

# Don't miss out

## Planning strategies to consider before 2026



While many wait for the turn of the calendar and a fresh new year to set goals and reflect on changes, doing so may cost you valuable financial and tax planning opportunities. With the passage of significant tax legislation via the One Big Beautiful Bill Act (OBBBA) in July 2025, it's worth a closer look at planning opportunities that may not be available after 2025 or be more advantageous to act on in 2026.

### Income tax mitigation

While the OBBBA prevented income tax brackets from reverting to less favorable rates in 2026, thereby eliminating the urgency of taking advantage of current rates, you should still look for opportunities to decrease your income tax liability in 2025.

**A deep dive into your taxable investment holdings may reveal hidden opportunities in the form of holdings,** or even tax lots within holdings, with unrealized losses that could be realized and used to offset capital gains and ordinary income of up to \$3,000 in 2025, with any excess capital losses carried forward into future tax years. Don't overlook the wash sale rule, which could prevent the realization of the loss if a substantially identical security is purchased within 30 days before or after the sale that generated the loss. If you have more than one investment manager, ensure that the actions of one do not negate the actions of the other (the wash sale rule applies regardless of whether the sales and purchases within the same or different accounts, or with the same or different investment firm). Be sure to rebalance your portfolio after tax-loss harvesting to stay on track with your investment goals.

**The OBBBA increased the limit on State and Local Tax (SALT) deductions** from \$10,000 to \$40,000 beginning in 2025. If you live in a high-tax state, consider whether itemizing deductions (whether state and local income taxes or sales tax) will reduce your taxes versus the standard deduction. You may be able to prepay certain expenses in 2025, such as your fourth quarter estimated state income tax or your property tax, to make itemizing more beneficial this year (but

weigh against the decreased available deductions in 2026). Review income sources and determine whether any income could be delayed until 2026 to benefit from itemized deductions in 2025 and avoid the phase-out of the maximum SALT deduction, which begins at modified adjusted gross income of \$500,000. If you find your SALT deductions still limited, talk with your advisor about whether your state has a pass-through entity tax workaround or whether non-grantor trusts may increase the overall SALT deductions available to you.

**If you are age 65 or older, you may be eligible for an additional "bonus" deduction** of \$6,000 above the standard deduction (and above the additional extra standard deduction for taxpayers 65 and older of \$2,000 or \$1,600 for each qualifying spouse if married filing jointly). The OBBBA enacted this bonus deduction for years 2025-2028 as a substitute for eliminating taxes on social security but begins to phase out at Modified Adjusted Gross Income (MAGI) of \$75,000 (\$150,000 if married filing jointly) and is fully cashed out at MAGI of \$175,000 (\$250,000 if married filing jointly). It may be worth evaluating how to optimize income sources across tax years to qualify for the bonus deduction in as many years as possible (and consider how other planning techniques, such as Roth conversions, may increase income and eliminate the opportunity for the bonus deduction).

**Finally, consider completing energy efficient home improvements** in 2025. The Energy Efficient Home Improvement Credit and the Residential Clean Energy Credit now both expire at the end of 2025.

## Retirement planning and accounts

**Retirement accounts offer tax-deferred growth.** Are you maximizing your pre-tax and post-tax contributions to these accounts? In 2025, employees may contribute up to \$23,500 into 401(k)s, 403(b)s, and most 457 plans. Additionally, those age 50 or over may make an additional catch-up contribution of \$7,500 (total of \$31,000), with a “super catch-up” contribution of \$11,250 (total of \$34,750). Contributions to traditional plans in 2025 reduce this year’s tax burden. If you expect your income tax rate to be higher in the years you withdraw from your retirement account than they are this year, consider making contributions to a Roth account, which won’t result in an income tax deduction in 2025 but will not be taxable when withdrawn in future years. Note that starting in 2026, catch-up contributions by an employee earning more than \$145,000 must be made to a Roth account, if made available by the employer.

**Contributions to traditional IRA and Roth IRA accounts also provide opportunity for tax-deferred growth,** but with much lower limits. In 2025, you may contribute up to \$7,000 (\$8,000 for those age 50 and over) to an IRA. Your ability to deduct contributions to a traditional IRA or to contribute to a Roth IRA may be limited if you are covered by a retirement plan at work or earn too much income. If income limits prevent you from contributing to a Roth IRA, talk with your tax advisor to determine if a “back-door Roth” strategy may be right for you. If you are in a lower tax bracket in 2025, consider taking the opportunity to convert part or all of your traditional IRA to a Roth IRA.

**If you were born before 1953, you are required to take Required Minimum Distributions (RMDs)** from certain retirement accounts. For those born in 1952 and must take an RMD for 2025, you may take the 2025 RMD any time before April 1, 2026. If you choose to delay into 2026, you will still be required to take your 2026 RMD during the 2026 calendar year so consider the income tax impact of taking two RMDs—taxed as ordinary income on your 2026 tax picture.

If you have reached age 70½ and make charitable contributions, consider using your retirement account as a source for those gifts, as discussed below in the section on Philanthropic Goals and Contributions. Don’t forget to review inherited IRAs to determine whether distributions are required for 2025.

## Employee benefits

**Employers often offer benefits with income tax advantages.**

Health Savings Accounts (HSAs) and Flexible Spending Accounts (FSAs) for healthcare or dependent care allow you to set aside and access funds for medical and dependent care purposes. HSAs offer multiple tax benefits, including tax deductible contributions (while avoiding any related FICA taxes when made via payroll deductions), tax deferred growth, and tax-free withdrawals if used for qualified medical expenses. For 2025, individuals may contribute up to \$4,300 and families may contribute up to \$8,550. Individuals aged 55 and older may contribute an additional \$1,000. Employer contributions count toward the total contribution limits.

**For those without access to an HSA, healthcare FSAs provide similar tax benefits.** Healthcare FSA contributions are capped at \$3,300 for 2025. Unlike HSAs, healthcare FSA funds must be used in the year of contribution (or in some cases within a short time into the next calendar year, as set forth in the FSA plan document), so make sure that you have utilized funds in your FSA before time runs out. Additionally, if you depart from your employer through whom you have an FSA, carefully review the timeline you have to utilize those benefits and don’t miss out on spending these funds.

**Participants in a dependent care assistance program should similarly confirm that they have maximized their contributions** and used their contributions by year end. Contributions for 2025 are generally limited to \$5,000 per household (\$2,500 if married filing separately), but the terms of the plan may have different rules, particularly for the highly compensated employees.



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## Philanthropic goals and contributions

The OBBBA changed the philanthropy landscape, with changes effective starting in 2026 that should factor into your 2025 giving.

**If you do not itemize deductions on your income tax return,** you do not have an opportunity to deduct charitable gifts in 2025. Beginning January 1, 2026, non-itemizers will be able to deduct charitable contributions up to \$1,000 (\$2,000 if married filing jointly).

**If you do itemize deductions,** the OBBBA made two changes that become effective January 1, 2026. First, you may only deduct charitable contributions in excess of 0.5% of your adjusted gross income (AGI). For example, a single person with an AGI of \$200,000 can only deduct gifts in excess of \$1,000. Second, high income earners may be impacted on a new 35% limitation on deduction value, even when in a higher marginal tax bracket. These limitations may encourage those impacted—particularly high earners and those considering large charitable gifts—to maximize their philanthropy in 2025, before the limits apply. If you know you want to make charitable gifts in the future but have not decided on the amounts or recipients, consider making a gift to a donor advised fund (DAF). This allows you to capture the current tax benefits of large gifts, while permitting you more time to develop your giving plan before advising the DAF on the amounts to distribute and the charities to receive funds. If you do not currently have a DAF and would like to donate to one in 2025, be sure to talk to your wealth advisor far enough in advance of year-end to set up and fund the account.

**If you are at least 70½,** consider fulfilling your philanthropic goals via a Qualified Charitable Distribution (QCD) from your IRA. In 2025, you may donate up to \$108,000 directly from your IRA to one or more qualified charities (but not a DAF or many private foundations). The amount gifted by QCD applies against any Required Minimum Distribution but avoids inclusion of the amount of the QCD on your income tax return. Since the QCD is not reported as topline taxable income, this method is more tax efficient than itemizing the same contribution amount as a charitable deduction for many taxpayers.

**Carefully consider the type of assets you use to achieve your philanthropic goals** when contributed to public charities. Donating appreciated assets held for more than one year allows you to avoid the capital gain tax that would be incurred if you sold the property while receiving a deduction of the fair market value of the property, limited to 30% of your AGI. Gifting cash results in a deduction of the amount gifted (and may cause you to pay tax if appreciated assets were sold to raise cash) but are limited at a 60% of your AGI for contributions to a qualified charity or DAF, potentially offering a better tax result. If you plan to gift assets rather than cash, work with the charitable recipient well in advance of year-end to ensure the transfer may be completed within the desired timeframe.

## Gifting and estate planning

Until the OBBBA, many struggled with the drastic changes to estate and gift tax that were scheduled to occur after 2025. The OBBBA made many of the current laws “permanent,” eliminating some of the urgency around estate planning. Don’t overlook the importance, however, of reviewing your current wills, trusts, powers of attorney, and other planning documents—including beneficiary designations on life insurance, retirement accounts, and annuities—to ensure that they still reflect your wishes.

**For those looking to gift**—whether to decrease the size of their estate or provide help to their intended beneficiaries—annual gifting remains a valuable opportunity. In 2025, each taxpayer may gift \$19,000 to an unlimited number of recipients without incurring tax and without needing to file a gift tax return. A married couple with two children and six grandchildren, for example, could gift a total of \$304,000 in 2025 to these eight family

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members tax-free (\$19,000 x 2 x 8). If the couple were to later be subject to the 40% federal estate tax at their deaths, that gift could yield \$121,600 in estate tax savings, even before taking into consideration the future growth of the gifted assets. You may also pay certain medical bills and tuition for someone by directly payment to certain medical or educational facilities without having those payments count as a gift to the person who incurred the bill or against the \$19,000 annual gift tax exclusion.

### **Gifting to young children and grandchildren presents unique gifting opportunities:**

- **529 accounts** provide tax-free growth for education purposes. Gifts to 529 accounts may be front-loaded with up to five years of \$19,000 tax-free gifts; be sure to file a gift tax return and check the appropriate box. Check first to see if your contributions may be eligible for state income tax deductions that would be better achieved through annual gifting rather than by front-loading contributions. The OBBBA expanded accessibility of 529 account funds and the types of education expenses that constitute qualified expenses. Remember that the beneficiary of a 529 plan can be changed within the family without tax consequences, and up to \$35,000 of funds not needed for education may be rolled into a Roth IRA for the beneficiary (if certain requirements are met).
- If you want to gift to a child without restricting the use of funds to education, consider gifting to a **Uniform Transfers to Minors account (UTMA)**. These accounts become accessible to the child as soon as they reach the age of majority as defined by the state law governing the UTMA account, so consider how that sudden access to funds at a youthful age may impact the child-turned-adult (at least in the eyes of the law).
- If a child has earned income from a job, consider gifting to them to facilitate **Roth IRA** contributions. This jumpstarts their retirement savings, provides them with tax-free growth over the years and tax-free withdrawals in retirement. It also opens the door to financial education and the power of investing.

- The OBBBA introduced a **new individual retirement account for children**. These tax-deferred “Trump accounts” permit parents and employers to contribute up to a combined \$5,000, and the U.S. government will contribute \$1,000 for certain children born in 2025 through 2028.

Remember that each taxpayer must aggregate all gifts to one person for purposes of the \$19,000 annual gift tax exclusion.

**Beyond annual gifting**, the OBBBA prevented the sunset of the current \$13.99 million (per person) federal estate and gift tax exemption, previously scheduled to occur after 2025. Now, instead of facing a decrease in the amount that may be gifted during life or given at death, the OBBBA increased the estate and gift tax exemption at \$15 million per person in 2026, adjusted for inflation in later years. If you are still projected to face estate tax, talk to your advisor about estate tax mitigation strategies. If not, talk to your advisor about non-tax benefits of estate planning strategies, including asset protection for the next generation.

## **Prepare to look ahead by looking around**

**Planning doesn't just entail looking forward.** Instead, you need to consider your current circumstances and evaluate whether and when significant life changes may occur. The end of the year provides the perfect platform to review your investments and asset allocations, consider what life events over the past year (and those on the horizon) might impact your financial, tax, and estate planning, and get familiar with changes in income tax laws to determine which moves to make in 2025, or which should (or could) wait for 2026.

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