TAKE STOCK WITH RED ROCK
Our quarterly newsletter

FOCUS FINANCIAL®
RED ROCK GROUP

NEW RETIREMENT CONTRIBUTION LIMITS FOR 2026

The Internal Revenue Service (IRS) has released new limits for certain retirement accounts for the coming year.

Individual Retirement Accounts (IRAs)

Traditional IRA contribution limits are up $500 in 2026 to $7,500. Catch-up contributions for those over age 50 are up $100 to $1,100, bringing the total limit to $8,600.

Remember, once you reach age 73, you must begin taking required minimum distributions from a Traditional IRA in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10 percent federal income tax penalty.

Roth IRAs

The income phase-out range for Roth IRA contributions increases to $153,000-$168,000 for single filers and heads of household, a $3,000 increase. For married couples filing jointly, the phase-out will be $242,000-$252,000, a $6,000 increase. Married individuals filing separately see their phase-out range remain at $0-10,000.

To qualify for the tax-free and penalty-free withdrawal of earnings, Roth 401(k) distributions must meet a five-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawals can also be taken under certain other circumstances, such as the owner's death.

Workplace Retirement Accounts

Those with 401(k), 403(b), 457 plans, and similar accounts will see a $1,000 increase for 2026, the limit rising to $24,500. Those aged 50 and older will continue to have the ability to contribute an extra $8,000, bringing their total limit to $32,500. Those aged 60, 61, 62, and 63 may enjoy a higher catch-up contribution of $11,250, raising their total contribution limit to $35,750.

Once you reach age 73 you must begin taking required minimum distributions from your 401(k) or other defined-contribution plans in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10 percent federal income tax penalty.

New Requirement for "Catch-Up Contributions" to 401(k), 403(b), 457 and TSP Plans for High Income Earners

Starting in 2026, individuals age 50 or older whose prior year's FICA wages exceed $150,000 (as shown in Box 3 on your 2025 W-2) will be required to make their catch-up contributions as Roth contributions. This was part of SECURE Act 2.0 effective in 2023 , but implementation was delayed giving employers and plan administrators time to update their systems and processes. Please note some employer plans may be eligible to delay implementation until 2027, however it is expected the majority of plans will be implementing this requirement in 2026. We recommend you check with your employer's plan administrator for details on your specific plan.

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635 Bielenberg Drive
Suite 210
Woodbury, MN 55125

(651) 379-4803

Visit us online at
redrockgroup-focusfinancial.com

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Elective Deferrals (401(k), 403(b), 457)	
Contribution Limit	$24,500
Catch-Up (Age 50+)	$8,000
Catch-Up (Ages 60-63)	$11,250
403(b) Additional Catch-Up (15+ yrs service)	$3,000
Traditional IRA & Roth IRA	
Contribution Limit	$7,500
Catch-Up (Age 50+)	$1,100
Roth IRA Eligibility	
Single MAGI Phaseout	$81,000-$91,000
MFJ MAGI Phaseout	$242,000-$252,000

YOUR PERSONAL FINANCE CALENDAR

January

Get ready for a brand new year.

- Write down the major financial events you anticipate in the next few years. That will help guide a discussion about whether your portfolio reflects your short and long-term goals.
- Update your personal net worth to account for any significant changes in the past year.
- Double-check your employer-sponsored retirement plans. When determining how much to contribute, make certain to check whether your employer offers a matching program.

February

This month, don't forget your financial check-up.

- Take a moment to check on your various insurance programs and coverage amounts. Draw up a list of questions if you believe they no longer reflect your lifestyle.
- Create a list of your top-three major expenses scheduled for the year.
- Take a minute and create a list of your monthly subscription services.

March

Spring into spring.

- You should have received most of your tax documents by now. Start organizing your important documents so you can complete your federal and state returns.
- Check your credit report. All U.S. Citizens are entitled to a free copy of their credit report every 12 months from the national credit reporting agencies.

April

Tax time is the right time.

- Tax returns are typically due before midnight of April 15. If you need to request a six-month extension, you still need to pay any taxes due by April 15.
- April 15 is also the last day to contribute to most retirement accounts for the prior year.
- Don't forget that first-quarter estimated income tax payments are due by April 15.

May

It's summertime and financial prep is easy.

- Create or update your home and personal property inventory. Use your phone and reliable digital-backup service to record and store videos of your valuable possessions.
- Take a look at your estate strategy, and see if it continues to reflect your family's wishes. Were there any marriages or divorces in the past year? Did your family welcome a new child or grandchild?

June

We're halfway to next year.

- Take a look at your "sources and uses" of money. Is it what you expected, or are you considering making adjustments?
- Don't forget second-quarter estimated income tax payments are due by June 15.

529-TO-ROTH IRA TRANSFER RULES

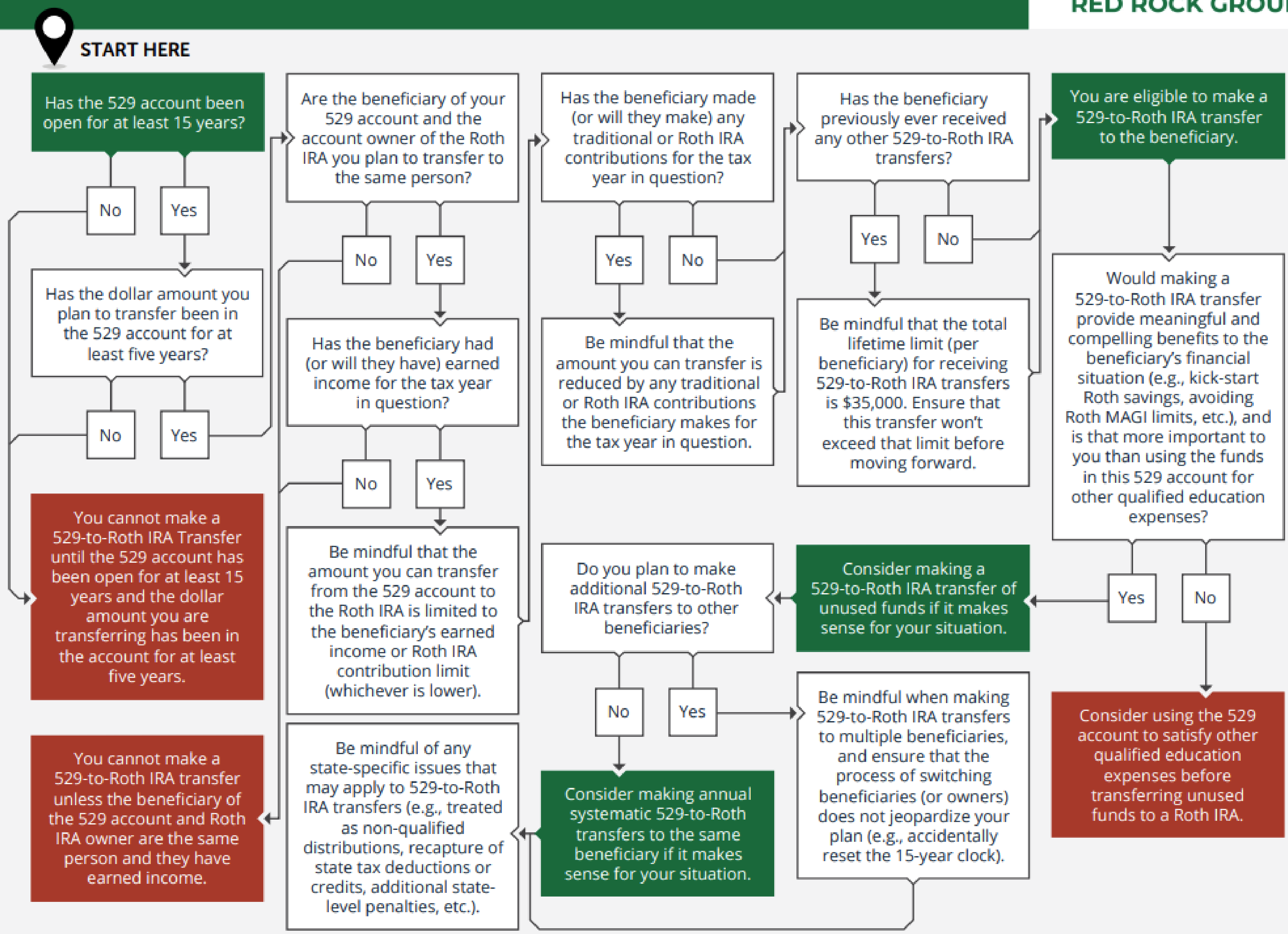
There are recent important changes to 529 plans that may impact your college savings strategy. Leftover funds in 529s can now be moved to Roth IRAs. However, there are requirements and restrictions to keep in mind.

Here are the key eligibility criteria and restrictions for moving a 529 to a Roth IRA.

1. The 529 plan must have been open for a minimum of 15 years.
2. Changing beneficiaries to another student may restart the 15-year clock.
3. The owner of the Roth IRA must be the beneficiary of the 529 plan (i.e., the student).
4. Any money moved from a 529 plan to a Roth IRA account will be subject to Roth IRA annual contribution limits.
5. The lifetime limit is $35,000.
6. You can't convert 529 contributions from the past 5 years.

Use our "2026: Can I Make a 529-to-Roth Transfer" guide on the next page to quickly determine your eligibility

2026 · CAN I MAKE A 529-TO-ROTH IRA TRANSFER?



IRS TO PHASE OUT PAPER TAX REFUND CHECKS

The IRS has announced that paper tax refund checks for individual taxpayers will begin being phased out on September 30, 2025, as part of a broader transition to electronic payments. According to the agency, paper checks are more than 16 times as likely to be lost, stolen, or delayed compared with direct deposit.

Electronic refunds also provide quicker access to funds, typically within 21 days for those who file electronically with direct deposit, while paper checks may take six weeks or longer to arrive by mail.

Most taxpayers already receive refunds digitally, but additional options—including prepaid debit cards and digital wallets—will be available for those who do not have traditional bank accounts. Further guidance will be issued ahead of the 2026 filing season as the transition continues.

Check out the IRS.gov for more information.

2026 ECONOMIC OUTLOOK

As we begin 2026, here's a quick summary of what experts anticipate for the U.S. economy and what it means for your financial plan.

1. AFFORDABILITY - STILL A STRUGGLE

- **Inflation remains elevated:** The Consumer Price Index was at 2.7% in November—well above the Fed's 2% target.
- **Household pressures:** Around 70% of Americans report difficulty covering essentials like food, housing, and healthcare.
- **Rising costs:** Utility bills have grown about 12% year-over-year to ~$265 per month, and heating costs are up ~9% to nearly $995 this winter.

2. INFLATION & FED RATE CUTS

- **Fed policy outlook:** After three rate cuts in late 2025, the Fed is expected to cut at least once more in 2026—but not decisively, as it balances inflation control with a slowing job market.

3. HOUSING MARKET: ACCESSIBILITY GROWS SLOWLY

- **Mortgage rates:** Predicted to stay around the low 6% range.
- **Home prices:** Likely to grow slower than incomes, with modest improvements anticipated in affordability—though change will take time, possibly years.
- **Regional trends:** Some markets, especially in the Southeast and West, may see small home price declines.

4. LABOR MARKET & WAGES

- **Job growth rebound:** Forecasts expect payroll gains of ~70,000 per month in 2026—up from ~32,000 in 2025.
- **Wages rising:** Earnings expected to climb about 2.3%, up from 1.9%.
- **Caution ahead:** Companies may slow hiring or leverage AI to boost productivity—limiting job growth potential.
- **Wall Street optimism:** The S&P 500 is expected to grow around 13–15% in 2026.

5. STOCK MARKET: RIDING THE AI WAVE

- **AI bubble concerns:** Stocks tied to artificial intelligence still carry risk—valuations are high compared to fundamentals, reminiscent of past bubbles.
- **Balancing opportunity and risk:** Continued investment in AI is expected, but potential corrections could occur if investor expectations shift.

WHAT THIS MEANS FOR YOU

- **Budget Discipline:** With costs still elevated, sticking to spending plans remains essential.
- **Mortgage Timing:** Current rates in the low-6% range may make now a reasonable time to buy or refinance—discuss your timing if you're considering a move.
- **Portfolio Diversification:** While AI and tech have growth potential, balanced exposure to stable sectors can help reduce volatility.
- **Income Planning:** Modest wage increases and a cautiously improving job market mean steady planning is wise—especially if you're relying on employment income.

2026 is shaping up to be a year of gradual improvement rather than dramatic change. We're watching inflation trends, Fed policy, housing affordability, and market valuations closely to guide your investments.

July

Review the year so far.

- Refresh your money skills. Add at least one book on personal finance, economics, or investing to your summer reading list.
- Look back at the last 6 months. Are there any financial takeaways you can apply to the remainder of the year?

August

It's time to go back to school.

- As children or grandchildren get ready for school, create a strategy to help pay for the expenses. There are a number of educational funding choices, and one may be a fit for your situation.

September

Sweater weather has arrived.

- Most companies begin "open enrollment" for their insurance plans in the following months. Prepare now by looking at your current health plan and considering whether it meets your needs. Open enrollment for Medicare starts in November.
- Check your credit card benefits and points earned. With holidays around the corner, you may be due a deal.
- Don't forget third-quarter estimated income tax payments are due by September 15.

October

Don't forget to prepare for trick-or-treaters.

- If you have children off to college next year, the Free Application for Federal Student Aid (FAFSA) window opens once again on October 1. Encourage your child to complete the FAFSA as early as possible to increase their chances at available scholarships and grants.
- File your income tax return by October 15 if you requested a six-month extension back in April.
- If you want to establish a retirement plan outside of your work-sponsored program, you must open the account by your tax filing deadline plus any extensions, which is October 15 for most.
- Medicare open enrollment begins, providing your opportunity to drop or switch plan coverage.

November

The perfect month to give thanks.

- Review your charitable giving and update any funding strategies, if needed.
- Watch for capital gains payouts. Investment companies typically distribute capital gains in December, and by November, they usually publish estimates of their distributions.
- Healthcare.gov open enrollment begins, Medicare Part A and B premiums and deductibles announced.

December

End the year full of hope and goodwill.

- If you're 73 or older, don't forget to take your annual required minimum distribution (RMD) by December 31.
- You can request an annual Social Security Statement. Compare your earnings record against your old tax returns for accuracy. This is also an excellent time to check for other irregularities to prevent identity theft.

BUDGET CHECK UP: TAX TIME IS THE RIGHT TIME

Every year, about 140 million households file their federal tax returns. For many, the process involves digging through folders full of receipts; gathering mortgage, retirement, and investment account statements; and relying on computer software to take advantage of every tax break the code permits.

It seems a shame not to make the most of all that effort.

Tax preparation may be the only time of year when many households gather all their financial information in one place. That makes it a perfect time to take a critical look at how much money is coming in and where it's all going. In other words, this is a great time to give the household budget a checkup.

A thorough budget checkup involves six steps.

1. **Creating Some Categories.** Start by dividing expenses into useful categories. For example: home, auto, food, household, debt, clothes, pets, entertainment, and charity. It may also be helpful to create subcategories. Housing, for example, can be divided into mortgage, taxes, insurance, utilities, and maintenance.

BUDGET CHECK UP CONT.

2. **Following the Money.** Go through all the receipts and statements gathered to prepare taxes and get a better understanding of where the money went last year. Track everything. Be as specific as possible, and don't forget to account for the cost of a latte on the way to the office each day.

3. **Projecting Expenses Forward.** Knowing how much was spent per budget category can provide a useful template for projecting future expenses. Go through each category. Are expenses likely to rise in the coming year? If so, by how much? The results of this projection will form the basis of a budget for the coming year.

4. **Determining Expected Income.** Add together all sources of income and calculate your estimated net income.

5. **Doing the Math.** It's time for the moment of truth. Subtract projected expenses from expected income. If expenses exceed income, it may be necessary to consider changes. Prioritize categories and look to reduce those with the lowest importance until the budget is balanced.

6. **Sticking to It.** If it's not in the budget, don't spend it. If it's an emergency, make adjustments elsewhere.

In taking control of your money, you may find you are able to devote more of it to the pursuit of your financial goals.

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www.redrockgroup-focusfinancial.com

David W. Beissler, CFP®
Sr. Financial Advisor
651-379-4804
dbeissler@focusfinancial.com

David W. Matthews, CFP®
Sr. Financial Advisor
651-379-4805
dmatthews@focusfinancial.com

Rose Hammes-Nestor
Financial Advisor
651-379-4806
rosehn@focusfinancial.com

Jackson Arland, CFP®
Financial Advisor
651-242-5419
jarland@focusfinancial.com

Anna Hupert
Financial Advisor
651-242-5412
ahupert@focusfinancial.com

Max Gierke
Financial Advisor
651-242-5411
mgierke@focusfinancial.com

Debbie Alexon
Client Service Manager
651-242-5417
dalexon@focusfinancial.com

Aaron Beissler
Advisor Support Specialist
651-242-5413
abeissler@focusfinancial.com

Denise Forrest
Administrative Assistant
651-242-5418
dforrest@focusfinancial.com