KENNEDY WEALTH
AND TAX MANAGEMENT, LLC
Registered Investment Adviser

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Kennedy Wealth & Tax Management, LLC
Kevin A. Kennedy, CPA
CT. 203-264-1200
FL. 561-223-1475
kevin@kennedywealth.com • www.kennedywealth.com

"Stay committed to your decisions, but stay flexible in your approach." – Tony Robbins

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$49.00

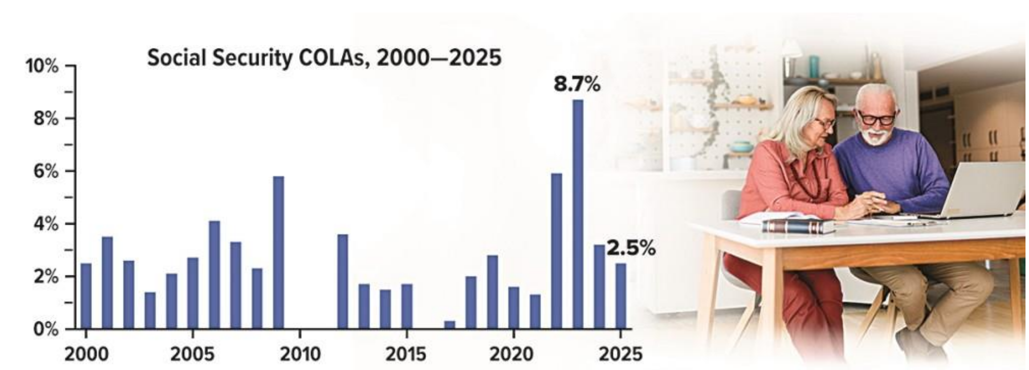
Estimated average monthly Social Security benefit increase for a retired worker in 2025. The average monthly benefit was $1,927 before the 2.5% COLA and $1,976 after the COLA.

Source: Social Security Administration, 2024

Social Security COLA Lower for 2025

The 2.5% Social Security cost-of-living adjustment (COLA) for 2025 continues the return to a more typical adjustment after high inflation resulted in big COLAs in 2022 and 2023. The COLA will take effect with December 2024 benefits payable in January 2025. The percentage is based on the Q3 to Q3 change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

Despite these annual adjustments for inflation, a recent study found that the buying power of Social Security benefits declined by 20% from 2010 to 2024, in part because the CPI-W is weighted more heavily toward items purchased by younger workers than by Social Security beneficiaries.



There was no COLA in 2010, 2011, and 2016. Sources: Social Security Administration, 2024; The Senior Citizens League, July 18, 2024

Key Retirement and Tax Numbers for 2025

Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans and various tax deduction, exclusion, exemption, and threshold amounts. Here are a few of the key adjustments for 2025.

Estate, gift, and generation-skipping transfer tax

- The annual gift tax exclusion (and annual generation-skipping transfer tax exclusion) for 2025 is $19,000, up from $18,000 in 2024.
- The gift and estate tax basic exclusion amount (and generation-skipping transfer tax exemption) for 2025 is $13,990,000, up from $13,610,000 in 2024.

Standard deduction

A taxpayer can generally choose to itemize certain deductions or claim a standard deduction on the federal income tax return. In 2025, the standard deduction is:

- $15,000 (up from $14,600 in 2024) for single filers or married individuals filing separate returns
- $30,000 (up from $29,200 in 2024) for married joint filers
- $22,500 (up from $21,900 in 2024) for heads of households

The additional standard deduction amount for the blind and those age 65 or older in 2025 is:

- $2,000 (up from $1,950 in 2024) for single filers and heads of households
- $1,600 (up from $1,550 in 2024) for all other filing statuses

Special rules apply for an individual who can be claimed as a dependent by another taxpayer.

IRAs

The combined annual limit on contributions to traditional and Roth IRAs is $7,000 in 2025 (the same as in 2024), with individuals age 50 or older able to contribute an additional $1,000. The limit on contributions to a Roth IRA phases out for certain modified adjusted gross income (MAGI) ranges *(see table).* For individuals who are active participants in an employer-sponsored retirement plan, the deduction for contributions to a traditional IRA also phases out for certain MAGI ranges *(see table).* The limit on nondeductible contributions to a traditional IRA is not subject to phaseout based on MAGI.

MAGI Ranges: Contributions to a Roth IRA

	2024	2025
Single/Head of household	$146,000–$161,000	$150,000–$165,000
Married filing jointly	$230,000–$240,000	$236,000–$246,000
Married filing separately	$0–$10,000	$0–$10,000

MAGI Ranges: Deductible Contributions to a Traditional IRA

	2024	2025
Single/Head of household	$77,000–$87,000	$79,000–$89,000
Married filing jointly	$123,000–$143,000	$126,000–$146,000

Note: The 2025 phaseout range is $236,000–$246,000 (up from $230,000–$240,000 in 2024) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered. The phaseout range is $0–$10,000 when the individual is married filing separately and either spouse is covered by a workplace plan.

Employer-sponsored retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to $23,500 in compensation in 2025 (up from $23,000 in 2024); employees age 50 or older can defer up to an additional $7,500 in 2025 (the same as in 2024), increased to $11,250 in 2025 for ages 60 to 63.
- Employees participating in a SIMPLE retirement plan can defer up to $16,500 in 2025 (up from $16,000 in 2024), and employees age 50 or older can defer up to an additional $3,500 in 2025 (the same as in 2024), increased to $5,250 in 2025 for ages 60 to 63.

Kiddie tax: child's unearned income

Under the kiddie tax, a child's unearned income above $2,700 in 2025 (up from $2,600 in 2024) is taxed using the parents' tax rates.

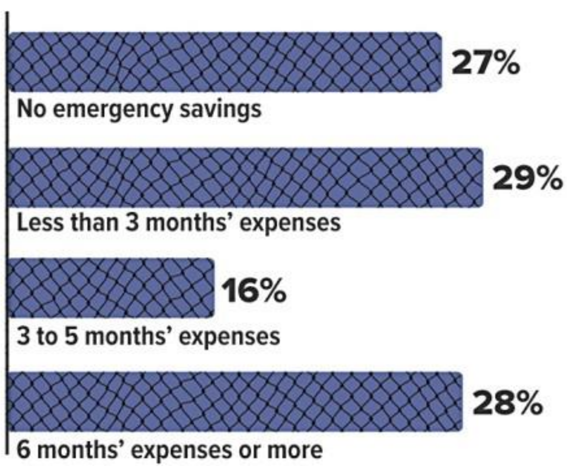
Financial Safety Nets: Exploring Available Sources of Emergency Funds

In moments of unexpected financial turmoil, having access to emergency funds can be the difference between a minor inconvenience and a major life disruption. Whether you have a sudden medical bill, car repair, or job loss, knowing where to turn for emergency financial support is crucial. However, not everyone has access to a financial safety net — nearly 60% of U.S. adults are uncomfortable with their level of emergency savings.[1] Fortunately, there are options when it comes to exploring available sources of emergency funds.

Emergency savings account

A separate account dedicated solely to emergencies is the cornerstone of any financial plan and acts as the first line of defense in times of crisis. Generally, you'll want to have at least three to six months' worth of living expenses (e.g., mortgage, groceries, or car loan) in a readily accessible account. The actual amount, however, should be based on your particular circumstances, such as your job security, health, and income. In addition, review your emergency fund from time to time — either annually or when your personal or financial situation changes (e.g., a new baby or buying a home).

How Much Adults Have in Emergency Savings



Source: Bankrate survey, May 17–20, 2024

Credit cards and personal loans

While not ideal, credit cards can provide immediate access to funds in an emergency. They are particularly useful for covering short-term expenses that can be paid off quickly in order to avoid paying high interest rates. Cards that offer balance transfers with low introductory rates can also be used, as long as you are disciplined with your repayments in order to avoid incurring additional debt. Personal loans from banks, credit unions, or online lenders can also be a viable option for covering emergency expenses. These loans often come with fixed interest rates and structured repayment plans. However, loan eligibility and interest rates will vary, depending on the lender and your personal financial situation. And of course it takes time to obtain a loan.

HELOCs

For homeowners, a home equity line of credit (HELOC) is a revolving line of credit secured by the equity you've built in your home. Unlike a home equity loan, which provides a lump sum, a HELOC functions more like a credit card. You can borrow up to a predetermined credit limit and repay over time, with the ability to borrow again as needed during the draw period. This option usually offers lower interest rates and more flexibility compared to credit cards or personal loans. However, there are some drawbacks to using a HELOC. Most HELOCs have variable interest rates, which means payments can increase if interest rates rise. In addition, since a HELOC is secured by your home, you could face foreclosure if you can't repay it.

Retirement accounts

When faced with an unexpected expense, another possible source of emergency funds is a retirement account, such as a 401(k) or IRA. Although most withdrawals prior to age 59½ are subject to income tax and a 10% penalty tax, you may be able to take penalty-free early distributions for specific emergencies. These include disability, extraordinary unreimbursed medical expenses, disaster recovery, up to $1,000 per year for general emergencies, and other situations. Ordinary income taxes and certain restrictions apply.

In addition, many 401(k) plans allow participants to take out loans. Typically, you can borrow up to 50% of your account balance or $50,000, whichever is less. The loans generally must be repaid within five years unless used for a first-time home purchase. You may also be able to take a hardship withdrawal in certain circumstances. Hardship withdrawals may be subject to the 10% early withdrawal penalty, as well as ordinary income tax. Check with your plan or IRA administrator to see what options are available to you.

Finally, keep in mind that contributions to a Roth IRA can be withdrawn at any time without taxes or penalties, since they are made with after-tax dollars. Nonqualified withdrawals of earnings, on the other hand, are subject to ordinary income taxes and the 10% early withdrawal penalty. Qualified Roth IRA withdrawals are those made after five years and the account owner reaches age 59½, dies, or becomes disabled.

1) Bankrate's 2024 Annual Emergency Savings Report

Get Ready for Tax Time

According to one survey, 42% of Americans would rather go to the dentist than file their taxes.[1] Tax season might not be your favorite time of the year, but a little preparation can help make the tax filing process as smooth and painless as possible.

Review last year's tax return. Not everything will stay the same, but checking last year's return can reveal information you might need this year. If you use an accountant or professional tax preparer, you may receive a checklist or questionnaire to help you get organized.

Think about recent life events. During 2024, did you tie (or untie) the knot, grow your family, buy or sell a home, start a job, send a child to college, retire, receive an inheritance, or have high health-care costs? These are just some of the common events that might affect your tax return, including the filing status you choose, the amount of income or expenses you have, or tax deductions and credits you might be entitled to.

April 15, 2025, is the tax filing deadline for most taxpayers.

Gather supporting documents. You'll automatically receive some tax documents and statements electronically or by mail in January or February. You may need to locate others yourself.

Depending on your situation and whether you itemize deductions or take the standard deduction, supporting documents may include:

- W-2 forms showing wages from your employers
- 1099 forms that report other types of income you received, including interest from banks and brokers, dividends and distributions, retirement plan or health savings account (HSA) distributions, Social Security benefits, and self-employment income
- 1098 forms for mortgage interest, property taxes, or education-related payments
- Receipts or statements for child-care or medical costs
- Receipts for donations to charity

Collect supporting documents in one place, and make a list of information you're missing so that you can check it off the list once you have it.

Consider making IRA or HSA contributions. If you're eligible, you can contribute to a traditional IRA (deductible or not), Roth IRA, or an HSA for 2024 up until the tax filing deadline, as long as you haven't already reached the contribution limit for the year.

1) Chamber of Commerce, 2024

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