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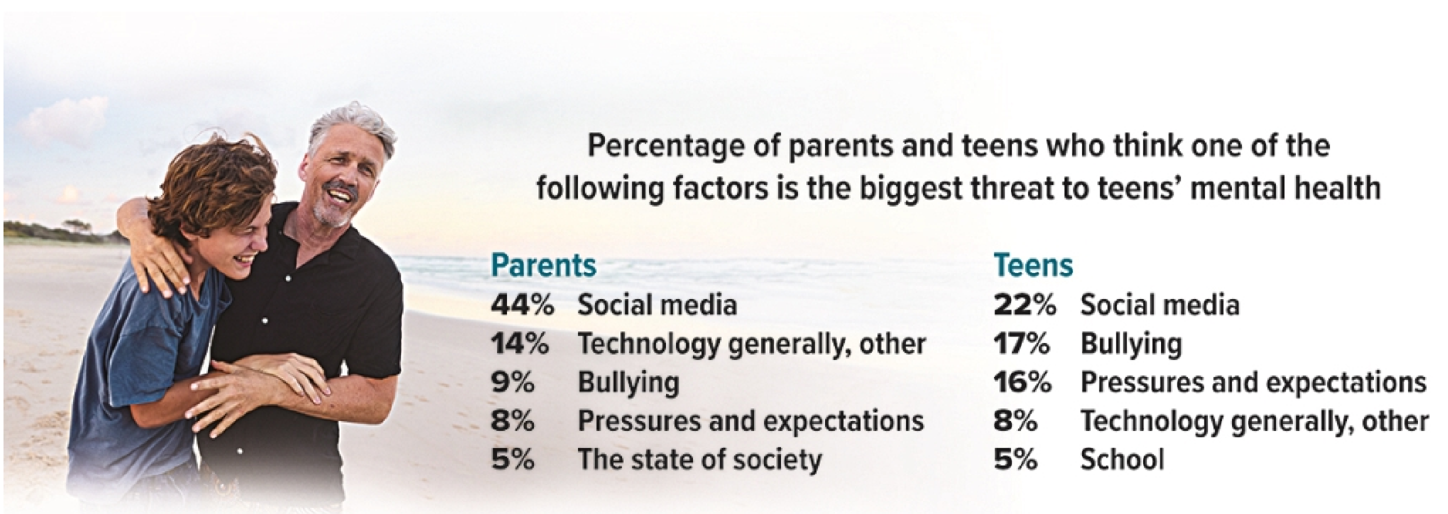
Social Media Takes a Toll on Teens' Mental Health

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.



Source: Pew Research Center, 2025

Keeping Cool in Volatile Markets

On April 2, 2025, President Trump announced sweeping tariffs that were larger and different in structure than expected. Over the next two days, the S&P 500 Index plunged by 10.5%. The Dow Jones Industrial Average lost 9.3%, and the tech-heavy NASDAQ Index dropped 11.4%.[1] The two-day rout erased $6.6 trillion in market value, the largest two-day loss of shareholder value in U.S. history.[2]

Faced with such a dramatic downturn, some investors might panic and sell their stocks. But if they did, they would have missed the equally dramatic bounceback the next week, after Trump announced a 90-day pause on most of the new tariffs. Stocks soared on April 9, with the S&P 500 gaining 9.5%, the largest one-day gain since 2008.[3] Although volatility continued, the index set a new record by the end of June and more records over the following months. The Dow and NASDAQ also bounced back to record highs.[4]

Tune out the noise

It's likely that the tariff program will continue to influence the stock market for some time, as will decisions around interest rates and other economic news. The media generates reports 24 hours a day, and you can check the market anywhere you carry a mobile device. This barrage of information might make you feel that you should buy or sell investments in response to the latest news or market movement. But as the events of April 2025 illustrate, it's generally not wise to react emotionally to market swings or to news that you think might affect the market.

Historically, some of the best days of stock market performance have followed some of the worst days. Pulling out of the market due to an emotional reaction can lead to missing gains on the way back up. On the other hand, buying heavily just because the market is rising could mean overcommitting at higher prices.

Stay the course

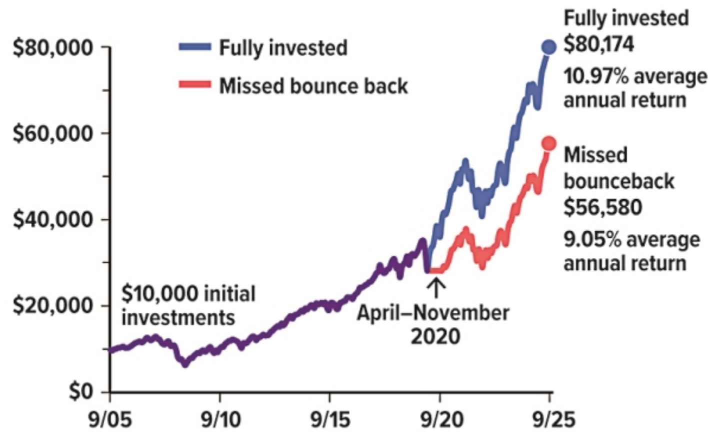
The market will always move up and down, but the long-term trend has been upward for almost a century, the period covered by modern analysis. Since 1928, the S&P 500 Index has returned an annual average of about 10%.[5] Annual returns have varied widely, but, on average, bull markets have lasted over three times longer than bear markets and gained over three times more than bear markets have lost.[6]

Consider this advice from famed investor and mutual fund industry pioneer John Bogle: "Stay the course. Regardless of what happens in the markets, stick to your investment program. Changing your strategy at the wrong time can be the single most devastating mistake you can make as an investor."[7]

This doesn't mean you should never buy or sell investments. However, the investments you buy and sell should be based on a sound strategy appropriate for your risk tolerance, financial goals, and timeframe. And a sound investment strategy could help carry you through market ups and downs.

Missing the Bounceback

The best two months of stock market performance during the last 20 years came in April and November 2020, immediately after the pandemic bear market plunge. An investor who sold in March 2020 and missed the period from April to November would have received only about 70% of the 20-year return of an investor who stayed fully invested.



Source: London Stock Exchange Group, 2025, S&P 500 Composite Total Return Index for the period 9/30/2005 to 9/30/2025. This hypothetical example is used for illustrative purposes only and does not consider the impact of taxes, investment fees, or expenses. Rates of return will vary over time, particularly for long-term investments. Past performance does not guarantee future results.

Be calm

It can be tough to remain calm when you see the market dropping or to control your exuberance when you see it shooting upward. But overreacting to market movements or trying to "time the market" by guessing its future direction can create additional risk that could negatively affect your long-term portfolio performance.

All investments are subject to market fluctuation, risk, and loss of principal. When sold, investments may be worth more or less than their original cost. The S&P 500 Index is an unmanaged group of securities considered representative of the U.S. stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Actual results will vary.

1, 4) Yahoo Finance, April 7, 2025, and September 4, 2025

2) Morningstar, April 4, 2025

3) CBS News, April 10, 2025

5) Investopedia, May 16, 2025

6) Yardeni Research, January 21, 2024

7) MarketWatch, June 6, 2017

Q and 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 ÷ 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.

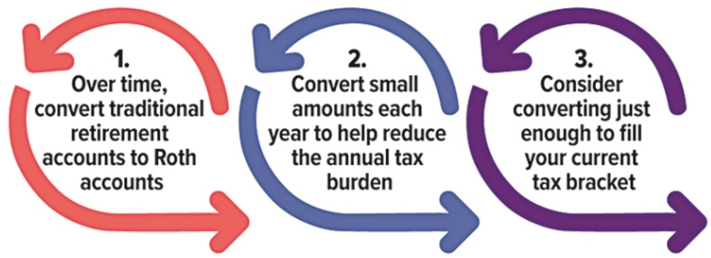
How do RMDs affect my income taxes?

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 sizeable 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.

Another Tax Strategy: Consider Roth Conversions

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



Taxes owed are payable in the year of conversion.

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.

A Pension Freeze Can Reduce Retirement Income

Employer-sponsored pension plans are intended to provide a specific amount of retirement income to employees. But providers are increasingly deciding that funding these plans is no longer economically feasible. For this reason, pension freezes have become a topic of concern among employees who are counting on a pension to help fund their retirement.

How will a pension freeze affect you?

Benefits that have already been accrued will remain available at your retirement. However, if your pension is frozen, you will no longer accrue additional pension benefits going forward. Basically, the estimated pension amount determined at the time the pension is frozen will remain the same no matter how long you continue to work for the employer.

If your pension is frozen, what are your options?

Often, if your pension is frozen, the employer may offer the option to take your pension as a lump sum instead of receiving a monthly payment throughout retirement. If you accept the lump sum, you may roll that amount into a tax-qualified plan, such as an IRA or a new employer's plan (if allowed by the plan). There will be no income taxes or penalties if you do the rollover properly, and your funds will continue to potentially benefit from tax-deferred growth.

However, you would assume responsibility for investment options and performance. Thus, it is important to be aware that you will probably have to rely more on your own savings and investments to fund your retirement. If your pension plan has been frozen, this would be a good time to re-evaluate your retirement objectives.

Distributions from traditional IRAs and most employer-sponsored retirement plans are taxed as ordinary income, except for any after-tax contributions you've made, and the taxable portion may be subject to a 10% federal tax penalty if taken prior to reaching age 59½ (unless an exception applies). If you participate in both a traditional IRA and an employer-sponsored plan, your IRA contributions may or may not be tax deductible, depending on your adjusted gross income. All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

This is a resource that will answer your most important financial question, namely:

- If employed – When can I retire?
- If not employed – Can I stay retired?

Contour Financial will answer this question, suggest alternative scenarios, if needed, and implement investment strategies in order to reach your objectives.

Customized strategies are developed and implemented. Personalized service is provided by Certified Financial Planners (CFP) and/or Certified Public Accountants (CPA) to clients. Investment, retirement, tax planning & preparation, estate, insurance, cash flow and education planning are all integral parts to the process.

Contour Financial is a private wealth management business located in Orland Park, Illinois. We work primarily with middle income and wealthy clients. As a long-term National Association of Personal Financial Advisors (NAPFA) fee-only firm, all compensation is fully disclosed. For clients seeking investment management by our firm, assets are held at Charles Schwab Institutional, an industry leader.