

Looking back and looking ahead

Year-End Planning Priorities for 2025 & 2026 Retirement Plan Contribution Limits

As 2025 draws to a close, it's an ideal time to review your financial picture, capture available tax benefits before year-end, and prepare for new contribution opportunities in 2026. Many of the items listed below have been recently impacted by the One Big Beautiful Bill Act (OBBBA) that was signed into law on July 4th of this year.

Since we have covered most of these topics in some depth in prior months, this month we will keep it to more of a simple list format. If you think one or more of these topics applies to your situation, don't hesitate to contact your financial advisor to discuss them.

1. YEAR-END TAX & INCOME PLANNING PRIORITIES

- Review projected tax brackets, income, and deductions.
- Tax-loss harvest or harvest gains strategically.
- Consider Roth conversions. Remember, conversions cannot be undone.
- Review withholding and estimated tax payments.
- "Bunch" charitable gifts into a Donor Advised Fund (DAF) before 12/31 – since charitable deductions in 2026 are limited for those in highest marginal bracket.

OBBBA Opportunities (2025–2028):

- Tip income deduction up to \$25,000. Phaseouts apply.
- Overtime deduction up to \$12,500 single / \$25,000 Married Filing Joint (MFJ). Phaseouts apply.
- Extra senior deduction (\$6,000 per qualifying taxpayer). Phaseouts apply.
- SALT deduction cap temporarily increased to \$40,000. Phaseouts apply beginning at \$500,000 and ending at \$600,000.

2. RETIREMENT & SAVINGS PLANNING BEFORE YEAR-END

- Maximize 2025 contributions to 401(k), IRA, Health Savings Account (HSA). (See 2026 contribution limits under section No. 8 below.)
- Complete Required Minimum Distributions (RMDs) and consider Qualified Charitable Distributions (QCDs).
- Prepare for expanded HSA eligibility in 2026.
- "Trump Accounts" launch 2026 for children born 2025–2028.

3. CHARITABLE GIVING STRATEGIES

- Donate cash or appreciated securities.
- Consider bunching or Donor-Advised Funds.
- For those who have attained age 70 ½, QCD limit in 2025 is \$108,000.

OBBBA 2026 changes:

- New below-the-line charitable deduction (\$1,000 single / \$2,000 MFJ).
- Itemized deduction benefit capped at 35% of Adjusted Gross Income (AGI).
- First 0.5% of AGI is not deductible (individuals – 1% floor for corporations).

4. DEBT, CASH FLOW, AND MAJOR PURCHASES

- Use Flexible Spending Account (FSA) and dependent-care balances.
- Review health insurance deductible status before scheduling late-year procedures.
- OBBBA vehicle interest deduction allows up to \$10,000 in deductible auto loan interest (2025–2028). The vehicle must "qualify" – which generally means a new car, that had final assembly here in the USA. MAGI level deduction phaseouts apply.

5. ENERGY & HOME IMPROVEMENT CREDIT ENDING IN 2025

- EV credits end after Sept. 30, 2025.
- Home solar and energy-efficiency credits end Dec. 31, 2025.

6. ESTATE & GIFTING STRATEGIES

- Gift/Estate/Generation Skipping Transfer Tax (GSTT) Exemption is \$13,990,000 per person.
- Annual exclusion gifts of \$19,000 (\$38,000 per couple).
- Direct payment of tuition/medical does not count against annual or lifetime gift limits.
- 529 5-year lump-sum funding supported.
- Recently moved to a new state? Review your Wills and revocable Trusts to ensure they are coordinated with State estate/inheritance tax laws.

2026 Change:

- Gift/Estate/GSTT Estate exemption increases to \$15 million per person (indexed).

7. BUSINESS OWNER PLANNING

- Fund SEP-IRA, Solo 401(k), or defined benefit plan.
- Review Entity Structure (LLC, S-Corp, C Corp, Partnership, etc.).
- Time business expenses based on projected taxable income in 2025 vs. 2026. If a business credit card is used, the deduction is based on the date the card is charged – not when the card balance is paid.

OBBBA provisions include:

- 100% bonus depreciation – Restored for assets placed into service after Jan 19, 2025.
- Section 179 rose to \$2.5M. However, this deduction is limited to the business' taxable income, unlike bonus depreciation, which is not capped.
- Cost segregation studies allow for determination of the best way to take advantage of depreciation opportunities.

- Domestic R&D expensing restored.
- Section 163(j) interest deduction – allows business that are highly leveraged to include depreciation and amortization when calculating deductible interest expense.
- Qualified Business Income (QBI) deduction (20%) for pass-through entities (sole-proprietorships, S-Corp, most LLCs, Partnerships) made permanent. Deduction phase-out applies between \$394,600-\$494,600 for joint filers.
- Qualified Small Business Stock (QSBS) Section 1202 of the code allows for exclusion of federal capital gains tax upon disposition of C-corporation stock in many cases. For C-corporation stock acquired after July 4, 2025 – up to \$15 million per shareholder may be partially or fully excluded. OBBBA also expanded eligibility to companies with up to \$75 million in assets (previously was \$50 million).

8. NEW RETIREMENT PLAN LIMITS FOR 2026

401(k), 403(b), 457(b):

- Employee contribution limit: \$24,500.
- Catch-up (50+): Additional \$8,000 (total \$32,500).
- Special catch-up (60–63): Up to \$35,750.

High Earners:

- Those earning >\$150,000 in 2025 must make 2026 catch-up contributions as Roth (after-tax).
- If employer does not offer Roth 401(k), catch-up contributions will not be allowed.

Overall Defined Contribution Limit:

- Total contributions allowed up to \$72,000 in 2026 (plus catch-ups up to \$83,250 depending on age). Reaching this overall limit is usually the result of big matching contributions from employers or a provision allowing workers to make after-tax contributions.

Individual Retirement Accounts (IRAs):

- Contribution limit: \$7,500 (up from \$7,000 in 2025).
- Age 50 and older catch-up: \$1,100 (indexed).

9. ACTION STEPS BEFORE DECEMBER 31

- Max contributions for 2025.
- Complete RMDs and QCDs.
- Spend remaining FSA funds.
- Accelerate charitable gifts.
- Update beneficiary designations.
- Prepare for expiring energy credits.

Before January 1:

- Adjust salary deferrals for 2026.
- Confirm Roth 401(k) availability with your employer.

CONCLUSION

The OBBBA introduced significant—but in some case temporary—changes that create both opportunities and deadlines. Taking action now can help you lock in valuable benefits before they expire. Work closely with your financial advisor and tax professional to close out 2025 confidently and position yourself for a successful year ahead.