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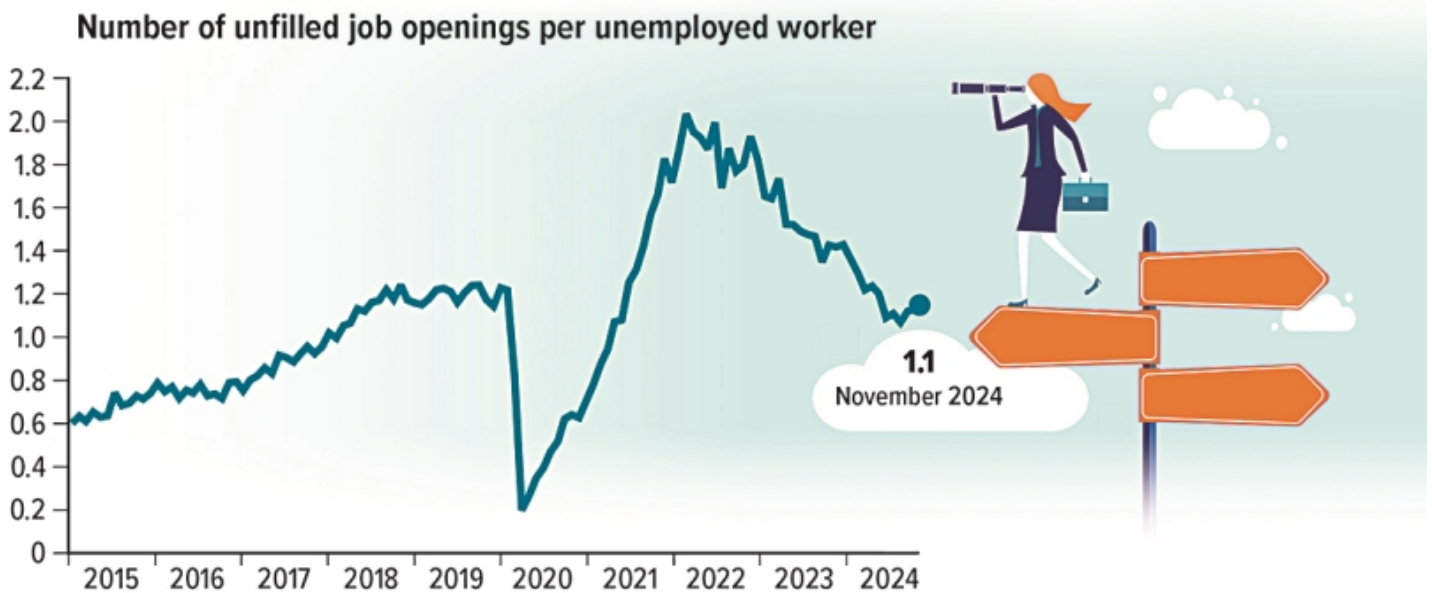


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Say Hello Again to a So-So Job Market

In mid-2024, the ratio of job openings to job seekers — which represents the balance of supply and demand in the U.S. labor market — returned to pre-COVID levels. While the easing of the labor market might disappoint workers hoping to land a new job, it could also be seen as a positive sign for consumer prices. A severe labor shortage that drove up wages was a strong source of inflationary pressure in 2022.



Source: U.S. Bureau of Labor Statistics, 2025 (seasonally adjusted data)

The Versatile Roth IRA

Used with care, the Roth IRA may help serve several objectives at once — like a multipurpose tool in your financial-planning toolbox.

Retirement

First and foremost, a Roth IRA is designed to provide tax-free income in retirement. If your modified adjusted gross income (MAGI) falls within certain limits, you can contribute up to \$7,000 (\$8,000 for those age 50 or older) in earned income to a Roth IRA in 2024 and 2025. Although Roth IRA contributions are not tax-deductible, qualified withdrawals are tax-free. A qualified withdrawal is one made after the account has been held for at least five years and the account owner reaches age 59½, becomes disabled, or dies. Nonqualified withdrawals of earnings are subject to ordinary income taxes and a 10% penalty, unless an exception applies.

2025 Income Limits for Roth Contributions

Filing status	Contribution limited if MAGI is:	No contribution allowed if MAGI is:
Single/Head of household	\$150,000 to \$164,999	\$165,000 or more
Married filing jointly	\$236,000 to \$245,999	\$246,000 or more
Married filing separately	\$0 to \$9,999	\$10,000 or more

Source: IRS

Emergency savings

Because contributions to a Roth IRA are made on an after-tax basis, they can be withdrawn at any time — which means, in a money crunch, you could withdraw just your Roth contributions (not the earnings) free of taxes and penalties. In addition, account holders may withdraw up to \$1,000 in earnings each year to cover emergency expenses.¹

Teachable moments

A Roth IRA can also be an ideal way to introduce a working teen to long-term investing. Minors can contribute to a Roth IRA as long as they have earned income and a parent or other adult opens a custodial account in their name. Alternatively, an adult can contribute to a Roth IRA within a custodial account on a child's behalf, as long as the total amount doesn't exceed the child's total wages for the year.

College and first home

Roth IRA earnings can be withdrawn penalty-free to provide funds for college and the purchase of a first home.

College. Roth IRA funds can help pay for certain undergraduate and graduate costs for yourself or a

qualified family member. Expenses include tuition, housing and food (if the student attends at least half time), fees, books, supplies, and required equipment not covered by other tax-free sources, such as scholarships or employer education benefits. An advantage of using a Roth IRA to help pay for college is that assets held in retirement accounts are excluded from the government's financial-aid formula. (A related point: up to \$35,000 in 529 plan assets that are not used to pay for college may be rolled over to a Roth IRA for the same beneficiary, provided certain rules are followed.)

First home purchase. Up to \$10,000 (lifetime limit) can be used for qualified expenses associated with a first-time home purchase. You are considered a first-time home buyer if you haven't owned or had interest in a home during the previous two years. Funds may be used for acquisition, construction, or reconstruction of a principal residence and must be used within 120 days of the distribution. If the account has been held for at least five years, the distribution will be income tax-free as well.

Estate planning

Roth IRAs are not subject to the age-based required minimum distribution rules that apply to non-Roth retirement accounts during your lifetime. For this reason, if you don't need your Roth IRA funds, they can continue to accumulate. After your death, the tax-free income benefit continues to apply to your beneficiaries (however, the value of your Roth IRA will be assessed for federal and possibly state estate tax purposes).

Proceed with caution

Although it's generally best to avoid tapping money earmarked for retirement early, the Roth IRA can help serve multiple needs — if used wisely.

The tax implications of a 529 savings plan should be discussed with your legal and/or tax professional because they can vary from state to state. Also be aware that most states offer their own 529 plans, which may provide advantages and benefits exclusively for their residents and taxpayers. These other state benefits may include financial aid, scholarship funds, and protection from creditors. Before investing in a 529 savings plan, please consider the investment objectives, risks, charges, and expenses carefully. The official disclosure statements and applicable prospectuses, which contain this and other information about the investment options, underlying investments, and investment company, can be obtained by contacting your financial professional. You should read these materials carefully before investing.

¹ Due to ordering rules, Roth IRA contributions will always be distributed before earnings.

Home Energy Rebates Could Save You Money

The Inflation Reduction Act of 2022 included two provisions allowing rebates for home energy efficiency retrofit projects and home electrification and appliance projects. These home energy rebate programs are to be administered by state energy offices, with the U.S. Department of Energy (DOE) providing guidance and oversight.

Many states have applied for or have received optional early funding to jumpstart their home energy rebate programs. Rebates are available in some states starting in 2024 (possibly delayed until 2025 for others). The DOE tracks the application progress of states on [energy.gov](https://www.energy.gov).

What are the DOE home energy rebates?

There are two DOE home energy rebates and various factors help determine the amount of rebates that may be available.

For a **home energy efficiency retrofit project** with at least 20% predicted energy savings, a rebate may be available per household for 80% of project costs, up to \$4,000 (reduced to 50% of project costs, up to \$2,000, if household income is above 80% of area median income (AMI)). For a home energy efficiency retrofit project with at least 35% predicted energy savings, a rebate may be available per household for 80% of project costs, up to \$8,000 (reduced to 50% of project costs, up to \$4,000, if household income is above 80% of AMI).

For a **home electrification and appliance project**, a rebate may be available per household for 100% of project costs, up to specific technology cost maximums, with a maximum total of \$14,000. The 100% of project costs limit is reduced to 50% if household income is above 80% of AMI. This rebate is not available if household income is above 150% of AMI. The specific technology cost maximums range from \$840 for an Energy Star electric stove to \$8,000 for an Energy Star electric heat pump for space heating and cooling.



An installed technology may be eligible for rebates either because of its predicted energy savings or because of its inclusion on the home electrification project qualified technologies list, but not for both reasons in a single household.

Tax treatment of DOE home energy rebates

A rebate paid to or on behalf of a purchaser participating in either of the DOE home energy rebate programs is not includible in the purchaser's gross income and will be treated as a purchase price adjustment. This means that to the extent the rebate is provided at the time of sale, the rebate is not included in the purchaser's cost (or tax) basis in the property. If the rebate is provided later, the tax basis is reduced.

Payments of rebate amounts made directly to a business taxpayer, such as a contractor, in connection with the business taxpayer's sale of goods or provision of services to a purchaser are includible in the business taxpayer's income.

Popular Home Energy Tax Credits

Energy efficient home improvement credit	
Credits claimed	2,338,430
Average credit	\$882
Residential clean energy property credit	
Credits claimed	1,246,440
Average credit	\$5,084

Source: IRS, 2024 (2023 tax return data)

Coordination with the energy efficient home improvement credit

In some cases, a taxpayer can receive an energy efficient home improvement credit for federal income tax purposes. The credit is for 30% of amounts paid for certain qualified expenditures, with limits on the allowable annual credit and on the amount of credit for certain types of qualified expenditures. The maximum annual credit amount may be up to \$3,200.

If the taxpayer receives a DOE home energy rebate (whether at the time of sale or later), the amount of qualified expenditures used to calculate the energy efficient home improvement credit must be reduced by the amount of the rebate. If the taxpayer purchases items eligible for both the DOE home energy rebate and the energy efficient home improvement credit, the taxpayer can make a pro rata allocation of amounts received as rebates to the individually itemized expenditures as a share of total project cost in determining the amounts treated as paid or incurred for such items for purpose of the credit. The allocated rebate amounts reduce the qualified expenditures to which they are allocated, and the various limits on costs under the energy efficient home improvement credit are then applied.

Breaking Down the Numbers: The Soaring U.S. National Debt

The U.S. national debt is the total amount of money owed by the federal government. As of January 2025, it stands at \$36.16 trillion.¹

The difference between deficit and debt

When the federal government spends more money than it collects in taxes in any given fiscal year (the government's fiscal year runs from October 1 to September 30), there is a deficit. The opposite of a deficit is a surplus.

To fund its operations when there is a deficit, the government borrows money by selling Treasury notes, bills, bonds, and other securities to investors, paying interest based on the interest rate environment at the time the security is issued. The interest owed to these investors adds to each year's spending deficit (if any) and further increases the national debt over time.

In the past 50 years, the U.S. has run a deficit 46 times. The last U.S. budget surplus was in 2001. In 2024, the deficit was \$1.83 trillion, the third-highest on record. The highest deficit was in 2020 during the pandemic, when it was \$3.13 trillion.²

Why is the national debt so high?

There are several reasons for the ballooning national debt. One reason is previous tax cuts and pandemic spending. Another major reason is the increasing cost of Social Security and Medicare, two popular programs that serve a growing demographic of older Americans and make up the two biggest slices of the federal

budget pie.³ Cutting spending on these programs is not politically popular, though in theory, future benefits could be trimmed. Military spending also consumes a significant portion of the federal budget.

A category of spending that can't be cut is the interest the federal government must pay to investors who have purchased Treasury securities, which is consuming an increasing share of the federal budget. This is sometimes referred to as "servicing the national debt." As of September 2024, \$1.13 trillion went toward maintaining the debt, which was 17% of total federal spending in fiscal year 2024.⁴

Comparing a country's total debt to its gross domestic product (GDP) is typically a better way to gauge a country's ability to pay down its debt than just looking at the raw debt number. For fiscal year 2024, the U.S. debt-to-GDP ratio was 124%. This was just under the record 126% in 2020.⁵ According to the nonpartisan Congressional Budget Office, based on current spending and revenue projections, the debt-to-GDP ratio is projected to reach 179% by 2054.⁶

Clearly, Congress has work ahead to better balance U.S. revenue and spending.

Projections are based on current conditions, subject to change, and may not come to pass.

1–5) fiscaldata.treasury.gov, 2025

6) Congressional Budget Office, 2025

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