

SUCCESSFULWOMEN

TIMELY FINANCIAL AND INVESTMENT PLANNING TOPICS

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Careful retirement planning considers more than returns; it accounts for longevity, continuity and your long-term intentions. A trustee individual retirement account (IRA) can help you bring your retirement wishes and estate plans into alignment, offering greater financial confidence and control.

By adding trustee IRA documentation and beneficiary designations to your existing custodial IRA, you can turn your account into a powerful planning tool. One that lets you specify how your savings should be used and potentially preserved for generations.

WHAT IS A TRUSTEED IRA?

This type of IRA incorporates a trustee into the account structure, combining the tax

advantages of an IRA with certain benefits of a trust. The trustee, often a bank or trust company, has predetermined, limited authority to step in if you become incapacitated.

With this documentation in place, you can avoid the delay and expense of a guardianship or of conservatorship proceedings. The trustee's role is to facilitate and enforce the instructions you've built into your plans.

Trustees will also distribute funds for healthcare, support and other needs as outlined, help facilitate required minimum distributions (RMDs) and implement investment strategies stated in the agreement.

Another major benefit is the ability to grow assets tax-deferred while maintaining continuity if circumstances change.

IS IT RIGHT FOR YOU?

A trustee IRA can be especially valuable if you're looking to coordinate retirement and estate planning goals, or if you want a plan in place should you ever become unable to manage your finances independently. The trustee acts on the account holder's behalf, helping simplify decisions for everyone involved.

While this can be a difficult topic to consider, putting plans in place can help remove



Aligning retirement and estate planning (cont.)

uncertainty for you and your loved ones, ensuring decisions aren't made urgently or haphazardly. There's a clear framework to support you, preserve your assets and provide for the people who depend on you.

With this approach, you can also decide how your assets will get passed on to your heirs and help preserve wealth for generations. Beneficiaries can be limited to required minimum distributions, while the trustee may distribute additional funds in specific cases like education, health issues and emergencies. This is particularly helpful in situations where you are concerned about an heir's financial responsibility.

In the case of blended families, a trustee IRA can be helpful in distributing the funds in accordance with your wishes. You can provide

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income for a current spouse during their lifetime and may be able to limit their ability to spend it down or change your designated beneficiaries. After their passing, you can portion out the remaining balance to children and grandchildren.

If you plan to provide for a spouse who is not a US citizen, this type of IRA can also help avoid estate taxes on transferred assets, since non-citizen spouses don't qualify for the unlimited marital deduction under current federal law.

Additionally, inherited assets can be shielded from creditors. If any of your heirs have professions with higher liability exposure, a trustee IRA offers some of the same creditor protections as a see-through trust.

While a trustee IRA can offer many benefits, it's wise to speak with your advisor to determine if this vehicle will help you achieve your retirement and estate planning objectives. Setup is simple and you can even customize beneficiary designations to match your estate plans. With the right structure, your plan can work as intended – no matter what lies ahead. ■

Mid-year financial check-in

Five recommendations to keep you on track

As summer sets in, it's tempting to shift to vacation mode – but it's also an ideal time for a financial check-in. And with tax season wrapped up, you can focus on other areas of your finances. Start with these mid-year to-dos.



SHARE BIG NEWS

Meet with your trusted advisor to discuss major life changes that may affect your financial objectives and plans.



UPDATE YOUR ESTATE PLAN

Check and revise beneficiaries as necessary, then discuss any changes with family members.



CHECK YOUR CREDIT REPORT

An annual review helps you detect and dispute errors in a timely manner.



REVIEW YOUR 529S

With college registration and tuition deadlines nearing, talk to your advisor about qualified expenses and payment plans for college-aged dependents.



ASSESS INSURANCE NEEDS

Ensure you have the proper coverage, especially if you've recently experienced major life events. ■

Active and passive investment strategies, explained

Understand the differences and determine which better suits your goals.

When it comes to your retirement portfolio, should you try to beat the market or simply move with it? Growing wealth can happen in a myriad of ways, but one of the great debates in portfolio management is whether active or passively managed investment strategies are more fruitful. Regardless of your personal preference or market conditions, the passive-active portfolio management debate may not be an either-or decision. There are other factors to consider.

ACTIVE VERSUS PASSIVE INVESTMENT MANAGEMENT

Generally, actively managed investment strategies attempt to outperform a broad market index by selecting attractive investment opportunities within a stated mandate. For example, an active manager's mandate may be to outperform the S&P 500 by investing in 20 to 30 large US company stocks. Typically, one or more portfolio managers are responsible for selecting these investments and performance is based on whether the manager selected investments that turn out to be successful.

On the other hand, passive investment strategies try to match the performance of a broad market index. For example, the S&P 500 is an index that tracks the performance of 500 of the largest publicly traded US companies. By having a sampling of investments in the benchmark across many sectors, investors get diversification with simplicity. It's akin to owning a piece of the overall U.S. economy. It still fluctuates but with broad market performance.

WEIGHING THE OPTIONS

Just like many financial decisions, determining if your retirement portfolio should be managed actively or passively, will be personal. There are advantages and limitations of each and you may leverage one strategy over the other during certain market conditions or financial circumstances.

Active investment strategies rely on expert human analysis, but this may come with a cost. They often are associated with higher



fees and operating expenses because people must manage them. These additional expenses reflect the costs associated with active management, and investors should evaluate whether the approach aligns with their goals, risk tolerance and preferences. The flexibility allows the portfolio manager to adjust portfolio holdings in response to changing market conditions, although such adjustments may not prevent losses. Because active strategies may involve more frequent trading, be mindful that they can be less tax-efficient.

Passive investment strategies typically have lower fees and operating expenses, but there is less flexibility when it comes to taking defensive measures and taking advantage of market inefficiencies. It's generally more tax efficient because there is less trading and fewer realized capital gains. With passive strategies, risk is primarily driven by market exposure rather than active security selection.

YOUR SMART MOVE

Historically, the relative performance of active and passive strategies has varied depending on market conditions, economic cycles and other factors.

The bottom line is that you should have a conversation with your trusted advisor to determine if active and passive management strategies are available in your plan's fund. Since each provides its own benefits in different market environments, both investment styles may have a place in your retirement portfolio. Your risk tolerance, retirement timeline and goals may dictate which strategy to use. Consider cost and tax efficiency as well if those aspects are important to your overall financial situation.

Be sure to review life events with your advisor every year as they may affect your risk tolerance. Your advisor can help you make changes that will help you achieve your retirement dreams. ■