Wealth Insights

Navigating Wealth for Your Purpose

SILVERSTAR WEALTH MANAGEMENT
Plan • Invest • Guide

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Since the government shutdown, there is very little economic news to report, but the Feds are still at work trying to navigate without their guiding economic data. Their two primary areas of concern remain the deteriorating employment numbers, causing them to reduce interest rates at their October meeting by another .25%, and the fear of inflation. The balancing act continues.

Please note: To reduce costs, we will eliminate the printing and mailing of our newsletters going forward. If you would like to continue receiving our newsletter via email, please notify us at *staff@silverstarwealth.com* with your preferred email address, and we will be happy to add you to the email version.

Thank you!

Economic & Market View

Government economic indicators are nowhere to be found with the shutdown going into its second month.

2025 Performance of Capital Markets	
S&P 500 - The S&P 500 (Standard & Poor's Index) is a stock market index containing the stocks of 500 American corporations with large market capitalizations that are considered to be widely held.	**14.83%**
S&P Mid-Cap 400 – The S&P Mid-Cap 400 is comprised of stocks in the middle capitalization range and represents about 10% of U.S. Equity securities.	**5.76%**
Russell 2000 – The Russell 2000 represents 2000 of the smallest companies in the Russell 3000 index.	**10.39%**
MSCI EAFE – The MSCI EAFE serves as a benchmark of the performance in major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia.	**25.14%**
Barclays U.S. Aggregate Bond – The Barclays U.S. Aggregate Bond Index is an index of U.S. dollar-denominated, investment-grade U.S. corporate, government and mortgage-backed securities.	**6.13%**
10-Year Treasury Yield Rate (as of 09/30/25)	**4.16%** ↓

Sources: Morningstar (Performance from 1/1/25 to 9/30/25), Treasury.gov (as of 9/30/25)

However, the Federal Reserve Board remains at work, just recently reducing another .25% in interest rates at its recent meeting in October, setting rates between 3.75% and 4%. The two primary concerns for the Feds remain employment and inflation. The last unemployment reading before the data blackout was provided by the U.S. Bureau of Labor Statistics for August and was 4.3%, up from 4.1% in June. September's numbers were not released due to the shutdown in early October.

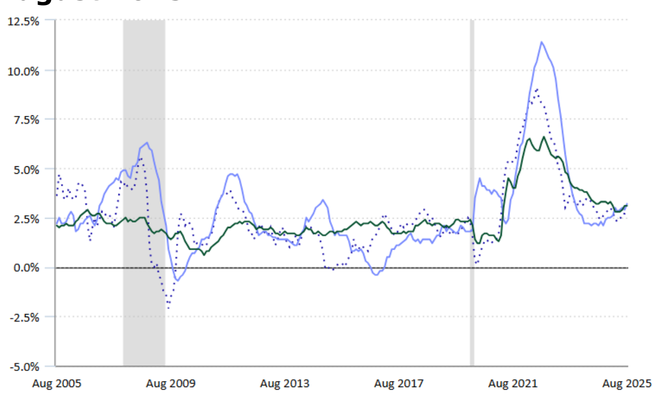
Since we do not have government data, we can explore some private data.

Employment. The ADP National Employment Report reflected a loss of 32,000 jobs in September.[1] It will be interesting to see what the actual employment data will be when the government opens back up.

With recent headlines of major companies announcing layoffs, the Feds may face pressure to cut rates even more when employment data is finally released, although the Federal Reserve Chairman, Powell, stated, "another rate cut in December is not a foregone conclusion," over continued concerns of inflation.[2]

Inflation. Although tariffs have not caused runaway inflation as expected, prices are still a concern as suggested by Powell's comments at the last Fed meeting. The goal of 2% is a challenge to meet as was the case before the Covid pandemic when they could not get inflation up to 2% and now trying to get it down to 2% from when the CPI for all goods reached a high of 9.1% in June of 2022, and food reached a high of 11.4% in August of 2022 as illustrated by the blue and dotted lines, respectively in Figure 1.

Figure 1. Consumer Price Index (CPI) for August 2025



Source: BEA.gov. September 17, 2025

The last CPI reading was 3.0% in September, which was less than what some expected.

The last Personal Consumption Expenditures (CPE), which is preferred by the Feds due to the tendency for consumers to find alternatives to more costly items, was last recorded at 2.7% in August.[3]

Maintaining a properly allocated and well-diversified portfolio aligned with your overall plan and risk tolerance is essential for navigating both opportunities and risks in the months ahead.

Invest wisely and manage risk!

Tax-Efficient Wealth Accumulation and Decumulation

Building wealth tax-efficiently isn't only about how much we earn or invest—it's about how wisely we grow and distribute that wealth. The real questions are not only how much we need to invest for retirement, but what account and investment type to use. The choices we make regarding account types, investment locations, and withdrawal strategies can either multiply or erode lifetime wealth.

Through the lens of Wealthtrition™ Perspective of Seeds, Growth, and Harvest, this article explores how to create, grow, protect, and distribute wealth in ways that minimize taxes, increase tax planning options, and provide sustainability for purpose across all three wealth phases: Accumulation, Decumulation, and Gifting & Legacy Planning.

The Wealthtrition™ Perspective: Seeds, Growth, and Harvest. Every dollar we earn and invest is a seed that determines how our harvest will eventually be taxed. Whether those dollars are planted in a pre-tax, after-tax (Roth), or

1 The ADP National Employment Report, *ADP,* September 2025, https://adpemploymentreport.com/
2 Nick Timiraos. "Future Fed Rate Cuts 'Far' From Certain After Divided Meeting," *Wall Street Journal*, October 29, 2025,
3 Personal Consumption Expenditures Price Index*, U.S. Bureau of Economic Analysis*, www.bea.gov, September 2025.

taxable account shapes how efficiently our wealth can grow and be enjoyed in the future.

While pre-tax accounts like Traditional IRAs and 401(k)s can be attractive for immediate tax savings, the IRS effectively becomes a silent partner, owning a portion of the future harvest to the degree of future tax rates. True tax-smart planning comes from diversifying where and how your wealth grows—across pre-tax, after-tax, and taxable accounts—so you can harvest it in the most efficient way possible. Tax-smart planning is about choosing the right mixture of account types and investment location to better align with our current and projected tax rates, overall long-term objectives, future retirement income needs, and estate planning considerations. A holistic plan should consider tax efficiency in all three wealth phases.

The Accumulation Phase: Planting the Right Seeds in the Right Location

During the accumulation years, the key objective is to maximize growth potential while being strategic about future taxes. The types of accounts you fund today directly impact your future tax planning flexibility.

Pre-Tax Accounts (Traditional IRA, 401(k), 403(b), 457 plans)

• Seed: Contributions are made with pre-tax dollars and provide an immediate tax deduction.
• Growth: Grows tax-deferred, compounding faster since no taxes are paid along the way.
• Harvest: 100% taxable at withdrawal, based on future tax rates.

While pre-tax accounts can help you invest more now, the trade-off is that future distributions may be taxed at higher rates in the future. Over time, large pre-tax balances can become "tax bombs" that limit flexibility and increase Required Minimum Distributions (RMDs).

After-Tax Accounts (Roth IRA, Roth 401(k))

• Seed: Contributions are made with after-tax dollars.
• Growth: Grows tax-deferred and potentially free if distributions are qualified.
• Harvest: Qualified distributions are 100% tax-free once two conditions are met:

1. The account has been open for at least five years, and
2. The owner is 59½ or older or meets another qualifying event (death or disability).

For those who anticipate higher taxes in the future, Roth accounts allow the seeds to be taxed now so the harvest can be tax-free later.

If someone is not eligible for Roth IRA contributions due to their Adjusted Gross Income (AGI) phaseouts, they may consider funding after-tax, non-deductible IRAs known as the "Backdoor Roth IRA" strategy that can be converted to a Roth IRA later.

Smart Roth Conversion Planning

A Roth conversion involves moving funds from a pre-tax account to a Roth account and paying tax on the converted amount in the current year. The best times to consider a conversion are:

• Years with unusually low taxable income or high deductions.
• When markets are down (allowing conversion of lower value to possibly recover tax-free).
• Early retirement years before Required Minimum Distributions (RMDs) and Social Security payments begin.

Examples (Simplified):

1. John contributes $50,000 to a non-deductible Traditional IRA that grows to $100,000. If that is his only IRA, he converts it all to a Roth IRA while in the 22% tax bracket, only the $50,000 of earnings is taxable, costing $11,000 in taxes.
2. If Susan has both deductible and non-deductible IRA balances, only a portion of her conversion will be taxable, determined by the IRS

"pro-rata" rule. Keeping good records and filing IRS Form 8606 each year a non-deductible contribution or conversion is made is essential. Caution: Conversions increase Adjusted Gross Income (AGI), which may temporarily raise Medicare premiums and Social Security taxation.

Taxable Accounts (Individual, Joint, or Trust-Owned)

- Seed: Contributions made with after-tax dollars.
- Growth: Interest, dividends, and gains realized are taxable each year.
- Harvest: Long-term capital gains and qualified dividends often enjoy lower tax rates.

A taxable account can be surprisingly tax-efficient when managed properly. As gains are taxed and reinvested, your cost basis increases—reducing future taxable income.

Example:
Susan invests $100. Her investment grows by $20, and she sells, paying capital gains tax on that $20. If she reinvests it, her cost basis becomes $120—meaning she won't be taxed again on that same amount when she withdraws it later.

Taxable accounts also provide flexibility for Roth conversions, charitable gifting, and funding early retirement years before Required Minimum Distributions (RMDs) or Social Security begin.

The Decumulation (Income) Phase: Designing a Tax-Efficient Harvest.

When retirement arrives, the focus shifts from growing wealth to harvesting it wisely. The order in which you withdraw from accounts can significantly impact income sustainability and tax efficiency.

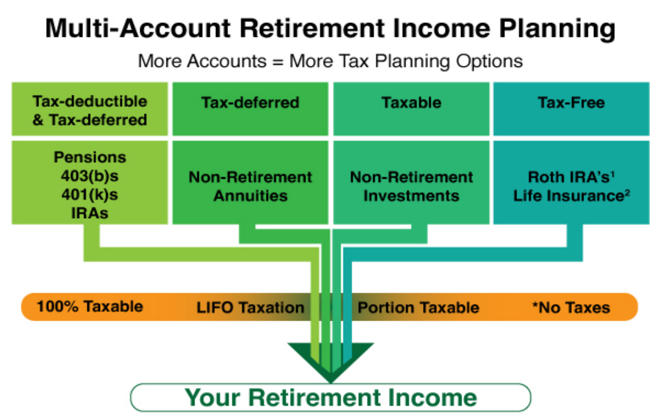
Key Principles for Tax-Smart Income Design: Diversify withdrawal sources. A mix of pre-tax, Roth, and taxable accounts provides options.

- Sequence withdrawals strategically. Tapping taxable accounts first to manage tax brackets may allow for Roth conversions at lower tax rates.
- Confirm the sustainability of retirement income and explore potential risk events that could derail a plan.
- Consider Roth conversions in low-income years.
- Evaluate charitable giving strategies for tax efficiency.
- Explore income/legacy planning options by comparing tax brackets of the asset owner to the heir or charity.
- Review the impact of RMDs, pensions, and Social Security.

Those who enter retirement with only pre-tax accounts have limited flexibility—every dollar withdrawn is taxable. By contrast, retirees with a mix of accounts can choose where to source income each year based on their tax bracket, preserving wealth and minimizing lifetime taxes as shown in Figure 1.

The real opportunity in future tax planning lies in the ability to grow as much of our wealth today in tax-free and taxable accounts, providing us with more options for where we will get that income, depending on our future tax brackets.

Figure 1.



1. Roth IRA distributions are qualified if you held the account for at least 5 years, AND the distribution is made after age 59 ½.
2. Life insurance death benefits and cash value policy loans are received income tax-free if structured properly.

The Gifting and Legacy Phase: Passing the Harvest Wisely.

For many, the final stage of wealth management focuses on purpose—how to share one's blessings with family and organizations that matter most. Below are some charitable gifting options:

Qualified Charitable Distributions (QCDs) are available for those age 70 ½ to donate directly from their IRAs—up to $108,000 per year (2025 limit). These gifts:

- Are not taxable to the donor,
- Count toward current year RMDs, and
- Reduce future RMDs.

Donor Advised Funds (DAFs) allow donors to make a sizable, deductible contribution in one year—then direct gifts to charities over time. Gifts of appreciated securities can avoid capital gains tax entirely while still providing a full deduction (subject to AGI limits). This strategy is also good for those who cannot itemize deductions.

Other charitable trust and gifting strategies. Here are numerous other strategies to consider, especially when facing very large capital gains from sales of property or a business.

Family Gifting

A thoughtful gifting program may be ideal for those who need to develop good wealth management skills and discipline. Transferring wealth to future generations can allow them to grow their wealth tax-efficiently, especially if they are eligible for Roth IRA and 401K contributions and are not maximizing their contributions. Each taxpayer can gift up to $19,000 annually ($38,000 per couple) per recipient without incurring gift tax. These gifts can help younger generations establish financial discipline and grow wealth tax-efficiently through Roth IRAs or 401(k)s. A gift cannot be made with conditions, but donors are not required to make another gift if it is not used wisely.

Children with "earned income" (from chores, part-time jobs, or family businesses) can open and fund a Roth IRA. The long-term compounding growth potential by starting early and contributing often is eye-opening, and the lessons learned are invaluable. Detailed records should be maintained to document work done and payments. ***The greatest wealth transfer is not money, it is wisdom.***

Bring It All Together. Just as successful farming depends on understanding the soil, seasons, and harvest cycle, successful wealth management requires understanding where your wealth is planted today, how it grows, and how it's harvested. By balancing pre-tax, after-tax, and taxable accounts, and choosing which investments to place within them, we can create a more tax-efficient plan and options for our purpose-driven retirement income and estate plans.

Plan with confidence. Live with purpose. Harvest wisely.

Business Owner Blueprints: Small Business Retirement Plans Made More Rewarding with New Tax Credits

Many business owners focus their energy on growing their company but often delay establishing a personal retirement plan—leaving much of their wealth concentrated in a single, illiquid asset: the business itself. The SECURE Act 2.0 now offers a compelling reason to act. Substantial new federal tax credits can help small businesses offset both the costs of starting a small business retirement plan and the contributions made on behalf of employees, making this one of the most tax-efficient ways to diversify and build long-term wealth outside the business while attracting and retaining key employees.

Why a Retirement Plan Matters

1. Employee Attraction and Retention.
Offering a company-sponsored retirement plan demonstrates a commitment to employees' long-term financial well-being. According to a 2022 Global Benefits Attitudes Survey, 47% of employees view retirement benefits as important when joining a firm, and 60% cite it as a reason to stay.[4] A well-designed plan strengthens loyalty, enhances morale, and helps recruit top talent in an increasingly competitive job market.

2. Financial Education and Engagement
Retirement plans also serve as a foundation for employee financial literacy. Ongoing education helps employees make informed saving and investment decisions—reduces stress and increases productivity. Financially secure employees are more focused, more engaged, and more confident about their future.

3. Flexible Plan Design Options
Small business owners can select from a variety of plan types—such as 401(k), SIMPLE IRA, or SEP IRA—and can customize features like employer matching, profit sharing, or automatic enrollment. Plans can be structured to meet goals such as maximizing owner contributions, rewarding key employees, or minimizing costs.

4. Substantial Tax Benefits
Business owners and employees can make significant pre-tax or after-tax Roth contributions to a business retirement plan. For 2025, individuals may contribute up to $23,500 to a 401(k) (plus a $7,500 catch-up for those age 50 or older). Including employer matching and profit sharing, total annual contributions may reach $70,000—far exceeding IRA limits.

SECURE 2.0 Tax Credits: A New Incentive to Act. The SECURE 2.0 Act greatly enhances the incentives for small businesses to start a retirement plan. Two main types of tax credits are now available—one for plan startup costs and one for employer contributions—along with an additional credit for automatic enrollment.

1. Startup Plan Cost Tax Credit
This credit helps offset the administrative and setup costs of launching a new retirement plan, including financial and recordkeeping fees.

- **Who qualifies:** Businesses with 100 or fewer employees who earned at least $5,000 in the prior year and who haven't offered a similar plan in the past three years.
- **Credit amount:**
    - 100% of eligible costs (for employers with 50 or fewer employees)
    - 50% of eligible costs (for those with 51–100 employees)
    - Maximum annual credit: The greater of $500 or $250 × the number of eligible non-highly compensated employees (NHCEs), up to $5,000 per year.
- **Duration:** Available for the first three years of the new plan.

This means that a business with 10 qualifying employees could receive up to $2,500 annually in tax credits, potentially covering most or all of the plan's initial expenses.

2. Employer Contribution Tax Credit
This new credit provides additional benefits based on contributions made by the employer to employees earning less than $100,000 per year.

- Credit amount: Up to $1,000 per employee annually, based on employer contributions, over the plan's first five years.
- Phase-down schedule:
    - Year 1–2: 100%
    - Year 3: 75%
    - Year 4: 50%
    - Year 5: 25%

4 July 11, 2022, "Infographic: Half of U.S. employees face retirement risks," https://www.wtwco.com/en-us/insights/2022/07/infographic-half-of-us-employees-face-retirement-risks.

• Eligibility: Applies to 401(k), SEP, and SIMPLE plans with no more than 100 employees. For employers with more than 50 employees, the credit phases down by 2% for each employee above 50.

3. Automatic Enrollment Credit
Employers who include automatic enrollment in their plan can earn an additional $500 annual credit for the first three years. SECURE 2.0 encourages automatic enrollment as it improves employee participation and long-term savings outcomes.

Putting It All Together. When combined, these credits can provide up to $16,500 or more in total first-year tax savings for qualifying small businesses.

For example, a firm with 10 employees could receive:

- $2,500 startup cost credit
- $9,000 variable contribution credit
- $500 automatic enrollment credit

Total potential year-one tax savings: $12,000.

Beyond tax incentives, the greater benefit is that these plans help business owners build personal wealth outside of the company while creating a culture of financial security within the business to help attract and retain key employees.

Getting Started. Each business has unique goals, whether maximizing owner contributions, rewarding key employees, or enhancing employee retention.

Contact us to explore information and plan design options for implementing a tax-efficient retirement plan.

Plan with confidence and live with purpose!

Wealth Navigator Tips

Creating more efficient collaboration with a new planning tool feature. There is now a more efficient way to upload your personal data to create or update your financial plan. We can provide a link in your Wealth Navigator portal to help you create or update your financial data.

To take advantage of this new tool, please contact us before your next financial plan update, and we will send you a secure link to input your financial updates.

By Jamie Borman

Humor Matters

The pope goes to New York. He is picked up at the airport by a limousine. He looks at the beautiful car and says to the driver, “You know, I hardly ever get to drive. Would you please let me drive?”
The driver is understandably hesitant and says, “I’m sorry, but I don’t think I am supposed to do that.”
But the pope persists, “Please?”
The driver finally gives in. “All right, I can’t really say no to the pope.”
So, the pope takes the wheel, and boy, is he a speed demon! He hits the gas and goes around 100 mph in a 45 mile per hour speed zone.
A policeman notices and pulls him over. The cop walks up and asks the pope to roll down the window. Startled, and surprised, the young officer asked the pope to wait a minute. He goes back to his patrol car and radios the chief.
Cop: “Chief, I have a problem.”
Chief: “What kind of problem?”
Cop: Well, you see, I pulled over this guy for speeding, but it’s someone really important.”
Chief: “Important like the mayor?”
Cop: “Wayyyyy more important than that.”
Chief: “Like the president?"
Cop: “More.”
Chief: “Who’s more important than the president?”
Cop: “I don’t know, but he’s got the pope as a chauffeur."

Source: jokes.cc.com

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