Conway & Co. Financial Services

Helping People Plan Their Financial Futures"

January 24, 2025

Happy New Year

Welcome to 2025! We trust that you and your family had a safe and happy holiday season. With the turning of the calendar, we have renewed hope for the future, along with those annoying resolutions that we all usually leave behind by the middle of February even with the best of intentions. Thank you for being part of the Conway client family

What a Year It Was!

The S&P 500 finished with a gain of 25.02%. This is the second time in back to back years that it finished over 20%, which has not occurred since 1997 and 1998. The S&P 500 Growth Index was up 36.07% and S&P Value Index was up 12.29%. The Dow finished with a gain of 13.3% and Nasdaq finished with a gain of 28.9%. The market reached a record high fifty-seven times.

Why Do We Ask for a Trusted Contact?

Clients age along with us, and sometimes, age gets the better of us. Muscles are not as strong as they once were. The golf ball does not go as far as it used to. We need to see the doctor more often, and things do not heal as quickly. Unfortunately, many of us will begin to show early signs of cognitive decline. Oh sure, we all have those moments when we cannot remember a name or what we had for dinner last night. One of the early signs of serious cognitive issues is the inability to handle money as well as we once did. None of us want to give up control, and we should not do so until it is absolutely necessary.

At some point, it may be best for someone to intervene. We may be one of the first to recognize when a client misses regular meetings that they have never missed before, forgetting about updating estate documents or making changes to the portfolio. By providing us with a Trusted Contact, you allow us to mention something to the person you set up in advance. When married, we often turn to the spouse, but when without a partner, we need to know the name of the person to whom we should reach out on a personal level. You see, we are planners and planning means preparing for the things that may never happen, but if they do, we put you back in control by having a conversation with your Trusted Contact. Rest assured that it is not a responsibility that we take lightly.*

Bipartisanships Lives!

In the rare display of bipartisanship, the House on November 12th passed the Social Security Fairness Act (327-75) and the Senate (76-20) followed a few days before Christmas. The President will sign the bill on January 6th so the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) are now eliminated from law and will increase benefits for those affected. The GPO was enacted in 1977 and applied to recipients of spousal or widowed benefits. The WEP was enacted six years later, in 1983. Both provisions reduced the Social Security benefits for people who had a federal, state or local government that was not withholding Social Security taxes for about 3 million of their employees. The change does not come without cost, however. The bill is projected to cost $196 billion over the next 10 years, accelerating Social Security’s insolvency by six months.*

Estate and Gift Taxes

2025 will be an interesting year for estate and gift taxes. First, the inflation-adjusted amount that can be left estate tax-free increases to $13,990,000 per person so that married couples can give away double that amount. However, this amount will decrease in 2026 to about $7 million under current law, but it is likely this will change with the anticipated tax bill that Trump will put before Congress early in his new presidency. For those with more complicated estates, like those with a farm or business real estate, the special estate tax valuation rises to $1.42 million. The annual tax-free gift amount also increases to $19,000.*

Dividing Wealth:

Tax Pitfalls to Avoid in High-Net Worth Divorces

High-net-worth divorces often involve dividing complex financial assets and navigating significant tax issues. One of the most detrimental pitfalls is the tax impact of property transfers. While these transfers are typically tax-free during divorce, the receiving spouse inherits the original cost basis of the asset, leading to potential capital gains taxes when the property is sold. For example, selling a vacation home with a low-cost basis could result in hundreds of thousands of dollars in tax liability. Couples should carefully evaluate the cost basis and consider selling the property during the divorce to share the tax burden equally.

Retirement accounts also pose unique challenges. Dividing a 401(k) or other qualified plans without a Qualified Domestic Relations Order (QDRO) can trigger penalties and income taxes, significantly reducing the value of the settlement. Similarly, IRA transfers must be handled as trustee-to-trustee transfers to avoid immediate taxation. Failing to manage these accounts properly can lead to unanticipated tax consequences, eroding the intended financial support for both parties.

Investment portfolios can carry tax liabilities in the form of unrealized gains or losses. Dividing these assets without considering their tax impact can create an imbalance in the settlement. For instance, one spouse may inherit highly appreciated stocks, burdening them with significant future tax obligations, while the other spouse receives cash. To address this, settlements should be based on after-tax values, ensuring fairness in the division of assets.

Additionally, the Tax Cuts and Jobs Act (TCJA) of 2017 changed the taxation of alimony for agreements finalized after 2018. Alimony is no longer tax deductible for the payer or taxable to the recipient, fundamentally altering how spousal support is structured. This change has shifted the focus toward dividing assets rather than relying heavily on support payments. Understanding how these changes affect cash flow and tax liabilities is essential for negotiating a fair settlement that supports both parties' financial well-being.

By proactively addressing these tax considerations, divorcing couples can minimize financial surprises and ensure a more equitable settlement. Working closely with attorneys, financial advisors, and CPAs experienced in high-net-worth divorces is key to navigating these complex financial landscapes and protecting short- and long-term financial stability.*

S&P 500 Welcomes New Members:

Apollo Global Management and Workday

On December 23rd, the S&P 500 index welcomed two new companies: Apollo Global Management and Workday. This announcement sparked significant interest, with both companies' stocks experiencing notable jumps in after-hours trading.

What is Apollo Global Management? Founded in 1990, Apollo is an alternative asset management firm specializing in private equity, credit, and real assets investments. It has over $500 billion in assets under management.

Workday provides enterprise/business cloud applications for finance and human resources by offering a suite of software solutions that help organizations manage their workforce, financial operations, and planning processes.

Inclusion in the S&P 500 increases these companies' visibility among investors but also typically leads to increased demand for their stocks. This is primarily due to the large number of index funds and ETFs that track the S&P 500, which must now include these companies in their portfolios.*

Sources: Apollo Global Management, Workday Stocks Jump on S&P 500 Inclusion

Retirement Millionaires Are Everywhere

A recent survey indicated that there are a large percentage of 401k participants who now have a million dollars in their retirement platforms as a result of their contributions, employer matches, and market performance.

There has also been a large percentage in the number of individually owned IRAs who have more than a million dollars in their accounts.

Preserving Wealth Through Lifetime Giving:

A Strategic Approach

Estate planning is a crucial aspect of financial management, especially for individuals with substantial assets. With the ever-changing landscape of tax laws, one effective strategy for preserving wealth and minimizing the burden of federal estate taxes is lifetime giving. This approach not only allows individuals to transfer wealth to their loved ones during their lifetime but also offers significant tax benefits. As we approach the sunset of the Tax Cuts and Jobs Act in 2025, understanding and implementing lifetime gifting is especially important.*

WEEK ENDING 1/10/2025
(CUMULATIVE TOTAL RETURNS)

Equities[1]	Week	YTD	1-Year	Close
S&P 500	▼ -1.91%	▼ -0.9%	▲ 23.5%	5,827
DJIA	▼ -1.83%	▼ -1.4%	▲ 13.3%	41,938
NASDAQ	▼ -2.34%	▼ -0.8%	▲ 28.9%	19,162
Russell 1000 Growth	▼ -2.20%	▼ -0.8%	▲ 31.6%	4,010
Russell 1000 Value	▼ -1.54%	▼ -0.8%	▲ 13.8%	1,809
Russell 2000	▼ -3.49%	▼ -1.8%	▲ 12.6%	2,189
Foreign Stocks	▼ -0.43%	▼ -0.7%	▲ 4.8%	
Emerging Markets	▼ -1.49%	▼ -1.6%	▲ 10.0%	

Top Three S&P 500 Equity Sectors[1]	YTD
Energy	▲ 2.9%
Health Care	▲ 1.6%
Communication Services	▲ 0.9%

Bottom Three S&P 500 Equity Sectors[1]	YTD
Real Estate	▼ -3.7%
Consumer Staples	▼ -2.2%
Financials	▼ -2.0%

Bonds[1]	Week	YTD	1-Year	Yield
10-Yr. Treasury	▼ -1.24%	▼ -1.4%	▼ -1.8%	4.77%
US Bonds	▼ -0.87%	▼ -1.0%	▲ 1.2%	5.09%
Global Bonds	▼ -0.96%	▼ -1.3%	▼ -1.5%	3.83%
Munis[2]	▼ -0.95%	▼ -0.7%	▲ 0.6%	3.83%

Market Indicators[3]		As of
Fed Funds Target	4.50%	1/10/2025
Inflation (Core CPI)	3.30%	11/30/2024
Unemployment	4.10%	12/31/2024
GDP	3.10%	9/30/2024

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.

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