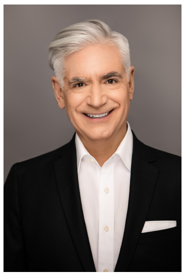
RBC Wealth Management

WealthMonitor



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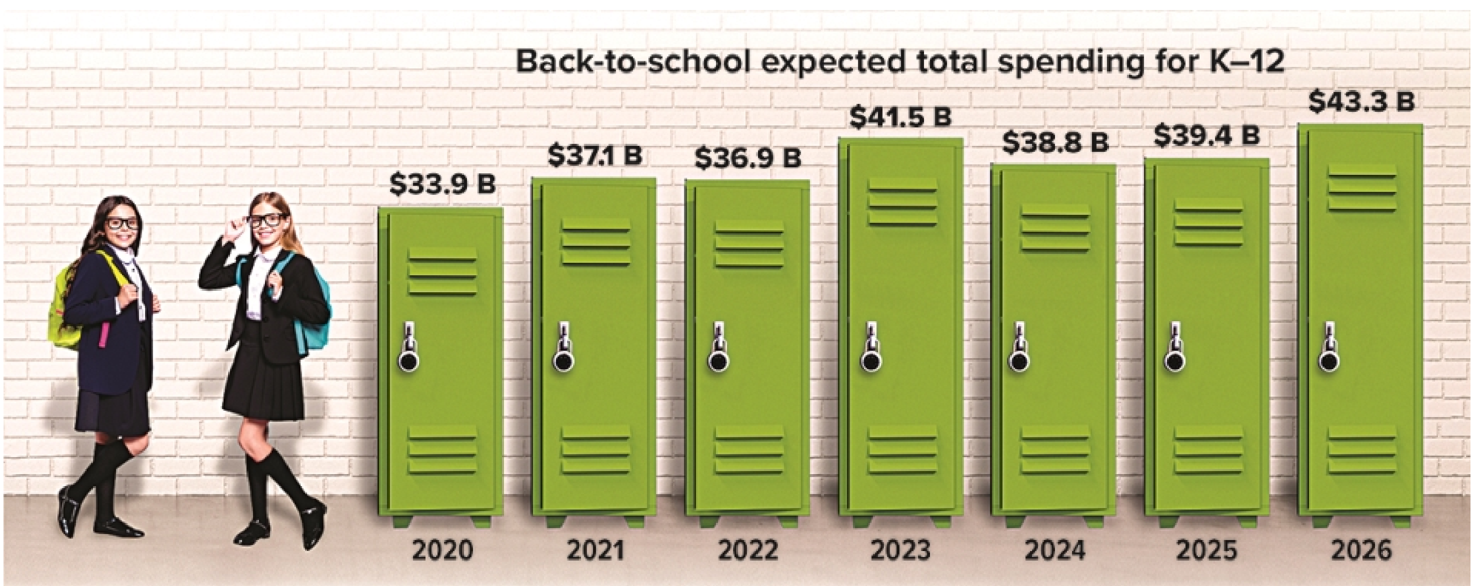
Back-to-School Spending By the Numbers

Back-to-school season has begun, and families everywhere are filling their shopping carts with classroom essentials. In 2026, families with students in elementary through high school expect to spend an average of $863.86 on clothing, shoes, school supplies, and electronics, up slightly from $858.07 in 2025.

Specifically, K-12 shoppers spend about $293 on average for electronics ($14.7 billion total), $250.29 for clothing and accessories ($12.5 billion total), $174.01 for shoes ($8.7 billion total), and $146.45 for school supplies ($7.3 billion total).

As in past years, the most popular destination for back-to-school shopping is online, with 50% of families taking advantage of this convenient option.



Source: National Retail Federation, 2026

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.

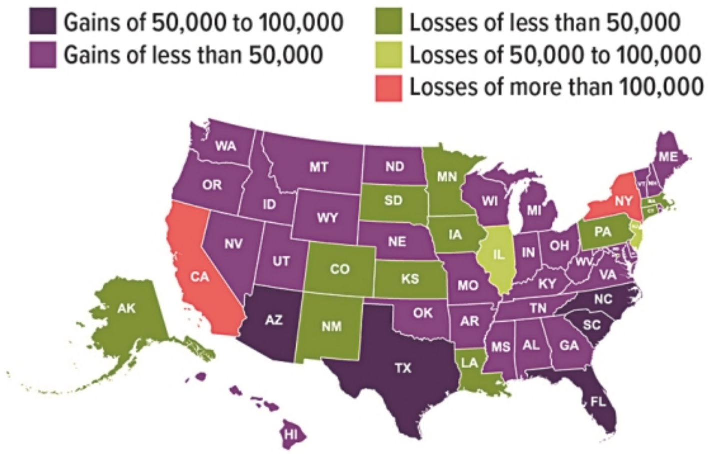
Is your move temporary or permanent?

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.

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.)

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.

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 multistate tax issues before taking any specific action.

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.

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.

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

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.

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.

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.