up accounts. To complete purchases quickly, consider saving your information and shipping addresses on trusted online accounts with your favorite retailers. Look for special offers and coupon codes that you can use at checkout.

5. Track spending. Try using one card for everything so you can quickly review your spending. A rewards card may give you cash back, points, or miles that you can redeem in the future but may carry higher interest rates, so avoid making purchases that you can't pay off by the due date.

6. Watch out for gift card scams. Take precautions to help protect yourself from card-draining scams (where a thief has copied a gift card's number and security code before it's been purchased and will drain the card's value when activated). Buy cards near the register, inspect them for obvious signs of tampering, and check the balance right away. Keep the receipt as proof of purchase, and contact the retailer if you suspect an issue.

7. Reconsider buy now, pay later. Offers for these services may pop up when you're making an online purchase. Splitting your purchase into smaller payments may be convenient but makes it easier to overspend and rack up debt quickly.

8. Focus on shipping costs. Soaring shipping costs have made free shipping offers especially valuable. If you're sending your own packages, compare carriers because costs vary. Unless you're using flat-rate shipping, both the size and the weight of the box may factor into how much you'll

pay, so use the smallest packaging you can. Ship as early as possible to avoid having to pay premium rates for one- or two-day shipping. And keep tracking numbers and a copy of receipts for gifts you've shipped in case your package is lost or stolen.

PLAYING FAIR: NEW CONSUMER PROTECTIONS FOR AIRLINE PASSENGERS

There's no doubt about it, airline travel can be stressful. Thanks to a new federal law and rules issued by the U.S. Department of Transportation, airline passengers could have extra consumer protections, some in time for the holiday travel season.

Hassle-free refunds. In the past, airline passengers were forced to figure out how to obtain a refund by researching an airline's website or waiting for hours on the phone with an airline's customer service department. As of October 28, airline passengers will be entitled to an automatic refund for:

- Canceled or significantly changed flights (e.g., arrivals delayed by three or more hours for domestic flights and six or more hours for international flights), regardless of the reason
- Significantly delayed baggage return
- Extra services (e.g., Wi-Fi, seat selection, or inflight entertainment) that were paid for but not provided

Airlines must issue refunds of the full amount of the ticket purchased within seven business days of refunds becoming due for credit card purchases and 20 days for other payment methods. Passengers who accept a ticket for a significantly delayed flight or are rebooked on a different flight to their destination will not receive refunds. The refunds must be in the form of cash or whatever original payment method was used to make the purchase (e.g., credit card or airline miles). Finally, airlines are not allowed to substitute other forms of compensation (e.g., vouchers or travel credits) unless a passenger affirmatively chooses to accept an alternate form of compensation.

Protection against surprise fees. Many airlines advertise cheap "teaser" fares that don't take into account additional fees — all of which can significantly increase the cost of a ticket. Airlines are required to disclose various ancillary fees upfront, such as charges for checked bags, carry-on bags, and changing or cancelling a reservation. They must also provide a detailed explanation of each fee before a ticket can be purchased. The compliance period for this rule was scheduled to begin in 2025 but was temporarily blocked by a U.S. appeals court this past July.



2023 had the highest number of flight delays ever recorded.

Source: U.S. Department of Transportation, 2024

Free family seating. Under a proposed rule, airlines will be prohibited from charging families an extra fee to guarantee a child will sit next to a parent or adult travel companion, assuming adjacent seating is available when the tickets are booked. Visit the Department of Transportation's website at [transportation.gov/airconsumer](https://www.transportation.gov/airconsumer) for more information.



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