Vibrance
WEALTH MANAGEMENT

2025 Year-End Planning Checklist

With the passage of the One Big Beautiful Bill Act (OBBBA) in 2025, Congress made many provisions of the Tax Cuts and Jobs Act (TCJA) permanent and introduced several new tax rules. Combined with SECURE 2.0 Act and other recent law and regulatory guidance, the tax landscape changed in 2025. The items below highlight key rule changes and year-end planning items. Work proactively with your financial, tax, and estate-planning advisors to apply them to your personal situation.

Income Tax

- OBBBA highlights:
  - OBBBA makes the current marginal income tax rates and the increased standard deduction from the TCJA permanent.
  - For tax years 2025–2029 the State and Local Tax (SALT) deduction cap is temporarily increased to $40,000 for both single and joint filers. The $40,000 limit phases down for higher-income taxpayers who exceed the phaseout threshold, and the cap reverts to $10,000 in 2030. Phaseout begins when adjusted gross income (AGI) exceeds $500,000 and is fully reduced to the permanent $10,000 cap at $600,000 AGI. Plan to take advantage of the temporary higher cap during 2025–2029 by accelerating state and local tax payments and bunching deductible expenses where appropriate.
  - OBBBA retains the TCJA mortgage interest rules. Interest on acquisition indebtedness is generally deductible on up to $750,000 of mortgage principal for loans originated after December 15, 2017. Mortgages taken out on or before December 15, 2017, are still subject to the prior limit of deducting interest on up to $1 million of acquisition debt.
  - Starting in 2026, taxpayers in the 37% tax bracket will have a limit applied to their itemized deductions. The new and permanent limitation—typically referred to as the 2/37 rule—caps the maximum you may deduct at 35 cents for every dollar of itemized deductions. Therefore, maximize your itemized deductions in 2025 if possible.
  - OBBBA makes the TCJA's AMT relief permanent. The income phaseout threshold is reset and indexed, and the exemption now phases out at a 50% rate (up from 25%). Consult your tax advisor before accelerating or deferring items if you have a history of AMT exposure.

- If you expect to be in a higher bracket in 2026: consider accelerating income (recognizing gains or other income in 2025) and deferring deductions into 2026 where appropriate.
- If you expect to be in a lower bracket in 2026: consider deferring income to 2026 and accelerating deductions into 2025 (e.g., make a January mortgage payment in December to claim the interest in 2025).
- If you expect a significant tax bill, adjust W-2 withholding or make estimated tax payments to reduce underpayment penalties.
- Up to $250,000 of gain for single filers (or $500,000 for joint filers) may be excluded on the sale of a primary residence if ownership and use tests are met.

Retirement Planning

- SECURE 2.0 Act highlights:
    - Beginning in 2026, catch-up contributions made by certain higher-wage participants (prior-year FICA wages exceeding the indexed threshold — initially $145,000 and indexed) generally must be made on a Roth (after-tax) basis. If you currently rely on pre-tax catch-up contributions and expect to earn above the threshold, maximize pre-tax contributions through 2025 and plan for Roth catch-ups in 2026 if that suits your tax planning.
- Consider maximizing your company's retirement plan contributions. If you are age 50 or older, you may add a $7,500 catch-up contribution, for a total of $31,000. If you are age 60 to 63, you may make an enhanced catch-up contribution equal to 150% of the standard catch-up, or $11,250, bringing your total contribution to $34,750.
- Consider maximizing your IRA/ Roth IRA contributions by the tax deadline on April 15, 2026: up to $7,000 if you are under age 50, with a $1,000 catch-up contribution if you are 50 or older.
- If your retirement plan allows, consider using a mega backdoor Roth strategy so that you can contribute up to $46,500 for those under 50, by making after-tax contributions to reach the total combined 401(k) limit of $70,000. For those aged 50 and over, the total limit is $77,500, while those aged 60 to 63 can contribute up to $81,250. As such, you can enjoy the tax-deferred growth and avoid required minimum distribution (RMD) on the after-tax contributions.
- Take a RMD if you are 73 or older.
- Consider setting up a Roth IRA for your minors who have earned income.
- Consider converting from an IRA to a Roth IRA if you are in a low marginal income tax bracket.
- If you have pass-through/business losses that reduce taxable income significantly this year, talk to your advisor about Roth conversions or harvesting gains to use loss offsets efficiently.

- Determine when to begin taking Social Security benefits, which kick in between the ages of 62 and 70.

Investment

- Recognize capital gains and losses in taxable accounts. Use loss carryovers from prior years to offset gains. Deduct up to $3,000 in losses against other taxable income. If you are married but filing separately, deduct $1,500.
- Record realized capital loss carryovers.
- Avoid the wash sale rule - wait 31 days before buying back the same holding that was sold for a loss.
- Check mutual fund distribution dates before making new acquisitions to avoid capital gains.
- Provide capital gains and investment income information to your CPA for year-end projection.
- Reassess your risk tolerance and investment objectives and rebalance your investment portfolios accordingly.

Gifting and Estate Planning

- OBBBA highlights:
    - OBBBA raises the federal estate tax exemption to $15 million per individual beginning in 2026, indexed for inflation thereafter. For 2025, the exemption is $13.99 million. Because the exemption increase is permanent under current law, revisit estate plans, portability elections, and lifetime gifting strategies with your estate attorney and tax advisor.
    - Starting in 2026, individuals who itemize their deductions can only deduct the amount of their contributions that exceeds 0.5% of their AGI. Consider accelerating large charitable gifts into 2025 to maximize the tax benefits under the prior rules.
    - Non-itemizers are able to deduct up to $1,000 ($2,000 for joint filers) when making cash donations to qualified charities.
- Consider making annual gifts of up to $19,000 per person, such as funding 529 college savings plans.
- IRA owners aged 70½ and older may use qualified charitable distributions (QCDs) to fund charitable gifts directly from IRAs and exclude the distribution from taxable income
- Consider donating appreciated securities held for more than one year instead of cash, allowing you to avoid capital gains taxes and claim a deduction equal to the securities' fair market value (subject to the 30% of AGI limit).

- Set up a donor-advised fund (DAF) to donate to qualified public charities. Consider consolidating several years of charitable contributions into one year via a gift to a DAF. This will make your contributions more tax-efficient.
- Keep receipts for charitable donations.
- Review and update your estate plan. Ensure that you have a will, revocable trust, health care directive, power of attorney, and guardians in place.
- Discuss major life events with your trusted advisors.
- Conduct family meetings to review and update your budget, balance sheet, and financial plan.

Others

- Consider maximizing your Health Savings Account (HSA) contributions by the tax deadline: up to $4,300 for individuals or $8,550 for families if covered by a high-deductible health plan. If you are age 55 or older, you may contribute an additional $1,000 catch-up amount.
- Review your medical insurance plans to potentially make any changes during open enrollment.
- Obtain your free annual credit report at www.annualcreditreport.com and review for accuracy.
- Review and update your beneficiary designations in your retirement plans and accounts and life insurance/annuity policies.
- Review and update your W-4 form especially after major life events such as marriage and new child to ensure accurate tax withholding information.