

Don't Take the Bait: Top Tax Scams in 2025

As tax filing season approaches, the IRS warns taxpayers to watch for scams that can cause identity theft, financial loss, or criminal penalties. The agency's "Dirty Dozen" list, published annually since 2002, highlights 12 common tax schemes.

Phishing and smishing

Fake emails and texts that appear to be from the IRS or other tax agencies lure you into disclosing your personal and financial data.

Bad social media advice

Social media platforms circulate inaccurate tax tips that can lead to improper filings or disclosure of sensitive personal data.

IRS Individual Online Account help from scammers

Third parties pose as "helpful" guides who offer to set up IRS online accounts but instead steal your identity or file fraudulent returns.

Fake charities

Fraudulent charities prey on your goodwill to steal your donations and personal information.

False Fuel Tax Credit claims

Scammers who encourage you to improperly file a Fuel Tax Credit claim, which is not available to most taxpayers.

Credits for Sick Leave and Family Leave

Employees following bad advice have been improperly claiming a pandemic-era tax credit available only to self-employed individuals. This credit is no longer available.

Bogus self-employment tax credit

Social media posts that promote a nonexistent self-employment tax credit to entice you into filing a fraudulent claim.

Improper household employment taxes

Fraudsters convince you to file for fictional household employees to claim a refund based on false sick and family medical leave wages that you never paid.

The overstated withholding scam

Social media messaging that encourages you to fabricate large income and withholding amounts through W-2s, 1099s, and other forms to inflate refunds.

Misleading Offers in Compromise

Promoters, or "mills," that misrepresent the federal tax debt relief program to trick you into paying fees for resolutions for which you do not qualify.

Ghost tax return preparers

Unscrupulous tax professionals who prepare returns without signing them or providing their IRS Preparer Tax Identification Number as required by law, subjecting you, the taxpayer, to potential tax fraud claims.

New client scams and spear phishing

Cybercriminals who impersonate clients in an email to trick tax professionals into responding to access sensitive client information.

To help avoid scams, the IRS recommends never clicking on unsolicited links purporting to be from the IRS, verifying charities before donating, and only working with trusted tax professionals to potentially protect your personal information.



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FINANCE FOCUS

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Closed-End Funds Could Help Boost Investment Income

Most mutual funds are open ended, which means that the investment company can issue and redeem fund shares to meet investor demand. By contrast, closed-end funds issue a fixed number of shares in an initial public offering (IPO), and investors who want to purchase shares after the IPO must do so on a secondary market, such as the New York Stock Exchange. In this regard, closed-end funds are more similar to stocks.

Closed-end funds are much less common than open-end funds and tend to be favored by more affluent investors, including many retirees (see chart). This interest is likely due to the potential for a regular income stream — called the distribution rate — that may be higher than what might be obtained from a traditional mutual fund holding similar securities. About 60% of closed-end funds are bond funds.¹

Unlike open-end funds, closed-end funds do not have to maintain cash reserves or sell securities to meet redemptions, so fund managers can invest in less liquid securities and use leveraging methods usually avoided by mutual funds. This approach may provide higher income but is associated with higher risk and volatility than open-end mutual funds.

Distributions

Distributions from closed-end funds can come from three possible sources: income distributions, including payments from interest and dividends; realized capital gains; and return of capital. Distribution rates are not guaranteed and can be increased or decreased in response to market conditions.

A healthy fund may return capital occasionally for a variety of reasons that should not be a serious concern for investors. However, consistent return of capital to maintain distributions that cannot be maintained otherwise — called destructive return of capital — is generally a sign of fundamental weakness in the fund.

Premiums and discounts

The market price of closed-end fund shares trading on a secondary market is determined by supply and demand, not by the net asset value (NAV) of the shares. The trading price may be higher or lower than the NAV. If the price is higher, shares are selling at a "premium." If the price is lower, they are selling at a "discount." Although buying at a discount may be appealing, a bigger discount does not necessarily make a fund a better value. It's important to understand the reasons for the valuation and assess the likelihood that the fund may meet its objectives, including any potential income stream.

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Closed-end funds incur broker trading fees and charge management fees. They are generally not redeemable; i.e., the investment company does not have to buy back shares to fulfill investor demand, so shares typically must be sold to other investors on the secondary market.

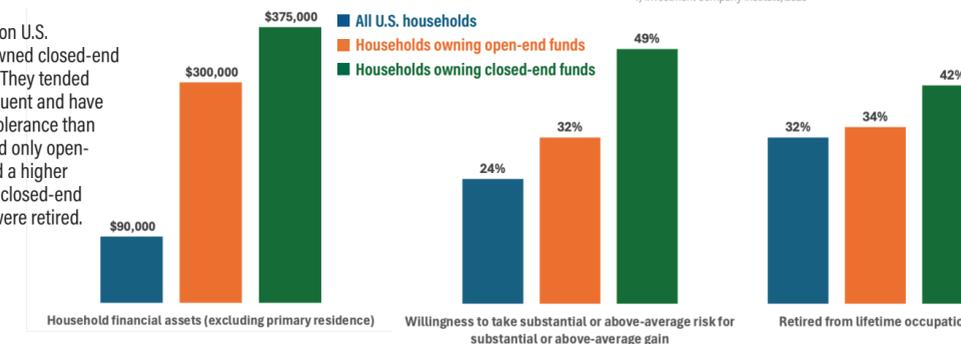
Bond funds are subject to the same inflation, interest-rate, and credit risks associated with their underlying bonds. As interest rates rise, bond prices typically fall, which can adversely affect a bond fund's performance. The value of all investments fluctuates with market conditions. Shares, when sold, may be worth more or less than their original cost.

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 Investment Company Institute, 2025

Investor Profile

About 3.6 million U.S. households owned closed-end funds in 2024. They tended to be more affluent and have a higher risk tolerance than those who held only open-end funds, and a higher percentage of closed-end fund owners were retired.



Q&A on RMDs

Tax-deferred retirement savings accounts, including IRAs and employer-based plans, are an appropriate way to build assets. Your accounts can potentially grow without losing ground to income taxes each year, and depending on the account type and your income level, you may also benefit from a tax deduction for your contributions.

However, with traditional, non-Roth accounts, you can't defer taxes indefinitely. The IRS will eventually get its share through what's known as required minimum distributions (RMDs).¹

What are RMDs?

RMDs are annual distributions that must be taken from traditional, non-Roth IRAs and employer plans once you reach a certain age. If you were born from 1951 to 1959, you must begin RMDs after you reach age 73. If you were born in 1960 or later, your RMD age is 75. There is one exception to this rule: If you work beyond RMD age and you're not a 5% owner of your company, you can defer RMDs from your current employer's plan until you retire. You'll still be required to take RMDs from any previous employer plans.

Which accounts are subject to RMDs?

Traditional IRAs, SEP IRAs, SIMPLE IRAs, SARSEPs, and all work-based retirement plans — including 401(k), 403(b), 457(b), and profit-sharing plans — are all subject to RMDs.

How much must I withdraw?

RMDs are calculated based on the value of your account as of the previous December 31, divided by a life expectancy factor published in tables included in IRS Publication 590-B. There are three different tables, each of which applies to certain situations.

For example, say you reach age 73 in 2026 and your work-based retirement plan account was worth \$750,000 on December 31, 2025. Assuming you use Table III, the Uniform Lifetime table, your plan account RMD for 2026 would be \$28,302 ($\$750,000 \div 26.5$).

You must calculate RMDs for each account you own. With IRAs, the IRS allows you to total all RMD amounts and take your distribution from one IRA. Similar rules apply to 403(b) plans. With other work-based plans, you must calculate your RMD and take a distribution separately from each account. You can always withdraw more than the required amount in any given year.

How do RMDs affect my taxes?

RMDs (except amounts that were previously taxed, i.e., non-deductible contributions) are reported as taxable income. Consequently, a large RMD could result in a sizable tax obligation.

Generally, you must take RMDs by December 31 each year; however, you may delay your first RMD until April 1 of the year following the year you reach RMD age. Keep in mind that your second RMD will be still be required by December 31 of

that same year, which could significantly increase your income taxes.

In addition, neglecting to withdraw the required amount can result in a penalty tax of 25% of the difference between what you should have withdrawn and the actual distribution. This amount may be reduced to 10% or even waived entirely if corrected as soon as possible within two years (see IRS Form 5329 and associated instructions).

One way to satisfy your annual IRA RMD without increasing your tax burden is to make a qualified charitable distribution (QCD). A QCD is a charitable contribution made directly from your IRA trustee to a qualified charity of your choice. Although QCDs are not tax deductible, you can exclude up to \$111,000 in 2026 (\$222,000 if you're married filing jointly) in QCDs from your gross income.²

1. Unlike traditional accounts, Roth accounts don't offer tax-deductible contributions. Withdrawals from traditional accounts prior to age 59½ and non-qualified withdrawals from Roth accounts are subject to ordinary income taxes and a 10% early distribution penalty, unless an exception applies. Qualified withdrawals from Roth accounts are those made after a five-year holding period and the participant reaches age 59½, dies, or becomes disabled. Roth accounts are not subject to RMDs during the account owner's lifetime, but most Roth account beneficiaries, like traditional account beneficiaries, are subject to highly complex RMD rules beyond the scope of this article. For more information, speak with a tax professional.
2. QCDs are not permitted from employer plans.



The end of the year is a time when families often gather together. Although these gatherings may keep you busy, this could be a good time to think about the future and make sure that you have correctly designated family members and any others you wish as beneficiaries in your will, insurance policies, and financial accounts.

This is especially important if there have been changes in your life, such as the birth of a child or grandchild, a death in the family, a divorce, or a remarriage. But even if your family situation remains the same, it's a good idea to review your beneficiary designations to be sure they are complete and reflect your current wishes.

Beneficiary forms may override your will

A will is an essential legal document for designating your heirs and facilitating distribution of your assets if your estate goes through the probate process. However, the assets in most investment accounts, retirement accounts, and life insurance policies convey directly to the people named on the beneficiary forms — even if they are different from the people named in your will — and do not go through probate.

Fortunately, it's fairly easy to designate or change your account beneficiaries. A will may incur costs to update, but a new beneficiary designation form can typically be filed with the financial institution or insurance company at no cost.

Here are some issues to consider:

- Your current spouse must be the beneficiary of an employer-sponsored retirement plan unless he or she waives that right in writing. Without a waiver, any children from a previous marriage might not receive account proceeds.
- Designate secondary (contingent) beneficiaries in the event that the primary beneficiaries predecease you. Otherwise, proceeds would be distributed according to the default method specified in the account documents and/or state law.
- Some insurance policies, pension plans, and retirement accounts may not pay death benefits to minors. If you want to leave money to young children, you should designate a guardian or a trust as beneficiary.

The use of trusts involves complex tax rules and regulations. You should consider the counsel of experienced estate planning, legal, and tax professionals before implementing trust strategies.

Goodbye Passwords, Hello Passkeys

The ever-growing threat of sophisticated phishing attacks and massive data breaches linked to password security has put more focus on the need for new authentication solutions. Enter passkeys, considered a more secure and easier-to-use option that eliminates the need for passwords. Passkeys haven't replaced passwords yet, but their adoption is growing. As major tech companies, apps, and websites make passkeys their default security option, it's likely you'll be prompted to set them up to help secure your accounts.

What is a passkey?

A passkey is a passwordless sign-in authentication method that has two parts: a public key that encrypts data and is stored on a server or application and a private key that decrypts data and is stored locally on your personal device, such as a smartphone, desktop, tablet, or laptop with a supported browser. When you sign in to an account, the website or application verifies your identity by matching these two keys. This is done by asking you to unlock your device via the authentication option you've chosen (face or fingerprint recognition, phone lock PIN, or security key, for example).

Signing in with a passkey instead of a password is generally a quicker and more seamless experience. There's no need to use a separate multifactor authentication method like entering a code delivered by a text or email, and you won't need to spend time remembering or updating sensitive credentials.

Why are passkeys considered safer than passwords?

Because passwords are user-created, their security partly depends on how weak or strong the password is. Users may choose simple passwords that are easy to guess or crack, reuse passwords across multiple sites or accounts, or inadvertently disclose them by clicking on a link to a fraudulent website. Passwords are also vulnerable to phishing and brute force attacks by hackers.

Unlike passwords, passkeys are always unique. The private key associated with your device is typically protected by biometrics and is never shared, so passkeys are highly resistant to phishing and can't be guessed by a scammer.

What's next?

Passkeys are a newer security solution and have not yet been implemented on all websites, apps, or services. Like usernames and passwords, you may need to set them up one by one, typically following prompts.

Until passkeys become broadly supported, passwords aren't going away. It's still important to help protect your identity and financial information by taking extra steps, such as using a password manager to generate complex, unique passwords or setting up multifactor authentication.



Cash Balance Plans Help Some Business Owners Supersize Retirement Savings

Cash balance plans are technically defined benefit plans (or pensions) that share key characteristics with defined contribution plans such as 401(k)s and 403(b)s. These hybrid plans have generous contribution limits that increase with age, and they are often stacked on top of a 401(k) and/or profit-sharing plan. This can help partners in professional firms and other business owners to maximize or catch up on retirement savings and reduce their taxable incomes.

On top of the \$70,000 maximum contribution to a 401(k), a 65-year-old could save as much as \$329,000 in a cash balance plan in 2025, while a 55-year-old could save \$248,000 on a tax-deferred basis until the account reaches a maximum balance of about \$3.6 million (IRS limits adjusted annually for inflation).^{1,2}

Employees benefit too

A cash balance plan can also be a powerful tool for employee recruitment and retention. As with other defined benefit plans, employees are promised a specified retirement benefit, and the employer funds the plan and selects investments. However, each participant has an account with a "cash balance" for record-keeping purposes, and the vested account value

is portable, which means it can be rolled over to another employer plan or to an IRA.

But unlike a 401(k), the participant's cash balance when benefit payments begin can never be less than the sum of the contributions made to the participant's account, even if plan investments result in negative earnings for a particular period. This means the employer bears all the financial risk.

Funding the plan

The employer's annual contribution amount is actuarially determined based on plan design and participant demographics. Generally, there are two types of contributions made for each employee. The first is a pay credit, which is either a fixed amount or a percentage of annual compensation, and the second is a fixed or variable interest crediting rate (ICR). The ICR can be set to equal the actual rate of return of the portfolio if certain diversification requirements are met, which helps reduce the employer's investment risk and the possibility of having an underfunded plan due to market volatility.

Businesses may deduct employee contributions, so current-year tax savings may offset some of their contributions. Still, a cash balance plan is typically more cost-effective for a sole proprietor or the owner of a small firm with few employees.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful. Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss.

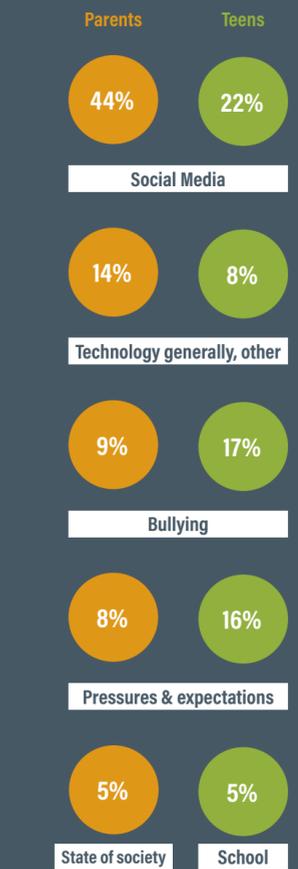
1) FuturePlan, 2025
2) The Wall Street Journal, March 8, 2025

Social Media Takes a Toll on Teens' Mental Health

In a recent survey, nearly half of teens ages 13–17 said social media has a "mostly negative" effect on people their age, though fewer believe that it affects them personally. Girls, however, are more likely than boys to say that social media harms their mental health (25% vs. 14%) and confidence (20% vs. 10%).

Many parents and teens said they are at least somewhat concerned about youth mental health these days (89% and 77%, respectively), but teens point to a slightly different set of negative influences.

Percentage of parents and teens who think one of the following factors is the biggest threat to teens' mental health:



Source: Pew Research Center, 2025

Another Tax Strategy: Consider Roth Conversions

Roth conversions are taxable events, but they may help reduce RMDs later. How they work:

