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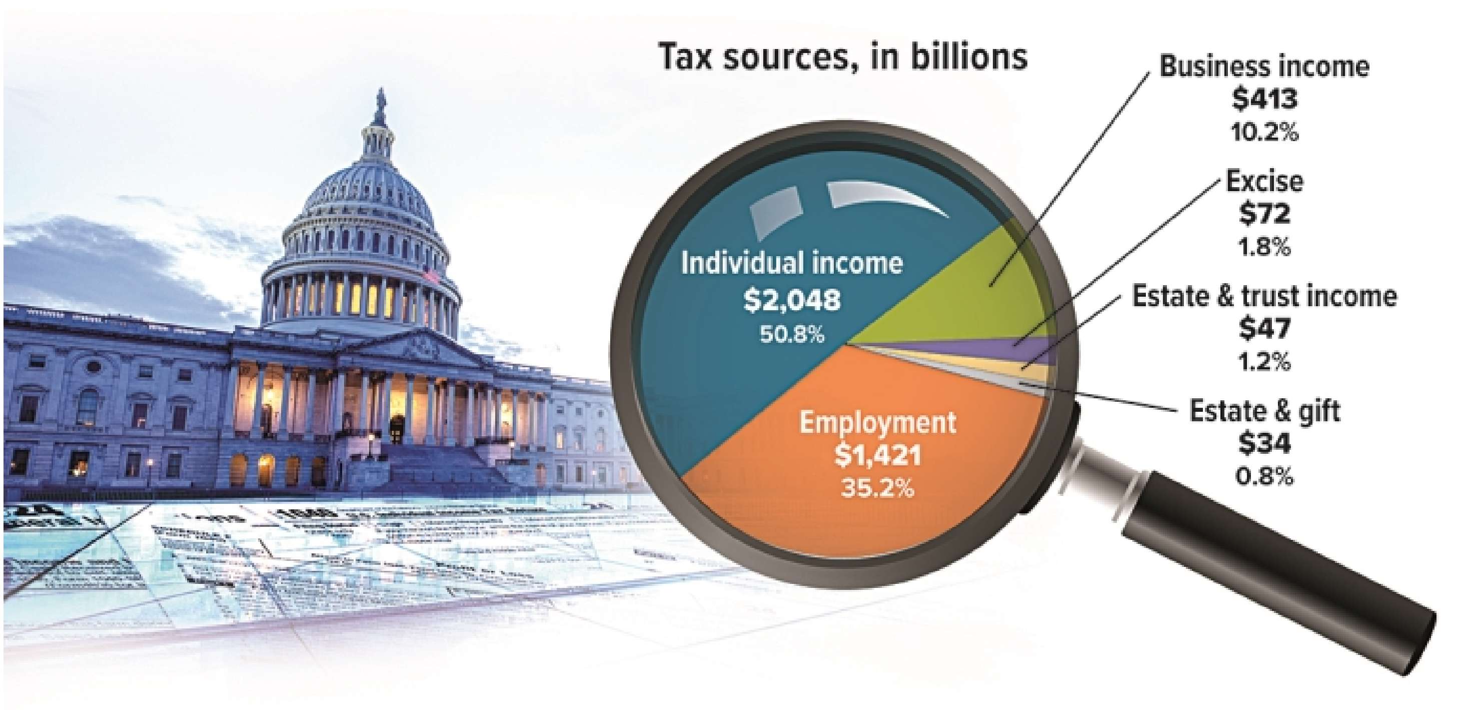
Funding the Federal Government

The IRS collected a little more than $4 trillion in net taxes (after refunds) in fiscal year 2023. About half was individual income taxes, and around 35% was employment (payroll) taxes, including Social Security, Medicare, unemployment insurance, and railroad retirement. Business income taxes made up a little over 10% of the total, with relatively small contributions from excise, estate and trust income, and estate and gift taxes.



Source: Internal Revenue Service, April 2024

March 2025

Return of Premium Term Life Insurance: Is It Right for You?

You have decided you need life insurance coverage and are considering buying a term policy. But you might be wondering, "Do I get any of my money back at the end of the term?" It's possible, if you consider buying a special kind of term insurance called return of premium term insurance, or ROP.

How ROP compares to straight term insurance

In general, straight term life insurance provides coverage for a specific number of years, called the term. The face amount of the policy, or death benefit, is paid to your beneficiaries if you die during the term. If you outlive the term, or you cancel your policy during the term, nothing is paid. By contrast, an ROP term life insurance policy returns some or all of the premiums you paid if you live past the term of your policy and haven't cancelled coverage. Some issuers may even pay back a prorated portion of your premium if you cancel the ROP life policy before the end of the term. Also, the premium returned generally is not considered ordinary income, so you won't have to pay income taxes on the money you receive from the insurance company. (Please consult your tax professional.)

A return of premium feature may be appealing if you want to have a return of some or all of your premium if you outlive the policy term. Yet the cost of ROP term insurance can be significantly higher than straight term insurance, depending on the issuer, age of the insured, the amount of coverage (death benefit), and length of the term. But ROP term insurance almost always costs less than permanent life insurance with the same death benefit. While straight term insurance can be purchased for terms as short as one year, most ROP term insurance is sold for terms of 10 years or longer.

ROP considerations

It's great to know you can get your money back if you outlive the term of your life insurance coverage, but there is a cost for that benefit. Also, if you die during the term of insurance coverage, your beneficiaries will receive the same death benefit from the ROP policy as they would from the less-expensive straight term policy.

Advantages and Disadvantages of ROP Term Insurance

PROS

- If you outlive the policy term, you get your money back, unlike straight term life insurance
- Premiums are generally returned free of income tax

CONS

- It's typically more expensive than straight term life insurance
- You generally don't earn interest on your money
- If you cancel the policy or let it lapse before the end of the term, you may not get your money back
- There may be a minimum amount of coverage you must buy, such as $100,000

When choosing between straight term life insurance and ROP term, you might think about the amount of coverage you need, the amount of money you can afford to spend, and the length of time you need the coverage to continue. Your insurance professional can help you by providing information on straight term and ROP term life insurance, including their respective premium costs.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Before implementing a strategy involving life insurance, it would be prudent to make sure that you are insurable. Optional riders are available for an additional fee and are subject to contractual terms, conditions and limitations as outlined in the prospectus and may not benefit all investors. Any guarantees associated with payment of death benefits, income options, or rates of return are based on the claims-paying ability and financial strength of the insurer.

The Versatile Roth IRA

Used with care, the Roth IRA may help serve several objectives at once — like a multipurpose tool in your financial-planning toolbox.

Retirement

First and foremost, a Roth IRA is designed to provide tax-free income in retirement. If your modified adjusted gross income (MAGI) falls within certain limits, you can contribute up to $7,000 ($8,000 for those age 50 or older) in earned income to a Roth IRA in 2024 and 2025. Although Roth IRA contributions are not tax-deductible, qualified withdrawals are tax-free. A qualified withdrawal is one made after the account has been held for at least five years and the account owner reaches age 59½, becomes disabled, or dies. Nonqualified withdrawals of earnings are subject to ordinary income taxes and a 10% penalty, unless an exception applies.

2025 Income Limits for Roth Contributions

Filing status	Contribution limited if MAGI is:	No contribution allowed if MAGI is:
Single/Head of household	$150,000 to $164,999	$165,000 or more
Married filing jointly	$236,000 to $245,999	$246,000 or more
Married filing separately	$0 to $9,999	$10,000 or more

Source: IRS

Emergency savings

Because contributions to a Roth IRA are made on an after-tax basis, they can be withdrawn at any time — which means, in a money crunch, you could withdraw just your Roth contributions (not the earnings) free of taxes and penalties. In addition, account holders may withdraw up to $1,000 in earnings each year to cover emergency expenses.[1]

Teachable moments

A Roth IRA can also be an ideal way to introduce a working teen to long-term investing. Minors can contribute to a Roth IRA as long as they have earned income and a parent or other adult opens a custodial account in their name. Alternatively, an adult can contribute to a Roth IRA within a custodial account on a child's behalf, as long as the total amount doesn't exceed the child's total wages for the year.

College and first home

Roth IRA earnings can be withdrawn penalty-free to provide funds for college and the purchase of a first home.

College. Roth IRA funds can help pay for certain undergraduate and graduate costs for yourself or a qualified family member. Expenses include tuition, housing and food (if the student attends at least half time), fees, books, supplies, and required equipment not covered by other tax-free sources, such as scholarships or employer education benefits. An advantage of using a Roth IRA to help pay for college is that assets held in retirement accounts are excluded from the government's financial-aid formula. (A related point: up to $35,000 in 529 plan assets that are not used to pay for college may be rolled over to a Roth IRA for the same beneficiary, provided certain rules are followed.)

First home purchase. Up to $10,000 (lifetime limit) can be used for qualified expenses associated with a first-time home purchase. You are considered a first-time home buyer if you haven't owned or had interest in a home during the previous two years. Funds may be used for acquisition, construction, or reconstruction of a principal residence and must be used within 120 days of the distribution. If the account has been held for at least five years, the distribution will be income tax-free as well.

Estate planning

Roth IRAs are not subject to the age-based required minimum distribution rules that apply to non-Roth retirement accounts during your lifetime. For this reason, if you don't need your Roth IRA funds, they can continue to accumulate. After your death, the tax-free income benefit continues to apply to your beneficiaries (however, the value of your Roth IRA will be assessed for federal and possibly state estate tax purposes).

Proceed with caution

Although it's generally best to avoid tapping money earmarked for retirement early, the Roth IRA can help serve multiple needs — if used wisely.

The tax implications of a 529 savings plan should be discussed with your legal and/or tax professional because they can vary from state to state. Also be aware that most states offer their own 529 plans, which may provide advantages and benefits exclusively for their residents and taxpayers. These other state benefits may include financial aid, scholarship funds, and protection from creditors. Before investing in a 529 savings plan, please consider the investment objectives, risks, charges, and expenses carefully. The official disclosure statements and applicable prospectuses, which contain this and other information about the investment options, underlying investments, and investment company, can be obtained by contacting your financial professional. You should read these materials carefully before investing.

1) Due to ordering rules, Roth IRA contributions will always be distributed before earnings.

Breaking Down the Numbers: The Soaring U.S. National Debt

The U.S. national debt is the total amount of money owed by the federal government. As of January 2025, it stands at $36.16 trillion.[1]

The difference between deficit and debt

When the federal government spends more money than it collects in taxes in any given fiscal year (the government's fiscal year runs from October 1 to September 30), there is a deficit. The opposite of a deficit is a surplus.

To fund its operations when there is a deficit, the government borrows money by selling Treasury notes, bills, bonds, and other securities to investors, paying interest based on the interest rate environment at the time the security is issued. The interest owed to these investors adds to each year's spending deficit (if any) and further increases the national debt over time.

In the past 50 years, the U.S. has run a deficit 46 times. The last U.S. budget surplus was in 2001. In 2024, the deficit was $1.83 trillion, the third-highest on record. The highest deficit was in 2020 during the pandemic, when it was $3.13 trillion.[2]

Why is the national debt so high?

There are several reasons for the ballooning national debt. One reason is previous tax cuts and pandemic spending. Another major reason is the increasing cost of Social Security and Medicare, two popular programs that serve a growing demographic of older Americans and make up the two biggest slices of the federal budget pie.[3] Cutting spending on these programs is not politically popular, though in theory, future benefits could be trimmed. Military spending also consumes a significant portion of the federal budget.

A category of spending that can't be cut is the interest the federal government must pay to investors who have purchased Treasury securities, which is consuming an increasing share of the federal budget. This is sometimes referred to as "servicing the national debt." As of September 2024, $1.13 trillion went toward maintaining the debt, which was 17% of total federal spending in fiscal year 2024.[4]

Comparing a country's total debt to its gross domestic product (GDP) is typically a better way to gauge a country's ability to pay down its debt than just looking at the raw debt number. For fiscal year 2024, the U.S. debt-to-GDP ratio was 124%. This was just under the record 126% in 2020.[5] According to the nonpartisan Congressional Budget Office, based on current spending and revenue projections, the debt-to-GDP ratio is projected to reach 179% by 2054.[6]

Clearly, Congress has work ahead to better balance U.S. revenue and spending.

Projections are based on current conditions, subject to change, and may not come to pass.

1–5) fiscaldata.treasury.gov, 2025

6) Congressional Budget Office, 2025
