Principle WEALTH

THE PRINCIPLE NEWSLETTER

OCTOBER 2025

Dear Friends,

The leaves are turning and there's a crispness in the air, fall has arrived! Markets continue to show resilience amid trade uncertainty and the ongoing government shutdown. The economy remains on a steady growth path, inflation is tame, and the Federal Reserve has resumed its rate-cutting cycle.

Following a strong rally after Liberation Day, September and October brought the kind of seasonal volatility we've come to expect. Politics, geopolitical tensions, and shifting trade policies with China dominated the headlines—serving as a reminder for investors to stay the course and look beyond the noise.

In this issue, we explore the IRS's phaseout of paper checks, discuss the benefits of prenuptial agreements, break down the differences between common beneficiary designations, and take a closer look at what the proposed "One Big Beautiful Bill" could mean for your taxes and estate plan.

Enjoy the read, and happy fall!

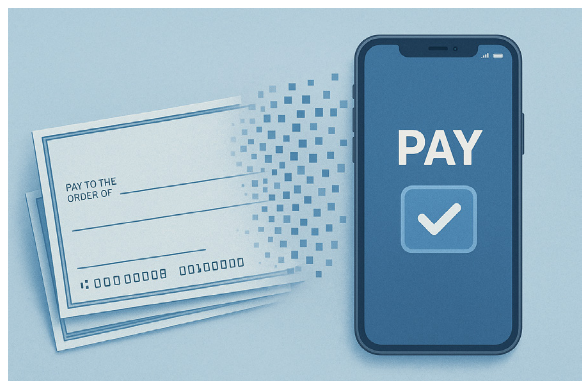
Robert S. Paolucci, CFP®
Founder & CEO

What's Inside

The Financial World is Moving Toward Electronic Payments

By Megan O'Marra Maruzo, APMA™, MBA

The financial world continues to move toward electronic transactions, and the government is following that trend. On March 25, 2025, the administration issued an executive order outlining plans to transition the federal government away from issuing and accepting paper checks beginning September 30, 2025. While this transition is underway, paper checks remain an option for now, and you can still make or receive payments by check through the IRS website.



Why the Shift Toward Electronic Payments

Electronic payments are generally more cost-effective and secure, eliminating the need for paper, postage, and mail processing. They also help reduce the growing risk of check fraud. According to the FBI, reports of check fraud nearly doubled between 2021 and 2023, with mail theft often at the center of these crimes.

What You Can Do

If you currently receive your Social Security payments or tax refunds by mail, or if you typically pay taxes by check, you may wish to consider setting up electronic payments in advance of the change.

Social Security: You can create an online account and update your payment preferences at www.ssa.gov/myaccount.

Tax Payments and Refunds: The IRS offers several secure electronic payment options at www.irs.gov/payments.

Electronic payments are encouraged but not yet required, and you may continue using paper checks at this time.

We encourage you to reach out to your advisor or accountant with any questions about how these changes may affect you.

Parties, Presents....And Prenups?

By Glenn S. Zavorskas, CFP®

An engagement is a joyful time, but it can also raise concerns about whether one or both parties should take steps to protect assets or clarify financial obligations. According to the U.S. Census Bureau, divorce rates remain between 40%-50% for first marriages, and even higher for second marriages. With those numbers in mind, any thoughts of marriage should include whether a prenuptial agreement is appropriate.

What is a prenuptial agreement?

According to the American College of Trust and Estate Counsel, a prenuptial agreement ("prenup") is a "legally binding contract signed before marriage specifying how assets, debts, and spousal support will be handled in the event of death or divorce." Although criteria vary by state, prenups must generally be fair, include full disclosure of assets and obligations, and not be signed under fraud or duress.

Who needs a prenup?

It's a common misconception that prenups are only needed when one person has significantly greater wealth than the other. While this might be one reason to consider a prenup, there are many others:

- If either party to the union has children, it is important to clarify issues related to education and financial support, and even potential inheritance. (It is important for someone to understand that if their spouse dies, that some or all assets might already be earmarked for children.)
- Should either incur significant debt or even bankruptcy prior to the union, (such as student loan debt, business obligations, and/or mortgage debt), the parties to the marriage should understand whether future responsibility for those debts will be shared or not.
- There are specific assets (home, business, retirement savings, investments or even a family inheritance) that he or she regards as "separate," this expectation should be clarified in advance of the marriage so that both parties are on the same page.

In contrast, a prenup may not be needed to protect family wealth that has not yet been inherited. This protection can be supplied by a carefully drafted estate plan.

Start instilling financial responsibility early

Ideally, the prenup discussion should not come as a surprise. Educating children about money early helps avoid disputes later. Conversations about financial responsibility can be woven into life events—education, employment, home ownership, or a family member's passing—so that the idea of a prenup feels like part of a larger conversation.

Steps for a smooth prenup process

A prenup is not something that can be handled in a week, or even a month. The process can take at least 6 months and must include significant preparation.

- Each party must prepare a detailed and accurate disclosure of assets, debts, and all pre-existing financial obligations.
- Both individuals must be advised by separate counsel. This can be a big stumbling block for younger couples who have never needed the services of an attorney.
- The process will (and should) involve negotiation, which also takes time. If this negotiation takes place too close to the date of the wedding, the prenup could be more difficult to enforce.

While no one wants to contemplate the end of a relationship at the beginning, planning for the future includes honest discussions about money. Trusted legal and financial advisors can help guide these conversations and reduce tension.

The ABC's of TODs, PODs, and ITFs

By Cynthia J. Griffith, JD, EPLS, AEP®

Some estate plans are really simple - one or two accounts, split between beneficiaries. This type of planning can be done in your pajamas from your favorite recliner. But in most cases, this planning strategy should work in conjunction with other planning tools, not replace all other planning completely.

TERMINOLOGY BASICS

TOD = Transfer on Death
POD = Pay on Death
ITF = In Trust For

All three acronyms (TOD, POD, ITF) refer to accounts that can be fully managed and controlled by the account owner until death. After death, the account becomes immediately transferable to designated beneficiaries. Different acronyms are used by institutions based on the type of assets held in the account. Investment accounts use the TOD designation for products like stocks, bonds, and other securities. The Payable on Death (POD) designation is used by banks and credit unions for cash accounts like checking and savings. In Trust For (ITF) accounts are also used by banks for cash products, but the account owner is given the title of "Trustee." This designation seems to have fallen out of popularity, in favor of the more common POD designation. All three designations serve the same purpose: to allow an account holder to name beneficiaries who will receive assets immediately after the owner's death, without the necessity of probate.

Pros and Cons of Beneficiary Designations

Planning by beneficiary designation is attractive because it is easy to do and typically does not require a lawyer. But too much of anything can have unintended downsides.

When planning for young children, naming them as direct beneficiaries might give them access to significant resources as soon as they reach the age of majority. Many wills and trusts address this problem with special instructions for minors, but a TOD or POD designation can bypass those instructions.

Similarly, if estate planning documents include tax mitigation instructions, or enhanced creditor protection for beneficiaries, naming beneficiaries directly may wipe out these important safeguards.

Then there is the problem of expenses. If all of the cash is paid out directly to beneficiaries after death, there might not be resources available to pay expenses related to the estate: funeral, last sickness, probate expenses, property tax, etc. Asking an Executor or Trustee to chase after beneficiaries for funds can make the estate process more complicated, not less.

Finally, overuse of beneficiary designations can leave the impression that there is nothing else to do. But there are always administrative and tax responsibilities that must be completed after death. It is important to review who will tackle these responsibilities even if your beneficiary designations means that probate will not be required.

Reviewing your assets and applicable beneficiary designations with your advisors can be essential to making sure your estate plan works as intended.

What does the One Big Beautiful Bill Mean for You?

By Andrew J. Cialek, CFP®, ChFC®, CEPA®

On July 4, 2025, President Trump signed the One Big Beautiful Bill Act (OBBBA) into law. At over 300 pages, it makes several permanent changes to the tax code that could potentially impact you. Here are some of the highlights:

Extension of 2017 Tax Cuts

The lower individual tax rates created in 2017 are now permanent. The lifetime estate and gift tax exemption was also made permanent and will continue to adjust for inflation. In 2025, the exemption is $13.99MM per person ($27.98MM per couple) and rises to $15MM ($30MM per couple) in 2026.

Increased Standard Deduction

The standard deduction has been increased again for 2025:

Filing Status	Deduction
Single	$15,750
Married, filing separately	$15,750
Married, filing jointly	$31,500
Head of household	$23,625

Seniors 65+ can claim an additional $2,000, and some may qualify for a temporary $6,000 "bonus" deduction through 2028 (subject to income limits).

Higher SALT Deduction

From 2025–2029, the cap on state and local tax (SALT) deductions rises from $10,000 to $40,000, increasing slightly each year. The benefit phases out at higher incomes and returns to $10,000 for the highest earners.

Deductions for Tips and Overtime

For 2025–2028, up to $25,000 of tips and $12,500 of overtime pay may be deductible. Only the extra "premium" portion of overtime qualifies (e.g., if regular pay is $20/hour and overtime is $30/hour, the $10 difference counts). Income limits apply.

Mortgage Interest Deduction

The $750,000 mortgage interest cap ($375,000 if married filing separately) is now permanent. Interest on home equity loans remains ineligible.

Expanded Benefits for Small Business Stock

Owners of Qualified Small Business Stock (QSBS) issued after July 4, 2025 may benefit from higher limits and faster partial exclusions. These changes are designed to make it easier for entrepreneurs and investors to access capital, and to reward those who commit to holding stock for longer periods.

	Before July 4, 2025	After July 4, 2025
Corporate asset limit	$50MM	$75MM (indexed)
Per issue limit	$10MM	$15MM or 10x basis (indexed)
Holding period	N/A	50% exclusion after 3 years 75% exclusion after 4 years 100% exclusion after 5 years

This means investors can exclude a larger portion of their gains sooner, which could significantly improve the after-tax return on successful ventures. It may also encourage more long-term investment in smaller companies looking to grow.

Keep in mind that eligibility rules still apply. Companies must be C corporations with at least 80% of assets used in active operations, and certain industries remain ineligible, including service businesses, banks, insurance, farming, mining, oil and gas, hotels, motels, and restaurants.

What this means for you

The new law touches many areas of the tax code. If you think these changes could affect your family or business, we'd be happy to review your situation and discuss planning opportunities.

Firm News & Announcements

Welcome to Our Newest Team Member!

Welcome Cathy Golino!

We are excited to welcome Cathy to the Principle Wealth team as Operations Manager. With over twenty four years of experience in financial services, Cathy is dedicated to creating personalized experiences that empower clients to make confident, informed decisions. She believes wealth management should be transformational, not merely transactional. With clarity, consistency, and genuine connection, Cathy ensures every client and employee feels supported and valued. Outside of the office, Cathy finds joy and balance in gardening, cherishing time with her husband and two sons, and discovering new places together.

Welcome Otto!

Congratulations to Senior Wealth Advisor Andrew Cialek and his wife, Luvie, on welcoming their newest addition, Otto Abell, on June 11, 2025. Otto joins proud big brother Axel, who is already taking his new role seriously. Welcome to the world, Otto, and welcome to the Principle Wealth family!

Community Outreach

UConn Opportunity Fund Project

Principle Wealth was proud to host students from the UConn Opportunity Fund Project (UOFP) for a day of hands-on learning in wealth management. The UOFP is an immersive program that was created to inspire and develop students for careers in finance. Driven by our own UConn alumni, Theresa Donatelli and Megan O'Marra Maruzo, the students gained valuable insights into the various roles within the firm and the importance of building lasting client relationships. The visit provided an inspiring glimpse into Principle's collaborative culture, professional dedication, and commitment to mentorship. For more information about UOFP, visit opportunityfund.business.uconn.edu.

Food Drive - St. Vincent de Paul Place

Gearing up for the holiday season, our Principle Wealth team has been collecting food donations for Thanksgiving dinner ingredients, such as stuffing and gravy, as well as weekly pantry staples like cereal, pasta, granola bars, and oatmeal, for our friends at St. Vincent de Paul Place in Norwich. Their food pantry serves an average of 700 families each week, and we are proud to help support their important mission. You can learn more about this amazing organization at svdpp.org.

Financial Literacy at Daniel Hand High School

Wealth Advisor Josh Ouellette recently visited the seniors at Daniel Hand High School to talk about financial responsibility. His session covered real-world topics like building a budget, understanding the power of compounding, managing good and bad debt, maintaining a strong credit score, and how credit cards really work. While teens aren't always known for tuning in to financial talk, Josh had them *invested* from the start. Josh's engaging presentation gave students practical tools to help them make informed financial decisions as they prepare for life after graduation.

Fall Into Fashion - Womens Club of Madison

This October, Principle was proud to be a sponsor for the Fall Into Fashion event hosted by the Women's Club of Madison, an organization dedicated to supporting our local community. This past year, the club disbursed $5,000 to ABC House, Ronald McDonald House, and the Madison Food Pantry, and purchased rocking chairs for the Surf Club deck. They also champion domestic violence awareness and provide coats and essential items to local shelters, making a real difference close to home. For more information visit womensclubmadisonct.com.

Congratulations!

We're excited to share that Robert S. Paolucci, CFP®, has once again been named to the Barron's Top 100 Independent Advisors list for 2025. This marks the second consecutive year that Robert has earned this honor, a recognition that reflects his commitment to putting clients first and the dedication of the entire Principle Wealth team. Thank you to our clients for your continued trust and support.

BARRON'S ADVISOR
Top 100 Independent Advisors
2025

AWARDED 2025 & 2024

ROBERT S. PAOLUCCI, CFP®
Founder & CEO

We're proud to share that Andrew Cialek, CFP®, ChFC®, CEPA® has been named to the 2025 Forbes Best-in-State Next-Gen Wealth Advisors list! This recognition is a testament to Andrew's dedication, client-first approach, and exceptional commitment to delivering outstanding results. His professionalism, expertise, and genuine care for clients set a high standard for our entire team. Congratulations, Andrew! Your hard work and leadership inspire us all.

Forbes
BEST-IN-STATE TOP NEXT-GEN WEALTH ADVISORS
SHOOK RESEARCH
2025

ANDREW J. CIALEK, CFP®, CHFC®, CEPA®
Senior Wealth Advisor

Congratulations to Ryan Famiglietti, CFP®, MBA, for passing the CERTIFIED FINANCIAL PLANNER® (CFP®) exam! The CERTIFIED FINANCIAL PLANNER® certification is the standard for financial planning. CFP® professionals meet rigorous education, training and ethical standards, and are committed to serving their clients' best interests today to prepare them for a more secure tomorrow. We are so proud of Ryan and his accomplishment!

RYAN FAMIGLIETTI, CFP®, MBA
Relationship Manager

Congratulations Team!

We are incredibly proud to announce that Principle Wealth has been named to the 2025 Forbes Top RIA Firms list, and top ranked in Connecticut for the fourth consecutive year! This recognition is a testament to our team's unwavering commitment to providing exceptional guidance and personalized service to our clients. We are beyond grateful to our clients for their trust and support, and to our dedicated team for their hard work and passion. Thank you, Forbes, for this prestigious honor!

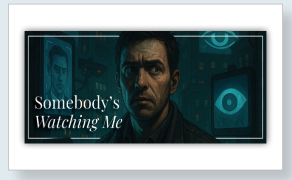
Forbes
AMERICA'S TOP RIA FIRMS
SHOOK RESEARCH
2025

AWARDED 2025, 2024, 2023 & 2022

A Look Back at Past Insights

[October Market Update "Scarecrow Tactics"]

In our October Market Update, we discuss why strong fundamentals continue to fuel the current bull market, how rate cuts may add more fuel for this rally, and why housing remains a key factor in taming inflation.

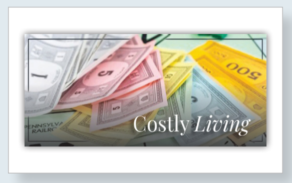


September Monthly Movements Somebody's Watching Me

From your phone to your fridge, nearly everything you own is collecting data about you. Explore how our connected world blurs the line between convenience and surveillance, and what you can do to protect your privacy.

September Market Update "A September to Remember"

This month we tackle the usual seasonal choppiness and dispel the anxiety of all-time highs. Discover how the market is poised for a strong finish to the year, driven by companies flush with cash, rising earnings, and the Federal Reserve's recent pivot towards cutting interest rates.



August Monthly Movements Costly Living

Inflation affects everyone differently. From groceries to gas, the true cost of living depends on more than government averages. Find out why your personal inflation rate might be higher than the headlines suggest, and what you can do about it.

August Market Update "Summer Recess"

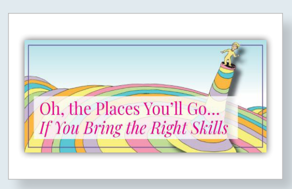
The market has bounced back to record levels, but seasonal volatility is on the horizon. In August, we explore how growing corporate earnings, peak profit margins, and an expected Fed rate-cut cycle set the stage for continued growth over the long haul.

July Monthly Movements Honey! I Shrunk the Market!

The number of U.S. public companies has nearly been cut in half, reshaping how investors access growth and diversification. This month, we explore what's behind the shrinking stock market and what it could mean for your portfolio.

Mid-Year Market Outlook "Summer Wind"

In our Mid-Year Outlook, we share an optimistic outlook for the second half of 2025, highlighting easing interest rates, cooling inflation, and strong corporate earnings as key drivers of market growth. Join us for insights on emerging opportunities and trends shaping the future of investing.



June Monthly Movements "Oh, the Places You'll Go...If You Bring the Right Skills"

In today's ever-changing world of work, technical skills may open the door, but it's your soft skills that determine how far you'll go. Discover why qualities like adaptability, communication, and curiosity are becoming the real keys to long-term success.

AWARDED TO ROBERT S. PAOLUCCI 2025, 2024, 2023, 2022, 2021	AWARDED TO ROBERT S. PAOLUCCI 2025, 2024	AWARDED TO ROBERT S. PAOLUCCI 2025, 2024, 2023, 2022, 2021, 2020 & 2019 AWARDED TO COLIN M. DUGAN 2025, 2024 & 2023	AWARDED TO ANDREW J. CIALEK 2025 AWARDED TO COLIN M. DUGAN 2023	2025, 2024,2023, 2022	AWARDED TO THERESA V. DONATELLI 2025, 2024	2022	FASTEST GROWING RIAS IN AMERICA, CONNECTICUT 2022

670 Boston Post Road
Madison, CT 06443
Phone: 203.318.8892

20 Bay Street
Westport, CT 06880
Phone: 203.227.7156

www.principlewealth.com | info@principlewealth.com