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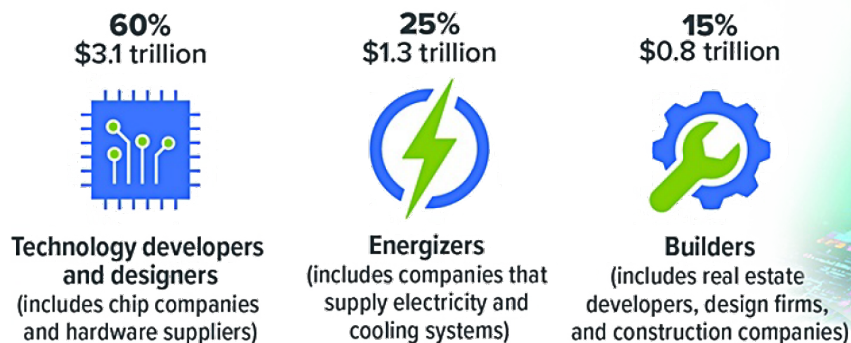
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WILL CAPEX PAVE THE WAY TO AN AI-POWERED FUTURE?

Data centers are home to millions of servers running 24/7 to process artificial intelligence (AI) applications. In a race for competitive advantage, the “hyperscalers” that provide cloud services, along with other companies aiming to profit from the AI boom, are investing in data centers at a furious pace. As of now, there isn’t enough computing power in the world — namely the hardware, processors, memory, storage, and energy needed to operate data centers — to fulfill AI demand.

If current demand trends continue, \$5.2 trillion in global AI-driven capital expenditures (capex) would be required by 2030, according to calculations by McKinsey & Company. But future demand is highly uncertain, as is the prospective return on investment, or ROI, for big spenders. Under two other scenarios, projections for capital investment needed to support AI-related demand range from \$3.7 trillion (if momentum is constrained) up to \$7.8 trillion (if AI adoption accelerates).

Amount and share of total projected AI-driven capital expenditures, by type of data center investor (2025–2030)



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

Source: McKinsey & Company, 2025

NEW JOB OR RETIREMENT? TAKE CONTROL OF YOUR 401(K)

When you leave your job or retire, you may have four options to manage funds in a work-based retirement plan, such as a 401(k), 403(b), or 457(b) plan.

Rollover to an IRA

The option that could give you the most control is to roll some or all of the funds to an IRA. IRAs typically offer a wider variety of investments than employer plans and enable you to consolidate retirement assets in a single account. Moreover, the IRA is yours to keep and control, regardless of your employment situation.

You can generally transfer funds without tax liability from a traditional employer account to a traditional IRA, or from a designated Roth employer account to a Roth IRA. Employer matching funds may be allocated to a traditional account even if the employer matches Roth contributions; if so, you might consider rolling funds to both a traditional and a Roth IRA.

You can convert traditional employer account funds to a Roth IRA, but you would owe income taxes (payable in the year of conversion) on the taxable portion of the conversion amount, generally the whole amount minus any after-tax contributions.

A rollover must be executed properly to preserve the tax-advantaged status of the funds. You can typically arrange a direct rollover (trustee-to-trustee transfer) by contacting the administrators of your employer plan and your IRA. The transfer may be electronic, or you could receive a check made out to the receiving IRA trustee, which you should mail to the appropriate address. There is no withholding, because the money is not considered as passing through your hands.

If you receive a check made out in your name, 20% of the distribution will generally be withheld for federal income taxes. In order to retain the tax-advantaged status, you must roll the distribution, including the 20% withheld, to the IRA within 60 days; otherwise, it will be considered a taxable distribution. You would have to pay the 20% withholding out of your own funds and wait for a potential tax refund of the withheld amount.

Rollover alternatives

If you don't want to transfer the funds to an IRA, you typically have three other options.

Leave assets in former employer's plan. If the vested portion of the employer account is more than \$7,000, you generally can keep it in the plan at least until you reach the plan's normal retirement age. This strategy might make sense if fees are low and you are satisfied with the investment options. Your plan may offer investments not available in an IRA, and the cost structure for plan investments might be more favorable than for those in an IRA. Keep in mind that you can no longer contribute to or borrow from the plan.

Transfer assets to a new work-based retirement plan. You might prefer this if you are moving to a new job. Again, your decision may depend on investment options, fees, and expenses, and whether the new plan allows you to transfer the assets.

Withdraw the money. Cashing out is generally unwise because you would pay current income taxes and lose out on potential tax-advantaged growth. For immediate cash, you could make a partial withdrawal and preserve the tax-advantaged status of the remaining funds through one of the other options, including a direct rollover.

Reasons to Roll

More than three out of five households who owned traditional IRAs in 2025 had executed at least one IRA rollover from a work-based retirement plan. These were the top reasons for the most recent rollover (multiple responses allowed).



Source: Investment Company Institute, 2026

Distributions from traditional IRAs and traditional employer-sponsored retirement plans, and the earnings portion of nonqualified distributions from Roth IRAs and designated Roth accounts, are taxed as ordinary income. Withdrawals prior to age 59½ (or age 55 for an employer plan if

leaving the job) may be subject to a 10% penalty, with some exceptions. To qualify for the tax-free and penalty-free withdrawal of earnings, a Roth IRA must meet a five-year holding requirement, and the distribution must take place after age 59½, unless another exception applies. A Roth IRA is not subject to required minimum distributions during the original owner's lifetime.

Generally, employer plan assets have unlimited protection from creditors under federal law, whereas IRA assets are protected in bankruptcy proceedings only (state laws vary).

HELPING PROTECT YOUR CHILD'S IDENTITY IN A DIGITAL WORLD

A recent survey estimated that about 10 million children have been victims of identity theft.¹ Children, unlike adults, generally do not have a credit history, which can make them attractive and easy targets. Criminals can use a child's clean credit record to open fraudulent accounts that can go undetected for years, as these activities rarely trigger red flags at financial institutions.

In today's digital world, your child may have established many online profiles on social media, gaming platforms, and educational and financial websites. This digital presence may put your child's data at risk since identity thieves can piece together basic information, such as a name or a birthday, to create fraudulent accounts in your child's name.

Taking action early may help reduce the impact of any breaches of your child's personal information. Consider these steps to help protect your child's identity:

Criminals can use a child's clean credit record to open fraudulent accounts that can go undetected for years.



- **Limit online information.** Do not share your child's name, birthday, school, or other similar data in social media posts because criminals can use this seemingly harmless information for illicit purposes.
- **Secure sensitive documents.** Store your child's Social Security card, birth certificate, medical records, and other sensitive information in a safe place.
- **Monitor online activity.** Review all applications, games, and websites your child visits and instruct your child to never share personal information.
- **Freeze credit.** Restrict access to your child's credit by requesting a credit freeze from the three major credit bureaus (Experian, Equifax, and TransUnion). This simple step may help prevent identity thieves from opening accounts in your child's name.
- **Watch for warning signs.** Be on the alert for any mail or calls from debt collectors in your child's name as this may indicate someone has fraudulently used your child's personal information to open credit accounts.
- **Leverage technology.** Use tools such as parental controls, strong passwords, and multi-factor authentication to help secure your child's sensitive data.

1) *Security.org, December 2025*

NEW AND IMPROVED TAX TREATMENT FOR QUALIFIED SMALL BUSINESS STOCK

The One Big Beautiful Bill Act of 2025 (OBBBA) made the tax advantages of founding and investing in certain types of small businesses even more generous. Shareholders can exclude from income up to 100% of the gain realized from the sale of qualified small business stock (QSBS) if they hold the shares for more than five years (up to a specific dollar cap). This powerful incentive is intended to help startups and other small businesses raise capital to fund growth.

To qualify, the stock must be issued by an active U.S. C corporation with gross assets (cash plus the adjusted basis of property) that don't exceed a certain amount, among other requirements. Some types of businesses are ineligible, including professional services, financial and investment services, banking, leasing, insurance, health care, hospitality, and mining.

Expanded tax benefits

For QSBS issued after July 4, 2025, shareholders may benefit from some significant changes, including:

- The asset limit for a corporation to be considered a qualified small business was increased from \$50 million to \$75 million. This amount will be adjusted for inflation starting in 2027.
- To qualify for 100% exclusion of gain, investors will still have to hold shares for more than five years, but a 50% exclusion now applies if shares are held for at least three years, and a 75% exclusion applies if shares are held for at least four years.
- For shares issued prior to OBBBA, the maximum gain on the sale of QSBS that an individual could exclude was 10 times the basis or \$10 million. This limit has increased to \$15 million (\$7.5 million if married filing separately).

Who stands to gain?

This tax break applies only to original issue stock acquired from the company, not to stock purchased on the secondary market. Shares may be acquired in exchange for money, property, or compensation. In fact, qualifying businesses often use their stock as an incentive to attract and retain key employees. However, if QSBS is received as part of a deferred compensation plan, the holding period will not commence until the value of the stock is included in the employee's income. Because businesses are defined as small based on a snapshot of the assets on their balance sheets, asset-light businesses like technology companies may qualify for QSBS treatment even if they have much higher valuations.

When a business is involved in a qualifying activity and a nonqualifying activity — think technology and financial services (fintech) or manufacturing and health care — it can be difficult to determine whether its shares qualify as QSBS or not. Moreover, not all states recognize QSBS tax treatment, and those that do may not have the same requirements. Be sure to consult a tax and/or legal professional who is familiar with the law in your state.

THE COLLEGE LANDSCAPE IN 2026

The world of higher education is constantly evolving. Here are some key updates for 2026.

Rising costs and operational headwinds

Over the past 20 years, average costs for college tuition, fees, housing, and food have outpaced general inflation by 30% at public colleges and 28% at private colleges, straining the budgets of many families, though cost increases have slowed over the past decade. For the 2025–2026 academic year, average costs were \$25,850 for in-state public colleges, \$45,780 for out-of-state public colleges, and \$60,920 for private colleges.¹ But these numbers don't tell the full story. Many colleges cost substantially more, and when the cost of books, transportation, and personal expenses are factored in, the total cost of attendance at many selective private colleges can be over \$90,000 per year.

The higher education industry as a whole is grappling with several operational headwinds, including financial instability and funding disruptions at both the federal and state levels, rising operational costs, demographic shifts with projected declining enrollment in coming years, unique political pressures, and ongoing family concerns about return on investment.

Alternative education gets a boost

Against the backdrop of ever-increasing college costs, interest in apprenticeship training, certification programs, bootcamps, and other types of non-traditional educational paths has been steadily increasing. Here are three key initiatives in this area:

- In 2026, the list of eligible expenses for 529 plans has expanded to include a wide range of workforce training, professional certification, and credentialing programs.
- In February 2026, the U.S. Department of Labor announced \$145 million in funding to organizations to help expand apprenticeship training programs in high-demand industries.²
- Starting July 1, 2026, a new Workforce Pell Grant became available to students enrolled in short-term (8–15 weeks' duration) job-focused programs.

New borrowing caps for student loans

Starting July 1, 2026, new borrowing rules took effect for several federal loan programs:

- **Direct Loans.** There is a new lifetime borrowing cap of \$257,500 per student, which includes undergraduate and graduate loans. The interest rate for 2026–2027 is 6.52% for undergraduate loans and 8.07% for graduate loans.
- **Grad PLUS Loans.** This program is eliminated and replaced by graduate loans made under the Direct Loan program. New limits for graduate Direct Loans are \$20,500 per year and \$100,000 total for traditional graduate students and \$50,000 per year and \$200,000 total for professional graduate students (for example, law, medical school).
- **Parent PLUS Loans.** There is a new borrowing cap of \$20,000 per year and \$65,000 total per dependent undergraduate student. The interest rate for 2026–2027 is 9.07%.

Streamlined student loan repayment

Starting July 1, 2026, two new student loan repayment plans became available. These will be the main plans going forward for federal student loans:

- **Tiered Standard Plan.** Under this plan, a borrower's payments are fixed each month, and the amount of time to repay is based on the outstanding loan balance, ranging from 10 to 25 years.
- **Repayment Assistance Plan.** Under this income-based plan, a borrower's monthly loan payments are set as a percentage of adjusted gross income (AGI), generally ranging from 1% to 10%.

Here are some other updates related to repaying student loans:

- **Employer-provided student loan repayment assistance.** Starting in 2026, \$5,250 in employer-provided student loan repayment assistance is permanently tax-free. The \$5,250 limit will be indexed for inflation starting in 2027.
- **Wage garnishment.** In January 2026, the U.S. Department of Education announced that it was temporarily delaying involuntary collections on defaulted student loans, including wage garnishment, in an effort to give borrowers more time to get their repayments back on track and give the administration more time to complete its overhaul of the student loan repayment system.³ Involuntary collections had started in May 2025 after a five-year pandemic reprieve. As of publishing time, it was unclear when collections would restart.

1) College Board, *Trends in College Pricing 2025*

2) U.S. Department of Labor, *February 2026*

3) U.S. Department of Education, *January 2026*

Student loan debt and delinquencies: Q1 2026



Source: New York Federal Reserve, *Quarterly Report on Household Debt and Credit Q1 2026*

TEST YOUR KNOWLEDGE OF ESTATE PLANNING

Estate planning can mean different things to different people. This quiz may help you increase your understanding of estate planning.

Questions

1. What is the primary function of a last will and testament?

- To provide legal instructions for the distribution of assets after death
- To bypass the probate process entirely
- To manage assets during the grantor's lifetime
- To appoint a health care proxy for medical emergencies

2. If an individual dies intestate, what does that mean?

- a. All assets were held in joint tenancy
- b. He/she died without a valid will
- c. The estate value is below the federal tax threshold
- d. He/she died with a valid revocable living trust

3. What is a major advantage of a revocable living trust compared to a will?

- a. It is a public document that anyone can view
- b. It eliminates the need to pay any estate taxes
- c. It cannot be changed once it is signed
- d. It allows assets to bypass the probate process

4. Who is the person responsible for managing and settling the estate as specified in a will?

- a. Grantor
- b. Trustee
- c. Beneficiary
- d. Executor/personal representative

5. Each of the following assets typically bypasses probate because of its ownership structure except:

- a. A house owned solely by the deceased
- b. A checking account with a payable on death designation
- c. Real estate owned as joint tenants
- d. Life insurance proceeds with a named beneficiary

6. What is the purpose of a durable power of attorney?

- a. To grant someone authority to act on your behalf if you become incapacitated
- b. To guarantee that an estate will not be taxed
- c. To provide instructions for funeral arrangements
- d. To designate who will inherit real estate

7. In the context of a trust, who is the trustee?

- a. The person who creates the trust
- b. The person who manages the trust assets according to its terms
- c. The judge who oversees the trust in court
- d. The person who receives the income from the trust

8. The unlimited marital deduction does not apply to property you bequeath to someone other than your spouse.

- a. True
- b. False

Answers

1. a. The primary purpose of a will is to direct how a person's property should be managed and distributed upon death.

56% of U.S. adults do not have a will or living trust.

Source: *Gitnux.org*, 2026



2. b. Intestacy occurs when there is no legally binding will, leaving the state's laws to determine how and to whom assets are to be distributed.

3. d. A properly constructed and funded revocable living trust controls the management and distribution of assets held by the trust, generally eliminating the need for probate relative to the trust assets.

4. d. The executor, or personal representative, is the individual or institution named in the will to carry out the deceased person's instructions according to the terms of the will.

5. a. Real estate owned solely by an individual will almost always have to go through the probate process upon the death of the individual owner.

6. a. A durable power of attorney allows an individual to appoint another person to act on his or her behalf, even if the individual is no longer mentally capable of making decisions.

7. b. The trustee is the individual or entity appointed by the person who creates the trust to manage trust assets according to the terms of the trust.

8. a. The unlimited marital deduction lets you deduct the value of property from your gross estate that you leave only to your spouse.

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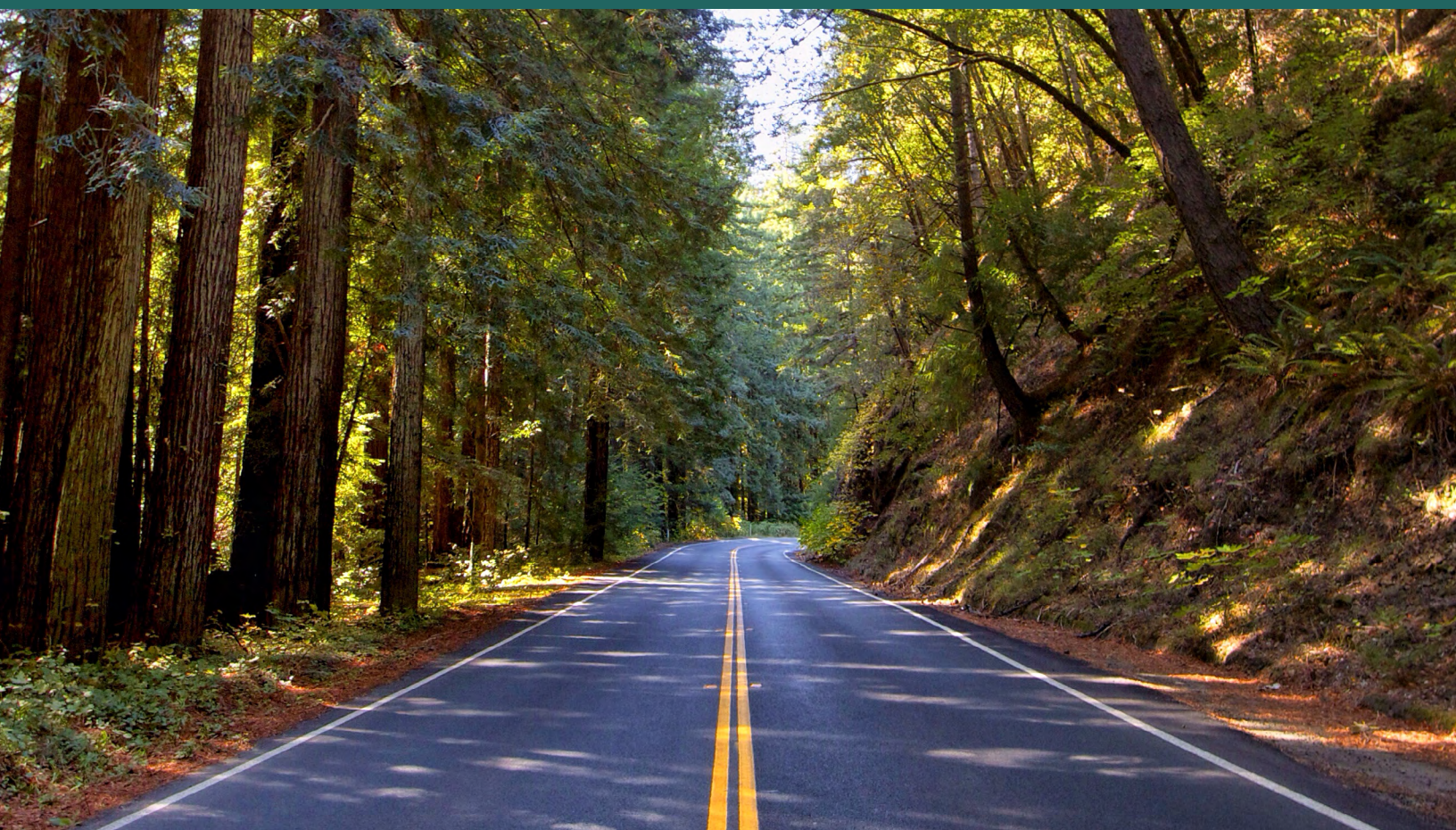
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CORBETT ROAD
WEALTH MANAGEMENT



Let's keep in touch

Toll Free: 844.688.4955

info@corbettroad.com

www.corbettroad.com

[linkedin.com/company/corbettroad](https://www.linkedin.com/company/corbettroad)

Washington, D.C.

7901 Jones Branch Dr
Suite 800
McLean, VA 22102
Local: 703.748.5836

Boston, MA

101 Arch St
8th Floor
Boston, MA 02110
Local: 617.600.7930

Los Angeles, CA

10100 Santa Monica Blvd
Suite 300
Los Angeles, CA 90067
Local: 310.591.5674

Fort Lauderdale, FL

2598 E. Sunrise Blvd
Suite 2104
Ft. Lauderdale, FL 33304
Local: 954.507.6028

Knoxville, TN

800 S. Gay St
Suite 700
Knoxville, TN 37929
Local: 865.444.4520

Phoenix, AZ

2375 E. Camelback Rd
Suite 600
Phoenix, AZ 85016
Local: 602.807.1145

St. Louis, MO

7777 Bonhomme Ave
Suite 1800
Clayton, MO 63105
Local: 314.463.0132