Financial Strategies

News You Can Use!!

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107,713,681

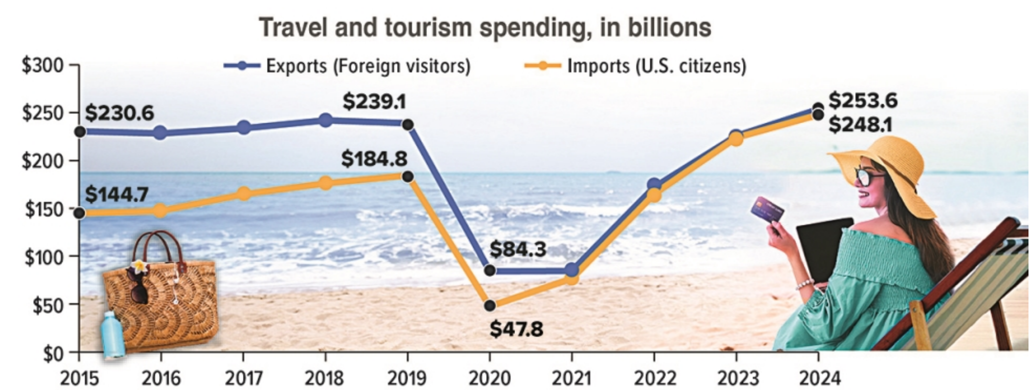
Number of international trips taken by U.S. citizens in 2024, up 9.2% over 2023 and an all-time record. About half were to North American destinations: Mexico (37.0%) and Canada (13.1%). The most popular overseas destinations were Europe (20.6%), the Caribbean (10.5%), and Asia (6.3%).

Source: National Travel and Tourism Office, 2025

Travel Spending Surpasses Pre-Pandemic Levels

Spending by foreign visitors in the United States, including fares on U.S. airlines, is considered an export for purposes of U.S. gross domestic product, while spending by U.S. citizens in foreign countries and on foreign airlines is considered an import.

Both types of travel spending were hit hard by the pandemic but surpassed pre-pandemic levels in 2024. However, prior to the pandemic, spending by foreign visitors was generally higher than U.S. citizens' spending in foreign countries — creating a positive trade balance — but the spending levels have been very close since 2021. This may reflect the stronger U.S. economic recovery that gave U.S. citizens more discretionary income.



Source: National Travel and Tourism Office, 2025

July 2025

Have You Set a Retirement Savings Goal?

It's difficult to reach a destination unless you know where you're heading. Yet only 54% of workers or their spouses have tried to estimate the savings they would need to live comfortably in retirement.[1]

To get a start on establishing a retirement savings goal, use the simple worksheet on this page to compare the income you think you will need (or want) with the sources of income you expect. Keep in mind that estimates are in today's dollars, so your desired income should account for the rising cost of living between now and the time you plan to retire.

How much will you need?

Everyone's situation is different, but one common guideline is that you will need at least 70% to 80% of your pre-retirement income to meet your retirement expenses. This assumes that you will have paid off your mortgage, will have lower transportation and clothing expenses when you stop working, and will no longer be contributing to a retirement savings plan.

Although some expenses may be lower, others might increase, depending on your retirement lifestyle. For example, you may want to travel more or engage in new activities.

Unfortunately, medical expenses will likely be higher as you age. A recent study suggests that a man, woman, or couple who retired in 2024 at age 65 — with median prescription drug expenses and average Medigap premiums — might need $191,000, $226,000, or $366,000 in savings, respectively, to cover retirement health-care expenses (not including dental, vision, or long-term care).[2] Future retirees may need even higher levels of savings.

Estimate income sources

You can estimate your monthly Social Security benefit at different retirement ages by establishing a my Social Security account at ssa.gov/myaccount. The closer you are to retirement, the more accurate this estimate will be. If retirement is many years away, your benefit could be affected by changes to the Social Security system, but it might also rise as your salary increases and the Social Security Administration makes cost-of-living adjustments.

If you expect a pension from current or previous employment, you should be able to obtain an estimate from the employer.

Add other sources of income, such as from consulting or a part-time job, if that is in your plans. Be realistic. Consulting can be lucrative, but part-time work often pays low wages, and working in retirement is less likely than you might expect. In 2025, 75% of workers expected to work for pay after retirement, but only 29% of retirees said they had actually done so.[3]

Get Started

This worksheet might give you a general idea of the savings needed to generate your desired retirement income.

	Example	You
1. Annual retirement income desired	$80,000	
2. Expected income from sources such as Social Security or a pension	$30,000	
3. Income you need to generate from savings and investments (line 1 – line 2)	$50,000	
4. Savings needed to provide desired income for 25 years, assuming 5% annual return (line 3 x 14.1 income generation factor)*	$705,000	
5. Savings needed to provide desired income indefinitely, assuming 5% annual return (line 3 ÷ .05)	$1,000,000	

*Use a factor of 12.5 for 20 years or 15.4 for 30 years; factors are rounded.

This hypothetical example does not account for taxes or inflation and is used for illustrative purposes only. Rates of return will vary over time, particularly for long-term investments. Actual results will vary.

The income from your savings may depend on unpredictable market returns and the length of time you need your savings to last. Higher returns could enable your nest egg to grow faster, but it would be more prudent to use a modest rate of return in your calculations. Remember that all investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful. Investments seeking higher rates of return also involve a higher degree of risk.

A more detailed projection

A rough estimate of your retirement savings goal is a good beginning, and a professional assessment may be the next step. Although there is no assurance that working with a financial professional will improve investment results, a professional can evaluate your objectives and resources and help you consider appropriate long-term financial strategies.

1–3) Employee Benefit Research Institute, 2025 (Health-care expenses include Medigap premiums, Medicare Part B premiums and deductibles, Medicare Part D premiums, and out-of-pocket prescription drug expenses; projection is based on a 90% chance of meeting expenses and assumes a 7.32% return on savings from age 65 until expenditures are made.)

QLACs: Your Retirement Accounts Can Act Like Pensions

These days, most people who work in the private sector don't have pensions, so they can only guess how long their retirement savings might need to last. Those who withdraw too much or live longer than expected could eventually run out of money; others may withdraw too little and live more frugally than might be necessary.

A qualified longevity annuity contract (QLAC) is a special type of deferred income annuity purchased in an IRA or a qualified retirement account such as a 401(k). Lifelong income payments don't begin until the contract owner reaches an advanced age (up to age 85). The longer the payouts are deferred, the higher they will typically be.

With a QLAC, retiring workers can use a portion of their tax-deferred savings to guarantee a certain income stream later in life — a time when they might have little or no ability to work and often face a greater risk of needing long-term care services.

Chances that a 65-year-old nonsmoker, with excellent health, will live to various ages

Age	Male	Female	One member of a couple
85	64%	73%	90%
90	43%	53%	73%
95	20%	29%	43%
100	6%	10%	15%

Source: Longevity Illustrator, Society of Actuaries, 2024

Better your odds

In 2019, the Employee Benefit Research Institute ran a simulation to determine whether using a portion of a 401(k) plan balance to fund a deferred income annuity at age 65 (with payments delayed until age 85) might help improve retirement savings outcomes. The results suggest that low-wage workers, who depend more on Social Security, may have little need for this type of longevity protection, but participants with incomes in the top 50% are more likely to benefit. For this group, the probability of running out of money decreases when an annuity is purchased with 5% to 25% of assets.[1]

The SECURE 2.0 Act raised the amount taxpayers are allowed to invest in QLACs from $155,000 per person in 2022 to $200,000 per person in 2024 and $210,000 in 2025, as the limit is now indexed to future inflation. Plus, a previous rule that limited QLAC purchases to 25% of the taxpayer's total retirement account balances was eliminated.

Despite new federal laws and regulations designed to promote wider adoption of QLACs, only about 4% of defined contribution plans offer them in 2024.[2] Consequently, retirement plan participants who are interested in QLACs might have to roll their funds into an IRA before they can purchase one.

How QLACs work

QLAC funds are exempt from the taxable required minimum distributions (RMDs) that must normally be taken from tax-deferred plans starting at age 73. So, for retirees who don't need RMD income to support their lifestyles, buying QLACs could help reduce their annual tax bills.

Payments must begin no later than the first day of the month following the participant's 85th birthday. Like other distributions from tax-deferred retirement plans, payments from QLACs are taxable as ordinary income. (With nonqualified annuities purchased outside of a retirement plan, only the earnings portion is taxed.)

Income payments can be continued throughout the lifetime of a designated beneficiary (usually a surviving spouse), and some annuities feature death benefits that return unused premiums to heirs. Of course, these options will either cost more up-front or reduce income payments later in life. Without the optional death benefit, insurers will generally keep the premiums paid if the annuity owner dies before (or after) the payout start date.

Cash-out provisions are not allowed in QLACs. Investors should understand that the money invested in the annuity is no longer a liquid asset, and they may sacrifice the opportunity for higher investment returns that might be available in the financial markets. (Nonqualified annuities may offer a cash-out option that permits withdrawals during the deferral phase but surrender charges typically would apply.)

Annuities are insurance-based contracts that have exclusions, contract limitations, fees, expenses, termination provisions, and terms for keeping them in force. Any guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company.

1) Employee Benefit Research Institute, 2019

2) Plan Sponsor Council of America, 2024

Tips to Help Preserve Your Inheritance

According to the Federal Reserve's Survey of Consumer Finances, taken every three years, slightly more than one in five U.S. households had received an inheritance as of 2022.[1] If you expect to receive an inheritance one day, these tips may help you better manage your financial windfall.

Wait a while before you act. Emotions run high after the death of a loved one. You might regret quitting your job, buying a sports car, or making other costly decisions before you have thought them through. Consider how the funds might be used to strengthen your financial position now and over the long term. You may also want to be discreet. Telling people that you have inherited a substantial amount of money may lead to unwanted advice, business or investment solicitations, and requests for financial support.

Boost (don't blow up) your lifestyle. If you have a large balance on a high-interest credit card or vehicle loan, consider paying it off and using the increased cash flow to save more toward your retirement or other long-term goals. Whether it would be wise to pay off your mortgage depends on your individual circumstances and goals. Investing represents an opportunity to grow an inheritance and potentially make it last longer. You could use any income generated by your portfolio to supplement your paycheck, which might allow you to live better now while preserving the bulk of the money for future needs, such as a child's education or your retirement.

Take advantage of tax deferral. If you inherit tax-deferred assets, such as those in a traditional 401(k) or IRA, keep in mind that withdrawals are taxed as ordinary income. You could choose to cash out and pay the taxes all at once, or you might consider transferring the inherited funds to a properly titled beneficiary IRA. Inherited retirement funds can be withdrawn over a period of up to 10 years, although some beneficiaries may have to take yearly required minimum distributions (if the original owner had started taking them). Spouses and other eligible designated beneficiaries receive preferential treatment. The rules and deadlines for handling inherited retirement account assets and taking distributions are complex. Because each choice could have far-reaching implications, be sure to seek tax guidance.

Consider meeting with a financial professional. Discussing your situation with someone outside of your family may help you gain perspective, clarify your goals, and make sound decisions. Although there is no assurance that working with a financial professional will improve investment results, he or she can consider your objectives and available resources and help you evaluate appropriate financial strategies.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

1) *The Washington Post,* November 10, 2023