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2025 Year-end priorities and a preview of 2026

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Introduction

- Year-end can be an ideal time to review retirement plans for risks and opportunities.
- In this presentation, we will provide updates on the One Big Beautiful Bill Act, the SECURE 2.0 Act, and other key tax and planning developments.
- We will also highlight key retirement and tax planning strategies for year-end 2025.

Year-end planning priorities

1. Manage income taxes
 - Savings waterfall (working years)
 - Spending waterfall (retirement years)
 - Partial Roth conversions
2. Accelerate lifetime gifts to family members
3. Consider making charitable gifts
 - Bunching charitable donations
 - Qualified Charitable Distributions (Age 70 1/2 or older)
4. Harvest capital losses
5. Review and update beneficiary designations

Section I

Upcoming tax changes

Key tax changes in the One Big Beautiful Bill Act

1. **Standard deduction:** Permanent increase to **\$15,750** (single filer)/**\$31,500** (married filing jointly [MFJ]) starting in tax year 2025.
2. **65-plus-year-old "bonus" deduction:** For tax years 2025 through 2028, seniors are entitled to a "bonus" deduction—**\$6,000 per taxpayer** over the age of 65—available for taxpayers who itemize their deductions and for those claiming the standard deduction.
3. **State and local tax deduction cap ("SALT cap"):** For tax years 2025 through 2029, taxpayers can deduct up to **\$40,000** (single or MFJ) of state and local income and property taxes for federal income tax purposes.
4. **Deductions for tips and overtime:** For tax years 2025 through 2028, qualified tip income is eligible for a **\$25,000** deduction (regardless of filing status), and taxpayers may deduct up to **\$12,500** (single)/\$25,000 (MFJ) of qualified overtime compensation.
5. **Car loan interest deduction:** For loans taken out from 2025 to 2028 (on new cars assembled in the United States), the OBBBA allows taxpayers to deduct up to **\$10,000** of qualified passenger vehicle loan interest.

In 2025, a 65-year-old married couple may claim a total standard deduction of **\$46,700**:

\$31,500 standard deduction

+ **\$3,200** age-based deduction
(\$1,600 per spouse)

+ **\$12,000** "bonus" deduction
(\$6,000 per spouse)

= \$46,700 total



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Internal Revenue Service. (18 June 2024). One Big Beautiful Bill Act: Tax deductions for working Americans and seniors. <https://www.irs.gov/newsroom/one-big-beautiful-bill-act-tax-deductions-for-working-americans-and-seniors>.
Thomson Reuters. (n.d.). SALT deduction. <https://tax.thomsonreuters.com/en/glossary/salt-deduction>.

Key **SECURE 2.0 Act** provisions to watch in 2026

1. Mandatory Roth catch-up contributions for high earners (>\$150,000 of prior-year FICA wages)
2. Penalty-free 401(k) withdrawals for long-term care insurance premiums (\$2,500 per year, or 10% of vested balance)
3. Student loan matching contributions (employer must opt in)
4. Expanded Roth matching in employer plans (employer must opt in)
5. Pension-Linked Emergency Savings Accounts (PLESA)—up to \$2,500/year of Roth contributions, kept separate from investment funds for potential emergency expenses

In 2026, employees will be able to make pre-tax or Roth contributions of up to **\$36,500**, depending on their age:

\$24,500 employee contribution limit

+ **\$8,000** catch-up contribution (if age 50+)

+ **\$4,000** “super catch-up” contribution (if age 60-63 and in a participating plan)

= \$36,500 total

Employees may also be able to make after-tax contributions to their 401(k), up to the plan limit. In some plans, after-tax contributions may be immediately converted to Roth (this is sometimes referred to as a “Mega Backdoor Roth Conversion”)



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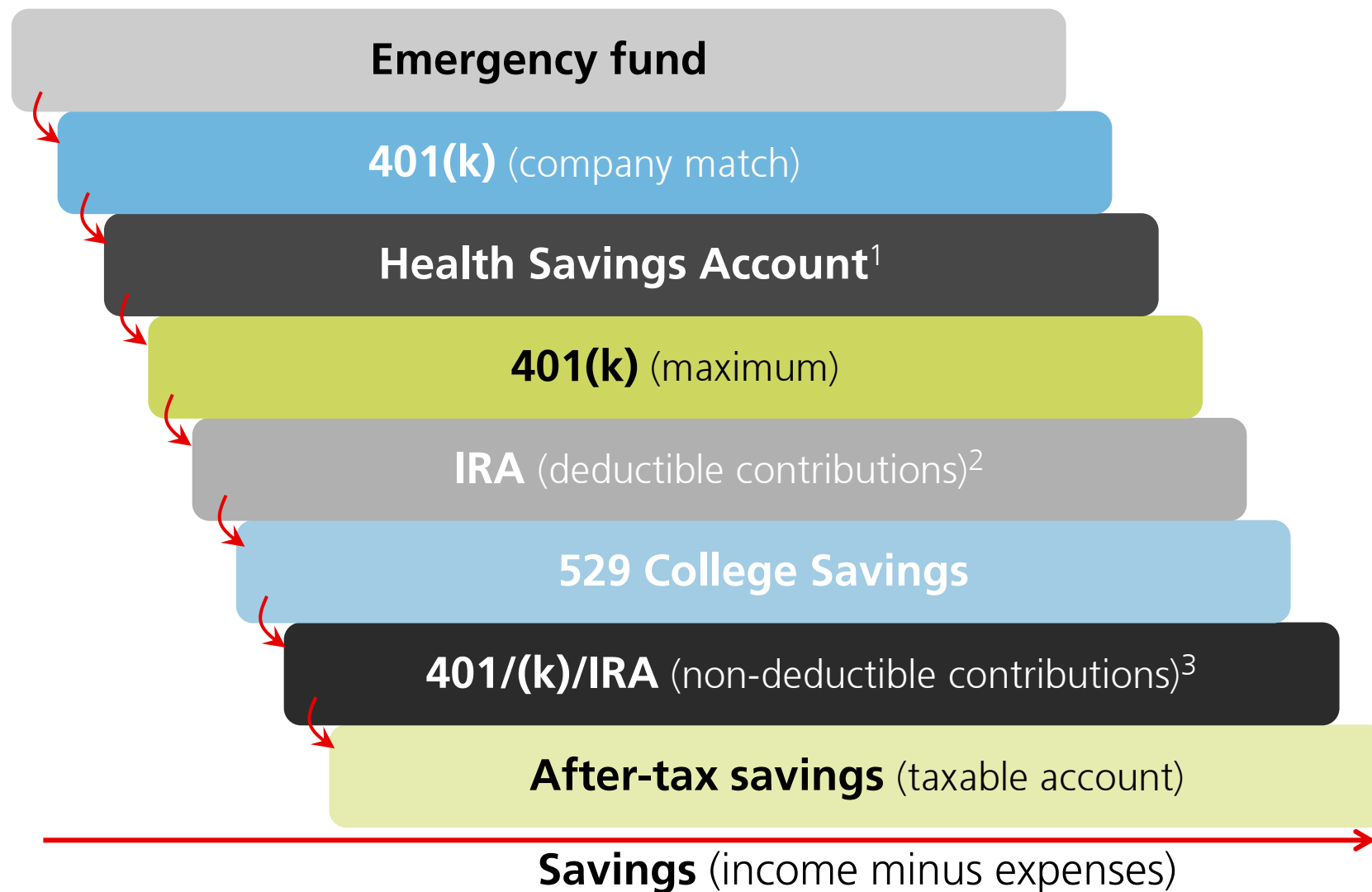
Brian Anderson. (31 October 2025). 2026 IRS Retirement Plan Contribution Limits All But Official. <https://401kspecialistmag.com/2026-irs-retirement-plan-contribution-limits-all-but-official/#:~:text=The%20IRS%20typically%20releases%20the,%2C%E2%80%9D%20the%20Mercer%20update%20states.>

Section II

Year-end planning priorities

Working years: A “Savings waterfall” to prioritize contributions by account

The savings waterfall can help you prioritize your contributions based on each account type’s after-tax growth potential

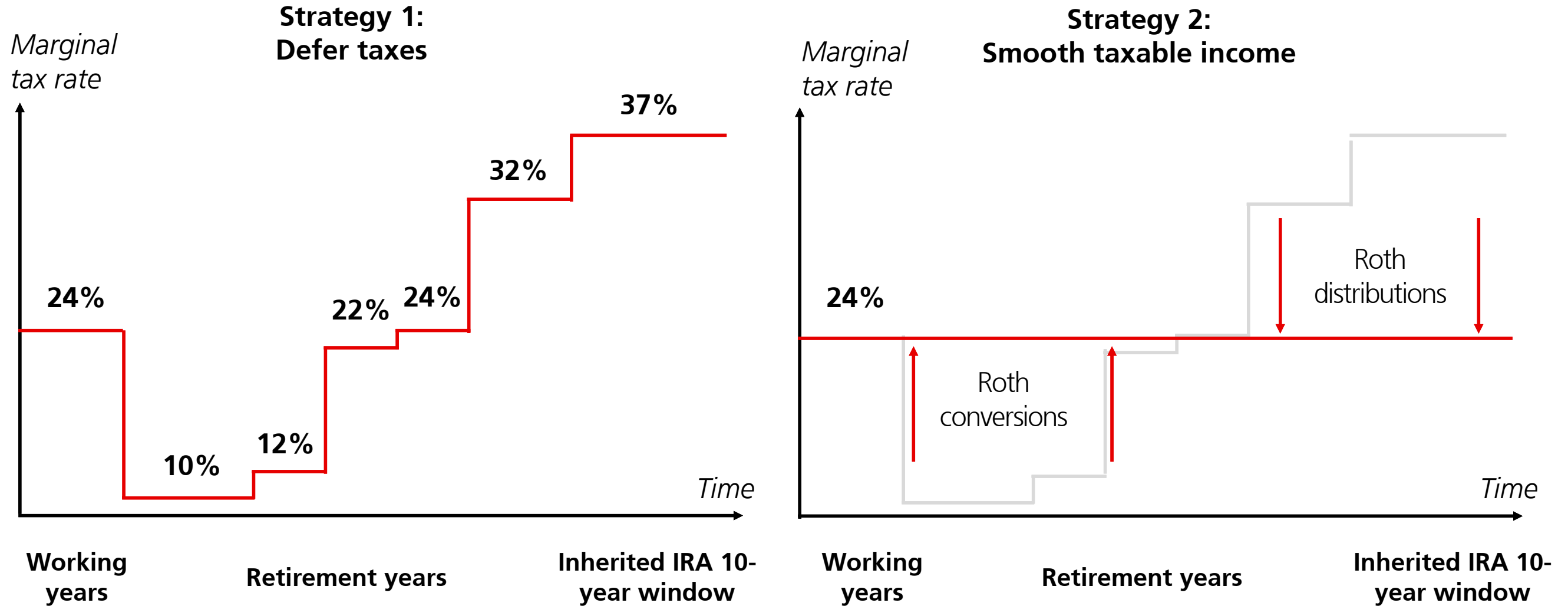


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Source: UBS. For illustration purposes. ¹Eligibility for HSA contributions requires coverage under a qualified high deductible health plan (HDHP). ² See [IRS Notice 2024-285](#) for details regarding eligibility to deduct Traditional IRA contributions and eligibility requirements for Roth IRA contributions. ³ Not all 401(k) providers allow participants to make after-tax contributions or offer in-services distributions or conversions.

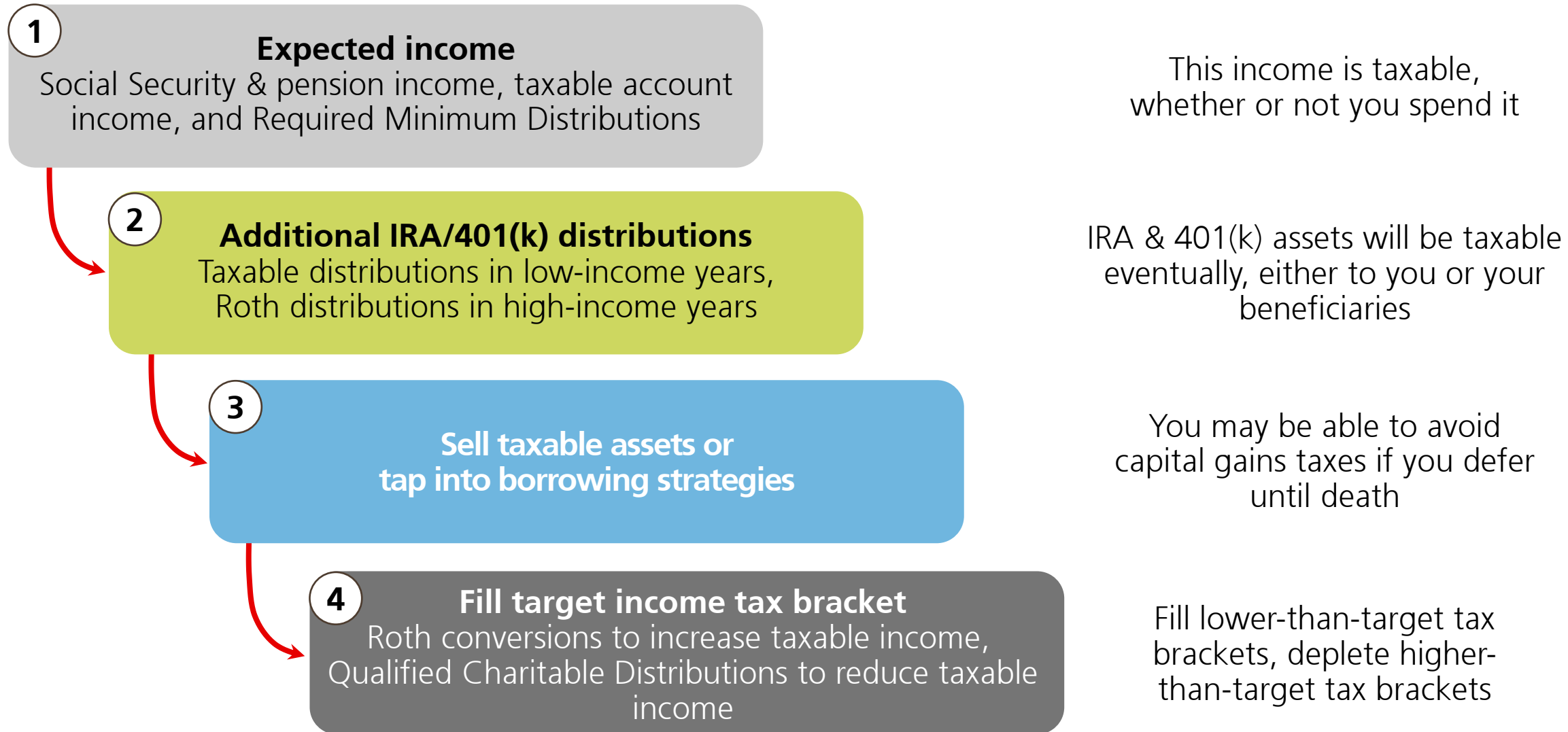
Retirement years: A “Spending waterfall” to manage income taxes

Marginal income tax brackets over time for two retirement withdrawal strategies



Retirement years: A “Spending waterfall” to manage income taxes (cont.)

Potential sequence of withdrawals to help improve tax efficiency



Who should consider a **partial Roth conversion** this year?

Scenario 1: Today's tax rate higher than expected future tax rate

- Still working: Consider prioritizing pretax contributions to defer taxable income.
- Retired: Consider Roth IRA/401(k) distributions to stay out of higher tax brackets this year. A Roth conversion is unlikely to add value.

Scenario 2: Future tax rate the same as today

- Still working: Consider directing at least some savings to a Roth IRA or 401(k).
- Retired: Discuss your approach with a financial advisor and tax advisor. A partial Roth conversion this year may not save directly on expected taxes, but it could still help you improve tax diversification or protect against potential tax increases in the future.

Scenario 3: Your future tax rate will be higher than it is currently

- Still working: Consider prioritizing Roth IRA or 401(k) contributions.
- Retired: A partial Roth conversion this year could help to reduce the tax cost of retirement account distributions; this benefit could grow if income tax rates go higher in the future.

Strategies for giving to family

Strategy	Description & Benefits
Annual gift tax exclusion	Allows gifts up to \$19,000 per spouse per recipient each year, free of gift tax and without using lifetime exemption.
Medical and education gifts	Payments made directly to providers for tuition or medical expenses, are excluded from gift tax and do not use the lifetime exemption.
Lifetime exemption gifts	Larger gifts that use part of the lifetime exemption, removing future appreciation from the estate.
Tax-efficient irrevocable trusts	Irrevocable trusts (e.g., SLATs, GRATs, ILITs) can be funded with exemption gifts, providing control, asset protection, and potential estate tax benefits.
Transfer of discounted interests	Gifts of minority or non-controlling interests in family entities (LLCs, partnerships, corporations), fractional real estate, or investment holding companies may qualify for valuation discounts, reducing the lifetime exemption being used.
529 plan “superfunding”	Allows up to five years of annual exclusions to be contributed at once per beneficiary without using the lifetime exemption.

Strategies for giving to charities

“Brady bunching” charitable contributions

The One Big Beautiful Bill Act introduces changes to charitable deductions starting in 2026:

- For those who itemize deductions, 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**.
- 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).
- 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.

With these upcoming changes, 2025 may offer families a last opportunity to claim a full deduction on charitable gifts. Families may want to consider funding a Donor Advised Fund.

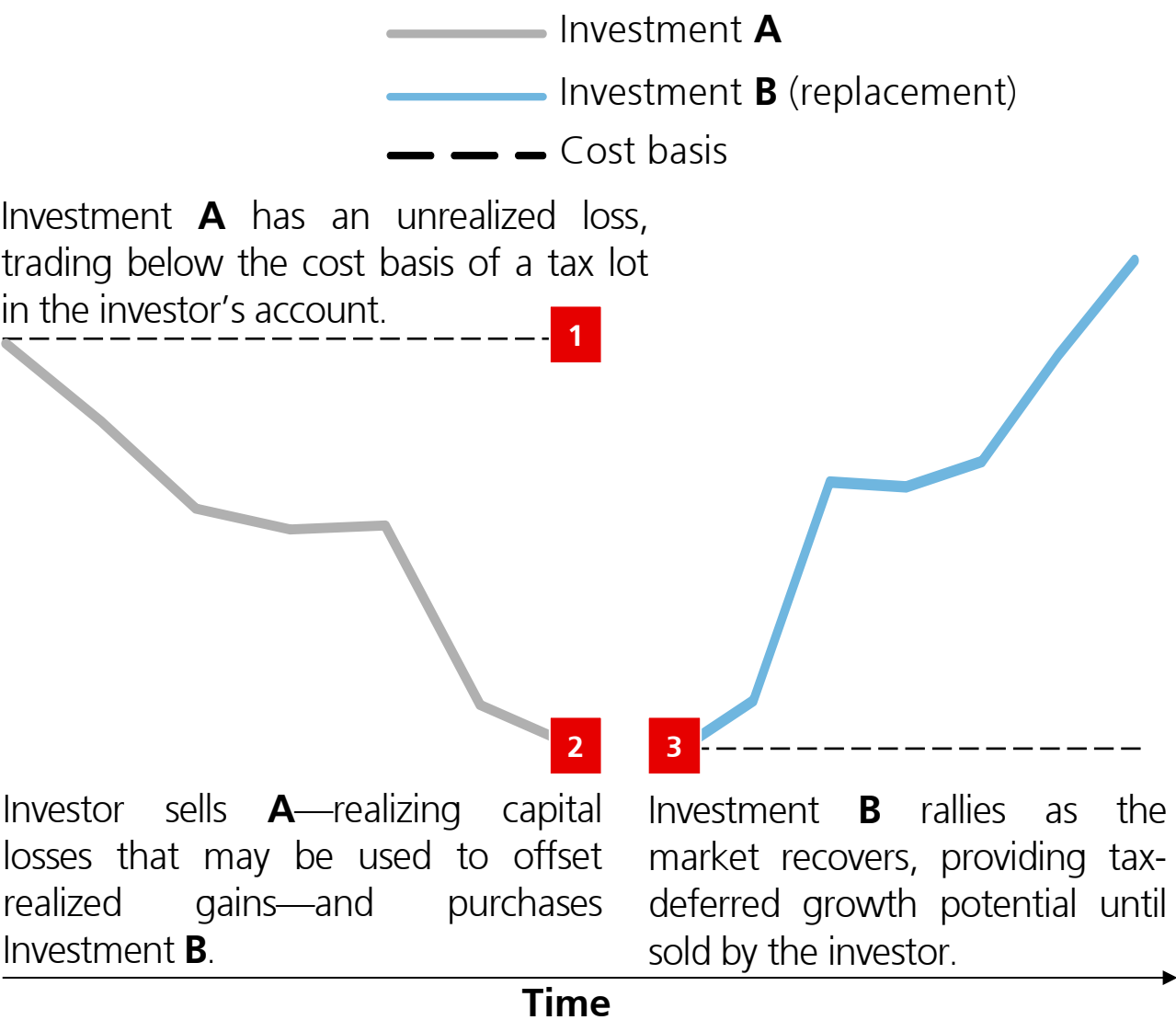
Qualified Charitable Distributions

- 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.



Harvest capital losses

Illustration of the three-step "tax swapping" process



Pros and cons of tax loss harvesting

Pros	Cons
Reduces tax bill this year: Capital losses can offset capital gains, and up to \$3,000 can be used to reduce taxable income Keeps "tax dollars" growing: If realized losses help reduce the current year tax bill, these tax savings may continue to grow (instead of going to the IRS) (Possibly) avoid some taxes: Paying capital gains taxes is optional, because unrealized capital gains are "forgiven" at death.	Transaction costs: If investing through a brokerage account, trades may incur fees. Tracking error: If implementing a tax-loss swap, the replacement investment may underperform the original investment.

Review beneficiary designations

Beneficiary designations on retirement accounts, insurance policies, and other assets determine who receives these assets after the owner's death—often bypassing probate and the decedent's will.

Outdated or missing designations can result in assets going to unintended recipients, delays due to probate, or less favorable tax treatment.

What to review

- **Retirement accounts:** IRAs, 401(k)s, pensions. Ensure primary and contingent beneficiaries are named and up-to-date.
- **Insurance policies:** Life, disability, and annuities.
- **Other assets:** Transfer-on-death (TOD) accounts, payable-on-death (POD) bank accounts, and trusts.

Best practices

- **Name both primary and contingent beneficiaries.** Consider “per stirpes” designations to ensure assets pass to descendants if a beneficiary predeceases the owner.
- **Coordinate with the estate plan.** Beneficiary designations override the owner's will for these assets.
- **Confirm with an advisor.** Ensure all forms are signed and processed; pending documentation may result in default rules applying.
- **Review and update designations every few years and after any major life event.**



Conclusion and next steps

- **Take action before year-end** on retirement and tax planning strategies to stay positioned for current opportunities and upcoming legislative changes.
- **Review recent and pending legislation**—including the One Big Beautiful Bill Act and SECURE 2.0—to understand the potential impact of new deductions, contribution limits, and planning opportunities.
- **Plan proactively** around income, gifting, charitable donations, and beneficiary designations can help maximize tax efficiency and protect your legacy.

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