

The ALLIED PERSPECTIVE

Summer 2025



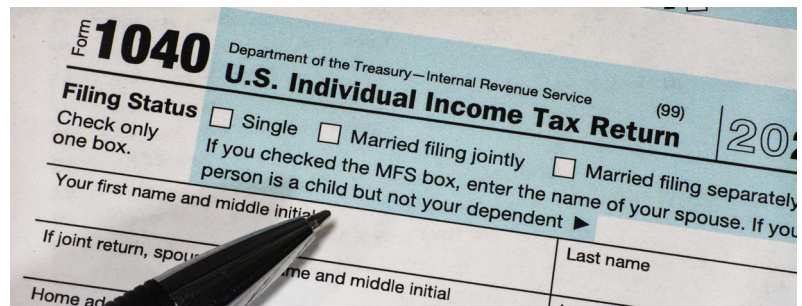
Hello, Summer!

As summer kicks into full swing, the partners at Allied want to take a moment to extend a heartfelt thanks to our clients and communities. Your continued trust and partnership mean the world to us, and we're truly grateful for the opportunity to support your financial goals year after year. Whether you're taking time to relax, travel, or plan for the future, we hope this season brings you joy, sunshine, and success. And, of course, if there is anything you need, don't hesitate to reach out to us. We are always here for you – rain or shine. From all of us at Allied, have a safe and wonderful summer!

Important Announcements

An executive order signed on March 25, 2025, directs the U.S. Department of the Treasury to phase out paper check disbursements by September 30, 2025. As a result, the IRS will no longer issue paper checks for tax refunds after that date.

Starting October 1, 2025, tax refunds will be issued primarily through direct deposit. Direct deposit information is provided as part of your annual tax return documents submitted to the IRS. If you or someone you know typically receives a paper refund check, be aware of this change for the upcoming tax season.




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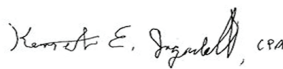

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What is the role of gifting in your financial and tax planning?

By Lorraine Wolch, CPA

My Mom was an avid listener of talk radio; she once heard that two people could be in the same nursing home and while one was paying \$150,000 per year the other paid nothing because of Medicaid

planning. She wanted to be the one paying nothing! It was important to her that her money be spent on her loved ones. With that in mind, let's explore some tax aspects of gifting.

Gifting under the tax code is defined by the 'Unified Gift and Estate Tax' and is separate from the income tax although gifting will ultimately affect the income taxation of earnings on assets transferred.

Who is considered the donor of a gift?

Only individuals may be donors for gift tax. If a trust or other entity makes a gift to a non-beneficiary or non-owner, then the beneficiary or owner is the donor and liable for filing the gift tax return.

Who may receive your gift?

You may give to an unlimited number of individuals and the individuals do not have to be related to you. When gifting to a trust there are limitations on the annual exclusion subject to the provisions of the trust document.

What is considered a gift for gift tax?

A gift is any transfer of real or personal, tangible or intangible property in exchange for no payment or payment that is less than fair market value. Gift tax applies to lifetime transfers (as opposed to transfers upon your death). At this point, CT is the only state with a gift tax.

What gifts are not subject to gift tax?

1. Transfers that do not exceed the annual exclusion, \$19,000 for 2025.
2. Transfer between spouses, though there are special rules for non-resident, non-U.S. citizen spouse
3. Payments directly to providers for tuition and medical expenses.
4. Transfers to a political organization.
5. Charitable contributions to qualifying organizations.

When do you have to pay gift tax?

It's very unlikely that you would ever have to pay gift tax since there is a credit that applies to lifetime gifts and the remainder to your estate value at death. For deaths in 2025, the federal exclusion is \$13.99 million per individual. If you are married, you may split gifts during your lifetime and the first to die may elect to transfer any unused estate tax credit to their spouse. If you give \$138,000 to an individual in 2025, you and your spouse may elect to split gifts. Therefore, you would each be giving a gift of \$69,000 and you would each have a \$19,000 exclusion and \$50,000 subject to gift tax. If you had no prior gifts, the entire tax on the \$50,000 would be reduced by the available tax credit. Since the tax rates have increasing brackets, gift splitting may also reduce the tax rate.

Exclusions and split gifts are determined by facts and circumstances and not all situations are the same. Consult your tax advisor.

What strategies can you consider with regard to transfers subject to gift tax?

1. Establishing Section 529 college savings account for more than the annual exclusion. For gifts to Section 529 plans, there is a special 5-year averaging rule that allows a current gift of more than the annual exclusion without gift tax.
2. Creating an irrevocable trust to freeze the value of assets for estate tax savings, provide protection from creditors and claims in divorce, provide for an individual not capable of managing their own finances and provide for future generations.
3. Transferring assets directly to reduce estate and/or income taxes.
4. Medicaid planning including transfers in trust and/or outright.

How may gifting help you qualify for Medicaid long term care benefits?

Nursing home care is very costly; according to the New York State Partnership for Long Term Care, the average annual cost of a nursing home in Rochester, NY is \$173,028.

Medicaid is a federal program that may pay or reduce your costs for nursing home care. Under certain circumstances, home care or the cost of residing in an assisted living community may be considered qualified long term medical care. To qualify for Medicaid benefits there are medical and financial criteria. The financial criteria have strict guidelines regarding monthly income and the amount of assets that may be retained. Medicaid is a federal program that varies by state regarding eligibility. Consult your tax advisor about the status in your state of residency.

Some individuals with resources wish to qualify for Medicaid long-term care benefits to preserve assets for their heirs. To do so, you may divest assets outright through gifting or create an irrevocable trust to reduce available assets. However, to limit this practice, there is a five-year lookback rule during which any gifts, including gifts subject to the annual exclusion, will be considered available to pay qualifying expenses. In the past, benefits for qualifying in-home care expenses were not subject to the lookback rule. However, NY has enacted a 30-month lookback rule for gifts and increased the level of medical need when considering Medicaid eligibility for in-home care benefits.

Though your initial thought about providing financial assistance for another may not be tax motivated, there may be tax implications. Further, financial planning strategies that involve transferring assets among family members or others may have gift and estate tax ramifications in addition to affecting income taxes. Specifics of taxation change through legislation, regulations, and litigated issues. When developing and implementing a financial plan, be prudent and consult with your team including financial planner, tax advisor, and attorney.



Introducing Allied's Newest Partner, Jonathan Bradshaw, DBA, CPA

Jonathan Bradshaw is a Rochester native who specializes in taxation and tax planning. He enjoys helping clients make good business and tax decisions. With over twelve years of teaching experience at the college level, he utilizes a variety of methods to simplify complex concepts. In addition, his doctorate in management gives a unique perspective on issues of strategic planning and employee motivation to help business owners in a variety of areas. Since joining the firm in 2022, Jonathan has been an integral part of our team, demonstrating outstanding technical expertise and a deep commitment to our clients and our values. Jonathan's work in tax has contributed significantly to the success and growth of our firm. In his new role as Partner, Jonathan will expand his client service role, continue to support staff as needed, and will help shape the future of Allied through innovation, mentorship, and strategic insight.

Thumbs Up!

Congratulations to our clients. Way to go!

Cellino Plumbing & HVAC for being named one of Rochester's Top Workplaces for 2025

Wilbert's Family Enterprises for being named one of Rochester's Top Workplaces for 2025

IDI Billing Solutions for receiving Top Company as a team based on their average finish time in the JP Morgan Corporate Challenge

Matt Ferrari for climbing Mt. Everest



Matt at the peak of his climb – Go Bills!

Welcome to the Team!



Kelly Slicer
Staff Accountant,
Oneonta Office



James Yun
Staff Accountant,
Buffalo Office

Congratulations Keep Up the Great Work!



Eileen Downs, CPA
Received CPA certification

Calendar of Events

We offer a variety of educational seminars throughout the year, so be sure to check our monthly eBlasts and website for details about upcoming events!

Here is an event coming up in the near future:

AFS Medicare Made Easy

- September 23 @ 6:00 PM – on Zoom and in our Rochester office
- Presenter: Rene Pettenski from LifeSpan

If you have a suggestion for a seminar topic that would be of interest to you, please email your suggestion(s) to our Director of Communications, **Andrea True** at atru@alliedfinancialservices.com.



Vertigo

By David A. Younis, CFP® | Partner

Whenever I would leave the house growing up (and still today if we're being honest), my father would tell me to stay aware of my surroundings and keep my head on a swivel. For those of you that have been given the same advice, you're probably a bit dizzy these days if you're trying to keep up with the news cycle.

Nate Silver, one of the greatest election prognosticators in the business, wrote a great book called "The Signal and the Noise: Why So Many Predictions Fail – but Some Don't." Within, he explores why humans are notoriously poor at making predictions; ultimately, it comes down to the fact that we are drowning in data, and it is difficult to separate the most important data (the signal) from EVERYTHING else (the noise).

As we gasp for air and hold on to news like lifelines, it is easy to succumb to emotion and make decisions based on "gut instinct." However, emotional reactions in the short term are usually not the ideal justifications for making big portfolio decisions.

Right now, there is a lot to keep track of – and almost every positive or negative "fact" comes with a dozen other clarifying or contradicting details to consider. Let's look at some of the less-than-ideal:

1. Stocks are in a "more expensive than usual" range – the S & P 500's P/E ratio is 22.1 at the time of writing. This means you're paying for 22 years of corporate earnings when you buy the S & P 500 index today. The 30-year average P/E ratio is 17.
2. Consumer sentiment for June was 60.7, up from the May reading of 50.8 – one of the lowest readings on record going back to 1971. The average over that period is 84.3.
3. Delinquencies on credit cards, auto loans and student loans have reached thresholds last seen just prior to the financial crisis.
4. Job openings have fallen from a high of around 12 million in 2022 to about 7.8 million today. Not all of which are jobs that people are seeking.
5. GDP for the first quarter was slightly negative.
6. Tariffs are creating uncertainty that is impacting corporate earnings calls, business investment commitments, consumer prices and foreign demand for our goods, services and investments.
7. The dollar has been falling lately considering these conditions and uncertainties.

While this is just a smattering of the potential items you COULD pay attention to, they are reasonable data points to support the idea that things are tenuous and could shift to the downside.

But consider these perspectives:

1. While the P/E ratio of the S & P 500 is at 22.1, under the hood, the top 10 companies are at 28.7 times earnings while the other 490 are collectively at 21 – much closer to long-term averages and today each segment are collectively expected to have overall profit growth from last year.

2. When consumer sentiment has been at its worst historically, the market's subsequent 12-month returns are most robust. The average return for the S & P after a sentiment trough is 24.1% while the average return following a sentiment peak is 3.9%.
3. While delinquencies for auto loans and credit cards have risen, mortgage delinquencies are well below what we were seeing right before the financial crisis and the household debt service ratio is still below where we were in 2020.
4. While job openings have fallen, people are quitting their jobs more frequently than they had over the past two years and layoffs are down from recent peaks in 2023 and 2024. People don't typically quit their jobs without having positive momentum moving into a new employment situation. This shows confidence in their ability to quit and remain financially stable or even improve – which is positive.
5. GDP was indeed slightly negative in the first quarter. However, this was largely driven by a pullback in government spending and an increase in purchasing orders accelerating into the 1st quarter to get ahead of the potential tariff regime. So, it could be a little distorted and we're in a wait and see on the GDP figures moving forward. This is a trend to monitor.
6. Corporate America is nothing if not resourceful. It has never been wise to bet against the great companies of the United States of America over the long-term. While clarity is required, businesses adapt every day to changing conditions and some of the best businesses you know and love today were born in turbulent economic times. That's why we want to continue investing through uncertainty.
7. Yes, the dollar has weakened a bit and could further; however, a falling dollar is an opportunity for international investments – which you should have exposure to in a diversified investment portfolio. International performance is buoyed by a falling dollar as profits are repatriated and converted back into cheaper dollars due to the shifts in the exchange rate.

So based on these data points, what is the signal and what is the noise? It's hard to tell exactly because the good and bad, the important and the trivial, are interwoven together with complexity that is hard to untangle except in hindsight. That complexity is why markets have broadly grown over time, even while experiencing harrowing volatility at times. While policy matters and there are real world implications to our political realities that will permeate throughout our markets in the short term, we are strong believers in the long-term prospects for markets.

So, if your neck aches a bit from the last few months of the "everything, everywhere, all at once" environment. Please try to remember to keep your eyes fixed on YOUR path for the long-term – diligence and commitment to your vision of success will pay off. So, let's not worry! Anxiety stems from ambition in the absence of action. We can help you to define that path if you are lacking direction. We are here to help you separate the noise from the signals and make clear minded decisions today that are likely to pay you back down the road.