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MONTHLY NEWSLETTER

CORBETT ROAD
WEALTH MANAGEMENT

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WHAT'S INSIDE

BOOMER HOMEOWNERSHIP AND RETIREMENT

With the youngest baby boomers turning 60 in 2024, a survey from mortgage agency Freddie Mac looked at the relationship of boomer homeownership to retirement and aging. Here are some of the findings. All percentages apply to baby boomers (born 1946 to 1964), who hold about half the nation's home equity, amounting to more than $17 trillion.

Source: *Freddie Mac, December 19, 2024*

THREE WAYS TO HELP BUILD FINANCIAL RESILIENCE

Roller-coaster markets, global events, and unexpected life changes can catch you off guard. Little wonder that you might worry about the potential effects on your financial well-being. Fortunately, you can take steps to build the resilience you need to help handle challenging times and hopefully emerge even stronger.

Fortify your foundation

Developing a new budget or reviewing an existing one may help reduce stress and feelings of vulnerability by reminding you that you still have control over many aspects of your personal finances. A budget is a foundational tool that outlines your income and expenses and shows how much money you have coming in compared to how much money you have going out. If you find that you are spending more than you realized, you can make adjustments.

An important companion to a budget is an emergency fund. When you have an unexpected expense, you can use your emergency reserves to cover it instead of dipping into long-term savings or racking up costly credit card debt that could throw your budget off track at a time you can least afford it. Consider starting an emergency fund and building it up over time. Having some short-term savings might also help you get through difficult economic times.

Stress-test your portfolio

When you're investing for retirement or another financial goal, assessing the potential impact of various scenarios may help you prepare for and manage the financial impact of unexpected events. This could be done using computer simulations to analyze how your portfolio might perform. Doing this at regular intervals may help take some of the emotion out of decision-making during stressful times, helping you address gaps and opportunities.

There is no assurance that a simulation will be accurate. Because of the many variables involved, you should not rely on simulations without realizing their limitations. All investing involves risk, and there is no assurance that any financial strategy will be successful.

Anticipate future challenges

Of course, you're never going to be prepared for every financial scenario. But developing a written financial strategy and reviewing it periodically may help you thoughtfully navigate life's twists and turns. It documents and organizes the pieces of your financial picture, helping you stay focused on the future as you weather current storms.

Building financial resilience is an ongoing process, and it's never too late to start. Becoming better positioned for downturns can help you feel more confident that you can handle whatever challenges come your way.

FAFSA FOR 2026-2027 SCHOOL YEAR OPENS ON OCTOBER 1

After opening late the last two years, the FAFSA (Free Application for Federal Student Aid) for the 2026-2027 school year is back on track to open on the usual start date of October 1. Last year, in addition to the FAFSA opening late in December, families faced government processing delays that resulted in late financial aid packages from colleges.

Tips for submitting

Here are some things to know about the FAFSA.

- **FSA ID.** To file the FAFSA online, parents and students each need their own FSA ID, which is a username/password combination that functions as a legal signature. You can create an FSA ID online, and the same ID can be used for all years of college.
- **Income and assets.** The FAFSA requires two key types of information: income and assets. For income, the 2026–2027 FAFSA will rely on information from your 2024 federal income tax return as it uses a prior-prior year system, looking back two years. This data will be imported automatically from the IRS. For assets, the FAFSA uses the value of your assets as of the date you submit the form.
- **Student Aid Index.** The FAFSA calculates a figure called the "Student Aid Index," a benchmark that measures aid eligibility. Colleges use this figure to create a financial aid package that attempts to meet a student's financial need. Note that colleges are not required to meet 100% of a student's financial need.
- **Eligibility for Direct Loans.** All students who file the FAFSA are eligible for an unsubsidized Federal Direct Loan, regardless of financial need. But students who demonstrate need on the FAFSA are also eligible for a subsidized Federal Direct Loan, which means the government pays the interest that accrues during school, the grace period after graduation, and any authorized deferment periods. Both types of Direct

Loans have annual borrowing limits: first year – $5,500 (max $3,500 subsidized); second year – $6,500 (max $4,500 subsidized); third year and beyond – $7,500 (max $5,500 subsidized). Students with significant financial need may also qualify for a Pell Grant.

- **College aid.** Even if a student does not plan to take out any federal loans, some colleges might require the FAFSA before awarding their own college-based aid, including merit scholarships and grants. So filing it can still be beneficial in this case.
- **Annual submission.** The FAFSA must be submitted each year for students to be eligible for federal aid for that academic year.

For more information, families can visit the federal student aid website at studentaid.gov.

Source: U.S. Department of Education, 2025

PLANNING FOR A PRICEY PET

Pets can be great companions, so it's probably not surprising that 94 million U.S. households own at least one. But pets can also be expensive to care for, and costs are rising. According to one survey, average pet costs increased 9% for a dog and 11% for a cat in 2024 and are projected to rise even more — as much as 7% for a dog and 10% for a cat in 2025. Costs vary based on factors such size, breed, age, and health, but knowing how much you might spend to care for your pet can help you plan for the impact on your budget.

Average estimated monthly pet care costs for medium-sized breeds	Dog	Cat
Food/supplements	$48 to $174	$30 to $115
Routine vet care	$18 to $65	$29 to $62
Gear/toys	$9 to $30	$5 to $11
Grooming	$6 to $22	$0 to $3
Pet sitting/training	$18 to $65	$3 to $5
Miscellaneous*	$22 to $78	$3 to $5

*Includes emergency vet services and unplanned costs

Sources: American Pet Products Association, 2025; Rover.com, 2025

HOW HAS SECURE 2.0 AFFECTED 401(K) PLANS?

Since its inception in 1980, the 401(k) plan has become a key tool in helping Americans build wealth. In fact, the number of people who have become millionaires through their 401(k) plans reached 537,000 in 2024, a 27% increase from 2023.[1] The SECURE 2.0 Act, passed in 2022, introduced new features designed to make 401(k)s even more appealing to workers. The following features are optional for employers, and while some have been adopted, others have yet to gain traction.

Emergency access

In most cases, early withdrawals from 401(k) plans are subject to ordinary income tax and an additional 10% early distribution penalty. However, there are certain exceptions to the penalty, including several introduced by SECURE 2.0:

- Withdrawals of up to $1,000 for personal or family emergencies
- Distributions of up to $22,000 for expenses related to a federally declared natural disaster
- Withdrawals of up to the lesser of $10,500 (in 2025) or half the account balance for an account holder who is the victim of domestic abuse
- Distributions to a terminally ill employee

In addition, SECURE 2.0 ushered in a new option to help employees save for emergencies, known as a pension-linked emergency savings account (PLESA). Also called a "sidecar" account, a PLESA allows workers to make Roth-type contributions, which means they are not tax deductible, but withdrawals are tax-free. Employees can save up to $2,500 each year (or a lower limit, as determined by the employer), and money is invested in lower-risk vehicles. Employees are allowed to make withdrawals at least once per month, generally for any reason.

SECURE 2.0 also authorized employers to allow workers to "self-certify" their need for hardship withdrawals, which are distributions permitted in certain situations if the employee has limited financial resources. Previously, employees were required to prove they had an "immediate and heavy financial need" for the money. (Note that hardship withdrawals and $1,000 emergency withdrawals are different types of distributions.)

Super catch-ups

Catch-up contributions, which allow employees age 50 and older to contribute more to their 401(k) plans than younger workers, have existed since 2001. Thanks to SECURE 2.0, employers may now allow workers who reach age 60 to 63 during the year to contribute even more through what have become known as "super catch-ups." In 2025, all 401(k) plan participants can contribute up to $23,500. Employees age 50 to 59 and 64 and older can contribute an additional $7,500, and those who reach age 60 to 63 can contribute an additional $11,250. These limits are indexed to inflation, which means they are periodically increased.

Student loan match

This program is designed to help alleviate the risk that some workers may be unable to save for retirement while paying off student debt. Through the student loan match, employers can make matching contributions into a retirement savings account based on an employee's student loan payments.

Roth match

With this option, employees can have their employer matching and nonelective contributions invested on a Roth, rather than a pre-tax, basis. The benefit is that, under current law, this feature can help workers build a source of potentially tax-free retirement income, provided certain conditions are met. A Roth distribution is tax-free if it is made after the account has been held for at least five years and the employee reaches age 59½, dies, or becomes disabled.

401(k) Appreciation Day
Percentage of retirement plan participants who agree with the following statements:

89%
"My plan account helps me think about the long term, not just my current needs."

87%
"Payroll deduction makes it easier for me to save."

48%
"I probably wouldn't save for retirement if I didn't have a retirement plan at work."

Source: Investment Company Institute, January 2025

Which features are being adopted?

The new exceptions to the 10% penalty, the self-certification for hardship withdrawals, the super catch-ups, and the Roth matches are among the new plan features employers are adopting. On the other hand, employers have been slow to launch PLESAs and offer the student loan match. Industry observers indicate it may be due to the technology and/or added administrative burden these features require. In the case of the student loan match, some plan sponsors have noted that not enough employees have a need for the benefit.[2]

1) MarketWatch, February 27, 2025
2) Plansponsor.com, February 3, 2025; PSCA.org, January 21, 2025; Alight, 2025

UNPACKING THE REAL LIMITS ON UNLIMITED PTO

About 7% of U.S. companies offered unlimited paid time off (PTO) as an employee benefit in 2024, up from just 1% in 2014.[1] When companies adopt unlimited PTO policies, there is no specific cap on the number of paid vacation and/or sick days employees can take, although requests for time off are typically subject to a manager's approval.

With traditional benefit programs, long-time employees accrue more paid vacation days than newer hires. On average, private-industry employees in the United States can take 11 vacation days after one year of service, which rises to 15 days after five years, 18 days after 10 years, and 20 days after 20 years.[2]

Surveys confirm that unlimited PTO is a coveted workplace benefit that could be a powerful recruitment tool for companies that offer it.[3] It's easy to understand why the prospect of unlimited PTO is appealing, but there are also some potential pitfalls to consider.

A perk for employees and employers

Many employees appreciate the freedom to travel and take time off when needed for their own well-being or to help care for children or other family members. Thus, when companies have unlimited PTO policies that truly provide flexibility, it can help companies keep productive employees they don't want to lose.

One drawback for employees with unlimited PTO is that there is no time bank of unused vacation days to cash out when they leave their jobs or get laid off. This amounts to significant savings for employers that have fluid workforces or decide to reduce their headcounts.

Employee perceptions and fears

Data shows that employees with unlimited PTO take an average of 16 days off a year, compared with 14 days taken by those with specific caps.[4] Few employees abuse unlimited PTO policies, likely for the same reasons that many employees don't use up the vacation days in their time banks. Some people don't feel comfortable asking for time off if they are worried about keeping up with a heavy workload or if they will have to ask co-workers to cover their duties. And they might fear being judged negatively by their peers or managers, especially if they suspect it could impact their performance ratings and job security.

Company culture matters

Some start-ups have a reputation for "all-in" cultures in which taking time off is discouraged or can be especially stressful. The reality is that there are plenty of work environments that make it hard for employees to pursue work-life balance.

When their PTO is uncapped, employees must figure out for themselves how much time they can really afford to take. As always, the answer likely depends on company and industry norms and the individual worker's standing and responsibilities.

1) The Wall Street Journal, January 22, 2025
2) U.S. Bureau of Labor Statistics, September 2024
3–4) Empower Study, 2024

IMPORTANT DISCLOSURES

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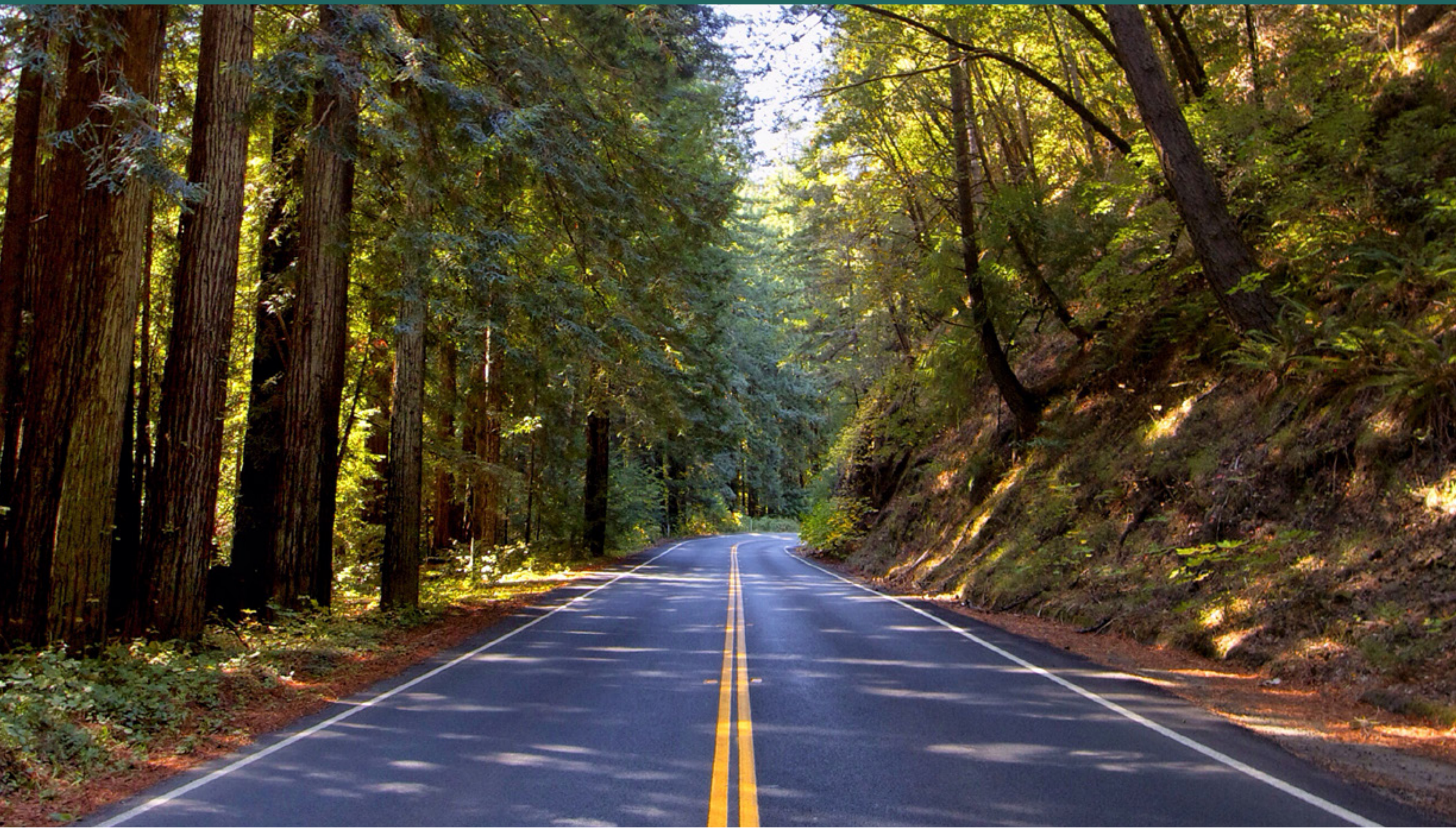

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