smartlife™

MONTHLY NEWSLETTER

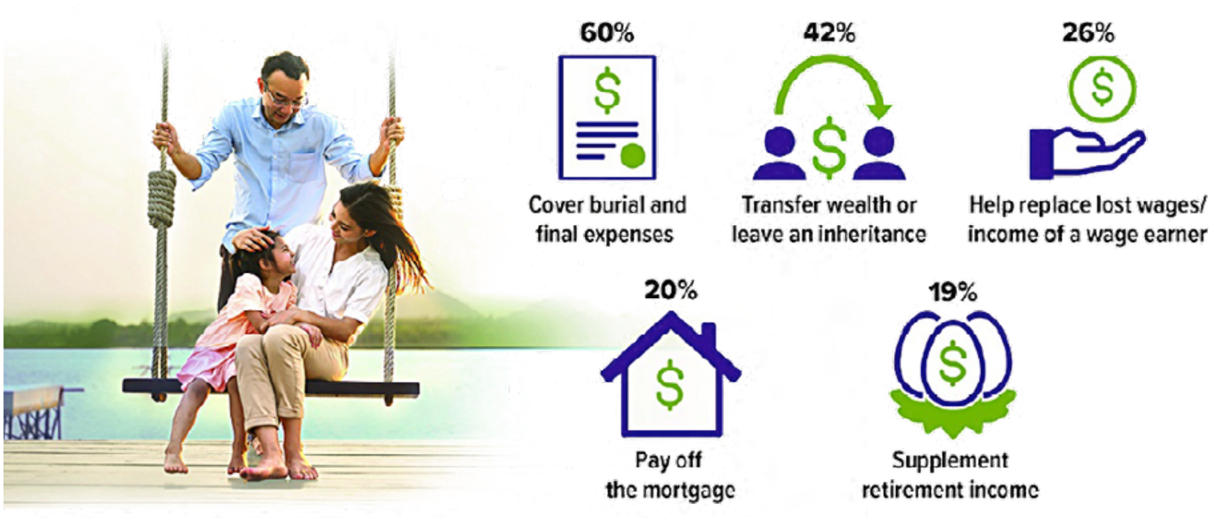
CORBETT ROAD
WEALTH MANAGEMENT

September 2026

# WHAT'S INSIDE

## TOP REASONS TO OWN LIFE INSURANCE

Although life insurance has traditionally been seen as a way to help replace household income after the death of a breadwinner, that's not the only purpose it serves. When a survey asked consumers why they owned life insurance, these were the top five responses they gave. *Projections are based on current conditions, subject to change, and may not come to pass.*




Source: *2025 Insurance Barometer Study, Life Happens and LIMRA. The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased.*

## MAKING IT MAKE SENSE: THE ROTH 5-YEAR RULE

The Roth five-year rule states that a distribution from a Roth IRA or Roth 401(k) is tax and penalty free only if the account has been held for five years and a qualifying event has occurred. Qualifying events include reaching age 59½, becoming disabled, and dying. For Roth IRAs only, a withdrawal of up to $10,000 for a first-time home purchase also qualifies. You can withdraw contributions (but not earnings) from a Roth IRA at any time without tax consequences.

The five-year holding period starts on January 1 of the year of your first contribution. So if you contribute in October 2026, the clock starts January 1, 2026, and ends December 31, 2030. This may seem simple, but there are nuances that can confound even the most seasoned investor.

**1. One five-year clock applies to all your Roth IRAs.** Once your first Roth IRA starts the clock, any future Roth IRAs share the same end date.

**2. A Roth 401(k) clock does not transfer to a Roth IRA.** If you open your first Roth IRA by rolling over a Roth 401(k), a new five-year period begins, no matter how long you held the Roth 401(k). For this reason, it may be wise to open a Roth IRA as soon as possible, even if it's just with the minimum amount.

**3. Each Roth 401(k) has its own five-year clock, unless assets are rolled over directly.** For example, if you make Roth contributions to one employer's plan starting in 2027 and a new employer's plan starting in 2030, each account has its own five-year timeline. But if you directly roll the old Roth assets into the new Roth account, the original clock will generally carry over, allowing all assets to satisfy the rule sooner. (Note: Not all plans accept rollovers.)

**4. Roth conversions have a separate five-year rule.** Converting a traditional IRA to a Roth triggers ordinary income tax on any tax-deferred amounts. No 10% penalty applies at conversion, even if you're under 59½. However, if you withdraw converted assets within five years — and are not yet 59½ or qualified for another exception — the 10% penalty will likely apply.

If you cash out a Roth 401(k) instead of leaving it in a former employer's plan or rolling it into a Roth IRA or new plan, and the distribution is unqualified, it will be subject to ordinary income tax and the 10% early withdrawal penalty.

Although IRAs typically provide more investment choices than employer plans, your plan may offer certain investments that are not available in an IRA. Further, the cost structure for the investments offered in the plan may be more favorable than those offered in an IRA. Generally, plan assets have unlimited protection from creditors under federal law, while IRA assets are protected in bankruptcy proceedings only. State laws vary in the protection of IRA assets in lawsuits. Investors should consult a qualified tax professional regarding their specific situation.

# MOVING TO ANOTHER STATE? CONSIDER THESE TAX MOVES

Relocating to a new state can be exciting. You may have decided that you needed a warmer climate, lower housing costs, closer proximity to family, or better job opportunities. But moving to a new state may have tax consequences that can follow you long after you settle in. Evaluating these issues may help you plan your move and limit filing complications, prevent residency issues, and identify possible tax savings.

## How will your income be taxed?

States vary in how they tax income. Twenty-six states and the District of Columbia implement a progressive income tax (tax increases as income increases), while fifteen apply a single tax rate to taxable income and nine impose no state income tax.[1] For some, the opportunity to pay no state income tax may be the primary driver to move to Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington,* or Wyoming, where there is no income tax; however, states without an income tax may rely more heavily on sales tax, property tax, or other taxes to generate revenue. Understanding how your new state taxes income may help you avert any unexpected tax issues.

## Is your move temporary or permanent?

When moving to another state, the distinction between residency and domicile may determine whether your income is taxed in one or both states. Although you can have more than one residence, you can only have one domicile. Your domicile refers to the state that you consider your permanent home and the place you intend to remain indefinitely. Typically, states determine your domicile by evaluating several factors, including where you own property, the number of days spent in the state, and the location of your financial and family ties. Buying a home in a no-tax or low-tax state may be insufficient to potentially eliminate income tax liability in your former state if you still maintain strong connections to your former state.

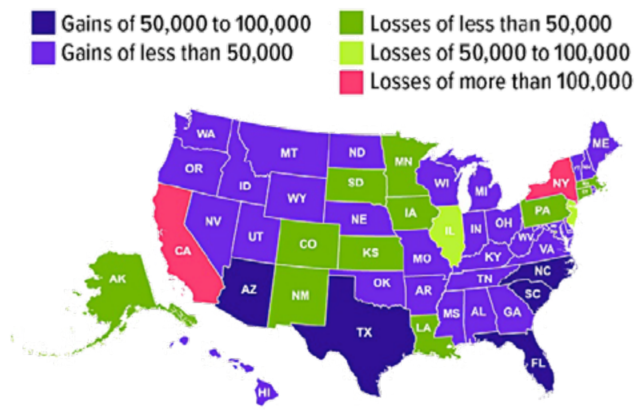
## Are you working remotely?

If you are one of the millions of Americans who work remotely, you may live in one state while your employer is located in another. In this situation, you may be required to file tax returns in both states. You might also be subject to double taxation; some states apply a "convenience of the, employer" rule that may allow the state where your employer is located to tax your income as if you were working in the state. Fortunately, several states provide a credit for taxes paid to another state, which can offer some relief against double taxation.

## How will retirement and investment income be taxed?

States also differ on how they treat retirement income, interest, dividends, and capital gains. Some states impose a tax on retirement income, while others may provide exemptions or even exclude some retirement income from taxation. Strategically timing when you complete a large stock sale, convert an IRA, or take a withdrawal from your retirement account may help reduce your tax liability.

**State-to-state net migration, 2024**




Source: *U.S. Census Bureau, 2024 American Community Survey (Net migration is the number of people moving in from a different state minus the number of people moving out to a different state.)*

## Will you need to file a part-year return?

If you move to another state during the year, you may have to file a part-year resident state tax return in your old state and a part-year resident state tax return in your new state. States will tax you on the income you earn while living in the state, but you may still be subject to tax in your old state. For example, if you lived in California from January to June and moved to Arizona in July, you would have to file a California state income tax return and pay taxes on the income earned while living in California. You would also have to file an Arizona state income tax return and pay taxes on any income earned in Arizona. (You would typically only have to file one federal income tax return to capture income earned in both states.)

Consider consulting with a tax professional on these complex multi-state tax issues before taking any specific action.

*1) 1) Tax Foundation, January 2026*

**Washington state does not have an individual income tax but will impose a 9.9% tax on income of those who earn more than $1 million a year beginning January 1, 2028.*

# INDEX FUNDS: TRADITIONAL AND NOT-SO-TRADITIONAL

Index funds accounted for more than half of long-term fund assets in 2025 (see chart). These funds attempt to track the performance of a market index by holding all or a representative sample of the securities in the index. Many funds follow well-known indexes such as the S&P 500, Russell 2000, or NASDAQ Composite. But there are hundreds of other indexes that track various segments of the stock and bond markets.

This approach is called passive management and typically allows index funds to carry lower fees than comparable funds under active management, where the fund manager picks securities to meet an objective and might buy or sell as conditions change. Lower turnover of securities in index funds also may reduce capital gain distributions, which could help reduce tax liabilities and improve after-tax performance.

## Watch the weight

Traditional index funds provide exposure to the market or selected portions of the market and can be helpful in establishing and maintaining an appropriate asset allocation and diversification strategy. However, most indexes followed by traditional funds are weighted based on market capitalization — the value of a company's underlying shares. So the largest companies tend to dominate the index and the fund.

For example, in the summer of 2026, the top 10 stocks in the S&P 500 Index accounted for more than 35% of its market capitalization. If you own an S&P 500 Index fund, you may be more heavily invested in those 10 companies than you realize. That is not necessarily negative — the largest companies often become large because they are successful — but it is something to be aware of in analyzing your portfolio.

## Alternative approaches

An alternative indexing strategy — called smart beta, strategic beta, or factor-based investing — tracks indexes that are selected and weighted based on factors other than market segment or capitalization. Some factors that might be considered include momentum, risk, volatility, earnings, growth potential, price-to-book value, dividend growth or yield, cash flow, and equal weighting of all securities. Smart-beta funds may focus on a single factor or multiple factors, and a given fund might track an existing index or an index that is newly created for that specific fund.

Another alternative approach — called quantitative investing or quant funds — constructs an index and fund based on sophisticated computer models using quantitative analysis, algorithms, or machine learning.

These alternative approaches are similar to the kind of analysis an active investment manager might use in constructing a fund, but because they use a passive indexing approach, they typically have the lower fees and potential tax efficiency of an index fund.

## Factors are not forever

The goal of most smart-beta and quant funds is to outperform the broader market, either by increasing returns or by managing risk. But if a factor or quantitative analysis does outperform during one market cycle, it may underperform in the next cycle, and even within a given cycle, a successful strategy might become neutralized or unsuccessful.

Therefore, smart-beta and quant funds are typically used with traditional broad-based market funds in a diversified portfolio. Be sure you understand the structure and objectives of any fund before investing.

*Asset allocation and diversification do not guarantee a profit or protect against investment loss. The principal value of funds will fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. 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.*

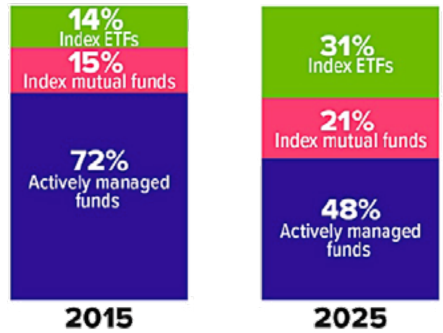
*The S&P 500 is generally considered to be representative of the U.S. stock market. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Actual results will vary.*

*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) S&P Dow Jones Indices, 2026*

### A Decade of Growth

Index funds almost doubled their share of the fund market from 2015 to 2025, with exchange-traded funds (ETFs) becoming the most common type of index fund.




*Source: Investment Company Institute, 2026 (percentage of net assets in long-term funds, year-end; may not total 100% due to rounding)*

## TEACHERS AND COACHES FINALLY GET THE (TAX) BREAK THEY DESERVE

In a 2025 survey of U.S. teachers, 97% of respondents said their allotted budget for supplies (median $200) didn't meet their students' needs. Many teachers must spend their own money on essential learning materials, such as books, art supplies, and technology, often adding up to hundreds of dollars per year.[1]

At a time when many educators must bridge budget gaps with their own wallets, an expanded tax deduction for educators (effective for 2026) may better reflect their financial contributions across schools and communities.

Since 2002, a relatively small tax deduction for eligible educators has helped offset some job-related expenses. This "above-the-line" educator expense deduction allows eligible educators (e.g., K-12 teachers, instructors, counselors, principals, and aides who work at least 900 hours in public or private schools) to deduct certain unreimbursed classroom expenses directly from their income, even if they claim the standard deduction. The limit that educators can deduct for classroom expenses is $350 in 2026, up from $300 in 2025, and will be adjusted for inflation in $50 increments (not annually). Two teachers who are married and file jointly can claim a $700 deduction without itemizing in 2026.

A $350 above-the-line deduction amounts to $77 in tax savings for a teacher in the 22% federal tax bracket. Coaches and other extracurricular staff are still not eligible for this long-standing deduction unless they also meet the definition of a classroom educator (such as a P.E. teacher who is also a coach).

## A bigger and broader deduction

A separate, brand-new deduction recognizes more of the real-world costs of supporting students both inside and outside the classroom. Starting January 1, 2026, educators can deduct unlimited eligible expenses for supplies used for instructional activity as an itemized deduction. Certain interscholastic coaches and athletic department administrators will qualify as educators for the unlimited deduction, and eligible expenses now include athletic supplies.

Unfortunately, the new tax break will only be helpful for educators with itemized deductions that exceed the standard deduction, which isn't very common. It's estimated that just 14% of taxpayers will itemize deductions in 2026.[2] Therefore, many teachers and coaches will have little choice but to continue asking parents to donate some of the supplies they need and/or raising funds through crowdsourcing websites.

If you plan to claim either of these tax deductions, you should keep detailed receipts. You may also want to review IRS guidance, or consider consulting a tax professional, for details on which expenses will qualify.

*1) AdoptAClassroom.org 2025 Teacher Spending Survey*
*2) The Tax Foundation, 2025 (Estimates are based on current conditions, subject to change, and may not come to pass.)*

# AFTER THE STORM: NAVIGATING STORM DAMAGE CLAIMS

When a major storm hits, dealing with the damage can feel overwhelming long before the insurance paperwork begins. A fallen tree, a leaking roof, shattered windows, or water-soaked belongings can leave you scrambling to protect your property and wondering what your insurance will cover (up to your policy limits). Knowing what to do in the first hours and days after a storm can make a big difference in how smoothly a storm damage claim goes and how quickly you recover.

## Safety first

Downed power lines, gas leaks, weakened tree limbs, and structural issues can turn a storm-damaged home into a dangerous one. Before you assess the damage, make sure that it's safe enough for you and your family to remain on the premises.

Insurance policies typically require policyholders to make reasonable efforts to protect their property from additional loss after a storm. Take steps to prevent further damage to your home (e.g., putting a tarp on a damaged roof or boarding up broken windows), because the insurance company may not cover any losses that occur after the storm passes.

## Document everything

After you have safely assessed the damage, you'll want to document it for your insurance company. Take pictures and video of every impacted area, inside and out. Next, make a list of what was damaged, when you discovered it, and whether the item needs to be repaired or replaced. If possible, gather receipts, product manuals, online order histories, or older photos to help support your claim.

## Contact your insurer

Once the storm damage is under control, you should contact your insurance company as soon as possible. Most insurers allow you to file a claim by phone, app, or online portal.

When you file your claim, be sure to ask for the claim number and store it in a safe place, since you will need to refer to it when you contact your insurer going forward. At this point, you can also ask your insurer what documents are needed, whether you can make temporary repairs, and when an adjuster is expected to inspect the damage.

If your home suffers severe storm damage from a natural disaster, you may be eligible for immediate disaster relief funds and special programs through the Federal Emergency Management Agency (FEMA) and various state/local government agencies.

## Understand what your policy covers

Carefully review your policy's declarations page, which summarizes your policy and shows you your coverage limits, deductibles, and policy exclusions. Ideally, your home and its contents should be insured to their full replacement cost, including any new additions, remodels, and furniture.

Keep in mind that certain types of storm damage (e.g., flood and hurricane) are generally not covered by a standard policy or may have a separate deductible. If you have questions about your current coverage or want to explore what additional coverage you might need in the future, contact your insurer.

## Monitor your claim

After you have filed a claim, keep a paper trail of the process by saving all emails, letters, estimates, receipts, and claim forms  in one place. Keep in mind that delays are common during the claims process, especially after a major storm, so don't hesitate to follow up to ensure that your claim is moving along.

### Protecting Your Home from Storm Damage

- Clean gutters/downspouts
- Inspect/repair roof shingles and flashing
- Trim overhanging tree limbs
- Secure loose objects
- Install storm windows, doors, and shutters

If your insurer reviews the claim and approves it, payment will be issued in the form of a check, direct deposit, or sent directly to your contractor. If your claim is denied or you are offered less than expected, you can request a re-inspection of the damage or submit additional evidence to support your claim.

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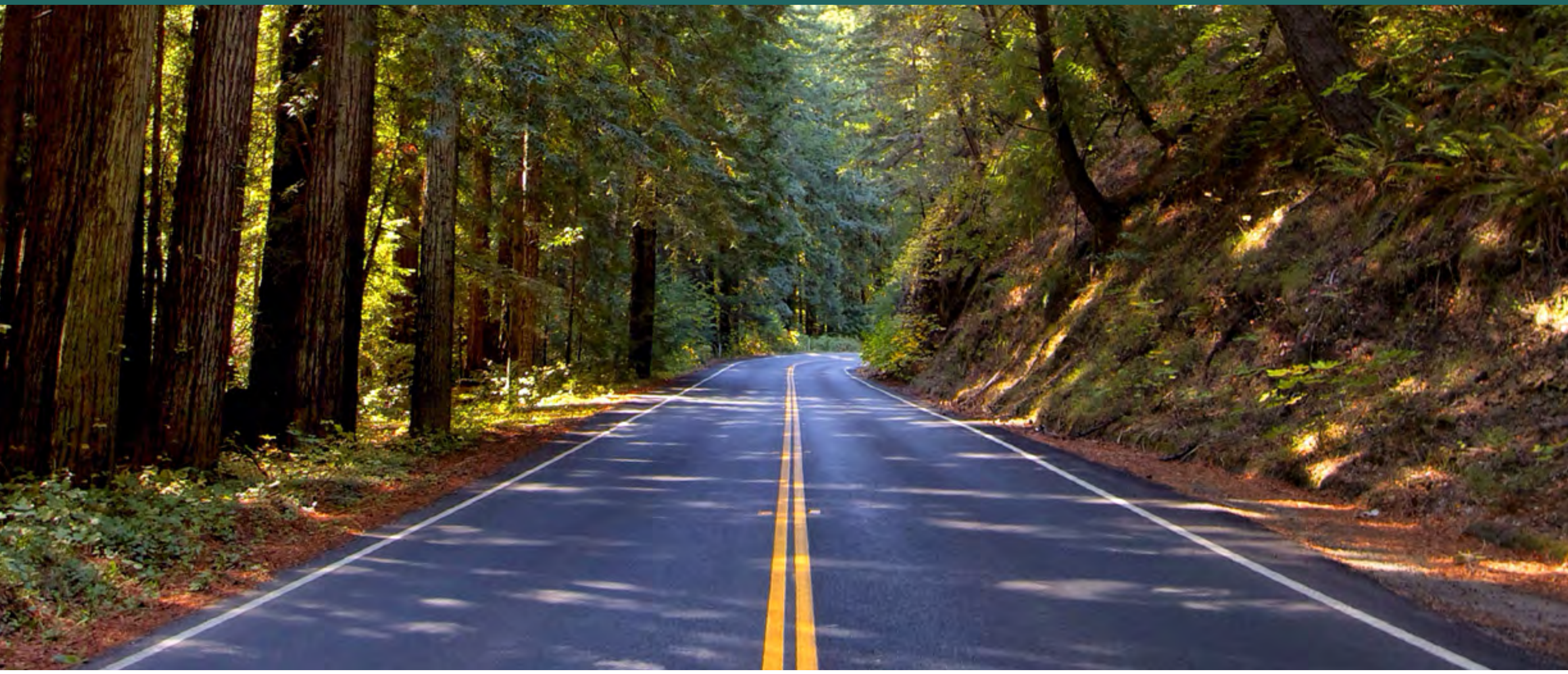

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