The Importance of Financial Literacy for Kids

Picture this scenario: Your 10-year-old receives $20 for their birthday and asks, “Can we go to the store so I can buy a new toy?” As you think about how to answer, you realize this is a perfect chance to teach an important life lesson. The impulse to get something new as soon as possible is undoubtedly a strong one—in both kids and adults—but this could be an opportunity to explain the merits of saving for a larger purchase. Helping kids understand how to manage money can create habits that stick with them and help them make smart choices in the future.

Teaching children about money isn’t just practical—it’s about giving them the tools to handle life’s challenges. Early lessons about saving, spending, and planning can set them up for success.

Why Start Early?

Kids pick up habits and lessons starting at young ages, and money skills are no different. Studies show that attitudes about money are generally formed by age seven. Teaching kids while they’re young helps them build a healthy relationship with money and equips them with skills to manage it—to save, spend, and budget responsibly. These lessons can give them the tools they’ll need to avoid financial mistakes later on. In addition to helping your child make better decisions about saving, borrowing, and investing, early money lessons will help them learn to distinguish between needs and wants, a key skill for managing money wisely.

Allowance and Budgeting

An allowance is often a child’s first encounter with money, making it a great tool for teaching the basics of finance. While you may want to designate some chores as an expectation for contributing to the household (therefore, not allowance-worthy), try giving your child a weekly allowance tied to age-appropriate tasks that go beyond their expected contribution. For example, a seven-year-old might be expected to make his bed every day, but he can earn cash for changing the sheets or putting the dirty ones in the laundry.

Here’s one way to use an allowance to teach budgeting:

- **The three jars method:** Give your child three jars labeled “Save,” “Spend,” and “Give.” Encourage them to divide their allowance among these jars. A common split is 50% for spending, 40% for saving, and 10% for giving, but you can adjust this based on your family’s priorities.
- **Discuss spending choices:** Let them decide how to use their “Spend” money. If they want a toy, talk about whether they’ll still enjoy it a week later—in other words, is it worth the spend?
- **Track their money:** Use a simple notebook or a basic app to keep track of allowance, savings, and spending. This helps kids see where their money is going and gain practice keeping a record of their finances.

Setting Saving Goals

Saving teaches kids patience and discipline, which can be tough when they're naturally drawn to instant rewards. Help them set a goal for something they want, like a game or a bike, and show them how to save for it.

- **Set a goal together:** Ask your child what they'd like to save for and figure out how much it costs. Then, break it into smaller, manageable steps. For instance, if the goal is $20 and they save $5 a week, they'll reach it in four weeks.
- **Make it visual:** Create a savings tracker, like a thermometer, sticker chart, or a jar they can color in as they save. This makes the process fun and the progress visible.
- **Celebrate success:** When they reach their goal, congratulate them and tell them how impressed you are that they did it. Reinforce how saving leads to worthwhile rewards.

Introducing Investing

Investing might sound too complicated for young minds, but it can be easy for kids to understand with age-appropriate explanations.

- **Use familiar examples:** Explain investing by comparing it to planting a seed and watching it grow. Relate it to companies they know, like ones that make their favorite toys or snacks.
- **Open a custodial investment account:** Some financial institutions offer accounts where you can manage small investments for your child. Show them how money can grow with time and patience by explaining how the account works.
- **Use simple analogies:** Talk about risk versus reward. For example, keeping money in a piggy bank is safe but doesn’t grow, while investing is like planting a garden—it takes time but can yield bigger rewards.

Everyday Teachable Moments

Using ordinary situations to teach money lessons helps make the concepts stick:

- **Grocery store shopping:** Involve your child in comparing prices, discussing needs versus wants, and finding the best deals.
- **Family budgeting:** Share how you budget for things like vacations or household expenses. Simplify it so they can understand how money is allocated.
- **Holiday or birthday money:** If your child receives money as a gift, encourage them to split it among saving, spending, and giving.

Encouraging Generosity

Teaching kids about giving helps them develop empathy and gratitude. Suggest they donate a portion of their money to a cause they care about—like helping animals or supporting a local food bank. Explain how even a small amount can make a big difference.

A Lifelong Skill

By teaching kids about money early, you're giving them skills they'll use forever. Financial literacy helps them make smart decisions, avoid debt, and even build wealth. Whether it's through an allowance, saving for a goal, or exploring investing, these lessons will prepare them for the future. Start small, keep it consistent, and watch them grow into confident, money-savvy adults.

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How to Start a College Fund Early

Every parent wants to give their child the best possible future, and for many families, that includes higher education. But with tuition costs continuing to rise, figuring out how to pay for college can feel overwhelming. The good news? Starting a college fund early gives your savings more time to grow, making it easier to manage those future expenses.

529 Plans: A Popular Tool for College Savings

When it comes to saving for a child's education, 529 college savings plans are one of the most widely used and versatile options. These state-sponsored accounts are specifically designed to help families save for qualified education expenses, and contributions grow tax free as long as they're used for qualified expenses. Because of their flexibility and tax advantages, they're one of the most popular ways to save for college. Begin by evaluating your state's 529 plan, as that's often the best place to start for state tax benefits. However, you're not limited to your own state's plan—you can choose almost any state's 529 program that fits your needs.

Here's how they work:

- **Contributions**: Money added to a 529 plan is invested in a selection of funds or portfolios chosen by the account owner.
- **Growth**: Earnings grow tax free, meaning you won't owe federal taxes on the investment gains as long as the money is used for qualified education expenses.
- **Withdrawals**: Funds can be used for tuition, fees, room and board, books, and even some K–12 tuition (in certain states) or trade schools.

Let's say you start contributing $200 monthly when your child is born. By the time they're 18, assuming a 6 percent annual return, you could have about $75,000 saved—and all the earnings would be tax free when used for education.

Tax Benefits

One of the biggest advantages of a 529 plan is its tax efficiency. Contributions are made with after-tax dollars, but the account's growth and qualified withdrawals are tax free. Some states even offer tax deductions or credits for contributions, adding another layer of savings.

For example:

- If you contribute $5,000 to a 529 plan in a state offering a 5% tax credit, you could save $250 on your state taxes that year.

While $250 may not seem like much, over time, these tax savings can make a meaningful difference—reducing your overall education costs just by choosing the right savings plan.

Investment Options, Age by Age

529 plans typically offer a range of investment portfolios, from aggressive growth funds to conservative options. Your child's age and your comfort with risk will help guide your investment choices.

In the early years (ages 0–10), it often makes sense to invest more aggressively, with a higher allocation to stocks that have the potential for long-term growth. By the time your child reaches middle school (ages 11–15), gradually shifting to a more balanced approach can help manage risk. As college approaches (ages 16+), many families move to more conservative investments, such as bonds or money market funds, to help protect savings from market downturns.

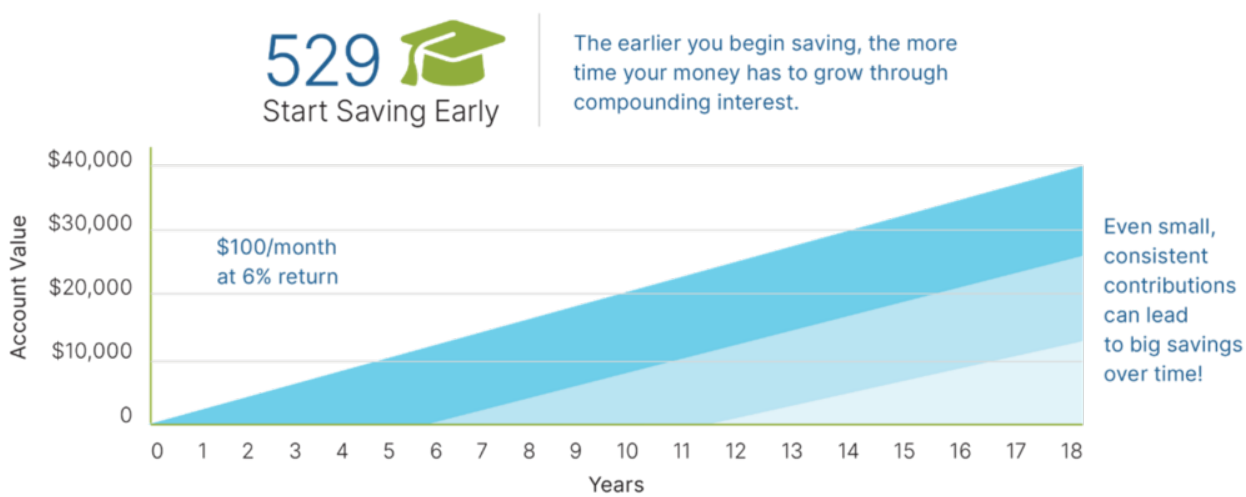
Keep in mind, many plans also offer "age-based" portfolios that automatically adjust the investment mix as your child gets closer to college age.

Starting Early

Time is your greatest ally when it comes to compounding growth, so it's ideal to start as soon as possible. Setting up automatic monthly transfers often works better than trying to make larger annual contributions. For example, contributing $100 monthly feels more manageable than coming up with $1,200 at year-end. If you start contributing that $100 monthly at your child's birth, earning an average annual return of 6 percent, you could have nearly $40,000 saved by the time they turn 18. Plus, regular contributions help you take advantage of market ups and downs through dollar-cost averaging.

Here are a few tips to get started:

- **Set up automatic contributions**: Most 529 plans allow you to schedule recurring deposits, making it easier to stay consistent.
- **Start small**: Even $25 a month can grow substantially over 18 years. Note that some plans do implement minimum contribution thresholds, though these are generally very low.
- **Gift contributions**: Encourage family members, such as grandparents, to contribute to the 529 plan as part of holiday or birthday gifts. College savings works best as a family effort, with everyone pulling together toward the shared goal of providing educational opportunities for the next generation.



What If Your Child Doesn't Pursue College?
Worried about what happens if your child doesn't go to college? 529 plans offer plenty of flexibility:

Change the beneficiary: The account can be transferred to another family member of the beneficiary, such as a sibling, cousin, grandchild, or even yourself.

Use it for other education-related expenses: Use the money for trade schools or vocational training or put it toward K–12 tuition (up to $10,000 annually, but only in certain states).

Withdraw funds: If the funds are withdrawn for nonqualified expenses, the earnings portion will be subject to taxes and a 10 percent penalty, but the principal contributions are not penalized.

Repurpose the funds: Recent changes in legislation allow up to $35,000 of unused 529 funds to be rolled into a Roth IRA for the beneficiary (subject to certain conditions).

This flexibility ensures that your savings don't go to waste, even if plans change.

Exploring Alternatives

While 529 plans are a popular choice, they're not the only option. Depending on your family's circumstances, other accounts might be worth exploring:

Coverdell education savings accounts (ESAs): These accounts offer similar tax advantages to 529 plans but with lower contribution limits ($2,000 annually per child, subject to certain limits) and more flexibility in investment options.

Custodial accounts (UTMA/UGMA): These accounts allow you to save money in a child's name, which they gain control of upon reaching adulthood. However, earnings are subject to taxes, and the funds can be used for any purpose—not just education.

Each option has unique benefits and trade-offs, so it's helpful to compare them carefully before making a decision.

Building a Brighter Future

Starting a college fund early may seem like a daunting task but breaking it into manageable steps can help you stay on track. Whether you choose a 529 plan, a Coverdell ESA, or another option, the key is to begin as soon as you can and contribute consistently.

Saving for college doesn't have to be overwhelming. By starting early, taking advantage of tax-advantaged accounts, and making saving a family effort, you can turn today's small contributions into tomorrow's opportunities—helping your child chase their dreams with confidence.

The fees, expenses, and features of 529 plans can vary from state to state. 529 plans involve investment risk, including the possible loss of funds. There is no guarantee that an education-funding goal will be met. In order to be federally tax free, earnings must be used to pay for qualified education expenses. The earnings portion of a nonqualified withdrawal will be subject to ordinary income tax at the recipient's marginal rate and subject to a 10 percent penalty. By investing in a plan outside your state of residence, you may lose any state tax benefits. 529 plans are subject to enrollment, maintenance, and administration/management fees and expenses.

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Navigating the Financial Side of Divorce

Divorce is one of life's most challenging transitions – emotionally and financially. After years of building a shared financial life, you're suddenly faced with untangling everything, from your finances to your future plans. Questions like, "What happens to our house? How will I manage on my own? What's fair when dividing everything we've built?" are essential to address.

The good news? With a clear understanding of your options and proactive planning, you can create a solid foundation for your post-divorce life.

Dividing Assets

One of the most complex aspects of divorce is dividing your assets. It's not just about who gets what; it's about ensuring that you have a clear picture of your financial situation and a fair plan for moving forward.

- **List all assets.** Start by listing everything you and your spouse own. In most cases, marital property includes assets acquired during the marriage, regardless of whose name is on the title. Certain items – such as gifts, inheritances, or assets protected by a prenuptial or post-nuptial agreement – may not be considered marital property, however. Be thorough and don't overlook assets such as frequent flyer miles, retirement accounts, or collectibles – they may factor into the financial picture.

- **Understand their value.** Knowing what your assets are worth is important. You might need professional help, like appraisers for property or valuations for a business. For bank accounts and investments, statements from financial institutions can provide accurate numbers.
- **Decide how to divide.** How assets are divided depends on your state's laws. Community property states split everything 50/50, whereas equitable distribution states divide assets fairly, though not necessarily equally. A financial advisor and attorney can help you determine what's realistic based on your situation.

Understanding Support Obligations

Divorce often brings financial obligations such as child support or spousal support (alimony). These need to be factored into your financial plan.

- **Child support.** If you're paying or receiving child support, know that it's designed to cover essentials such as housing, education, and health care. Look at how this fits into your budget – whether as an expense or income – and plan accordingly.
- **Spousal support (alimony).** Alimony helps ensure that one spouse doesn't face undue financial hardship. This is especially important if one partner took time out of the workforce to support the family. The duration and amount vary depending on your state, so it's smart to consult legal and financial experts to understand your options.

Legal and Mediation Costs: Plan for the Process

Divorce isn't just emotionally taxing – it can be expensive. Budgeting for these costs early can help avoid financial surprises.

- **Traditional divorce.** If your case is contested, you'll likely need an attorney. Rates vary, so ask for a clear estimate upfront.
- **Mediation or collaborative divorce.** If you and your spouse can work together, alternative methods may save you both money and stress. These approaches are typically less expensive and give you more control over the outcome.

Rebuilding Your Financial Life After Divorce

Once the paperwork is signed, it's time to focus on your financial future. Taking these steps can help you regain control and confidence.

- **Create a new budget.** Your income and expenses will change – new housing costs, insurance premiums, or child-related expenses might now be part of your monthly routine. Tools like budgeting apps or a simple spreadsheet can help you keep track.
- **Reassess your retirement goals.** Divorce can affect retirement savings, especially if you're dividing a 401(k) or IRA. A financial advisor can help you revise your plan to ensure that you're still on track for the future you want.
- **Build an emergency fund.** Life after divorce can be unpredictable. Aim to save at least three to six months of expenses. This cushion can help you handle surprises and start your new chapter with more peace of mind.

Special Considerations for Women

Although divorce affects everyone, women often face unique challenges that require special attention.

- **Earning potential and career goals.** If you've been out of the workforce or earning less while supporting your family, this is an opportunity to focus on rebuilding your career. Consider whether you'll need to upskill, reenter the job market, or negotiate spousal support to bridge the gap.

- **Retirement savings.** Wage gaps and career breaks mean women often have less saved for retirement. If you're awarded a portion of your spouse's retirement accounts, ensure that the funds are transferred correctly, using a qualified domestic relations order (QDRO) to avoid penalties.
- **Health insurance.** Explore new options if you were covered under your spouse's employer-sponsored health plan. COBRA can provide temporary coverage, but marketplace plans or employer-sponsored options may be more affordable long term.
- **Custodial considerations.** If you're the custodial parent, plan for child-related expenses such as day care, extracurricular activities, and school fees. Be sure that these are accounted for in your divorce agreement to prevent future disputes.

Moving Forward

Divorce marks a major life transition — but it's also an opportunity to start fresh. With the right support and financial planning, you can navigate the challenges, reduce uncertainty, and build a stable, fulfilling future.

Remember: You don't have to do this alone. We're here to help you every step of the way. Whether you're just starting the process or finalizing the details, thoughtful financial planning can help you move forward with confidence.

This material has been provided for general informational purposes only and does not constitute tax, legal, or investment advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a

qualified professional regarding your situation. Commonwealth Financial Network does not provide tax or legal advice.

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Understanding and Protecting Your Purchasing Power

Imagine walking into your local grocery store with a $20 bill. Last year, that might have bought you a gallon of milk, a dozen eggs, and a loaf of bread with change to spare. Today, those same items could cost noticeably different amounts and $20 may not cover as much. This everyday experience demonstrates the concept of purchasing power—how much your money can actually buy. Understanding this concept helps you make smarter financial decisions and grow the value of your funds over time.

What Shapes Your Money's Value?

Your purchasing power changes as the economy changes, influenced by various economic factors. Inflation and purchasing power are inversely related—when prices rise, the amount of goods and services you can purchase with the same amount of money decreases. And, conversely, when prices decrease, you can buy more.

Think about buying a car. The same $30,000 that bought a well-equipped sedan five years ago might only buy a basic model today. Or consider housing—monthly rent that was $1,500 a few years ago might now be $2,000 for the same apartment.

Understanding purchasing power isn’t just about watching prices go up and down, however. It’s about learning how economic changes affect both your spending and saving strategies. This helps you make smarter decisions to protect your money’s value in the years to come.

Making Your Savings Work for You

One way to counter inflation and preserve purchasing power is through smart savings choices. Traditional savings accounts offer accessibility, but interest rates can vary widely. High-yield savings accounts, for example, often provide significantly better returns than standard accounts, while government securities, such as Treasury bills or savings bonds, offer other secure savings options.

For instance:

- If you had $10,000 in a regular savings account earning just 0.1% annually, after five years, you’d earn around $50 in interest.
- By contrast, in a high-yield savings account earning 4% annually, you’d earn about $2,166 in total interest over the same period.

A financial advisor can help you explore savings options that best fit your goals, making it easier to protect your purchasing power over time.

Planning for a Comfortable Retirement

When planning for retirement, understanding purchasing power becomes especially important. A lifestyle that costs $50,000 per year today will likely cost a different amount in the future. Similarly, what you can buy with a $1 million retirement fund today will not equal what you can buy with the same amount 25 years from now.

Your spending patterns in retirement usually shift over time:

- **Early Retirement:** Often marked by discretionary spending on travel and hobbies.
- **Mid-Retirement:** A time when housing needs may shift, perhaps toward downsizing.
- **Late Retirement:** Typically, expenses for health care and support services increase.

Over a retirement that might last decades, changes in purchasing power could mean that what seems like ample savings now might cover far less in the future. A financial advisor can help you create a retirement strategy that aims to keep pace with rising costs, especially for essentials like health care.

Career Development and Income Potential

Career growth is another way to help protect your purchasing power. For instance, if you start with a $50,000 annual salary, adding certifications or new skills could boost that to $75,000 or more—helping your income keep up with rising costs. Continuing education, professional certifications, and skill development allow you to stay competitive and command higher earnings. Side income from consulting or freelance work can also diversify and strengthen your income.

Building Long-Term Financial Security

Protecting your purchasing power isn't about predicting economic trends; it's about staying prepared and adaptable. Understanding financial tools and regularly updating your strategy can make a significant difference.

Taking Action

Start with these steps to better manage your purchasing power:

- **Track Key Prices:** Choose your top 10 most-purchased items, track their prices for six months, and adjust your budget as needed.
- **Shop Around for Savings:** Check savings account interest rates every January to see if higher-yield options could help grow your savings.
- **Invest in Your Skills:** Identify certifications or training that could boost your earning power and set a timeline for earning them.
- **Adjust Your Budget Regularly:** Review your monthly budget each quarter to reflect changes in prices and spending patterns.
- **Meet with a Financial Advisor:** Review your long-term financial strategy on a regular basis to ensure that it keeps pace with changing economic conditions.

Taking small, consistent steps can build up to significant results over time. While you can’t control the economy, you *can* take control of your financial future by staying informed and proactive.

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Society of Certified Insurance Counselors Honors Martha Wentworth for 20 Years of

Dedicated Leadership and Professional Development

Martha Wentworth, CIC, CRM, CPRM, was recently recognized for professional leadership and advanced knowledge by the Society of Certified Insurance Counselors.

Martha was awarded a certificate of achievement recognizing 20 consecutive years of successfully maintaining the Certified Insurance Counselor (CIC) designation. The CIC designation requires an annual continuing education update ensuring that her education is always up-to-date and relevant.

Martha is a business insurance producer who serves clients across Maine from the Allen's Waterville office.

In addition to her CIC designations, Wentworth maintains the Certified risk Manager (CRM) and Certified Personal Risk Manager (CPRM) designations. She recently celebrated her 25th work anniversary with the company.

"The CIC program's unwavering dedication to fostering professional excellence has set a high standard in our industry," said Dan Bookham, senior vice president for business development at Allen. "Martha's consistent pursuit of growth and development is truly inspiring, serving as a model for her colleagues within our company and across the Maine insurance community."

ABOUT THE CIC PROGRAM: The CIC Program is nationally recognized as the premier continuing education program for insurance professionals, with programs offered in all 50 states and Puerto Rico. Headquartered in Austin, Texas, the Society of CIC is a not-for-profit organization and the founding program of The National Alliance for Insurance Education & Research.

Are Subscriptions Draining Your Bank Account?

You open your bank statement and notice a string of small charges you barely remember signing up for—a streaming service you signed up for during the pandemic, the meditation app you downloaded during a stressful week, and a digital magazine subscription you haven't read in months. When you added these on, each charge seemed minor. But over time, these subscriptions can add up, draining hundreds or even thousands of dollars from your account. That $50 a month? That's $600 yearly—enough for a weekend getaway or a solid contribution to your emergency fund. But the good news? Reclaiming control over your subscriptions is simpler than you might think.

The Subscription Landscape

Today, our lives are filled with subscriptions. Besides the usual streaming services, companies now offer recurring payments for meal kits, pet supplies, beauty products, fitness programs, and even car features. While they all promise convenience, these ongoing charges can quickly add up and overwhelm your budget. Often, people don’t realize the true cost of all these services combined.

Find Hidden Costs

A great first step is to review your bank and credit card statements from the past three months. Look for any recurring charges, especially those tied to digital services and app stores, which can often hide under unfamiliar company names. Free trials that quietly transitioned into paid plans or annual subscriptions renewed without your notice are common.

To simplify this process, try using a dedicated credit card just for subscriptions. This keeps all charges in one place, making it easier to track your spending. You might also check whether your bank offers subscription-tracking tools, which are increasingly available through mobile apps.

The Auto-Renewal Trap

Auto-renewal settings often work against your financial interests. Many companies rely on customers forgetting about renewal dates or finding cancellation processes too complicated. Disable auto-renewals when possible, and set calendar reminders five to seven days before renewal dates. This gives you a chance to review whether the service is still valuable and check for any price increases or free alternatives.

Subscription rules are becoming more consumer-friendly, too. The Federal Trade Commission (FTC) recently finalized a “click to cancel” rule to make cancellations as easy as sign-ups. Under this rule, companies, including gyms, streaming platforms, and cable providers, will need to offer cancellation options as simple as the sign-up process. This rule, expected to take effect sometime in early 2025, will help prevent consumers from feeling “tricked or trapped into subscriptions.” While some companies argue it’s an undue burden on their processes, the rule’s goal is clear: to empower you to regain control of your subscriptions and stop paying for services you don’t need.

Watch for Hidden Requirements

Before purchasing a subscription, look into any required add-ons. That new fitness device may need a monthly app subscription to unlock basic features, or a tool you downloaded may be free only for the first month. To avoid unexpected fees, read the fine print, and consider these ongoing costs in your decision-making.

Find Free Alternatives

Many paid subscriptions have great free alternatives. Your local library often provides free access to digital books, magazines, movies, and even some streaming services. Try these ideas for cutting subscription costs:

- Use shared family plans for streaming services rather than separate accounts
- Check out YouTube for free workouts instead of relying on paid fitness apps
- Look into your library’s digital catalog before paying for entertainment subscriptions

Take Action ASAP

Take 15 minutes tonight to start a subscription audit. Create a simple list or spreadsheet of each service, noting its monthly cost, renewal date, and how often you use it. Cancel any unnecessary subscriptions right away and remove your payment info to prevent future charges.

Next, calculate your total annual spending on subscriptions. This number is often surprising! Consider if that amount might be better directed to other financial goals, like building an emergency fund or saving for retirement. For services you keep, check for annual payment discounts, which can be more economical than monthly payments.

Build Better Habits

Here's a helpful habit: wait 24 hours before signing up for any new subscription. This cooling-off period can help prevent impulse decisions. When you do subscribe to something new, set up a renewal reminder in your calendar so you'll remember to review it.

Convenience is great—but not when it drains your finances. By managing your subscriptions proactively, you can enjoy services that add real value to your life while keeping more money in your wallet. The key is to stay aware of where your money goes and ensure that every recurring charge serves your financial goals.

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Death, Taxes and Change…What's in Store for 2025

Sarah Ruef-Lindquist, JD, CTFA

By Sarah Ruef-Lindquist for Pen Bay Pilot

I've said it before, and I'll say it again: The only things that are sure in this life are death and taxes…we need to be mindful of change, at least as it pertains to taxes.

Retirement Savings

A variety of plans can be used to save money on a tax-deferred basis. Those include 401(k)s, IRAs SEP and SIMPLE plans. The great thing about tax deferral is it allows accounts to not pay taxes on their dividends, income and capital gains for years and years, until funds are withdrawn, presumably in retirement. This tax deferral can allow for significantly higher levels of appreciation due to growth in market value without the negative impact of taxes on that growth.

It's important to maximize saving for retirement and take advantage of the provision of the tax law that allow taxpayers to save funds in tax-deferred accounts…for 2025, the contribution limit for most plans (401(k), 403(b) and 457 plans) increases from $23,000 to $23,500 with another $7,500 for those age 50 – 59 or those older than 63. For those age 60, 61 or 62, the amount is now $11,250. That means that certain taxpayers can add as much as $34,750 to their plans in 2025, the highest amount ever allowed.

Similarly, in 2025 SIMPLE plans will have new elective deferral limits: $16,500 up from $16,000 and a catch-up amount of $3,500 for those 50 – 59, and $5,250 if there are 26 or more employees. For those with 25 or fewer employees, the catch-up amount is $3,850 for those age 50-59 or older than 63, and $5,250 for those 60, 61 or 62.

IRAs will continue to have a 2025 contribution limit of $7,000 with an unchanged catch-up amount of $1,000 for those age 50 and older.

There are other changes for SEPs in store for 2025. For those who participate in them, taxpayers should consult their accountants and financial advisors for more details.

Why maximize savings in these types of plans and accounts? Earnings in these plans are tax free until withdrawn, which for many is not required until age 73 or if born in 1960 or later, age 75.

Please remember that financial and tax situations differ widely from person to person, and there is no one-size-fits-all for most of these situations. Consult with your financial and tax advisors for how any of these or other provisions that are changing in 2024 may affect you.

5 Financial Habits for Long-Term Success

In the world of personal finance, it’s not just about how much you earn; it’s about how you manage what you have. Whether you’re fresh out of college, eyeing retirement, or somewhere in between, developing strong financial habits is critical for long-term success. This article will explore five key moves that can help you build wealth, reduce financial stress, and achieve your long-term goals. Although they aren’t quick fixes, you’ll be amazed at how they can positively affect your financial future if you stick with them.

1. **Put Savings and Investments on Autopilot**

You’ve heard this before, but don’t dismiss it as a cliché: pay yourself first. This means setting up automatic transfers from your checking account to your savings and investment accounts as soon as you get your paycheck. Begin by logging into your online banking platform and setting up recurring transfers. You can start small—even 5 percent is worthwhile—and gradually increase the percentage over time. If your employer offers a 401(k) match, ensure that you’re contributing enough to take full advantage of this free money. Remember, even small, consistent contributions can grow significantly over time due to compound interest.

2. **Cut Back on Impulse Purchases**

That late-night online shopping scroll that somehow ends with a cart full of stuff you didn’t know you “needed” isn’t helping you reach your money goals. To reel in impulse purchases, try setting aside a cooling-off period for nonessential items you’re considering buying. Instead of purchasing, add them to a wish list on your phone or to a Post-it Note—and keep it out of your online cart. Then, give it a day or two. That “must-have” item might seem unnecessary after 24 hours. You can also try the 30-day rule for larger purchases, giving yourself a full month to decide if it’s worth the cost. You may realize you didn’t need it that much.

3. **Track Your Spending**

To make informed money decisions, you need to know where your cash is going. Keeping track of spending helps you figure out where you can cut back and increase the funds you put toward your goals. Start by choosing a way to record your purchases, whether it’s a budgeting app, a spreadsheet, or just an old-fashioned notebook. Record every expense, no matter how small, for one month. Then, go over your spending patterns and figure out where you can make cuts. You might find some surprises, like buying coffee, snacks, or a daily lunch salad add up to a vacation’s worth of cash over time. Use this information to create a practical, goal-centered budget, and continue tracking to ensure that you’re sticking to it.

4. **Get Familiar with Your Credit Report**

Your credit score affects everything from loan approval to interest rates, so it’s a major factor in your financial life. Make it a habit to check your credit report regularly to catch errors and find ways to improve your score.

Hot tip: Every 12 months, you’re entitled to one free credit report by mail from each of the three major credit bureaus (Equifax, Experian, and TransUnion) through annualcreditreport.com. If you set a reminder to request one report every four months, you’ll have a year-round overview of your credit. You can also receive free weekly online credit reports through the same site. What should you be on the lookout for? Any unfamiliar accounts, incorrect balances, or payments that mistakenly show they were late. If you find issues, file a dispute with the credit bureau as soon as possible. Regularly monitoring your credit can also help you discover identity theft early.

5. **Stick to It**

It's not always fun or easy to stick to a financial plan, but consistency is key when it comes to money matters. Developing discipline helps you stay on track, even when you spot a great sale or find a must-have collector's item. Start by setting clear, achievable goals. Write them down and keep them somewhere you'll see them often, like your fridge or as a phone background. Break larger goals into smaller, manageable steps. If you want to save $5,000 for an emergency fund, for instance, set monthly or weekly savings targets. Create accountability by sharing your goals with a trusted friend or family member. When you're feeling discouraged or tempted, remind yourself that your long-term financial success is worth it.

Developing strong financial habits is a marathon, not a sprint. It's about making small, smart choices each day. It requires patience, persistence, and a willingness to learn from both successes and setbacks. Start by choosing one or two habits to focus on, and gradually incorporate the others as you become more comfortable.

As always, we're here to help you reach your goals. Feel free to reach out for more information or advice on how to adopt these habits for a more financially secure future.

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Life’s Eternal Trinity: Death, Taxes and Change

By Sarah Ruef-Lindquist, JD, CTFA
For Pen Bay Pilot’s Wave magazine, fall 2024

Before you know it, we’ll be celebrating the new year and we will be a quarter of the way through the 21st century with the arrival of 2025.

And just as swiftly, we will approach the end of 2025 and the sunsetting of Tax Cuts and Jobs Act (TCJA) on December 31, 2025 with provisions that will impact many individuals and families.

Here are some of the provisions that impact most taxpayers:

Standard deduction: Because the standard deduction was doubled ($12,000 for single filers and $24,000 for married filing jointly), many taxpayers haven’t itemized deductions under TCJA. In 2026, the standard deduction will be about half of what it is currently, adjusted for inflation, likely steering taxpayers back to itemizing deductions.

And speaking of itemized deductions, those who did continue to itemize had to navigate changes that will sunset.

- The state and local tax (SALT) deduction was capped at $10,000, most significant for taxpayers states with higher taxes. In 2026, this limitation will expire, allowing greater benefit from deducting taxes including real estate taxes, state or local income taxes and personal property taxes.
- The TCJA ended the home equity loan interest deduction and limited the home mortgage interest deduction to the first $750,000 of debt (if married filing jointly) for loans that originated on or after Dec. 16, 2017. The mortgage interest deduction will revert to interest deductible on the first $1 million in home mortgage debt and $100,000 for a home equity loan.
- The TCJA temporarily eliminated most miscellaneous itemized deductions, such as investment/advisory fees, legal fees and unreimbursed employee expenses. These deductions will once again be allowed in 2026, to the extent they exceed 2% of the taxpayer’s adjusted gross income.

Income tax rates: TCJA lowered tax rates to 10%, 12%, 22%, 24%, 32%, 35% and 37%. These tax rates are set to sunset Dec. 31, 2025. The top tax rate beginning Jan. 1, 2026, will revert to 39.6%.

Given that rates could revert back to pre-TCJA rates and that itemized deductions may regain their usefulness, some taxpayers may wish to time certain expenses for deductions available against income under higher tax rates.

And then there’s estate and gift taxes. These are taxes on amounts given as gifts or passing from a decedent. The TCJA effectively doubled the estate and gift tax basic exclusion. The basic exclusion applies to assets in estates and takes into account significant lifetime gifting activity. The 2024 exclusion amount is $13.61 million per person ($27.22 million for married couples) and the amount for 2025 will be adjusted for inflation.

Taxpayers who die through 2025 with a taxable estate greater than the exclusion amount can be subject to a federal tax rate of up to 40%. Some states also impose an estate tax, so estate assets passing to heirs can be significantly reduced.

At the end of 2025, this tax provision will sunset, cutting the exclusion roughly in half. Individual taxpayers with significant estates that are above the lower 2026 exclusion amount should consult with their tax advisers and estate attorneys as soon as possible to take advantage of the expiring TCJA exclusion by using planning strategies and considering gifts before the end of 2025. There’s only a year left to shelter significant asset transfers with these historically generous exemptions.

Enjoy the holidays and time with family and friends and as you settle into 2025, consider how the sunsetting provision of TCJA may impact your financial situation and estate planning. Seek the advice of qualified legal and tax professionals to determine the best course of action for your particular situation.

Record-Setting Charitable

Giving in 2023 Speaks to American Generosity

By Sarah Ruef-Lindquist
For Pen Bay Pilot

GivingUSA 2024 reported a record high dollar amount of $557.16 billion given by individuals, corporations, foundations and decedents' estates in 2023.

While the increase over the 2022 amount of almost $546 billion is notable, it does not mean an increase in inflation-adjusted dollars, but rather a 2.1% decrease from 2022.

For a longer historical perspective, total charitable giving in 2016 was just shy of $400 billion. That translates into 39% growth in giving over the last eight years.

Still, the 2023 numbers indicate a continued generosity in the United States in the face of the higher costs of living which many are facing. While the increase in the amount of giving may not have exceeded the current rate of inflation, it shows that people are willing to still support charitable causes at least as much as they did in the prior year, even if many of their living expenses have increased.

The GivingUSA report details the sources of gifts as well as the sectors receiving those gifts. Individuals continue to represent the largest source of gifts, at 67%. The foundation share was 19%, while corporations and bequests combined make up the other 14%.

It is notable that the combined amounts from Individuals and bequests – almost 75% – speaks to the importance that individuals and families play in supporting charitable causes.

The education, health, human services, public society benefit, environment/animals, arts, culture and humanities all saw increases in gifts, while religion and international affairs saw decreases.

The trend toward giving to donor-advised funds at places such as Fidelity and community foundations continued with the highest growth level for the year, possibly signaling the desire for the kind of philanthropic flexibility donor-advised funds offer. Donor-advised funds allow a donor to make a charitable contribution and then serve as an advisor as to what charities should be supported from those contributions, either in the current year or in future years. Successor advisors may also be named.

This is all very good news for charitable organizations that rely upon philanthropy to continue their missions; during the pandemic and since many predictions about a recession caused the philanthropic sector to anticipate a significant downturn in giving which, fortunately, has not come to pass. Continued low unemployment, high stock market values and corporate profitability are likely helping to support donor generosity for individuals, families, foundations and corporate donors.