



## YEAR END NEWSLETTER

Dear Clients and Friends of Angeles,

The close of any year remains an important opportunity to review one's financial, tax, estate, and philanthropic strategies. And with the recent passage of the One Big Beautiful Bill (OBBB), we've identified relevant planning opportunities that impact both 2025 and beyond based on our current understanding of the legislation and subject to future IRS/Treasury guidance.

## 2025 YEAR-END STRATEGY: ACCELERATING DEDUCTIONS

The core planning strategy for the remainder of 2025 is to accelerate deductible actions. New tax rules make itemized deductions significantly more restrictive starting in 2026, making a 2025 review important.

### Philanthropy

This year presents a unique window to secure the most generous charitable deduction benefits before new limitations take effect in 2026.

- **The 2026 Shift:** New OBBB rules introduce a 0.5% Adjusted Gross Income (AGI) floor for charitable deductions. Additionally, for high-income taxpayers (in the 37% tax bracket), the deduction's value will be capped at 35% AGI starting in 2026.
- **Actionable Strategy:** For some clients, it might make sense to accelerate and bundle several years of intended giving into a 2025 contribution, such as funding a Donor Advised Fund (DAF). This may help preserve maximum tax benefits under current rules.
- **Protecting Carryforwards:** Crucially, pre-2026 carryforwards of excess contributions will not be subject to the new 0.5% AGI floor in later years, preserving their value. This provision allows you to lock in today's tax treatment for five additional years, making 2025 a unique moment for substantial philanthropic action. Please note that state tax treatment may differ from federal rules.

### Retirement Accounts

- **Contributions:** Maximize your retirement plan contributions for 2025, including IRAs (\$7,000 / \$8,000 age 50+) and 401(k)/403(b)/457 deferrals (\$23,500 / \$30,000 age 50+). Roth SEP and employer matching Roth contributions are now available since the SECURE 2.0 Act of 2022.



- **HSAs:** The triple tax benefit provided by HSA contributions remains; contribution limits apply, with a \$1,000 catch-up for those age 55+.

## Required Minimum Distributions (RMDs) and Qualified Charitable Distributions (QCDs)

- **Required Minimum Distributions (RMDs):** Individuals age 73 or older must take RMDs by December 31st, unless an exception applies.
- **Qualified Charitable Distributions (QCDs):** Clients age 70½ or older can make a QCD directly from an IRA (up to \$108,000 in 2025) to satisfy their RMD without increasing taxable income. (Please note QCDs cannot fund Donor Advised Funds).
- **Inherited IRAs:** If you have an inherited IRA, you will need to take an RMD by December 31, regardless of your age. "Designated beneficiaries" (DBs) who inherited IRAs on or after January 1, 2020, must fully deplete the account within 10 years of the original account owner's death. If the original account owner had begun taking RMDs before their death, the inheritor must also continue to take RMDs during the 10-year period each year. Rules are complex and exceptions apply; please confirm your specific requirements with your tax advisor.

## Estimated Tax Payments & Roth Conversions

- **State and Local Tax (SALT) Payments:** Contact your tax advisor to see if you should accelerate your fourth-quarter state tax payment into December 2025. This allows you to claim the deduction under the temporarily expanded \$40,000 SALT cap (phased out above \$500,000 MAGI), if you itemize and are not limited by other deduction rules.
- **Roth Conversions:** 2025 is an ideal strategic period for partial or full Roth and/or 401(k) conversions. Converting now lets you pay tax under current rates and positions assets for tax-free growth in future years. Roth conversions are attractive if the tax rate paid at the time of the conversion to a Roth is likely lower than the rate expected to be paid when the assets are required to be withdrawn from the traditional IRA. A Roth conversion may make sense for you in any given year if 1) you anticipate to be in a lower tax bracket, 2) you have cash available to cover the associated taxes, and 3) the converted Roth assets have a long investment time horizon. A potential Roth IRA conversion requires a conversation with your tax preparer since Roth conversions increase taxable income in the year of conversion and may trigger higher Medicare premiums, surtaxes, or phaseouts; the future tax environment is uncertain; and paying tax now may not be beneficial in all circumstances.
- **Seniors Deduction:** While most clients itemize, for those claiming the standard deduction, the OBDD introduces a temporary \$6,000 additional deduction (with MAGI phase-outs) for individuals aged 65+ starting in 2025, as currently written and subject to IRS guidance.

## 2026 FORWARD LOOKING STRATEGY

### Estate & Gift Planning

- **Exemption Utilization:** The Estate and Gift Tax Exclusion amount has risen to \$15 million per person in 2026 (approximately \$30 million for married couples). This creates a valuable, lasting opportunity to remove



assets and their future appreciation from your taxable estate.

- **Annual Gifting:** The annual gift tax exclusion in 2025 remains \$19,000 per individual (\$38,000 for married couples). This is the simplest way to systematically fund insurance trusts, Crummey trusts, 529 plans (including “superfunding” five years at once), and custodial accounts.
- **Trump Account (TA):** A Trump Account is a new tax-exempt savings account for children (the child is both owner and beneficiary). Unlike custodial accounts, earnings grow tax-free. Unlike 529 plans, withdrawals starting at age 18 can be used for a broad range of purposes such as first-time home purchases, small-business expenses, and more (not just education). Contributions cannot begin until July 4, 2026.
  - **Federal Seed Contribution:** The government will make a one-time \$1,000 deposit for each child born 2025–2028 who is a U.S. citizen if eligibility and election requirements are met.
  - **Financial Aid Impact:** TAs will likely count against need-based federal financial aid (FAFSA) for undergraduate, graduate, and professional programs, potentially reducing eligibility. Specific rules are still being developed and outcomes are not yet certain.
  - **Comparison to Roth IRAs:** While both offer tax-advantaged growth, TAs are designed for children without earned income. Their withdrawal tax treatment is generally less favorable than a Roth IRA in many cases, though specifics will depend on final guidance and the child’s future tax situation.

## Qualified Small Business Stock (QSBS) & Stacking

The QSBS exclusion provides one of the most powerful capital gains breaks in the tax code. If you hold stock in a qualifying small business, timely execution is required to leverage the expanded OBBB benefits:

- **Increased Exclusion:** The capital-gains exclusion cap rises from \$10 million to \$15 million per issuer (indexed for inflation).
- **Phased Exclusion:** Stock acquired after July 4, 2025, will have a phased exclusion (50% after 3 years, 75% after 4 years, 100% after 5+ years) subject to issuer and holding-period qualification.
- **QSBS Stacking:** This strategy allows you to multiply your QSBS exclusion by proactively gifting shares to multiple separate taxpayers (often through trusts). Since the exclusion limit applies per taxpayer, timely execution can significantly increase the total tax-free gain realized by the family unit if all QSBS requirements are met. QSBS eligibility is highly fact-specific and depends on issuer qualification, holding periods, and other statutory requirements. State tax treatment, AMT considerations, gifting/valuation issues, and trust administration can materially affect outcomes. It is important to involve your legal and tax advisors early.

## 529 Plan Considerations

- **529-to-Roth Rollover:** SECURE Act 2.0 permits the rollover of 529 plan funds into a Roth IRA, offering an exit strategy for overfunded accounts. This has a lifetime limit of \$35,000 per beneficiary and is subject to annual Roth contribution limits, provided the 529 has been active for at least 15 years and the beneficiary has earned income.



As always, year-end presents a valuable opportunity to revisit your financial picture and ensure that your tax, estate, retirement, and philanthropic strategies remain aligned with your long-term goals. The recent legislative changes add new considerations across multiple planning areas, and thoughtful coordination among your Angeles team and your tax and legal advisors will help ensure your plans remain both efficient and effective for your specific circumstances.

Please don't hesitate to reach out to your Angeles team to discuss any of these strategies in more detail or to review your personal situation in the context of your overall financial plan. We appreciate the trust you place in us and remain committed to helping you navigate an evolving planning landscape with clarity and confidence.

We wish you and your family a wonderful holiday season and a prosperous year ahead. We look forward to our continued work together.

Your team at Angeles Wealth Management

Note: This letter is provided for informational and educational purposes and is not individualized investment, tax, or legal advice. Any strategy discussed may not be suitable for all investors and depends on your specific circumstances. Tax laws are complex and subject to change; interpretations of recent legislation may evolve as IRS and Treasury guidance is issued.

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