LET'S TALK FINANCIAL WELLNESS®

July/August 2025

WHAT INVESTMENT STYLES SUIT YOU?

At your mid-year investment review with your trusted professional, consider the investment styles that best suit your personality and goals. Assessing your preferences for each style below can help you determine which styles best suit your personality and comfort level.

Active or Passive Management

Which appeals most to you? Active investing is buying and selling investments based on their short-term performance, attempting to beat average market returns. Passive investing is buying and holding investments with minimal portfolio turnover.

Active managers generally measure their success by determining how much their portfolios exceed (or fail to match) the performance of a comparable unmanaged index, industry, or market sector. They also assess portfolio risk and how successfully they achieve other portfolio goals. This distinction is important for retired investors who need to manage risk over shorter time horizons. Active management may appeal more to investors who prefer to hold individual securities. Passive investors rarely trade individual securities, preferring to hold investments over a long period or to purchase mutual or exchange-traded fund investments.* Passive investors tend to rely on fund managers to ensure the fund investments are performing and expect managers to replace declining holdings as needed.

Passively managed funds generally have lower fees and are more tax-efficient than actively managed funds. With active investing, you pay for the sustained efforts of professional investment professionals who specialize in active investing and for the potential for higher returns than the markets. Investors considering active management should look at after-fee returns.

Growth or Value

Are you more comfortable investing in fast-growing firms or underpriced industry leaders? Analysts rely on financial metrics and professional judgment to determine which category a company belongs to.

Growth investors seek companies with high earnings growth rates, high return on equity, high profit margins, and low dividend yields. The basic tenet is that a firm with these characteristics is often an innovator. Growth companies generally reinvest most or all of their earnings to potentially sustain continued growth in the future.

Value-style investors focus on buying strong companies at reasonable prices. They look for low price-to-earnings ratios, low price-to-sales ratios, and generally higher dividend yields. This style is focused on the price at which investors buy..

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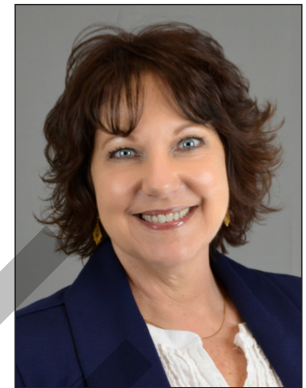

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With my training and commitment to my clients, I am confident I can provide a high level of personalized service. As your financial professional, I will work diligently to help you work toward your financial goals with appropriate insurance products, investment and financial planning strategies.

High Net Worth Version

Prudential

GRATS: A HANDY WEALTH-TRANSFER TOOL

A grantor-retained annuity trust (GRAT) is an estate strategy that may minimize tax on large financial gifts to family members and help your estate avoid using much, if any, of your lifetime gift and estate tax exclusion.

Structure

With a GRAT, you place appreciating assets into an irrevocable trust and receive an annual income from the trust for a specified period.

When the trust expires, your beneficiary receives the remaining assets with little or no gift-tax consequences to your estate. You select whether income payments will come from asset earnings or be based on a percentage of the total value of the trust assets.

Caution

Your beneficiary receives nothing, however, if you die before the GRAT expires. Instead, the assets become part of your taxable estate, negating the trust benefits. So, take care when choosing a trust period.

Professional financial and legal help is essential when considering a trust, particularly an irrevocable trust. You can't easily undo a irrevocable trust if you later change your mind or make a mistake creating it.

NET UNREALIZED APPRECIATION AND YOUR 401(K)

If your 401(k) plan account contains employer stock, the tax law's net unrealized appreciation (NUA) provision may allow you to take advantage of potentially lower tax rates on the growth or unrealized appreciation of the stock.

How It Works

Normally, distributions from a traditional 401(k) are taxed as ordinary income. Under the NUA provision, you can separate the appreciation of your employer stock from other assets in your 401(k) at retirement. When you eventually sell your stock, the NUA will be taxed at the generally lower long-term capital gains rate. You typically need to separate from your employer through retirement or other means and take a qualified lump-sum distribution of your entire plan balance to take advantage.

Here's an Example

Twenty years ago, Taylor received a $50,000 company stock 401(k) contribution. Today, upon her retirement, the stock is worth $200,000. Instead of rolling everything into an IRA, Taylor is taking a separate stock distribution. Ordinary income tax will be due only on the $50,000, while the $150,000 appreciation would be subject to capital gains tax when sold.*

Your trusted professional can help determine whether this fits your broader retirement and investment strategy.

**This is a hypothetical example and is not representative of any investment strategies. Actual results my vary.*

A FAMILY AFFAIR

The urge to make a difference often extends beyond personal success into a desire to impact the world positively. One effective way to channel this desire is through a family foundation. This approach supports causes that resonate with you and establishes a charitable legacy for future generations.

What is a Family Foundation?

A family foundation is a nonprofit organization, typically funded by a single family, that seeks to enhance a social purpose. Families use their resources to support various charitable initiatives, ranging from education and healthcare to environmental conservation and the arts.

Benefits

Flexibility in Giving: A family foundation allows you to decide which causes to support and how funds are allocated. Unlike other forms of charitable giving, which may have stringent guidelines, family foundations allow you to create a personalized giving strategy aligned with your family's values.

Tax Advantages: Contributions made to the foundation may be tax-deductible, potentially allowing you to lower your income tax while simultaneously fulfilling your philanthropic goals.

Family Bonding: Running a family foundation can be a unique opportunity to engage family members in philanthropic activities. It encourages discussions around important issues and helps instill a sense of social responsibility in younger generations.

Long-term Impact: Unlike one-time donations, a foundation can continue to grant funds over many years, creating a lasting influence in the areas where it operates.

Challenges

While there are substantial benefits, starting a family foundation also presents challenges. Administrative responsibilities include complying with Internal Revenue Service regulations, maintaining proper records, and filing annual returns. Additionally, you may need to ensure that your family remains engaged and aligned with your philanthropic mission; otherwise, decision-making can become complicated. Professional guidance is essential.

Is a Family Foundation Right for You?

Deciding whether to establish a family foundation is a significant decision that requires careful consideration. Assessing your financial capabilities, community engagement, and philanthropic goals is important.

Engaging with financial professionals or philanthropic consultants can further refine your strategy and help you navigate the complexities.

According to the National Center for Family Philanthropy's Trends 2025, the most common reasons for creating family foundations were that donors wished to "create a vehicle for long-term family philanthropy legacy" (55%), because they were "advised by a lawyer/estate planner" (39%), and because they sought to "create a vehicle to engage the next generation in philanthropy" (32%).

WHAT INVESTMENT STYLES SUIT YOU?

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Small Cap or Large Cap

How risk-averse are you? Your answer will determine your market capitalization style. Market capitalization is the number of outstanding shares of stock multiplied by the share price.

Small-cap investors believe smaller companies should deliver better returns because they have greater growth opportunities and are more agile. But this potential comes with greater risk. Smaller companies have fewer resources and often have less diversified business lines. Share prices can fluctuate more widely, generating significant gains or losses. Small-cap investors must be comfortable taking on this additional risk for potentially greater returns.

If you are more risk-averse, you may be more comfortable investing in large-cap stocks. These companies are more established in their industries and have been around for a while. They may be unable to grow as quickly as smaller firms. But they also are unlikely to go out of business without warning. In return for the potentially lower risk, expect slightly lower returns with large caps.

Your investment style is unique, and may not be exactly one or another. Your trusted adviser can help you mesh your personal styles and investment choices.

**Investors should read the prospectus and consider the investment objectives, risks, charges, and expenses of the fund before investing. Because mutual and ETF fund values fluctuate, redeemed shares may be worth more or less than their investment. Past performance won't guarantee future results.*

NET INVESTMENT INCOME TAX AND WHO PAYS IT

The net investment income tax (NIIT) affects individuals, estates, and trusts with significant investment income. In its first year (2013), about three million taxpayers were subject to the additional 3.8% net investment income tax (NIIT) in 2013. Since then, the number of affected taxpayers have more than doubled, underscoring the growing relevance of this tax.

What Qualifies as Net Investment Income (NII)

This income includes interest, dividends, capital gains, rental income, and passive income from business interests. When your modified adjusted gross income (MAGI) exceeds $200,000 for single filers or $250,000 for married couples filing jointly, the 3.8% tax kicks in on your net investment income. The tax is paid in addition to any capital gains tax.

Mitigating the Impact

Consider maximizing contributions to tax-deferred accounts like IRAs or 401(k)s to lower your MAGI in the current tax year. Try tax-loss harvesting. This technique involves selling underperforming investments at a loss to offset taxable gains. Strategic selling can lower your overall capital gains and your net investment income. If you're close to the threshold income, consider deferring income to a future year or bunching deductions to keep your MAGI below the tax limits for the current year.

Consulting a tax professional who understands the complexities of high-net-worth individuals can help you develop a tax strategy tailored to your financial situation.

INHERITED IRAS: WHAT YOU NEED TO KNOW

Have you inherited or expect to inherit an IRA in the future? If so, here are some key questions and answers regarding inherited IRAs in 2025.

Can Inherited IRAs Come From Any IRA?

Yes, they can come from traditional IRAs, Roth IRAs, or other retirement accounts.

What's New for 2025?

The SECURE Act 2.0 has modified distributions for beneficiaries. One critical change is that most non-spousal beneficiaries must withdraw all funds from an inherited account within 10 years. This reset impacts how you strategize the taxable implications of those withdrawals, especially if you expect to inherit a substantial amount.

EXCEPTIONS TO THE 10-YEAR RULE
Surviving spouses, minor children, disabled individuals, and those not more than 10 years younger than the deceased can take distributions over their life expectancy instead of the 10-year rule.

What Should I Consider When Inheriting an IRA?

When you inherit an IRA, consider the tax implications carefully. The type of account (traditional versus Roth) will affect how distributions are taxed. For traditional IRAs, withdrawals are taxed as ordinary income, whereas Roth IRAs are tax-free if the account has been open for over five years. Consulting with a financial professional could also help you create strategies that align with your wealth management goals.

How Do I Manage My Inherited IRA?

Managing an inherited IRA involves being aware of and adhering to the required distribution rules. Given the limitations of the 10-year rule, consider when and how much you take out to avoid tax hits. This could mean liquidating some assets strategically to minimize tax burdens. Regular communication with a financial or tax professional is key to navigating potential financial pitfalls.

Can I Convert an Inherited Traditional IRA to a Roth IRA?

While you can convert an inherited traditional IRA to a Roth IRA, understand that this would trigger a tax event since those funds will be treated as taxable income. High-net-worth individuals could consider this route if they believe they can offset the tax hit with deductions or if they expect their tax bracket to decrease in the future.

The new rules have dramatically changed the landscape. Stay proactive, consult with your trusted professional, and plan thoughtfully.

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

March 18, 202

Reference: **FR2025-0306-0102/E**

Org Id: 23568

1. LTM July August 2025 HNW
   Rule: FIN 2210

Our review is based on your representation that the final version of this communication will prominently disclose the name of the member, pursuant to FINRA Rule 2210(d)(3)(A).

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

Reminder: The fee charged for Regular filings submitted to the Advertising Regulation Department on January 1, 2025 and after, will increase from $125 to $300 (for the first 10 pages/minutes). The fee of $10 per additional page/minute has not changed. The filing fee for expedited filings will remain at $600 (for the first 10 pages/minutes) and $50 per additional page/minute. Please see https://www.finra.org/media-center/blog/funding-finras-mission-111224 for more information.

Please send any communications related to filing reviews to this Department through the Advertising Regulation Electronic Filing (AREF) system or by facsimile or hard copy mail service. We request that you do not send documents or other communications via email.

NOTE: *We assume that your filed communication doesn't omit or misstate any fact, nor does it offer an opinion without reasonable basis. While you may say that the communication was "reviewed by FINRA" or "FINRA reviewed," you may not say that we approved it.*

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