



BKMWM Newsletter February 2025

Topics:

- 1) The Limitations of Annual Market Predictions
- 2) BKM Adds Personal Tax Service
- 3) Tax Highlights
- 4) Charitable Giving
- 5) Tax Documents

1) The Limitations of Annual Market Predictions

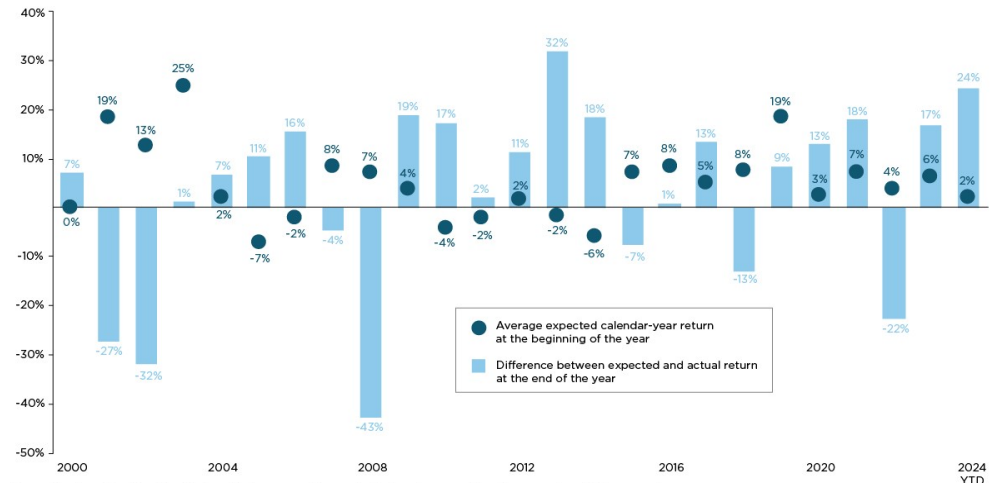
The start of each new year heralds a spate of fresh stock market prognostications from every investment firm and analyst on the block. The track record of annual market predictions, however, suggests that it may be prudent to take them with a healthy grain or two of salt (see our December 2024 newsletter for details).

From weather forecaster to political pollster, predicting the future is a notoriously treacherous endeavor, with studies having often found that prognostications in fields such as investment markets tend to have a pesky habit of being less accurate than even random guesswork¹.

The inadequacy of predictions stems from several causes, including the limitations of historical market data, human biases and heuristics, and unforeseeable idiosyncratic events. In the case of stock market predictions, they can be further handicapped by analysts being incentivized not to deviate too far from the consensus.

Stock market forecasts can become more accurate and useful on longer time scales, where unlikely or unforeseen events, as well as volatility, trend towards white noise. For time frames as short as a year, however, accurate predictions are exceedingly difficult. This is part of why we prefer to look at portfolios and financial plans over longer time scales, and one reason why there are plenty of well-known quotes from Warren Buffett on the merits of long-term investing, such as, "If you aren't willing to own a stock for 10 years, don't even think about owning it for 10 minutes."²

Actual vs. average expected S&P 500® Index calendar-year returns, 2000-2024 YTD



Source for chart data: FactSet, Nationwide Investment Research. Past performance is not a guarantee of future results.

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A quick look at consensus estimates for the S&P 500 over the past 25 years (above) provides a few notable insights. Out of the 4 years in which double-digit performance was forecast, 2 years were among the three worst overall. And of the 6 years in which the market was predicted to be negative, all six had positive returns on the year, three of which returned double digits. This is not a track record that inspires confidence.

Don't put too much stock in short-term market predictions, more often than not it is wise to focus on the long-term. Contact us to discuss how to allocate your portfolio for the long-term.

Tetlock, Philip. Expert Political Judgment: How Good Is It? How Can We Know? Princeton University Press, August 20, 2006.

<https://www.ruleoneinvesting.com/blog/how-to-invest/warren-buffett-quotes-on-investing-success/>

Nationwide Investment Management Group, "Be skeptical of stock market predictions for the coming year." Hackett, Mark. December 2024.

2) BKM Adds Personal Tax Service

Finding a personal income tax accountant has become exceedingly difficult for many clients. As the Wall Street Journal and others have noted, there simply are not enough accountants. For this reason, and to improve the quality of our advice, BKM has hired an experienced CPA. Matthew Kabitzke has joined us as Director of Tax Planning.

Matt Kabitzke (not to be confused with BKM financial advisor, Matt Kons, CFP®) will focus on advanced client tax strategies, income tax preparation, and income tax filing. Having Matt's expertise in-house will improve the tax efficiency of financial plans and provide a more seamless experience for clients.

Client FAQs:

Q: Why is BKM adding this service?

A: 1) Integrating financial planning with advanced tax planning should lead to better after-tax outcomes.
2) As the Wall Street Journal and others have noted, there simply aren't enough accountants available to file returns. BKM can help.

Q: Can BKM prepare and file my income taxes?

A: Yes. However, we value your existing accounting relationships and are happy to continue working with your trusted expert(s). Also, capacity is limited.

Q: Is there an additional fee for tax services?

A: Advice and planning are already included in existing advisory agreements. Tax preparation and filing may be billed separately and will be discussed and disclosed prior to engagement.

Q: How can I work with Matt on tax planning?

A: Start with your financial advisor. Whenever advanced tax situations arise, they will pull Matt into the conversation.

We are very excited to have Matt on the team! He can be reached at matthew.kabitzke@bkmwm.com or tax@bkmwm.com and (262) 955-7139.

3) Tax Highlights

Tax documents for your brokerage accounts will be mailed and/or available online starting on February 15th 2025. IRA, Roth IRA, and SEP IRA contributions are due April 15th. On the next page is a summary of key savings limits and tax changes for 2025.

Retirement & Savings Limits

Account	2024 Limit	2025 Limit	Percent Increase
IRA	\$7,000	\$7,000	No Change
HSA (Individual)	\$4,150	\$4,300	+3.6%
HSA (Family)	\$8,300	\$8,550	+3.0%
401(k) Deferral	\$23,000	\$23,500	+2.2%
401(k) Catch-Up	\$7,500	\$7,500	No Change
401(k) Annual Additions	\$69,000	\$70,000	+1.4%

Retirement Contribution Deductibility Limits

Filing Status	2024 Traditional IRA Phaseout	2025 Traditional IRA Phaseout	2024 Roth IRA Phaseout	2025 Roth IRA Phaseout
Single, 401(k)	\$77,000 - \$87,000	\$79,000 - \$89,000	\$146,000 - \$161,000	\$150,000 - \$165,000
Single, no 401(k)	No Phaseout	No Phaseout	\$146,000 - \$161,000	\$150,000 - \$165,000
Married, 401(k)	\$123,000 - \$143,000	\$126,000 - \$146,000	\$230,000 - \$240,000	\$236,000 - \$246,000
Married, no 401(k)	No Phaseout	No Phaseout	\$230,000 - \$240,000	\$236,000 - \$246,000
Married, Spouse has 401(k)	\$230,000 - \$240,000	\$236,000 - \$246,000	\$230,000 - \$240,000	\$236,000 - \$246,000

Income Tax Rates & Deductions

Married Filing Jointly		
Marginal Tax Rate	For Income Over (2024):	For Income Over (2025):
10%	\$0	\$0
12%	\$23,200	\$23,850
22%	\$94,300	\$96,950
24%	\$201,050	\$206,700
32%	\$383,900	\$394,600
35%	\$487,450	\$501,050
37%	\$731,200	\$751,600

Standard Deductions		
Filing Status	2024	2025
Single	\$14,600	\$15,000
Married Filing Jointly	\$29,200	\$30,000
Head of Household	\$21,900	\$22,500

Chart source: <https://moneyguy.com/article/the-irs-just-announced-2025-tax-changes/>

4) Charitable Giving

Charitable giving allows you to make a difference by sharing your wealth with the world around you. Intentional giving can also be a valuable part of your financial strategy. As we approach another tax season, it may be worth considering whether you are fully utilizing the appropriate methods of giving to maximize the after-tax efficiency of your gifts. Here are some of the primary tools that high-net-worth individuals use to structure their philanthropy effectively:

- Donor-Advised Funds (DAF's): Provides immediate tax deductions while allowing the flexibility to guide and distribute funds to charities over time.
- Giving Appreciated Stock: Instead of selling a stock to realize a gain, many charities allow you to give appreciated shares of stocks directly to the charity. This avoids capital gains taxes and provides deductions based on the fair market value of the stock on the day it is gifted.
- Qualified Charitable Distributions (QCD's): Individuals over 70 ½ can donate up to \$108,000 annually from IRAs tax-free. These donations count towards your required minimum distributions (RMD's). Since many charities can take several weeks to cash their checks you may want make QCD's earlier in the year to ensure that checks are cashed in the tax year you had intended.
- Bunching Donations: Consider consolidating your charitable giving into fewer years. This bunching overcomes your standard deduction quicker to maximize the tax benefits of your gifts.
- Charitable Foundations & Trusts: Estate planning tools such as charitable foundations and trusts can help ensure legacy preservation and estate tax benefits. The formation of such entities often involves the expertise of an estate attorney.

Please contact us to discuss your plans for charitable giving and to determine if there may be a more tax efficient way for you to give your financial gifts.

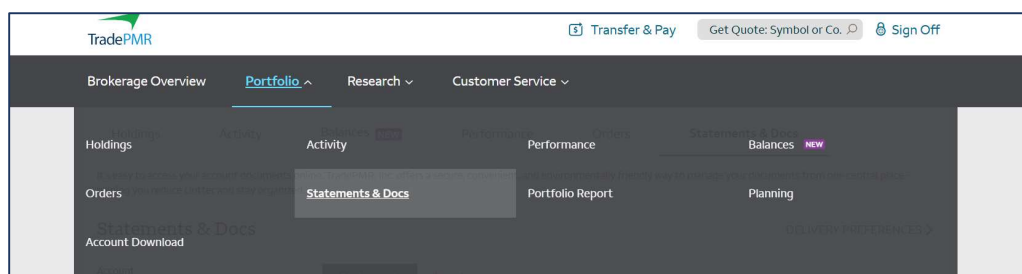
Source: Three Charitable Strategies for High-Net-Worth Individuals | Kiplinger

5) Tax Documents

As mentioned in section 3, tax documents will generally be available on February 15th. You can find your tax documents online by navigating to our website www.bkmwm.com. From there, click on "BKM Clients" → "Online Access – TradePMR/First Clearing".



Once you are logged in, click on "Portfolio" → "Statements & Docs".



Financial advisors whose mission is to positively impact lives.

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