

Financial Strategies

News You Can Use!!

Hal Perkins, AIF® & Eugene Tunitsky, CFP®
Managing & Senior Directors- Investments
Oppenheimer & Co. Inc.
Perkins Tunitsky Group
711 Louisiana
Suite 1500
713-650-2119
713-650-2142 Fax
hal.perkins@opco.com
<https://www.oppenheimer.com/perkinsgroup/>

THE PERKINS TUNITSKY GROUP
of Oppenheimer & Co. Inc.



\$49.00

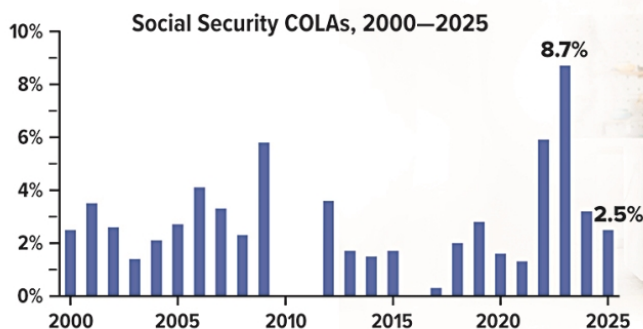
Estimated average monthly Social Security benefit increase for a retired worker in 2025. The average monthly benefit was \$1,927 before the 2.5% COLA and \$1,976 after the COLA.

Source: Social Security Administration, 2024

Social Security COLA Lower for 2025

The 2.5% Social Security cost-of-living adjustment (COLA) for 2025 continues the return to a more typical adjustment after high inflation resulted in big COLAs in 2022 and 2023. The COLA will take effect with December 2024 benefits payable in January 2025. The percentage is based on the Q3 to Q3 change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

Despite these annual adjustments for inflation, a recent study found that the buying power of Social Security benefits declined by 20% from 2010 to 2024, in part because the CPI-W is weighted more heavily toward items purchased by younger workers than by Social Security beneficiaries.



There was no COLA in 2010, 2011, and 2016. Sources: Social Security Administration, 2024; The Senior Citizens League, July 18, 2024

Three Market-Moving Economic Indicators to Watch

Among all of the economic indicators released each month, three reports in particular can move the market: the Employment Situation, gross domestic product, and Personal Income and Outlays.

The Employment Situation

Each month, the Bureau of Labor Statistics (BLS) publishes the Employment Situation Summary report based on information from the prior month. The data for the report is derived primarily from two sources: (1) a survey of approximately 60,000 households, or about 110,000 individuals (household survey), and (2) an establishment survey of over 650,000 worksites. The information contained in each report includes the total number of employed and unemployed people, the unemployment rate, the number of people working full time or part time, average hourly and weekly earnings, and average hours worked per week.

According to the BLS, when workers are unemployed, they, their families, and the country as a whole can be negatively impacted. Workers and their families lose wages, and the country loses the goods or services that could have been produced. In addition, the purchasing power of these workers is lost, which can lead to unemployment for even more workers.

Investors pay particular attention to the information provided in this report. For instance, a rising unemployment rate may indicate a slowing economy. In this scenario, stock values may decline with falling corporate profits, while bond prices may rise as yields fall in response to lower interest rates. Slower wage growth may also be a sign of lower inflation and interest rates, and reduced economic productivity.

Gross domestic product

Gross domestic product (GDP) measures the value of goods and services produced by a nation's economy less the value of goods and services used in production. GDP offers a broad measure of the nation's overall economic activity in the U.S. and serves as a gauge of the country's economic health. GDP contains a vast amount of economic information, including gross domestic income (the net of incomes earned and costs incurred in the production of GDP); gross output (the value of the goods and services produced by the nation's economy); gross domestic purchase price index (measures the value of goods and services bought by U.S. residents); personal consumption expenditures (PCE) price index (costs of consumer goods and services); and profits from current production (corporate profits).

GDP can offer valuable information to investors, including whether the economy is expanding or contracting, trends in consumer spending, the status of residential and business investing, and whether prices for goods and services are rising or falling. A strong

economy is usually good for corporations and their profits, which may boost stock prices. Increasing prices for goods and services may indicate advancing inflation, which can impact bond prices and yields. In short, GDP provides a snapshot of the strength of the economy over a month and a year and can play a role when making financial decisions.

Other Important Economic Indicators



- **Unemployment Insurance Weekly Claims report** — provides data on new claims filed, total claims paid, and the unemployment rate



- **Consumer Price Index** — measures changes in the average price of goods and services purchased by consumers



- **Federal Reserve's monthly industrial production index** — measures monthly and annual changes in output in manufacturing, mining, and utilities

Personal Income and Outlays

The Personal Income and Outlays report measures household income, expenditures, and savings. It also includes data on consumer prices for goods and services. In particular, this report includes data on personal income, disposable (after-tax) personal income, personal consumption expenditures, personal savings, and prices for consumer goods and services as measured by the PCE price index.

In general, consumer spending, which accounts for more than two-thirds of the economy, usually influences market performance. Knowing what consumers are buying (i.e., durable goods, nondurable goods, or services) may offer insight into how various market sectors might perform. Changes in income and spending can have a direct impact on the market. Greater spending usually enhances corporate profits and stock values and vice versa. While the Consumer Price Index may be the more recognized measure of inflation, the PCE price index is the Federal Reserve's preferred measure of inflationary (or deflationary) trends. The rate of inflation and interest rates often move in the same direction because interest rates are the primary tool used by central banks (including the Federal Reserve) to manage inflation. Rising inflation usually prompts the Fed to increase interest rates, while falling inflation (and slowing economic growth) might lead to a decrease in interest rates to promote borrowing and stimulate the economy.

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

Cancer Happens: Insurance Can Help Fortify Your Finances

Cancer diagnosis rates are on the rise, especially for younger people under age 55. Meanwhile, U.S. death rates from cancer fell by 33% between 1991 and 2021, largely due to early detection, effective treatments, and declines in smoking.¹

Although it's scary to consider the possibility of a cancer diagnosis, it might be helpful to prepare for the financial implications. Even with health insurance, today's advanced cancer treatments can be very costly. And for self-employed individuals or workers who don't have paid sick leave, taking time off for medical appointments or because they are not feeling well could make it difficult to cover their living expenses.

The Affordable Care Act made it illegal for insurers to deny coverage due to a pre-existing condition such as cancer, so losing access to health insurance is no longer the major concern that it used to be. However, some other types of insurance tend to be much more expensive and might even be impossible for a cancer survivor to obtain. Having at least one of the following policies in place *before* you are diagnosed could help stabilize your finances — so that you and your family have one less thing to worry about as you fight cancer.

Disability income insurance

Disability benefits could replace a percentage of your lost income if you are unable to work during cancer treatment or recovery (up to policy limits). If your employer pays for disability income insurance, it's probably a short-term policy and may provide benefits for just three to 12 months.

A long-term disability income insurance policy provides extended coverage that may last for as long as cancer substantially impairs your ability to work (up to retirement age). Private disability income insurance usually offers more comprehensive benefits than Social Security or state disability programs. Individually owned disability income insurance policies may offer the most coverage (at a greater cost), followed by group policies obtained through an employer or association.

Critical illness insurance

Critical illness insurance will pay you a lump sum if you become ill from — and then survive — certain illnesses or injuries, including life-threatening cancer. You can use the tax-free lump sum for whatever you want, whether it's related to your illness or not.

It's vital that you understand exactly what is covered (or not covered), which will be outlined in the policy. For example, what does the insurance company consider to be a life-threatening cancer? If you have a family history of a certain type of cancer, will the policy exclude that illness? Are there pre-existing condition limitations? Does the monthly premium increase as

you get older? Finally, be aware that if you own one of these policies and never get sick, you won't get any money back.

Permanent life insurance

If your life insurance policy has a critical illness rider, you may be eligible to receive some or all of the death benefit when you are diagnosed with an illness specified in the policy, which commonly includes cancer. You can use the tax-free proceeds however you wish, and any remaining death benefit will go to your beneficiaries.

Otherwise, you can typically borrow from any permanent life insurance policy that has accumulated a cash value. If you can't repay the loan in full before your death, the balance will be subtracted from the proceeds that are payable to your beneficiaries.

Screenings Save Lives

The ages to begin screening for breast and colorectal cancers have been lowered in recent years. These guidelines are for people at average risk. Individuals with a family history of cancer or other known risk factors may be advised to undergo more thorough screenings and/or genetic testing.

Type of cancer	Screening	When to begin	Frequency
Breast (women)	Mammogram	Age 40	Every other year
Colorectal (men & women)	Colonoscopy	Age 45	Every 10 years
Cervical (women)	Pap test	Age 21	Every three years
Lung (men & women)	Low-dose CT scans	Age 50	Annually (for long-term smokers)*

*A 20-year history of smoking one pack of cigarettes daily, including those who have quit in the last 15 years

Source: U.S. Preventive Services Task Force, 2024

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Before implementing a strategy involving life insurance, it would be prudent to make sure that you are insurable. Optional benefit riders are available for an additional fee and are subject to contractual terms, conditions, and limitations as outlined in the policy. Any guarantees are contingent on the financial strength and claims-paying ability of the insurance company.

A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the disability income insurance policy. It should be noted that carriers have the discretion to raise their rates and remove their products from the marketplace.

1) American Cancer Society, 2024

What's New for 2025?

To help you stay informed, here are five changes you can look forward to in the new year.

Higher catch-up contributions for some. As of January 1, individuals ages 60 through 63 may be able to make increased catch-up contributions (if offered) to their workplace plan. The catch-up amount for people age 50 and older is \$7,500 for 2025, but for people ages 60 through 63, the limit will be \$11,250.¹

Cap on out-of-pocket Medicare drug costs. A bit of welcome news for people with Medicare Part D prescription drug coverage — a \$2,000 annual cap on out-of-pocket prescription costs takes effect on January 1.² People with Part D will also now have the option to pay out-of-pocket costs in monthly installments over the course of the plan year instead of having to pay all at once at the pharmacy, which may help make it easier to manage prescription drug costs.

Automatic enrollment for new workplace retirement plans. Businesses that have adopted 401(k) and 403(b) plans since the passage of the SECURE 2.0 Act in December 2022 are now required to automatically enroll eligible employees at a contribution rate of 3% to 10%. After the first year, this rate will increase by 1% each year until it reaches 10% to 15%. New companies in business less than three years and employers with 10 or fewer employees are excluded, and other exceptions apply. Employees may opt out of coverage or elect a different percentage.

REAL ID deadline. The deadline for getting a REAL ID is May 7 (although the TSA has announced that enforcement may be phased in). As of that date, every air traveler who is at least 18 years old will need a REAL ID-compliant drivers license or identification card or another TSA-acceptable form of identification for domestic air travel and to enter certain federal facilities. Other TSA-acceptable documents are active passports, passport cards, or Global Entry cards. Standard drivers licenses will no longer be valid ID for TSA purposes, but enhanced drivers licenses from certain states are acceptable alternatives. Travelers who don't have a REAL ID by the deadline could face delays at airport security checkpoints. Visit the TSA website at [tsa.gov](https://www.tsa.gov) for updates and information.

New credit scoring risk model for mortgages. In late 2025, lenders are expected to begin using VantageScore 4.0 and FICO Score 10 T (instead of Classic FICO) to qualify borrowers. These new credit scoring models will provide a more precise assessment of credit risk.³ Models will consider trended credit data (an analysis of a customer's behavior over time or historical payment and balance information) and other data not previously considered as part of the Classic FICO score, such as rent, utility, and telecom payments. This change will potentially help more applicants qualify for mortgages.

1–2) These are indexed annually for inflation so may rise each year.

3) Fannie Mae and Freddie Mac, 2024

The content herein should not be construed as an offer to sell or the solicitation of an offer to buy any security. The information enclosed herewith has been obtained from outside sources and is not the product of Oppenheimer & Co. Inc. ("Oppenheimer") or its affiliates. Oppenheimer has not verified the information and does not guarantee its accuracy or completeness. Additional information is available upon request. Oppenheimer, nor any of its employees or affiliates, does not provide legal or tax advice. However, your Oppenheimer Financial Advisor will work with clients, their attorneys and their tax professionals to help ensure all of their needs are met and properly executed. Oppenheimer & Co. Inc. Transacts Business on all Principal Exchanges and is a member of SIPC.