the SGROI LAWLEY
NEWSLETTER

Retirement & Tax Updates for 2025

Anyone who wants to maximize their retirement savings and save on taxes in 2025 is in luck, as the contribution limits and tax deductions have increased for the year. In 2025, you'll be able to save more money for retirement and pay less in taxes. Here are some important changes for year:

Employer Sponsored Retirement Plans:

If you participate in an employer sponsored plan such as a 401K, 403B, TSP or Deferred Compensation plan, you'll be able to contribute a maximum of $23,500 for the year, a $500 increase from last year. If you'll be 50 to 59 by the end of the year, you'll be able to contribute an additional catch-up contribution of $7,500, bringing your total maximum contribution to $31,000. Starting in 2025, under a change made in SECURE 2.0, a higher catch-up contribution limit applies for employees who reach age 60, 61, 62 and 63 by the end of the year. They'll be able to contribute $11,250 as a catch contribution instead of $7,500, bringing their total maximum contribution to $34,750.

Traditional and Roth IRAs:

The contribution limit remains the same at $7,000, and if you're 50 or older, you'll be able to contribute the additional catch-up contribution of $1,000, making your total maximum contribution $8,000.

SIMPLE IRA:

If you're covered by a SIMPLE IRA through your employer, the contribution limits have increased to $16,500, and if your 50 or older, your allowed to do a $3,500 catch-up contribution, bringing your total contribution to $20,000. Under a change made in SECURE 2.0, a higher catch-up contribution limit applies for employees aged 60, 61, 62 and 63 by the end of the year who participate in SIMPLE plans. For 2025, this higher catch-up contribution limit is $5,250, bringing their total contribution amount to $21,750.

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HSAs:

If you contribute to an HSA, the contribution limits have increased to $4,300 for single coverage and $8,550 for family plans. If you're over age 55, you can contribute an additional $1,000 as a catch-up contribution.

Standard Deductions:

The standard deduction is increasing to $15,000 for single filers, and $30,000 for couples married filling joint.

Annual Gift Exclusion:

This exclusion has increased to $19,000 per person.

Social Security Tax:

The maximum amount of your wages subject to the Social Security tax will be $176,100.

Required Minimum Distributions on Inherited IRAs:

Starting in 2025, most non-spouse beneficiaries will have to take required minimum distributions (RMDs) from their inherited IRA accounts. For retirement accounts inherited by most non-spouse beneficiaries after 2020, the beneficiary has 10 years to distribute the entire account. After clarification by the IRS earlier this year, if the original account owner was over their RMD beginning date when they passed away, the beneficiary now has to take RMDs in years 1-9 and must distribute the remaining account balance in year 10. These beneficiaries will not only be subject to the 10-year rule but will also need to take RMDs in years 1-9. The beneficiary can always pull out more than their RMD for the year, but they can't distribute less than their RMD without penalty. For beneficiaries who would have been subject to RMDs under the new IRS interpretation from 2020 to 2024, do not have to retroactively take a distribution as the IRS waived the RMD requirement for these beneficiaries in those years.

Welcome Timothy Sgroi!

Timothy is a 2020 graduate of Miami University where he earned his degree in Finance and Sports Management. He has spent the last three years living in Chicago, gaining experience in the wealth management and M&A industries. Starting at Morningstar, he worked closely with new advisors and their clients before transitioning into mergers and acquisitions. In his most recent role, Timothy led the Chicago team, collaborating with middle-market investment banks and private equity firms.

Outside of work, Timothy is an avid Bills and Sabres fan, who enjoys playing golf and skiing in his free time.

Wishing you a happy and healthy 2025!

A Letter from the Partners

Happy New Year

We hope you all had a joyous holiday season and had some quality time to spend with friends and family because, after all, that is what it's all about. As we ring in a new year, it's natural to reflect on what transpired in the year prior. As you all know, 2024 was a momentous year for us. The merger of Sgroi Financial and Lawley to create Sgroi Lawley Group, LLC, marked the beginning of an exciting new chapter in our story. By bringing together two longstanding, family-owned businesses, we've created a partnership that blends experience and shared values. This collaboration has created new opportunities and synergies that will enable us to serve our clients even better. While our name has changed, our commitment remains the same. We proudly uphold the principle set forth by our founder, Joe Sgroi "Do what's right for the client".

2024 also brought some wonderful recognition. We were thrilled to be voted for the Best Financial Planning Firm in the Buffalo News Best of 716 contest for the third consecutive year! Additionally, we're happy to announce that we've been named the recipient of the 2025 West Seneca Chamber of Commerce Business of the Year Award!

As always, we remain deeply grateful to our loyal clients. Thank you for continuing to put your faith in us to help you and your family reach your financial goals. We also would like to thank our fantastic staff, who had a lot on their plates in 2024. We couldn't have done this without them! With the merger behind us, we look forward with great anticipation to what's to come in 2025.

Sincerely,

Patrick Sgroi,
Partner

John Clouden,
Partner

"It's Hard to Make Predictions, Especially About the Future"

Niels Bohr

It was another banner year in the markets, the S&P 500 returned 25% in 2024, the tech-heavy Nasdaq rose 29.6% and the Dow gained 15%. Despite concerns around inflation, recessions, Fed policy, and the presidential election, the S&P 500 saw 57 new all-time highs, which ranks 5th best with data going back to 1929. 2024 adds to the remarkable gains since the bottom in October 2022 which, in hindsight marked the beginning of the current bull market. In fact, the S&P completed its best two-year performance since 97-98 and this was legitimate, as we saw near-perfect resolution of numerous market unknowns coming into the year. Economic data remained stable, inflation continued to trend down, which paved the way for interest rate cuts, and AI optimism remained robust, which helped justify the rise in stock prices, as corporate earnings rose. Lastly, other tangents remained supportive, as geopolitical headwinds never materialized enough to put pressure on stocks. Although we are constructive on the market heading into 2025, there are some question marks and concentration risks as well.

A significant share of the gains in 2024, like in 2023, can be attributed to those "Magnificent 7" names, which are directly linked to the AI theme that has played out the last 2 years. Nvidia, Tesla, Alphabet, Amazon, Apple, Meta, and Microsoft accounted for more than half of the S&P 500's gain and now represent nearly one-third of the S&P's market cap. The dominance of the "Mag 7" and growth stocks in general is truly eye-opening. The Growth Index, which has almost 53% of its weighting in the names above, rose 33.40% in 2024, while the Value Index, which has no exposure to the Mag 7, rose 14.40%. Another example of this is to compare the S&P 500 against the Equally Weighted Index, which weights every stock in the S&P 500 evenly. It gained 13% in 2024, underscoring the outsized impact a few stocks can have on an overall index. We will see if this wide dispersion can continue or if more stocks will propel the markets higher.

Bonds eked out a positive gain in 2024 as the Core Bond Index returned 1.25% for the year. Interest rates were volatile, with the 10-year Treasury Yield rising 70 basis points to end at 4.58% The volatility of interest rates in the last couple of years has put some pressure on bonds, however, it is important to remember the role that bonds can play in a portfolio. For example, from July 16th to August 6th, the S&P 500 lost 7.50% and bonds did what investors are accustomed to, they were that "flock to quality" and hedge in a portfolio and were up over 1.50% in that same timeframe. It is hard to predict the future, but having a diversified portfolio can reduce volatility.

As we begin the new year, the pillars of the 2024 bull market remain in place, however, the bar is higher in 2025. Will the Fed continue to cut interest rates? Will incoming economic data continue to be strong? Will inflation continue to fall towards the Fed's 2% target? Will the new administration in the White House be able to pass pro-growth policies? Will corporate earnings be good enough to justify high valuations? Unfortunately, we will not have answers to these questions right away, but history shows us that in investing there are always concerns, which emphasizes the importance of diversification. It is almost impossible to predict which asset classes, sectors, and styles will outperform each year. In our portfolios, we do have exposure to those growth names, but also allocate towards value to diversify our exposure and not to bet on the market continuing to be driven by the "Mag 7".

We want to thank you for the trust that you have given Sgroi Lawley through the years and if you have any questions, please do not hesitate to call your advisor. We hope you have a great winter and enjoy time with family and friends!

2024 HIGHLIGHTS

and a look ahead to 2025

As we begin a new year, Lawley looks forward to further developing our partnership with the Sgroi Lawley team and expanding our services across our footprint. While we ring in 2025, we wanted to share some highlights of 2024.

In 2024, Lawley continued to adapt to the growing needs of our clients by expanding services and locations across New York, Connecticut, and New Jersey. We experienced significant growth within several departments, particularly Business Insurance, Medicare Insurance Solutions, Employee Benefits, and Wealth Management.

To provide greater access to the wealth of insurance products and knowledge that Lawley has, Lawley's Jamestown office moved to a more centralized location in September. This move, combined with the addition of new team members within the Medicare Solutions division, aligns with the continued growth and demand in the Medicare insurance space.

Helping businesses step into the future of health insurance, Lawley continued to grow outside the traditional plan options with Lawley Proactive Health, a health insurance captive. This alternative can help clients take back control of rising health insurance costs by utilizing a simplified alternate funding approach.

"With a continued demand for Medicare insurance and employee benefits services, Lawley focuses on expanding our team so we will be able to help even more individuals and businesses", says Chuck Allesi, Partner at Lawley.

Lawley also expanded their Property & Casualty sales division, adding Insurance Advisors to Florham Park, NJ, and Buffalo, NY. These additions will enable more clients to understand the various business insurance solutions Lawley offers.

In 2024, Lawley was once again named to Business Insurance's Annual Best Places to Work in Insurance list. This list recognizes employers for their outstanding performance in establishing workplaces where employees can thrive, enjoy their work, and help their companies grow.

"This recognition represents the great teamwork that is needed to create our culture, where we share one voice and one vision," says Lawley Principal, Bill Lawley, Jr. "We're so proud of our associates, our greatest asset, who work diligently to deliver exceptional service to our customers."

Lawley further supports the community by continuing its partnership with the Buffalo Sabres as the team's official insurance broker. "We are proud to be a part of all of the excitement and energy they bring to the community where we live and work," says Mike Lawley, Principal.

We look forward to a great year ahead!

SGROI Lawley

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