

# THE PRINCIPLE NEWSLETTER

FEBRUARY 2025



Dear Clients and Friends,

We hope your year is off to a great start! As we navigate a transitioning administration, evolving policies, and new initiatives, it's important to stay

focused on the opportunities that change can bring. While the landscape may shift, our commitment remains the same—helping you plan with confidence and clarity.

In this issue, we examine the impact of the recently passed Social Security Fairness Act, provide tips for organizing your finances, and outline key considerations when making annual gifts.

Enjoy!

Robert S. Paolucci, CFP®  
Founder & CEO

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## Are You Eligible for Increased Social Security Benefits?

By Josh Ouellette, CFP®



On Sunday, January 5th, after bipartisan support in Congress, President Biden signed the Social Security Fairness Act into law, expanding benefits for millions of retired American public service employees. According to the [Social Security Administration](#), this legislation repeals the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO), impacting over 3.2 million retirees since 1983.

### Key Changes:

- WEP Repeal: Eliminates the reduction in Social Security benefits for workers with government pensions not covered by Social Security.
- GPO Repeal: Removes the reduction in spousal or survivor Social Security benefits for those with public sector pensions.

### Who Benefits?

Retired teachers, police officers, firefighters, postal workers, and federal/state/local government employees may now collect their full Social Security alongside their pensions. For example, retired public service employees who didn't pay into Social Security but are or were married to someone who did may now qualify for spousal benefits. Those who contributed to Social Security during other employment may also be eligible to receive higher benefits.

### What to Know:

Benefits under the new law are retroactive to January 2024. If you've already filed for benefits, no action is required beyond ensuring your contact, mailing, and payment information is current. If you have never applied or are unsure if you have applied for spouses' or surviving spouses' benefits, you can apply at [ssa.gov/apply](https://ssa.gov/apply).

The Social Security Administration (SSA) is finalizing the implementation of this act, and will share updates as they become available at this web address, [ssa.gov/benefits](https://ssa.gov/benefits). If you have any questions, please don't hesitate to contact us.

## Get Financially Fit in 2025

By Theresa V. Donatelli



We often make New Year's resolutions focused on improving our physical and mental well-being. It's also a great time to think about what you can do to enhance your financial wellness, which can positively

impact your overall well-being. To help you get started, here are five helpful tips to become "financially fit." Your Principle Wealth team will work together with your tax, insurance, legal, and other professionals to help you determine the most effective way to proceed.

### 1. Get Financially Organized

No one likes to think about it, but if something were to happen to you, leaving you unable to communicate, would your family be able to locate all the financial, health, legal, and contact information and documents needed? Organize all of your facts in one place, physically or digitally, and store it safely in a fireproof safe, password-protected file, or password vault for trusted individuals to access your information in the case of an emergency. If you have already compiled your personal information, take the opportunity to review it and make any necessary updates.

### 2. Keep Your Advisor in the Loop

Have you experienced any major life events this year? Perhaps your marital status has changed, or you have new dependents? Have you changed jobs, sold a business, or retired? Significant life changes may impact your wealth plan and investment strategy. Keeping your advisor informed can help to ensure that your plan remains aligned with your evolving needs. We look forward to discussing any life changes you may have experienced and how they may affect your financial plan.

### 3. Update Your Documents

The beginning of the year is a great time to review your financial, legal, and health documents. It may have been quite some time since you updated your will and decided upon an executor, particularly in light of any changes in your circumstances and potential new tax policies proposed by the incoming administration. Do you need to update your beneficiaries? Have you appointed someone to act as your representative on advanced health care directives, and if so, can they still fulfill their responsibilities?

### 4. Review Your Insurance Coverage

Your insurance needs may have evolved over the year, especially if you have made a major asset purchase or sale. If you live in an area that has special risks, such as floods or earthquakes, severe weather or other occurrences may affect your coverage or premiums, and you may want to explore alternative carriers with your insurance agent. Have you reviewed the pros and cons of long-term disability and life insurance with your advisor?



### 5. Prepare for Tax Time and Beyond

April is only a couple of months away, so it's time to get ready for tax filings. If you've already received a tax organizer from your accountant, begin completing it. Start by gathering relevant information, including W-2s, 1099s, business expense receipts, contributions, and other forms that you have or will receive either in the mail or electronically. If you are eligible to contribute to an IRA, don't forget that all contributions must be made by the tax filing deadline, which is April 15, 2025, for tax year 2024. And it's never too early to think about taking care of your required minimum distributions (RMDs), qualified charitable distributions (QCDs), philanthropic giving, or annual gifts to loved ones. Tax exclusion amounts are \$19,000 per individual/\$38,000 per married couple for tax year 2025.

Prioritizing your financial well-being may seem daunting, but breaking it down into individual tasks can help make it manageable and achievable. We are here to work alongside you to help you reach your goals, now and in the future.

## Should I Be Thinking About Gifting?

By Cynthia J. Griffith, JD, EPLS, AEP®



If you are financially secure, gifting can provide several tax advantages—though it also comes with some tax complexities. Here's what you need to know before making gifts.

### Gift Tax Basics

Many people are surprised to learn that gifts can be taxable. This is because gifts fall under the federal estate tax system, which applies to wealth transfers regardless of whether they occur during your lifetime or at death.

For 2025, lifetime transfers exceeding **\$13.99 million** will be subject to federal estate and gift taxes. Most states do not impose a gift tax, but **Connecticut does**, using the same \$13.99 million threshold.

Because enforcing a lifetime limit on gifting is complex, the IRS uses an **annual reporting system**. Smaller gifts do not need to be reported, while larger gifts must be tracked and reported on a **Gift Tax Return**.

- In 2025, gifts under **\$19,000** per recipient do not require reporting.
- Gifts exceeding **\$19,000** to a single recipient in one year must be reported, though they do not necessarily trigger a tax unless the giver surpasses their lifetime exemption.

### Examples of How Gift Tax Rules Work

- **Scenario 1:** Mike and Carol each give their six children \$10,000 for their birthdays. **No tax. No reporting.** Since each child only receives \$10,000, it is below the individual annual exemption.
- **Scenario 2:** Mike and Carol also give each child another \$10,000 for Christmas. **Still no tax. Still no reporting.** Each parent has a **\$19,000** annual exemption per child.
- **Scenario 3:** Mike and Carol gift **\$100,000** to one child for a home down payment. **Now they must file a Gift Tax Return.** No tax is owed because they have not exceeded their \$13.99 million lifetime exemption, but they must report the gift for tracking purposes.

### Income Tax Considerations for Gift Recipients

Recipients often ask: "Do I have to report a gift as income?" The answer is no—gifts are not considered taxable income. However, what is gifted matters, particularly for assets with fluctuating value, such as real estate, business interests, or stocks.

#### Example: Gifting Real Estate vs. Inheriting It

- **Gifting Now:** Lorelei wants to gift her house, currently worth **\$520,000**, to her daughter. She originally purchased it for **\$78,000**. If Lorelei gifts the house now, her **original tax basis (\$78,000) transfers to her daughter**. When her daughter sells the home, she will owe capital gains tax on **\$442,000** ( $\$520,000 - \$78,000$ ).
- **Inheriting Later:** If Lorelei instead **leaves the house in her estate**, the daughter inherits it with a **step-up in basis** to the home's value at Lorelei's death. This means if the daughter sells it for **\$520,000**, she will owe **zero** capital gains tax.

Because of this significant tax difference, it's crucial to consider the recipient's future tax burden when gifting anything other than cash.

### Strategic Gifting to Charities

If tax efficiency is a priority, donating low-basis assets (such as real estate or stocks with large gains) to a charity can be a smart move.

- The donor (you) gets a **charitable tax deduction** based on the **current fair market value** of the gifted asset.
- The donee (**the charity**) can sell the asset **tax-free** since charities are exempt from income tax.

### A Few Final Thoughts

The current **\$13.99 million** lifetime exemption is set to **expire at the end of 2025**, unless Congress extends it. At that point, the exemption is expected to be cut in half, making proactive gifting strategies even more important.

However, gifting should never come at the expense of your own financial security. Before making significant gifts, ensure you have a comprehensive **financial wellness plan** that accounts for unexpected expenses and long-term stability.

## Firm News & Announcements



### Congratulations Team!

We are incredibly proud to announce that Principle Wealth has been named to the 2024 Forbes Top RIA Firms list, and top ranked in Connecticut for the third consecutive year! This recognition is a testament to our team’s unwavering commitment to providing exceptional guidance and personalized service to our clients. We are beyond grateful to our clients for their trust and support, and to our dedicated team for their hard work and passion. Thank you, Forbes, for this prestigious honor!

### Welcome Oliver!

We are overjoyed to share the wonderful news that our Senior Investment Specialist, Kyle, and his wife, Alla, welcomed their first child, a beautiful baby boy, Oliver, into the world on October 25, 2024. Oliver arrived weighing 7 lbs 5 oz and measuring 18 inches long. Please join us in congratulating Kyle and Alla on this precious new addition to their family—and ours!

## Community Outreach

### St. Vincent de Paul Place



On November 22nd, several of our Principle Wealth team members volunteered at St. Vincent de Paul Place, a food pantry and soup kitchen in Norwich, CT, at their annual turkey drive. Together, with other volunteers, they helped distribute turkeys and all the fixings to families in need, ensuring that over 700 families had everything required to prepare a warm and festive Thanksgiving meal at home. As cars lined up in the parking lot, the team worked together to load trunks with holiday essentials, spreading joy, warmth, and gratitude throughout the community. For more information on St. Vincent de Paul Place, visit [SVDPP.org](http://SVDPP.org).

### Columbus House



As proud members of the Shoreline community, we are committed to supporting our neighbors in need. Columbus House, a New Haven-based shelter, serves individuals experiencing homelessness or at risk of losing their homes. Their mission is to provide shelter, housing, and essential resources that empower personal growth and stability. This past year, we were honored to contribute by collecting and donating gift cards, jackets, hoodies, kitchenware and other much needed items to help keep their clients safe and comfortable through the winter months. To learn more about the vital work Columbus House does, visit [columbushouse.org](http://columbushouse.org).

### Niantic Jingle Bell 5k



Principle Wealth was delighted to sponsor and participate in the 11th Annual Niantic Jingle Bell 5K, held on Saturday, December 14th. The freezing weather couldn’t stop Theresa, Josh and Kyle, along with over 1400 participants from donning bells and holiday garb, and having a fantastic time! Funds were raised for the Brian Dagle Foundation and Brian’s Healing Hearts Center for Hope and Healing. The foundation’s mission is “dedicated to the healing of grieving adults as well as community education on suicide prevention and awareness.” You can learn more about this amazing organization at [brianshealinghearts.org](http://brianshealinghearts.org).

## A Look Back at Past Insights



### Market Outlook 2025 “Balancing Act”

In our first webinar of 2025, we look back at what happened in 2024 and provide our insights into what may happen in 2025.



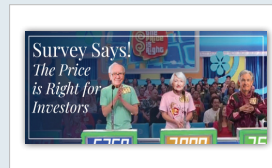
### December Monthly Movements Happy New Year!

The December Monthly Movements highlights the incredible opportunities the US stock market offers investors. With historical trends and data pointing to long-term growth, this graphic shows just how investing in US equities can pave the way.



### December Market Update “Holiday Cheer”

In this final market update of 2024, we cover the bull market, earnings growth, and what to expect in 2025. We explore key drivers of optimism, including municipal bond health and government efficiency. Watch to get insights on how inflation and interest rates will shape the year ahead.



### November Monthly Movements Survey Says! The Price is Right for Investors

Learn how timeless lessons from The Price Is Right can illuminate the stock market's mysteries. From the changing S&P 500 to the elusive P/E ratio, discover why guessing the market's "right price" requires more than intuition—it takes a fresh perspective. Are traditional metrics limiting you? Spin the big wheel and see!



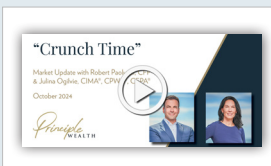
### November Market Update “Changing of the Guard”

With the election behind us, we analyze the economic landscape. We discuss key factors like liquidity, interest rates, and corporate health, offering insights into market performance and potential opportunities ahead.



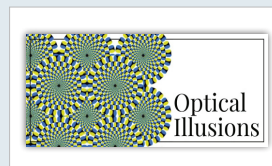
### October Monthly Movements Is Your Share Fair?

Tax debates are heating up, and new IRS data shows the top 1% pay nearly half of all federal income taxes. But are they really shouldering their "fair share," or is the system more balanced than it seems? Dive into the data and uncover surprising truths about income, fairness, and the impact of the 2017 tax cuts.



### October Market Update “Crunch Time”

We discuss current market trends as the year ends. Key topics include market valuation, the impact of interest rate cuts on stocks and bonds, and the strength of dividends. Additionally, we explore the Fed's role in normalizing rates and the outlook for 2025.



### September Monthly Movements Optical Illusions

Are your instincts tricking you in the world of investing? Uncover how hidden factors like adjusted cost basis and reinvested dividends can distort your view of returns—and learn to outsmart these financial illusions!



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Barron's "Top 1,200 Financial Advisors," March, 2024. Barron's "Top 1,200 Financial Advisors" bases its ratings on qualitative criteria provided by a 102 question survey and verified through regulatory data, which provide a ranking framework. Additional criteria reviewed include experience, acceptable compliance records, formal succession plans, high client retention, advanced degrees and industry designations, the size and shape of their teams, and philanthropic work. Because individual client portfolio performance varies and is typically unaudited, this rating focuses on customer satisfaction and quality of advice. The rating may not be representative of any one client's experience because it reflects a sample of all of the experiences of the Financial Advisor's clients. The rating is not indicative of the Financial Advisor's past or future performance. Neither Principle Wealth Partners nor its Financial Advisors pay a fee to Barron's in exchange for the rating, however Principle Wealth Partners does pay to use the award ribbon for marketing materials. Principle Wealth Partners is not affiliated with Barron's or Dow Jones & Company, L.P. All of the information provided has been obtained from sources considered to be reliable, but we do not guarantee its accuracy or completeness, and does not constitute a recommendation. Barron's is a registered trademark of Dow Jones & Company, L.P. All rights reserved.

Source: Barron's "Top 100 Independent Advisors," September, 2024. Barron's "Top 100 Independent Advisors" bases its ratings on qualitative criteria provided by a 100+ question survey and verified through regulatory data, which provide a ranking framework. Advisors must pass a prequalification process that aims to determine experience and sophistication before verification of data with regulatory databases before an internal rankings formula is applied. This formula consists of 3 major categories with multiple subcategories within each. Also considered is a wide range of qualitative factors, including but not limited to experience, advanced degrees and industry designations, the size, shape and diversity of their teams, compliance records, and charitable and philanthropic work. Because individual client portfolio performance varies and is typically unaudited, this rating focuses on customer satisfaction and quality of advice. The rating may not be representative of any one client's experience because it reflects a sample of all of the experiences of the Financial Advisor's clients. The rating is not indicative of the Financial Advisor's past or future performance. Neither Principle Wealth Partners nor its Financial Advisors pay a fee to Barron's in exchange for the rating, however Principle Wealth Partners does pay to use the award ribbon for marketing materials. Principle Wealth Partners is not affiliated with Barron's or Dow Jones & Company, L.P. All of the information provided has been obtained from sources considered to be reliable, but we do not guarantee its accuracy or completeness, and does not constitute a recommendation. Barron's is a registered trademark of Dow Jones & Company, L.P. All rights reserved.

The 2024 Forbes Best-In-State Wealth Advisors<sup>1</sup> rankings was developed in coordination with SHOOK research. This award is based on an algorithm of qualitative criterion for advisors who have a minimum of seven years of experience. This algorithm<sup>2</sup> is qualitatively based, through due diligence reviews and quantitative data, factoring revenue trends, assets under management, compliance records, industry experience, and the encompassment of standards of preferred best practices. The Advisor does not pay Forbes or Shook Research, LLC. in exchange for either the nomination or recognition. However, the Advisor does pay a fee for any marketing materials used that include the award's ribbon. Principle Wealth Partners is not affiliated with Forbes or Shook Research, LLC. <sup>1</sup>This ranking is not indicative of advisor's future performance, is not an endorsement, and may not be representative of individual clients' experience. The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee that it is accurate or complete, it is not a statement of all available data necessary for making an investment decision, and it does not constitute a recommendation. <sup>2</sup>Portfolio performance is not considered as a part of the criteria. Over 44,000 advisors were nominated and more than 23,000 were invited to complete a survey.

CityWire RIA, July 2022 Methodology: This report is based on the most recent Form ADV data reported to the Securities and Exchange Commission at the time of publication, as helpfully gathered by a data partner, Discovery Data. Only firms that manage more than \$100m were considered, and which aren't affiliated on a firm level with a broker-dealer or other institution (though a firm's employees may be dually registered). Since we wanted to make sure we were only considering financial planning-oriented RIAs and not money managers, we excluded firms that don't report having many financial planning clients. And, in the spirit of fostering apples-to-apples comparisons, we also generally excluded those where the bulk of assets were non-discretionary. We've also endeavored to remove RIAs whose assets under management aren't truly 'theirs', so we did our best to strike companies that are primarily back-end service providers, operating under brand names that are likely unknown to the retail clients being served. Then we looked at percentage growth in AUM and percentage growth in employees over the last three years, summed those numbers, and came up with our 'growth score.' If a firm grew AUM by \$100m over the past three years, it got a leg up in the rankings. From there it was simple to select the winner in each state, and then the runners-up if there were any. After doing all this, we reached out to some of the firms to learn more. The RIAs in this supplement did not ask to be here. There was no way to compensate to be considered or to be named. For that matter, they could not do anything to not be named. The mention of a RIA is not at all an endorsement of its services or its business.

FA Magazine, July 2022 FA's RIA survey is a ranking based on assets under management at year end of independent RIA firms that file their own ADV with the SEC. FA's RIA ranking orders firms from largest to smallest, based on AUM reported to us by firms that voluntarily complete and submit FA's survey by our deadline. We do our best to verify AUM by reviewing ADV forms. To be eligible for the ranking, firms must be independent registered investment advisors and file their own ADV statement with the SEC and provide financial planning and related services to individual clients. Firms must have at least \$500 million in assets under management as of December 31, 2021, to be included in the print edition of Financial Advisor magazine's 2022 RIA survey. Firms with under \$500 million will be included in FA's expanded 2022 online RIA survey. Hybrid RIA firms, corporate RIA firms and investment advisor representatives (IARs) are not eligible for this survey. No fee was paid by either Financial Advisor magazine or Principle Wealth Partners for inclusion on this list, however, a fee was paid for the use of the award logo in marketing materials. Principle Wealth Partners and Financial Advisor magazine are not affiliated.

Source: SHOOK® Research, LLC – October 2024 – Data as of 12/31/23. America's Top Registered Investment Advisor (RIA) Firms ranking was developed by SHOOK Research and is based on in-person, virtual and telephone due diligence meetings and a ranking algorithm of qualitative criteria including: a measure of best practices, client retention, industry experience, review of compliance records, firm nominations; and quantitative criteria, including revenue trends and assets under management of their firms. Investment performance is not a criterion because client objectives and risk tolerance vary, and advisors rarely have audited performance reports. Neither SHOOK nor Forbes receive compensation in exchange for its Registered Investment Advisor Firm placements or rankings, which are determined independently (see methodology above). Participation in this directory is limited to ranked firms; once placed on a ranking, firms may choose to pay fees to Forbes and Shook for premium listing features as indicated by highlighted names. Principle Wealth Partners has not paid SHOOK Research, LLC to be included on this list, however, Principle Wealth Partners has paid for the use of the award logo on various media. SHOOK's research and rankings provide opinions intended to help investors choose the right financial advisor or firm and are not indicative of future performance or representative of any one client's experience. Investors must carefully choose the right advisor or firm for their own situation and perform their own due diligence. Past performance is not an indication of future results. For more information, please see [www.SHOOKresearch.com](http://www.SHOOKresearch.com), SHOOK is a registered trademark of SHOOK Research, LLC. Principle Wealth Partners and SHOOK Research, LLC are not affiliated.

SHOOK® Research, LLC – August 2023 – Data as of 12/31/21. America's Top Next-Gen Wealth Advisors Best-In-State ranking was developed by SHOOK Research and is based on in-person, virtual and telephone due diligence meetings and a ranking algorithm that includes: experience in the industry, revenue trends, compliance records, assets under management and best practices. Over 42,000 nominations were received and 3,738 advisors were considered for a Next-Gen ranking. Investment performance is not a criterion because client objectives and risk tolerance vary, and advisors rarely have audited performance reports. Neither SHOOK nor Forbes receive compensation in exchange for its Top Next-Gen Wealth Advisors Best-In-State placements or rankings, which are determined independently. Participation in this directory is limited to ranked advisors; once placed on a ranking, advisors may choose to pay fees to Forbes and Shook for premium listing features as indicated by highlighted names. Neither Principle Wealth Partners nor its advisors have paid SHOOK Research, LLC to be included on this list, however, Principle Wealth Partners and its advisors have paid for the use of the award logo on various media. SHOOK's research and rankings provide opinions intended to help investors choose the right financial advisor or firm and not indicative of future performance or representative of any one client's experience. Investors must carefully choose the right advisor or firm for their own situation and perform their own due diligence. Past performance is not an indication of future results. For more information, please see [www.SHOOKresearch.com](http://www.SHOOKresearch.com), SHOOK is a registered trademark of SHOOK Research, LLC. Principle Wealth Partners and SHOOK Research, LLC are not affiliated.

The 2024 ranking of the Forbes' Top Women Wealth Advisors Best-in-State<sup>1</sup> list was developed by SHOOK Research and is based on in-person and telephone due-diligence meetings to evaluate each advisor qualitatively and on a ranking algorithm that includes client retention, industry experience, review of compliance records, firm nominations, and quantitative criteria (including assets under management and revenue generated for their firms). Overall, approximately 10,805 nominations were received. The full methodology<sup>2</sup> that Forbes developed in partnership with SHOOK Research is available at [www.forbes.com](http://www.forbes.com). <sup>1</sup>This recognition and the due-diligence process conducted are not indicative of the advisor's future performance. Your experience may vary. Winners are organized and ranked by state. Some states may have more advisors than others. You are encouraged to conduct your own research to determine if the advisor is right for you. <sup>2</sup>Portfolio performance is not a criterion due to varying client objectives and lack of audited data. SHOOK does not receive a fee in exchange for rankings. Methodology: <https://www.forbes.com/sites/rjshook/2024/02/08/methodology-americas-top-women-wealth-advisors-2024/?sh=e95823645023>.

670 Boston Post Road  
Madison, CT 06443  
Phone: 203.318.8892

20 Bay Street  
Westport, CT 06880  
Phone: 203.227.7156