SAGE *Insights*

Financial Planning | Wealth Management | Retirement Income

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Top Reasons to Own Life Insurance

Although life insurance has traditionally been seen as a way to help replace household income after the death of a breadwinner, that's not the only purpose it serves. When a survey asked consumers why they owned life insurance, these were the top five responses they gave.



60%
Cover burial and final expenses

42%
Transfer wealth or leave an inheritance

26%
Help replace lost wages/ income of a wage earner

20%
Pay off the mortgage

19%
Supplement retirement income

Source: 2025 Insurance Barometer Study, Life Happens and LIMRA

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased.



40%

Percentage of American adults who believe they need more life insurance.

Source: 2025 Insurance Barometer Study, Life Happens and LIMRA

Informative articles to help with your **FINANCIAL GOALS**

Index Funds: Traditional and Not-So-Traditional

Index funds accounted for more than half of long-term fund assets in 2025 (see chart). These funds attempt to track the performance of a market index by holding all or a representative sample of the securities in the index. Many funds follow well-known indexes such as the S&P 500, Russell 2000, or NASDAQ Composite. But there are hundreds of other indexes that track various segments of the stock and bond markets.

This approach is called passive management and typically allows index funds to carry lower fees than comparable funds under active management, where the fund manager picks securities to meet an objective and might buy or sell as conditions change. Lower turnover of securities in index funds also may reduce capital gain distributions, which could help reduce tax liabilities and improve after-tax performance.

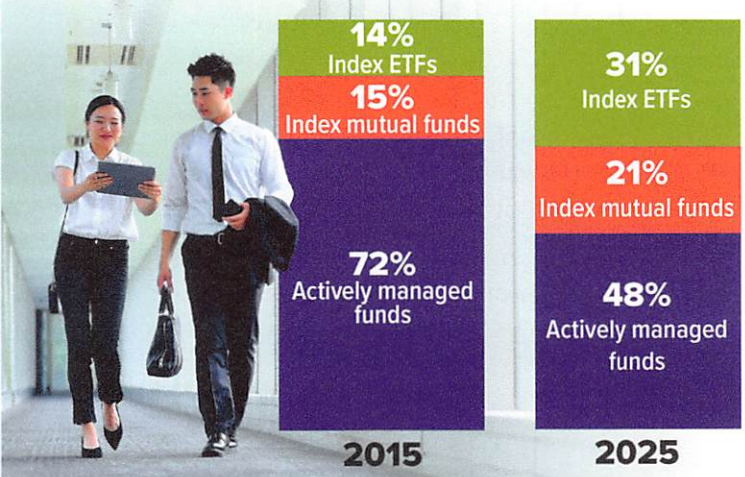
Watch the weight

Traditional index funds provide exposure to the market or selected portions of the market and can be helpful in establishing and maintaining an appropriate asset allocation and diversification strategy. However, most indexes followed by traditional funds are weighted based on market capitalization — the value of a company's underlying shares. So the largest companies tend to dominate the index and the fund.

For example, in the summer of 2026, the top 10 stocks in the S&P 500 Index accounted for more than 35% of its market capitalization.[1] If you own an S&P 500 Index fund, you may be more heavily invested in those 10 companies than you realize. That is not necessarily negative — the largest companies often become large because they are successful — but it is something to be aware of in analyzing your portfolio.

A Decade of Growth

Index funds almost doubled their share of the fund market from 2015 to 2025, with exchange-traded funds (ETFs) becoming the most common type of index fund.



Source: Investment Company Institute, 2026 (percentage of net assets in long-term funds, year-end; may not total 100% due to rounding)

Alternative approaches

An alternative indexing strategy — called smart beta, strategic beta, or factor-based investing — tracks indexes that are selected and weighted based on factors other than market segment or capitalization. Some factors that might be considered include momentum, risk, volatility, earnings, growth potential, price-to-book value, dividend growth or yield, cash flow, and equal weighting of all securities. Smart-beta funds may focus on a single factor or multiple factors, and a given fund might track an existing index or an index that is newly created for that specific fund.

Another alternative approach — called quantitative investing or quant funds — constructs an index and fund based on sophisticated computer models using quantitative analysis, algorithms, or machine learning.

These alternative approaches are similar to the kind of analysis an active investment manager might use in constructing a fund, but because they use a passive indexing approach, they typically have the lower fees and potential tax efficiency of an index fund.

Factors are not forever

The goal of most smart-beta and quant funds is to outperform the broader market, either by increasing returns or by managing risk. But if a factor or quantitative analysis does outperform during one market cycle, it may underperform in the next cycle, and even within a given cycle, a successful strategy might become neutralized or unsuccessful.

Because of these limitations, smart-beta and quant funds are typically used with traditional broad-based market funds in a diversified portfolio. Be sure you understand the structure and objectives of any fund before investing.

Asset allocation and diversification do not guarantee a profit or protect against investment loss. The principal value of funds will fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Bond funds are subject to the same inflation, interest-rate, and credit risks associated with their underlying bonds. As interest rates rise, bond prices typically fall, which can adversely affect a bond fund's performance.

The S&P 500 is generally considered representative of the U.S. stock market. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Actual results will vary.

Funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1) S&P Dow Jones Indices, 2026

Moving to Another State? Consider These Tax Moves

Relocating to a new state can be exciting. You may have decided that you needed a warmer climate, lower housing costs, closer proximity to family, or better job opportunities. But moving to a new state may have tax consequences that can follow you long after you settle in. Evaluating these issues may help you plan your move and limit filing complications, prevent residency issues, and identify possible tax savings.



State-to-state net migration, 2024

Source: U.S. Census Bureau, 2024 American Community Survey (Net migration is the number of people moving in from a different state minus the number of people moving out to a different state.)

How will your income be taxed?

States vary in how they tax income. Twenty-six states and the District of Columbia implement a progressive income tax (tax increases as income increases), while fifteen apply a single tax rate to taxable income and nine impose no state income tax.[1] For some, the opportunity to pay no state income tax may be the primary driver to move to Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington,* or Wyoming, where there is no income tax; however, states without an income tax may rely more heavily on sales tax, property tax, or other taxes to generate revenue. Understanding how your new state taxes income may help you avert any unexpected tax issues.

Is your move temporary or permanent?

When moving to another state, the distinction between residency and domicile may determine whether your income is taxed in one or both states. Although you can have more than one residence, you can only have one domicile. Your domicile refers to the state that you consider your permanent home and the place you intend to remain indefinitely. Typically, states determine your domicile by evaluating several factors, including where you own property, the number of days spent in the state, and the location of your financial and family ties. Buying a home in a no-tax or low-tax state may be insufficient to potentially eliminate income tax liability in your former state if you still maintain strong connections to your former state.

Are you working remotely?

If you are one of the millions of Americans who work remotely, you may live in one state while your employer is located in another. In this situation, you may be required to file tax returns in both states. You might also be subject to double taxation; some states apply a "convenience of the employer" rule that may allow the state where your employer is located to tax your income as if you were working in the state. Fortunately, several states provide a credit for taxes paid to another state, which can offer some relief against double taxation.

How will retirement and investment income be taxed?

States also differ on how they treat retirement income, interest, dividends, and capital gains. Some states impose a tax on retirement income, while others may provide exemptions or even exclude some retirement income from taxation. Strategically timing when you complete a large stock sale, convert an IRA, or take a withdrawal from your retirement account may help reduce your tax liability.

Will you need to file part-year returns?

If you move to another state during the year, you may have to file a part-year resident state tax return in your old state and in your new state. For example, if you lived in California from January to June and moved to Arizona in July, you would have to file a California state income tax return and pay taxes on the income earned while living in California. You would also have to file an Arizona state income tax return and pay taxes on any income earned in Arizona. (You would typically only have to file one federal income tax return to capture income earned in both states.)

Consider consulting with a tax professional on these complex multistate tax issues before taking any specific action.

1) Tax Foundation, January 2026

*Washington state does not have an individual income tax but will impose a 9.9% tax on income of those who earn more than $1 million a year beginning January 1, 2028.

Making It Make Sense: The Roth 5-Year Rule



The Roth five-year rule states that a distribution from a Roth IRA or Roth 401(k) is tax and penalty free only if the account has been held for five years and a qualifying event has occurred. Qualifying events include reaching age 59½, becoming disabled, and dying. For Roth IRAs only, a withdrawal of up to $10,000 for a first-time home purchase also qualifies. You can withdraw contributions (but not earnings) from a Roth IRA at any time without tax consequences.

The five-year holding period starts on January 1 of the year of your first contribution. So if you contribute in October 2026, the clock starts January 1, 2026, and ends December 31, 2030. This may seem simple, but there are nuances that can confound even the most seasoned investor.

1. **One five-year clock applies to all your Roth IRAs.** Once your first Roth IRA starts the clock, any future Roth IRAs share the same end date.
2. **A Roth 401(k) clock does not transfer to a Roth IRA.** If you open your first Roth IRA by rolling over a Roth 401(k), a new five-year period begins, no matter how long you held the Roth 401(k). For this reason, it may be wise to open a Roth IRA as soon as possible, even if it's just with the minimum amount.
3. **Each Roth 401(k) has its own five-year clock, unless assets are rolled over directly.** For example, if you make Roth contributions to one employer's plan starting in 2027 and a new employer's plan starting in 2030, each account has its own five-year timeline. But if you directly roll the old Roth assets into the new Roth account, the original clock will generally carry over, allowing all assets to satisfy the rule sooner. (Note: Not all plans accept rollovers.)
4. **Roth conversions have a separate five-year rule.** Converting a traditional IRA to a Roth triggers ordinary income tax on any tax-deferred amounts. No 10% penalty applies at conversion, even if you're under 59½. However, if you withdraw converted assets within five years — and are not yet 59½ or qualified for another exception — the 10% penalty will likely apply.

If you cash out a Roth 401(k) instead of leaving it in a former employer's plan or rolling it into a Roth IRA or new plan, and the distribution is unqualified, it will be subject to ordinary income tax and the 10% early withdrawal penalty.

Although IRAs typically provide more investment choices than employer plans, your plan may offer certain investments that are not available in an IRA. Further, the cost structure for the investments offered in the plan may be more favorable than those offered in an IRA. Generally, plan assets have unlimited protection from creditors under federal law, while IRA assets are protected in bankruptcy proceedings only. State laws vary in the protection of IRA assets in lawsuits. Investors should consult a qualified tax professional regarding their specific situation.

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Would you like to discuss the funds you hold in your portfolio? Do you have questions about traditional vs. Roth IRAs? Call us for an appointment today.

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