

NEWSLETTER SPRING 2026

INVESTMENTS | ANNUITIES | ESTATE PLANNING | IRAs | RETIREMENT
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ROTH CONVERSIONS:

Prepaying Taxes for Long-Term Tax-Free Growth

As we look ahead in 2026, navigating the complexities of retirement planning requires staying proactive. While many investors focus on tax-deferred growth in Traditional IRAs and 401(k)s, a significant tax burden often waits for them in retirement when they begin taking distributions from their accounts. A strategy that allows investors to circumvent this future tax burden is by taking advantage of a Roth conversion. A Roth conversion is moving funds from a traditional pre-tax account into a Roth IRA and is a strategic tool that allows you to pay taxes today at current rates to secure tax-free growth and tax-free distributions for the rest of your life.

With the passage of the One Big Beautiful Bill Act (OBBBA) in 2025, which extended many tax cuts through 2026, we are in a relatively low-tax environment, historically speaking. This makes the present time a strong window for evaluating whether a Roth conversion fits into your long-term financial strategy.

Why Consider a Roth Conversion?

The core benefit of a Roth conversion is simple: you pay tax on the converted amount today, but the funds grow tax-free into the future, meaning all future growth on the amount that is Roth converted would be tax-free for you and/or any beneficiaries.

There are three primary reasons to consider this move:

1. Tax-Free Income and No RMDs:

Unlike traditional pre-tax IRAs & 401(k)s, Roth IRAs have no Required Minimum Distributions (RMDs) during your lifetime. By converting, you eliminate future mandatory withdrawals, giving you better control over your taxable income in retirement.

2. Tax Diversification:

Having a mix of traditional pre-tax and Roth accounts allows you to pull distributions from different sources, potentially keeping yourself in a lower tax bracket during retirement.

3. Legacy Planning:

Under the SECURE Act, most non-spouse beneficiaries generally must withdraw any inherited retirement accounts within 10 years of the original account owners' passing. If they inherit a traditional pre-tax IRA or 401(k), it could lead to a massive tax bill as the beneficiary takes distributions in the 10-year period. An inherited Roth account, however, is generally tax-free to the beneficiaries and anything they pull out within that 10-year period will not be counted as taxable income for them.

[Continued on the next page](#) →

The "Sweet Spot" for Conversions

While you can convert at any age, the most effective time to perform a Roth conversion is often before you begin taking RMDs at age 73 (75 starting in 2033). This is because once you reach RMD age, you must distribute your RMD for the year first before performing any Roth conversions. The IRS strictly prohibits using RMD funds for a Roth conversion.

Strategies for Success

Rather than converting your entire IRA in one year (which could push you into the top federal tax bracket) most investors benefit from a partial conversion strategy. By "filling up" a lower tax bracket over several years, you manage the tax liability more efficiently. Consider doing Roth conversions at times when the markets are down

and your account balance is lower. If your portfolio value is lower, you can convert more shares for the same amount of tax. Also, consider paying the taxes from the Roth conversion from a brokerage account or bank account rather than with funds from the IRA itself to maximize the amount that ends up in the Roth IRA from doing the conversion.

A Roth conversion is not a "set it and forget it" move, as it is irreversible. The decision requires careful modeling of your current income, future tax projections, and cash flow. We recommend sitting down with your financial planner to model different scenarios and determine if a Roth conversion is the right move for your financial future.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. This information is not intended to be a substitute for specific individualized tax or legal advice. We suggest that you discuss your specific situation with a qualified tax or legal advisor. No strategy assures success or protects against loss. Contributions to a traditional IRA may be tax deductible in the contribution year, with current income tax due at withdrawal. Withdrawals prior to age 59 1/2 may result in a 10% IRS penalty tax in addition to current income tax. A Roth IRA offers tax deferral on any earnings in the account. Qualified withdrawals of earnings from the account are tax-free. Withdrawals of earnings prior to age 59 1/2 or prior to the account being opened for 5 years, whichever is later, may result in a 10% IRS penalty tax. Limitations and restrictions may apply. Traditional IRA account owners have considerations to make before performing a Roth IRA conversion. These primarily include income tax consequences on the converted amount in the year of conversion, withdrawal limitations from a Roth IRA, and income limitations for future contributions to a Roth IRA. In addition, if you are required to take a required minimum distribution (RMD) in the year you convert, you must do so before converting to a Roth IRA.

WELCOME ABIGAIL MAYER

Please join us in welcoming Abigail Mayer to the Sgroi Lawley team!



Abigail grew up in Lockport, NY, but currently lives in Tonawanda with her husband and cat. She graduated from SUNY New Paltz with a bachelor's degree in Anthropology, and while a student there, she studied abroad in Cusco, Peru. Abby has over five years of customer service experience and was previously a Ministry Coordinator at her church, The Chapel at CrossPoint. Outside of work, Abby is passionate about gardening, floral design, and watercolor. On a Saturday morning, you can find her and her husband bird watching in a park with coffee and binoculars in hand. Abby is very excited to begin her professional career at Sgroi Lawley!

WE'RE HAPPY TO HAVE HER JOIN THE TEAM!



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Markets and the “Wall of Worry”

Periods like the one we are experiencing now can feel uncomfortable for investors. Headlines highlight uncertainty, market commentary often sounds cautious, and it can seem as though risks are everywhere. This environment is often described as the market climbing a “wall of worry.”

The “wall of worry” is a long standing investment concept that reflects an important reality: markets rarely move higher in the absence of concerns. In fact, sustained market advances often occur despite, and sometimes because of, widespread anxiety. When investors are focused on potential risks, expectations tend to be lower, valuations more measured, and optimism restrained. Ironically, those conditions can create a healthier foundation for long term growth than periods of unchecked enthusiasm.

Today’s worries may feel unique, but history suggests otherwise. Investors have always faced uncertainty — economic slowdowns, inflation fears, geopolitical tensions, policy changes, and market volatility are recurring features of investing. What changes over time is not the presence of worry, but how markets ultimately respond. Time and again, markets have demonstrated an ability to adapt, absorb new information, and move forward.

It is also worth remembering that markets are forward looking. Prices adjust not only to current conditions, but to expectations about the future. When concerns dominate the narrative, much of the bad news is often already reflected in prices. As clarity improves, incrementally, markets can respond positively without the need for perfect conditions.

Periods of heightened worry can also tempt investors to react emotionally. While this is completely understandable, history shows that making significant changes during uncertain moments can be costly. Short term market movements are unpredictable, but long term outcomes have consistently rewarded discipline, diversification, and patience.

Your investment strategy is designed with this reality in mind. It is built to weather different market environments, not just favorable ones, and to remain aligned with long term objectives rather than short term headlines. While no strategy can eliminate volatility, maintaining a thoughtful, consistent approach has proven far more effective than trying to sidestep every bout of market anxiety.

As always, we are closely monitoring developments and evaluating how changing conditions may affect the broader landscape. Our focus remains on managing risk, identifying opportunities where appropriate, and helping you stay aligned with your long term goals.

Thank you for your continued trust and partnership. If you have questions or would like to discuss how current market conditions relate to your overall plan, please do not hesitate to reach out to your financial advisor.



Patrick Sgroi,
Partner



John Clouden,
Partner

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Homeowners Insurance Outlook and How Lawley Is Here to Help

Homeowner's insurance plays an important role in protecting your home, your family, and your financial well-being. As the insurance landscape continues to evolve, it's important to stay informed about potential changes.

Industry experts anticipate continued upward pressure on premiums through 2026. These increases reflect the real costs associated with repairing or rebuilding homes. Factors such as material availability, supply chain shifts, and the cost of skilled labor all influence what it takes to restore a home after a loss.

Construction and repair costs have continued to trend upward. A September 2025 analysis found that new single-family home construction costs rose 2.1% year-over-year, while residential maintenance and repair expenses increased 2.3%. Even modest increases in materials like lumber, steel, and concrete contribute to higher rebuilding costs and insurers adjust premiums accordingly.

Beyond material costs, the broader insurance environment remains uncertain. Large-scale natural disasters in recent years have led to higher claim volumes, prompting some insurers to reevaluate their presence in high-risk regions.

It is important to have access to a wide network of national and regional carriers, which may provide

access to a range of coverage options and flexibility beyond a single-carrier provider. Changes in insurer guidelines or pricing can impact available options in the marketplace.

Taking a proactive approach to reviewing homeowners insurance coverage can help ensure it remains aligned with current rebuilding costs, recent home improvements, and changes in lifestyle. Updates such as renovations or additions may impact coverage needs over time.

In the event of a loss, having support and a clear understanding of the claims process can make a meaningful difference when navigating next steps and working with an insurance carrier.

Homeowners may also explore strategies to help manage rising premiums while maintaining appropriate levels of protection, depending on their individual financial situation and risk tolerance.

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“Volatility is not synonymous of risk, but for those who truly understand it, of wealth.” – Francois Rochon

2026 Q1 Market Update

After strong gains in 2025, markets have faced a combination of geopolitical shocks, higher oil prices, and renewed economic uncertainty in 2026.

The conflict in Iran, which began at the end of February, became the dominant market story, as it pushed oil prices higher and caused the first market pullback of 2026. However, by the end of March, headlines around a possible ceasefire emerged, and the situation continues to evolve. There will also be new market questions in the coming months, including a change in leadership at the Federal Reserve and the midterms.

When all was said and done, the S&P 500 lost 4.30%, the Dow saw a loss of 3.20%, and the tech/Mag 7 heavy Nasdaq lagged the most, down 7% for the quarter. Bonds held up well in this environment, as the Barclays Aggregate Bond Index was flat, even with the 10-Year Treasury rate rising from 4.18% to start the year to 4.30% as of March 31st. However, looking in from a broader lens, the markets have performed exceptionally well over the last year, 3-years, and 5-years, with the 5-year return for the S&P up over 12% annualized.

The most significant market event of the 1st quarter was the escalating conflict in the Middle East, which drove oil prices higher. Disruptions to the Strait of Hormuz, which carries roughly 20% of global oil from the Persian Gulf to the rest of the world, led to production cuts across major oil-producing nations in the region.

Brent crude ended the quarter at \$118 per barrel, up over 94% year-to-date, while WTI crude surpassed \$100, the highest levels since the war in Ukraine began. Oil will continue to react to geopolitical headlines, including around a possible ceasefire.

It’s natural to draw parallels between the start of this year and 2025, as both were driven by inflation concerns. Coincidentally, both first-quarter periods experienced pullbacks for the S&P of 4.3%.

While last year’s volatility was the result of tariffs and this year’s is due to the conflict in the Middle East, the effect on investor sentiment has been similar. Inflationary pressures have been “sticky”, and both 2025 and 2026 have concerned markets that rising prices (in this year’s case) and rising oil prices, will cause inflation to rise once again, which could cause the Federal Reserve to raise rates. Although considerably more progress would be required for the Fed to raise rates, given its dual

mandate is job creation and a neutral 2% inflation rate, this scenario is not yet reflected in market sentiment. We continue to monitor developments closely.

When uncertainty rises, it’s normal for markets to experience short-term swings in response to headlines. These swings are a natural part of the investing cycle. Zooming out can help us understand how markets have behaved historically.

Despite the challenges in the first quarter of 2025, the stock market experienced strong gains for the year, including dozens of record highs. Markets tend to recover quickly, so when rebounds do occur, they often do so when investors least expect them. Perhaps the most helpful perspective is to remember that pullbacks are an unavoidable part of investing.

Since 1980, the S&P 500 has experienced an average intra-year drawdown of around 15%, even though markets tend to experience positive returns in more than two-thirds of years. It’s natural for the average year to experience four or five pullbacks of five percent or worse. Last year saw six such pullbacks, even though the S&P 500 finished the year with an 18% total return.

To close, 2026 has already faced investors with geopolitical shocks, higher oil prices, and economic uncertainty. Yet markets have been resilient, and it is important to stick to your long-term financial plan. Regardless of how tariffs play out or how long the war lasts, markets adapt to changes over time. The key is to stay invested and not overreact to policy moves.

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We want to thank every one of you who has entrusted Sgroi Lawley through the years, and if you ever want to speak with your advisor, please do not hesitate to give us a call. Enjoy the start of spring!

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SPRING 2026

The Sgroi Lawley Financial Newsletter is the quarterly newsletter of

SGROI  **Lawley**

965 Union Rd., West Seneca, NY 14224
716.674.6700

EDITORIAL TEAM:

Patrick J. Sgroi, Partner
Pat.Sgroi@sgroilawley.com

John G. Clouden, Partner
John.Clouden@sgroilawley.com

Urmas M. Lupkin, Vice President Sales & Marketing
Urmas.Lupkin@sgroilawley.com

Abbygail Clouden, Director of Marketing
Abby.Clouden@sgroilawley.com