



(UBS)

# Give to others, not the IRS

20 October 2025, 17:14 UTC, written by Justin Waring, Ainsley Carbone, Daniel Scansaroli, UBS GWM CIO Global Investment Management

**The season of giving is an important time for reflection, gratitude, and revisiting priorities—especially after a period of significant change. For many families, year-end planning may involve thoughtful consideration of how much to allocate to loved ones, charitable causes, and taxes.**

## Key points

- The end of the year offers an opportunity for families to review their financial priorities and consider strategies that may help enhance the impact of their charitable giving, education funding, and wealth transfer strategies, especially in light of changing tax laws.
- Thoughtful planning may help families manage tax liabilities, take advantage of current gift and estate tax provisions where appropriate, and align their giving strategy with their long-term goals.
- This report reviews considerations that may help families navigate the giving season, manage tax liabilities, and make a meaningful impact for the people and organizations that matter most. Consulting a financial advisor and a tax advisor may help families identify effective strategies that are suitable for their individual circumstances.

For other year-end planning items, please see the recent CIO global investment management report, [Year-end priorities and a preview of 2026](#), published 25 September 2025.

**This report has been prepared by UBS Financial Services, Inc. Please see important information and disclosures at the end of the document.**

**The authors of this marketing document transitioned from CIO Research to CIO Global Investment Management on 1 July 2025. This document constitutes sales and education content, not a research report, and it is not developed or held to the standards applicable to independent research.**

## 1. Prioritize personal financial security

Before making gifts to others, families may wish to confirm that their own savings and financial goals are on track. Reviewing contribution options—including employer matching programs—may help to improve the after-tax growth potential of the family's hard-earned savings. The CIO research report, [2025 Savings Waterfall Worksheet](#) (published 7 November 2024), may assist in evaluating these opportunities.

## 2. Put stocks in stockings

Gifting investments to family members may help introduce younger generations to investing. When children experience the power of compounding growth first-hand, it can help them understand opportunity cost and the value of a long-term investment mindset. Gifting appreciated securities may have some other advantages for the family:

- When a family member gifts appreciated stocks to a younger generation, it may allow them to transfer more value than if they first realized capital gains.
- Families may utilize the annual exclusion (up to **\$19,000 per spouse, per recipient**, in the 2025 tax year) for gifts that don't use up their lifetime gift and estate tax exemption.
- Gifting appreciated investments may help the grantor (the one giving the securities) to reduce concentrated positions and unrealized capital gains tax exposure.
- In many cases, children may be able to realize some capital gains at a lower tax rate than the grantor—possibly at a 0% tax rate, if their taxable income falls below certain thresholds (see [IRS Topic no. 553](#) for information on the "Kiddie Tax" rules).
- If families wish to gift appreciated securities *without* transferring the associated tax obligation, a grantor trust may be considered; in such cases, the grantor remains responsible for the trust's income taxes, including realized capital gains.

## 3. The gift of education

529 college savings plans may offer an accelerated gifting feature ("front-loading"), allowing families to contribute more than the annual exclusion by filing a gift tax return and electing to treat the contribution as made over five years.<sup>1</sup> Therefore, in the 2025 tax year, a married couple may be able to contribute up to **\$190,000** (five years of annual **\$19,000** exclusions per spouse) to each beneficiary's 529 account without incurring federal gift tax.

Giving to a 529 plan may offer other benefits to the family. For example:

- Lifetime giving may help move assets—and their future growth—out of the contributor's taxable estate.<sup>1</sup>
- Inside the 529 account, the assets may grow on a tax-deferred basis, without incurring income taxes in dividends and realized capital gains. If used for qualified education expenses, 529 plan distributions may also be federally income tax-free (and state income tax-free, depending on the state rules). For more information on what expenses are considered qualified at the federal level—including the expanded definitions and increased thresholds—please see the CIO global investment management report, [Five key tax changes in the One Big Beautiful Bill Act](#) (published 15 July 2025). Please note that some states have not adopted the federal definition of qualified K-12 expenses, which may lead to some distributions being considered "nonqualified" at the state level and thus triggering state-level income taxes or penalties. Check with individual plans and consult a tax professional for additional details.<sup>2</sup>
- Up to **\$35,000** of unused 529 plan funds may be converted to a Roth IRA, though these conversions are subject to significant restrictions and conditions. See the CIO research report, [529 College Savings FAQ](#) (published 27 May 2025) for more details.

## 4. "Brady Bunching" charitable donations

A "bunching" strategy for charitable giving—combining several years of charitable gifts into a single year of giving—is one strategy to increase the benefit of itemizing taxes in a given tax year, as compared to claiming the standard deduction.

Through this strategy, a family may capture the tax benefits of charitable donations and other itemized deductions during "bunching years," while claiming the standard deduction in other years.

There are a few reasons to consider "bunching" charitable gifts into the 2025 tax year:

- The One Big Beautiful Bill Act increased the limit for State and Local Tax deductions from **\$10,000 to \$40,000**, effective for tax years 2025 to 2029. This may make itemizing taxes more attractive than claiming the standard deduction (**\$15,750 for single filers** and **\$31,500 for married couples filing jointly** for tax year 2025), especially for families in high-tax states.
- Starting in 2026, the new tax law introduces new limits on itemized charitable deductions. For example, starting in tax year 2026, only charitable contributions that exceed **0.5% of adjusted gross income (AGI)** will be deductible. Cash gifts to qualified charities will also remain subject to a limit of **60% of AGI**. Last, the maximum tax benefit from itemized deductions will be **capped at 35%**, reduced from the previous 37% (in line with the highest marginal federal income tax bracket).
- Starting in 2026, taxpayers claiming the standard deduction will be allowed to deduct up to **\$1,000 (single filers)/\$2,000 (married couples filing jointly)** in charitable donations. This new allowance may incrementally reduce the benefit of itemizing deductions in "non-bunching" years.

For those planning charitable gifts for the 2025 tax year, it is important to complete donations by the year-end deadline. Families seeking a large charitable deduction now—but would like flexibility to distribute grants over time—may consider contributing to a Donor Advised Fund (DAF) or private foundation. The accounts may allow these gifted funds to grow tax-free until they are ultimately granted, potentially increasing the overall charitable impact.

## 5. Use QCDs to donate efficiently

Qualified Charitable Distributions (QCDs) may allow individuals age 70½ or older to donate up to **\$108,000 per person in 2025** from IRAs directly to eligible charities (**\$216,000 per married couple** if each owns an IRA). QCDs may count toward required minimum distributions (RMDs) and may be excluded from federal taxable income, making them a tax-efficient strategy for making charitable gifts (see [IRS Publication 590-B](#)).

QCDs must be made directly from an IRA to the charitable organization and completed by year-end. QCDs are not permitted to donor advised funds or private foundations. For more information on QCDs, please see the CIO research report, [Beyond RMDs: Strategies for IRA owners and beneficiaries](#), published 25 February 2025.

## 6. Giving while living

In 2025, the lifetime exemption for gift and estate tax is **\$13.99 million per individual** (or **\$27.98 million per married couple**). As a result of the One Big Beautiful Bill Act, this lifetime exemption will increase to **\$15 million per individual (\$30 million per married couple)** starting in 2026, and will be subject to inflation adjustment thereafter.

While there is no longer an urgent "sunset" to spur immediate action, families whose estates may be subject to the estate tax—either today or in the future—may wish to consider lifetime gifting for several reasons:

1. The higher lifetime exemption is technically "permanent" (it is not set to "sunset" at a future date), but a future Congress could always reduce or repeal it. Using the exemption to make lifetime gifts now—while it's available—may help to lock in an estate tax-free intergenerational wealth transfer opportunity that might disappear in the future. If the lifetime exemption continues to rise with inflation, families may be able to use the increased exemption (and future annual gift tax exclusions) for future tax-free gifts.
2. Gifting may allow investment gains to accrue outside the grantor's taxable estate, and in the accounts of beneficiaries who may be subject to lower income tax rates.
3. Well-timed gifts may have greater impact than larger, delayed gifts. For example, helping a 30-year-old couple with a \$50,000 home down payment may relieve more financial stress than leaving a 60-year-old couple a \$400,000 bequest.
4. Lifetime gifts may also give more benefit to those making the gift. After all, families may derive more satisfaction from seeing the impact of their gifts than from the thought of leaving a posthumous bequest.

## Conclusion

As families prepare for the end of the year, taking time to review financial goals and giving strategies may help enhance the impact of their generosity. Consulting with financial and tax advisors may ensure that gifts are both meaningful and tax-efficient, allowing families to support the people and organizations that matter most while making the most of available opportunities. Regularly revisiting these plans may help families adapt to changing laws and personal circumstances, ensuring their giving remains aligned with long-term objectives.

## End notes

<sup>1</sup> IRC § 529(c)(2)(B). It is necessary to file a gift tax return to claim the "accelerated gifting" treatment. This election must be made on IRS Form 709, and filed with your federal tax return, in the first year the accelerated gift is given. You cannot use the annual exclusion for gifts to this individual before the end of five calendar years, but subsequent rounds (i.e., every five years) of accelerated gifting are permitted. If a donor elects to have a 529 contribution treated as made over a five-year period, and then dies during that five-year period, a portion of the gift will be subject to the estate tax. IRC § 529(c)(4)(C).

<sup>2</sup> K-12 tuition payments are generally considered to be qualified distributions at the federal level, but rules vary by state. At the time of writing, **California, Colorado, Illinois, Michigan, Minnesota, Nebraska, New York, and Oregon** consider K-12 tuition payments to be non-qualified 529 distributions. As with other nonqualified distributions, these states may impose state income taxes and penalties on 529 account earnings, and may require you to repay a share of the income deduction that you took on certain state and local taxes when you made the original 529 contribution. Check with individual plans and consult a tax professional for additional details.

## Important Information and Disclosures

**Purpose of this document:** This report is provided for informational and educational purposes only. It should be used solely for the purposes of discussion with your UBS Financial Advisor and your independent consideration. UBS does not intend this to be fiduciary or best interest investment advice or a recommendation that you take a particular course of action.

**Personalized recommendations or advice:** If you would like more details about any of the information provided, or personalized recommendations or advice, please contact your UBS Financial Advisor.

**Conflicts of interest:** UBS Financial Services Inc. is in the business of establishing and maintaining investment accounts (including retirement accounts) and we will receive compensation from you in connection with investments that you make, as well as additional compensation from third parties whose investments we distribute. This presents a conflict of interest when we recommend that you move your assets to UBS from another financial institution or employer retirement plan, and also when we make investment recommendations for assets you hold at, or purchase through, UBS. For more information on how we are compensated by clients and third parties, conflicts of interest and investments available at UBS please refer to the 'Your relationship with UBS' booklet provided at [ubs.com/relationshipwithubs](https://ubs.com/relationshipwithubs), or ask your UBS Financial Advisor for a copy.

**Important information about brokerage and advisory services:** As a firm providing wealth management services to clients, UBS Financial Services Inc. offers investment advisory services in its capacity as an SEC-registered investment adviser and brokerage services in its capacity as an SEC-registered broker-dealer. Investment advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate arrangements. It is important that you understand the ways in which we conduct business and that you carefully read the agreements and disclosures that we provide about the products or services we offer. For more information, please review client relationship summary provided at [ubs.com/relationshipsummary](https://ubs.com/relationshipsummary).

**Important additional information applicable to retirement plan assets (including assets eligible for potential rollover, distribution or conversion):** This information is provided for educational and discussion purposes and are not intended to be fiduciary or best interest investment advice or a recommendation that you take a particular course of action (including to roll out, distribute or transfer retirement plan assets to UBS). UBS does not intend (or agree) to act in a fiduciary capacity under ERISA or the Code when providing this educational information. Moreover, a UBS recommendation as to the advisability of rolling assets out of a retirement plan is only valid when made in a written UBS Rollover Recommendation Letter to you provided by your UBS Financial Advisor after a review of detailed information that you provide about your plan and that includes the reasons the rollover is in your best interest. UBS and your UBS Financial Advisor do not provide rollover recommendations verbally.

With respect to plan assets eligible to be rolled over or distributed, you should review the IRA Rollover Guide UBS provides at [ubs.com/irainformation](https://ubs.com/irainformation) which outlines the many factors you should consider (including the management of fees and costs of your retirement plan investments) before making a decision to roll out of a retirement plan. Your UBS Financial Advisor will provide a copy upon request.

**No tax or legal advice:** UBS Financial Services Inc., its affiliates, and its employees do not provide tax or legal advice. You should consult with your personal tax and/or legal advisors regarding your particular situation.

**Financial planning services:** In providing financial planning services, we may act as a broker-dealer or investment adviser. When we act as investment adviser we charge a separate fee for the service and enter into a written agreement with you. The nature and scope of the services are detailed in the documents and reports provided to you as part of the service.

© UBS 2025. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved. UBS Financial Services Inc. is a subsidiary of UBS AG. Member FINRA. Member SIPC.