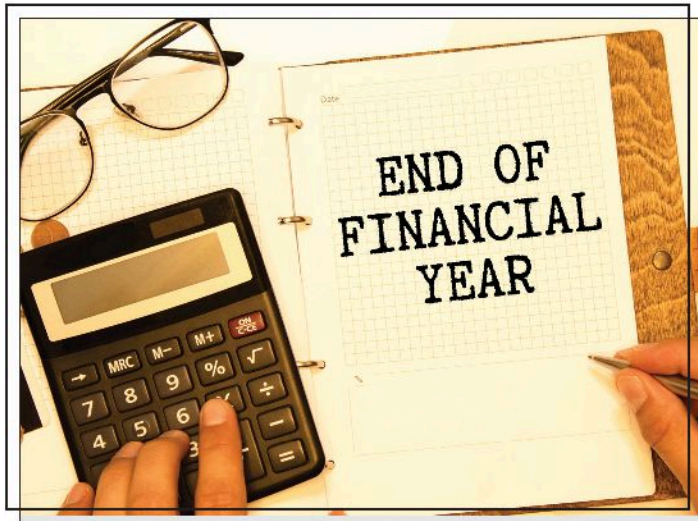


2025 Year-End Financial Checklist

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It's that time of year again..... the weather turns cooler, leaves cover the ground and we begin thinking about the holidays and enjoying quality time with family and friends. It's not too late to reflect on the year and do some strategic planning to explore financial strategies that may benefit you for 2025 and beyond.

1. Withholding Adjustments

You've taken steps to accelerate deductions into 2025, you've considered opportunities to defer income until 2026, and you're still projecting an unforeseen tax balance due. This may occur if you experienced a significant life change in past last year, such as marriage, birth, divorce, death or retirement. If you anticipate owing tax for 2025 and you're still employed, consider temporarily increasing the withholding from your paycheck for the rest of the year. One advantage over making quarterly estimated tax payments is that withholding is considered to have been paid in evenly throughout the year. This can help make up for low or missing quarterly estimated tax payments.

2. Bump Up Retirement Savings

Contributing to your retirement account(s) can be a very effective tax saving strategy. Contributions to a traditional IRA, a 401(k) plan, or similar, can reduce your 2025 taxable income. For 2025, the maximum you can contribute to a 401(k) plan is \$23,500 (plus an additional \$7,500 catch-up contribution if you're age 50 or older) and up to \$7,000 to traditional and Roth IRAs combined (plus an additional \$1,000 if you're age 50 or older). Wage deferrals to employer plans must be made before the end of the year. However, you have until April 15, 2026, to make IRA contributions and have them designated as a 2025 contribution. New for 2025, and for participating employees age 60 through 63, the \$7,500 catch-up contribution above is increased to \$11,250.

3. Roth IRA Conversions

A Roth IRA conversion is a strategy where you transfer funds from a pre-tax individual retirement account into an after-tax Roth IRA, ideally during a low(er) income year. Tax will be due on the amount you elect to convert. However, future growth will be shielded from tax and qualified withdrawals will be completely tax free. Not only does this allow you to lower your lifetime tax burden, but you also eliminate future risk related to tax rate increases on retirement withdrawals. Further maximize conversion benefits by paying the related taxes with funds from a separate taxable account.

4. Harvest Tax Losses

While tax implications shouldn't drive investment decisions, if you have capital gains from selling profitable investment assets, you might avoid taxes on some or all of those gains by selling other investments in a loss position. Capital losses first offset capital gains, plus up to \$3,000 of ordinary income each year. Excess losses can be carried forward to reduce taxes in future years.



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5. Take Required Minimum Distributions

You generally must take required minimum distributions (RMDs) from traditional IRAs and employer-sponsored retirement plans if you are age 73 or older. Special rules may apply if you are still working and participating in your employer's retirement plan. Substantial penalties apply if you fail to make the withdrawals by the date required — December 31st for most individuals.

6. Fund 529 Plans

529 savings plans accumulate funds for higher education expenses while also benefitting from tax-advantaged investment growth. These funds can now also be used to cover up to \$10,000 annually for certain K-12 expenses or up to \$10,000 of student loan debt. Although the IRS does not set a limit on contributions, they are considered completed gifts, subject to annual limits, for federal tax purposes. Also, keep in mind your state's 529 tax deduction or credit threshold and the state-specific lifetime maximum cap.

7. Charitable Contributions

You can generally deduct charitable contributions, up to 60% of your adjusted gross income (AGI), depending on the type of property donated and the organization to which you contribute. When donating appreciated assets, you to deduct the full market value of the asset and avoid capital gains taxes. Consider Qualified Charitable Distributions (QCDs) if you are age 70½ or older. This strategy allows you to donate up to \$108,000 in 2025 if the transfer is made directly by the IRA custodian to the qualified charity. Not only does this count toward your RMD requirement for the year, it avoids taxes on otherwise taxable distributions, and achieves your charitable-giving objective.

8. Portfolio Review

While reflecting back on the year and on life in general, also review your risk tolerance and time horizon. You may need to rebalance your portfolio to ensure you are properly diversified in accordance with your short-term and long-term investment goals.

9. Take Stock of Debts

Review balances on credit card accounts, mortgages, HELOCs, vehicle loans, etc. Compare interest rates and terms to determine if refinancing or consolidating makes

sense. Prioritize paying off high-interest debt first in order to reduce total interest paid.

10. Use It or Lose It

Revisit employee benefits that may not roll over from one year to the next such as health care or dependent care Flexible Savings Accounts (FSAs) and paid time off, depending on your employer's policy terms.

Timing is critical for the success of most of these strategies as they must be completed by the last day of the year. Keep proper documentation, including donation acknowledgments, brokerage confirmations, etc. to support your position if ever challenged by the IRS.

More complex scenarios, such as applying the Safe Harbor rule to prevent underpayment penalties, avoiding wash sales, superfunding a 529 plan or utilizing a Donor-Advised Fund (DAF), may require a bit more time, attention and creativity. All strategies should consider your entire tax picture to avoid unintended consequences.

Tax strategies should be tailored to your specific situation. If you think one or more fits your situation, we would love to discuss it with you further. Give us a call at (309) 276-0977 or visit us online and check out the free resources available at www.SaveMooreTax.com.

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