Conway & Co. Financial Services

Helping People Plan Their Financial Futures"

September 29, 2025

Tax Benefits of Long-Term Care (LTC) and LTC Insurance

According to a LTC News article, the odds of one member of a couple age 65 needing long-term care are 75%. HealthView Services goes one step further and said the odds of both needing long-term care is 25%. Given that medical science and lifestyle habits are getting better, it means a potentially longer lifespan.

If you must go into a facility, the costs may be deductible as medical expenses to the extent they and other medical expenses exceed 7.5% of adjustable gross income. This includes expenses related to in-home care as well as those provided in a nursing home or assisted living facility. This assumes that they can't perform at least two activities of daily living (ADL) including dressing, eating, bathing, toileting, and mobility for ninety days or more. Those that are chronically ill, including those with dementia, if certified by a doctor, also qualify.

The cost of long-term care insurance is expensive and to help offset this cost, Uncle Sam allows taxpayers who are age 71 or over in 2025 to deduct up to $6,020 in premium payments. Younger taxpayers between 61 to 70 years old may deduct $4,810 and those that are 51-60 may deduct $1,800 while those ages 41-50 can deduct up to $900. Why the sliding scale? The younger you are when purchasing long-term care insurance, the lower the premium that you will pay initially. Unfortunately, insurance companies can and have increased the initial premium amounts if they do it for everyone with a similar policy.

Uncle Sam will also allow you to withdraw up to $2,500 from your IRA or other retirement plan beginning in 2026 regardless of age to make premium payments. While still subject to income tax, these withdrawals will avoid the 10% early withdrawal penalty.*

Social Security Fairness Act Not All Capital Gains Are 20%

When most people talk about long term capital gains, they believe the tax rate is 20%, but it depends on your taxable income. In 2025, single taxpayers below $48,350 pay 0% while the same holds true for joint filers below $96,700. Over these amounts and up to $533,401 for singles and $600,051 for joint taxpayers, the maximum long term capital gains rate is 15%. Only taxpayers over these last two thresholds pay capital gains at a 20% rate. The brackets are adjusted for inflation each year.

By gifting appreciated shares of stock to children or grandchildren in a lower tax bracket, you may create a saving of family wealth. Here is the kicker. These rates apply to most but not all assets. A flat rate of 28% is paid on collectibles (i.e. artwork, coins, stamps, sports memorabilia, and historical documents). Then there is tax known as the Obama Care tax which is charged in addition to capital gains for joint filers with a Modified Adjusted Gross Income over $250,000 and for singles over $200,000. These brackets are not adjusted for inflation. When one sells assets that have been depreciated over the years, think real estate, the amount of depreciated value is taxed at a rate of 25%. Short term rates, of course, are much higher because they are taxed as ordinary income and could be as high as 37%.*

Image Source: litrg.org.uk

Benefit Earnings Test

Every retiree faces a big decision on Social Security and asks, “When do I begin?” You can take Social Security as early as age 62, but with a reduced benefit and restrictions on how much you can earn with the maximum benefit at age 70. While generally we advise to wait until at least your full retirement age (FRA), there are reasons that you might take the benefit earlier than FRA. These reasons include: needing the money, poor health, and a wide difference between benefits for each spouse. But taking it early comes with two costs: 1) reduced benefit; and 2) an earnings test.

There are two earnings tests. The first occurs up until the year you reach FRA and the second in the year you reach FRA. For the first test a recipient can earn up to $23,400 in 2025, but for every two dollars over that amount the recipient loses one dollar of Social Security benefit. It gets a little more complicated in the year you first retire because you don’t have a full year. In this case, there is a monthly test that allows you to earn $1,950 per month. You can use either test, whichever is most beneficial. In the year that one reaches FRA, the benefit earning test is more generous as one can earn up to $62,100 in 2025 without penalty or $5,180 monthly. For every three dollars over these amounts, the recipient gives up a dollar in Social Security benefit. In the month that you reach FRA, the penalty goes away entirely.*

Scams, Scams and More Scams

Image Source: lifewire.com

Earlier this spring, the FBI reported that $16.6 billion was stolen through internet scams or fraud in 2024. This was up 33% over 2023. Of this amount, $4.9 billion was stolen from seniors, which was up even more, with a 44% increase. The scams come in many forms: romance, investment, crypto, IRS, tolls, credit cards, mail, email, friends, and relatives. Never give your personal information to anyone you do not know, especially over the phone, email or text.*

Comfortable or Wealthy?

In the most recent edition of its Modern Wealth Survey, Charles Schwab found that Baby Boomers think you need $943,000 to feel financially comfortable, marking an increase from $780,000 last year. Millennials feel that $847,000 is plenty, which is an increase from $725,000. Meanwhile, Gen X and Gen Z reduced their number from $873,000 to $783,000 and $406,000 to $329,000, respectively. The young have a lot to learn. Comfortable is one thing, but wealthy is another. According to the survey, it takes $2.3 million to feel wealthy and as crazy as it seems, it is $200,000 lower than last year. Those with a financial plan were more than double those without a financial plan in both feeling comfortable or wealthy.*

What Are the New "Trump Accounts" and How Do They Work?

Does anyone want a “free” $1,000? Well, if your child was born between January 1, 2025, and December 31, 2028, you may just be in luck. As part of President Trump’s One Big Beautiful Bill Act, anyone born between these years and with a valid Social Security number is eligible to have $1,000 deposited into a custodial IRA like account. Essentially, each year after the money is deposited, parents, relatives, friends, and really anyone can contribute up to $5,000 collectively of after-tax dollars into the account. Employers are allowed to contribute up to $2,500 of that tax-free. Dell’s CEO pledged to match the $1,000 for every employee who has an eligible child. Charities are also allowed to contribute to the accounts if the contributions are made on an “equal basis to all children in a certain geographical area.”

What is the catch? Trump accounts are like traditional IRA accounts, so money grows tax deferred but is taxed when withdrawn. Since these accounts are custodial, that means that on your child’s 18th birthday they will have complete control of the account. If the funds are withdrawn before the age of 59 1/2, they will pay an early distribution penalty of 10% on top of income tax, unless certain exceptions apply like the purchase of a first home, a car, or education. In these cases, you would only pay federal income tax. Earnings that are taxable in “Trump” accounts include appreciation of investment assets, employer/charitable contributions, and the initial $1,000 government deposit.

While the Trump accounts can be an extra way of putting money away for your child, it is important to compare it to other investment options like a 529 college savings plan, a custodial Roth IRA, or other ways to save for your child’s future.*

Source: ‘Trump Accounts’ for Kids Come With $1,000—and Tax Complications - WSJ
Trump account could hit $100,000 by age 21—and $2 million by 60 | Fortune

Alternative Can't Wait for Alternatives in your 401(k)? Think Twice

It comes as no surprise to us that private equity (PE) and private debt managers are hungry for their programs to soon be allowed in 401(k)s and other retirement programs. For the most part, these investments have been limited to institutions and private individuals that had sufficient experience and high net worth or income. In the low-interest rate environment between 2010 and 2021, these investments were all the rage. However, over the past several years, many investors are growing weary of largely lackluster returns and are equally dissatisfied that the PE firms for the most part are unable to return liquidity for more mature programs. Why? So much was dependent on a low-interest rate environment where the PE firm could leverage the deal for little overall interest costs. While deals are being made, the pace is very slow.

Now, back to 401(k) programs and private deals. While the money being given to these managers has slowed, they need and want new cash to invest, and we fear that unsuspecting investors will end up with too much money in very high-cost programs that they do not understand and generally lack liquidity. How big is investor interest even before they are available? According to Schroders 2025 U.S. Retirement Report of 1,500 401(k) investors, 45% are already interested and that is before the real hype starts.*

What Would You Do with $1.8 Billion?

Ah, so the lottery is your ticket to riches? How would you take the money? Take a lump sum or spread it out over the years. How would you spend the money? Buy a new house, a boat, or plane? Give it to charity, family, or friends? Spend it like it will never end? The fact is, sudden wealth has lots of headaches, and we have watched firsthand and helped several winners try to protect the wealth. Believe us when we say, you will have more friends and family members than you knew you had, and they all have a “great” idea for you to “invest” the money.

So, let’s explore the process. You buy a ticket even though you know the odds of winning the Powerball jackpot are 1 in 292.2 million. But what the heck, you may as well try. You anxiously look the next morning to see if there was a winner and you stare in silence when you see all five numbers plus the right power ball on your ticket. You can’t believe it. You must be dreaming. No, you never win anything and now you have more than a billion dollars in your hand.

Well, not so fast. Let’s look at the finances first. Your first step should be to get your financial planner, CPA, and attorney together to solicit their advice on what to do next BEFORE claiming the prize. After that, one of the first things you must do is decide between taking a lump sum or taking it over 30 years. If you take it over the 30 years, you get a set amount for the first year and then each year for 29 years you get a check for the past year plus 5% more and when you add them up, they come to the total prize. Thus, even then it isn't necessarily worth $1.8 billion today. If you take the lump sum, you will get a discounted amount because you are taking it all up front rather than over time. That discount will vary, but for our purposes we will say it is 50%.

Wow! You "only" end up $900 million dollars. Well, not quite. Uncle Sam want his fair share and between income taxes and Obama Care taxes you owe about 42% for a total of $378,000,000 leaving you with $522,000,000. Okay, not bad. But wait there is more. Doesn't this remind you of the late-night TV commercial? If you live in a state with income taxes, you have pay them as well. Darn, it feels good to live in Florida where there is no income tax.

Now, come on. We know you wouldn't change your lifestyle, right? Of course you would, but let's say you decide to take $100 million and share it with others. (By the way, the best way to do that is before you cash the ticket by perhaps setting up an LLC). That leaves you $422 million and with an assumed tax-free rate of interest of 3%, you will have to live on $12.66 million. Whoa. That would mean gravy train for the rest of your life.

By the way, the two winners ended up with half these numbers.

Unfortunately, that isn't the way it usually works out. You will be approached by all kinds of people with their own get rich ideas, which might sound good enough to tempt you, but our advice is DON'T! Why risk any of your new wealth? What value would that add to YOUR life? If it doesn't add value, why invest with a great deal of risk? Maybe you are or become a major philanthropist and start to give away some money. Good for you and we applaud you for doing so, but make sure it is a reputable organization. Don't take someone's word. Make sure by doing your research and finding out that they are spending the money wisely.

While there are lots of other things to consider, the last thought we want to leave you with is this – what about your own security and that of your family? As we have preached for years, money comes with problems, so be careful about what you wish for when you buy that ticket.*

Is Bitcoin a Good Diversifier?

The early days of $1 Bitcoins are long behind us now, but is it still a good diversifier in your investment portfolio? Maybe it once was, but as Bitcoin has gained institutional adoption, it has resulted in reduced diversification benefits when the cryptocurrency is paired with stocks. Since its creation in 2009, Bitcoin has become accessible to investors via cryptocurrency exchanges, ETFs, and even Bitcoin ATMs. While its accessibility is positive for widespread adoption, pairing Bitcoin with stocks could amplify losses in the event of a market downturn.

How about using Bitcoin as a hedge against inflation? One of the main attractions of Bitcoin is that there will only ever be a set amount – 21 million coins in total. Unlike dollars, which the Federal Reserve can create more of, no one can "print" extra Bitcoin. That scarcity leads some people to view it as protection against inflation.

At the same time, it's important to recognize that Bitcoin's price moves up and down a lot. Even though the supply is fixed, the value still depends on how many people want to buy or sell it at any given moment. In other words, it may help guard against inflation in theory, but in practice it can be a very bumpy ride.

Ultimately, as Bitcoin has matured, it might not carry the same diversification benefits it did prior to 2020. The widespread adoption of Bitcoin has minimized its usefulness in reducing portfolio risk.*

* Source: Provise Management Group, LLC

WEEK ENDING 9/12/2025
(CUMULATIVE TOTAL RETURNS)

Equities[1]	Week	YTD	1-Year	Close
S&P 500	▲ 1.60%	▲ 13.0%	▲ 19.2%	6,584
DJIA	▲ 0.97%	▲ 9.1%	▲ 13.5%	45,834
NASDAQ	▲ 2.05%	▲ 15.2%	▲ 26.9%	22,141
Russell 1000 Growth	▲ 2.48%	▲ 15.0%	▲ 26.8%	4,630
Russell 1000 Value	▲ 0.51%	▲ 10.6%	▲ 12.1%	1,988
Russell 2000	▲ 0.27%	▲ 8.5%	▲ 14.1%	2,397
Foreign Stocks	▲ 1.15%	▲ 25.0%	▲ 19.1%	
Emerging Markets	▲ 3.97%	▲ 26.1%	▲ 26.7%	

Top Three S&P 500 Equity Sectors[1]	YTD
Communication Services	▲ 25.0%
Information Technology	▲ 17.8%
Industrials	▲ 15.8%

Bottom Three S&P 500 Equity Sectors[1]	YTD
Health Care	▲ 1.3%
Consumer Discretionary	▲ 5.1%
Energy	▲ 5.4%

Bonds[1]	Week	YTD	1-Year	Yield
10-Yr. Treasury	▲ 0.30%	▲ 7.5%	▲ 1.3%	4.06%
US Bonds	▲ 0.41%	▲ 6.4%	▲ 2.9%	4.29%
Global Bonds	▲ 0.20%	▲ 8.0%	▲ 3.1%	3.43%
Munis[2]	▲ 1.48%	▲ 2.7%	▲ 1.8%	3.58%

Market Indicators[3]		As of
Fed Funds Target	4.50%	9/12/2025
Inflation (Core CPI)	3.10%	8/31/2025
Unemployment	4.30%	8/31/2025
GDP	3.30%	6/30/2025

Past performance is no guarantee of future results. Indexes are unmanaged and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

*Source Franklin Templeton

Franklin Distributors, LLC is a Franklin Templeton company.

We would like to invite you to visit our website at your convenience at www.conwayfinancialservices.com. There is a wealth of information on our website including but not limited to: Markets At A Glance, Market Portfolios, Market Charting, Tax Library, Articles, Videos, Retirement & Investment Planning, and Life Planning & Insurance.

As always, we encourage you to give us a call if you would like to discuss anything further. We will visit again soon. Proudly and successfully serving our clients for 58 years.

Conway & Company Financial Services (252) 522-3191

Mark I. Conway ext 203 miconway@conwayfinancialservices.com

Mark R. Conway ext 204 mrconway@conwayfinancialservices.com

Brent F. Hayes (910) 509-7230 brent.hayes@strategicinvestmentsnc.com

Matt Worthington ext 221 mworthington@conwayfinancialservices.com

Brittany Smith ext 222 bsmith@conwayfinancialservices.com

Amanda Tyndall ext 223 atyndall@conwayfinancialservices.com

P.S. If you think this type of information would be of benefit to anyone you know, please share this communication with them.