New year
financial review checklist

The start of a new year is a great time to review your financial, legal and personal strategies. Here are some ideas to get you started:

✔ ***Review significant life events from prior year.*** Life is full of transitions, both planned and unexpected. Whether it's a marriage, divorce, birth, death, or new financial circumstances, these changes can significantly impact your estate plan. An annual review ensures your estate plan reflects your current family structure and relationships.

✔ ***Review beneficiaries.*** Your designated beneficiaries and executors may no longer be the best choices for their roles due to changes in their relationship with you, an executor's ability to fulfill their responsibilities, or simply because there's new people in your life who may be better suited for these roles. An annual review helps you evaluate whether the beneficiaries and executors listed in your estate plan are still the right choices.

✔ ***Review insurance policies.*** Keeping pace with the rising value of your assets is one reason to regularly review your insurance policies. As home values, personal belongings, or other assets appreciate, the limits on your current policies may no longer be sufficient to fully protect you in the event of a loss.

✔ ***Review business interests and succession plans.*** Make sure your business's success plan is well-documented and aligns with your overall estate plan. Analyze last year's financial statements, update your strategic plans, and review the biggest risk threats, including all insurance policies, your cybersecurity plan, and any operational risks.

✔ ***Review asset management.*** Be sure to properly add or transfer new assets into your estate's trust. One common mistake is not retitling property or a bank account to the trust's name. Assets that aren't properly added to a trust cannot be given the intended protections and may still go through probate or be incorrectly distributed.

✔ ***Review your plan with your team of trusted advisors.*** Schedule time to review your financial, legal and tax strategies with each member on your team of trusted advisors. Scheduling these planning sessions allows you and your team to identify gaps and make any necessary adjustments. This approach helps maintain strong, effective partnerships and ensures you're receiving the best possible guidance.

✔ ***Review personal goals.*** Lastly, your personal priorities may shift over time, whether it's a desire to support a new charity, protect your legacy in a different way, or rebalance distributions among heirs. An annual review provides the opportunity to reassess your philanthropic goals, adjust allocations to beneficiaries, or to incorporate new strategies to achieve your financial and personal goals. ❑

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Tax Planning Insights, New Year 2025: This newsletter is issued annually to provide you with information about minimizing your taxes. Do not apply this general information to your specific situation without additional details. Be aware that the tax laws contain varying effective dates and numerous limitations and exceptions that cannot be summarized easily. For details and guidance in applying the tax rules to your individual circumstances, please contact us.

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TAX PLANNING INSIGHTS

New Year 2025

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Dear Clients and Friends,

With new tax rules in effect and more changes possible throughout 2025, it's more important than ever to evaluate your financial and tax strategies heading into the new year.

In this edition of the Tax Planning Insights newsletter, learn what's new in 2025 along with tax legislation that could be proposed once our newly elected lawmakers get to work. Also included are several ideas to increase the accuracy of your tax forecasts, a look at important tax information, and several tax tips for your trusts and estate.

These insights are sent as a reminder of our commitment to help you minimize your taxes. Please call if you have any questions about filing your 2024 tax return.

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Dealing with tax law uncertainty in 2025

The Tax Cuts and Jobs Act (TCJA) of 2017 significantly reduced tax rates for individuals and businesses while also increasing plenty of tax deductions and credits. Many of the TCJA's provisions, however, are scheduled to expire at the end of 2025. Unless new legislation is enacted to extend or make permanent these soon-to-expire tax breaks, you should start preparing now for this potential change.

Some current planning ideas

Consider scheduling your planning sessions as soon as possible so you have enough time to draft your plan using the current rules. This will help you be prepared if and when changes occur. Some ideas to consider:

- **Review your estate plan.** If you have an estate, consider what the massive drop in the estate and gift tax exemption may do to your plan. Recall that the current exemption ($13.61 million in 2024 for single taxpayers, $27.22 million for married) drops back to $5 million in 2026. While this reset amount will be adjusted for inflation going forward, gifting money or other assets can help reduce the size of your taxable estate while taking advantage of this historically high exemption amount.
- **Consider tax-efficient investments.** As higher tax rates are set to return in 2026, review your investments to be as tax efficient as possible. Municipal bonds and tax-deferred plans like 401(k)s and IRAs may become more attractive after 2025. Also consider tax-loss harvesting strategies to offset future gains.
- **Review pass-through income.** If you are a small business owner, assess how the loss of the QBI deduction will affect your tax liability. Review whether you should change your entity type to minimize the loss of this deduction.
- **Accelerate income.** If possible, consider being prepared to accelerate income into 2025 before the TCJA provisions expire, while tax rates are still lower. This could include exercising stock options, converting traditional IRAs to Roth IRAs, or taking larger distributions from retirement accounts.
- **Delay itemized deductions.** Consider whether you should delay itemized deductions to help offset higher tax rates and a smaller standard deduction starting in 2026. If you live in a high-tax state, the return of the full state and local tax deduction may also provide some relief post-2025.
- **Adjust withholdings and estimated payments.** It's important to review your tax withholdings and estimated payments to ensure you're not underpaying, which can lead to penalties and interest.

By creating your tax plan now, you can be prepared if the TCJA expires as currently scheduled at the end of 2025. Then if changes do occur, you will be prepared to adjust your tax strategy accordingly. ❑

What's new in

Here are several tax changes we DO know about to start 2025:

More cryptocurrency oversight. New reporting rules in effect as of January 1, 2025 means you'll need to be more vigilant with tracking your cryptocurrency transactions and complying with the IRS's digital asset rules. Brokers of digital assets, including cryptocurrency exchanges, custodial services, and certain payment processors, must report sales and exchanges of digital assets to the IRS starting in 2025. Your digital asset transactions will be summarized annually on a new Form 1099-DA. This new reporting of digital asset transactions will be similar to existing reporting for traditional securities such as stocks and bonds.

Higher retirement plan contributions and special catch up provisions. The amount you can contribute to a 401(k) in 2025 is $23,500, up from $23,000 in 2024. The 401(k) catch-up contribution limit in 2025 stays at $7,500 if you're age 50 to 59, and age 64+. If you're ages 60 to 63, the catch-up contribution limit increases to $11,250.

The annual contribution threshold for Simple IRAs is $16,500, up from $16,000 in 2024. The catch-up contribution limit in 2025 remains at $3,500 if you're age 50 to 59 and age 64+. If you're ages 60 to 63, the catch-up contribution limit increases to $5,250.

The annual contribution threshold for IRAs remains at $7,000, as does the IRA catch-up contribution limit of $1,000.

1099-K reporting threshold decreases again. You'll receive a 1099-K from each third-party payment processor from whom you receive at least $2,500 in electronic payments in 2025, compared to $5,000 in 2024. This threshold is scheduled to be lowered to $600 in 2026.

Increase the accuracy of your tax forecasts

With ever-changing tax laws, forecasting your tax obligation can be a challenge. To make matters worse, this uncertainty can create the need to write a large payment to the IRS and pay penalties to boot! Here are some suggestions to help manage this for you and your family.

❯ Make tax planning a year-round endeavor. Your initial tax forecast will flow naturally from your most recently-prepared tax return. If you've never done a forecast before, consider starting one after completing your 2024 return.

Review your situation at least once per quarter, about two weeks before quarterly estimated tax payments are due. So mark your calendar for early April, June and September in 2025, and early January in 2026. If you make tax planning a year-round endeavor, you can continuously recalculate your tax liability to account for the increases and decreases in time to make your estimated payment.

❯ Use a rolling average for passthrough entities. If you're a partner in a partnership or a shareholder of an S corporation, consider using a 3 or 5 year rolling average of previous dollar amounts reported on past K-1 tax forms. This approach won't always yield an accurate number, but using a rolling average can help eliminate some of the year-to-year volatility.

❯ Keep great books. Create periodic income statements and project what the full year will look like. Then look at your projected cash balance. Remember, you will need to accumulate enough cash to make required estimated tax payments or face the consequences of late payment penalties.

❯ Get help! Preparing an accurate tax forecast can sometimes be very time consuming and complex. Please call if you have questions about preparing your own accurate tax forecast. ❑

Provision	2025	2024	Change
STANDARD DEDUCTION			
Single	**15,000**	14,600	+400
Joint returns and surviving spouses	**30,000**	29,200	+800
Married filing separately	**15,000**	14,600	+400
Head of household	**22,500**	21,900	+600
Additional for elderly or blind (married)	**1,600**	1,550	+50
Additional for elderly or blind (single)	**2,000**	1,950	+500
ALTERNATIVE MINIMUM TAX EXEMPTION			
Single, Head of household	**88,100**	85,700	+2,400
Joint returns and surviving spouses	**137,000**	133,300	+3,700
Married filing separately	**68,500**	66,650	+1,850
SOCIAL SECURITY EARNINGS LIMIT			
Maximum wages subject to Social Security tax	**176,100**	168,600	+7,500
Under full retirement age	**23,400**	22,320	+1,080
Full retirement age	**No limit**	No limit	–
UNIFIED TAX CREDIT			
Estate tax top rate	**40%**	40%	–
Estate tax exclusion	**13,990,000**	13,610,000	+380,000
Annual gift tax exclusion (per donee)	**19,000**	18,000	+1,000
CONTRIBUTION LIMITS			
Health Savings Accounts			
Single	**4,300**	4,150	+150
Families	**8,550**	8,300	+250
Additional for 55 or older	**1,000**	1,000	–
Individual Retirement Accounts			
Under age 50	**7,000**	7,000	–
Age 50+	**8,000**	8,000	–
Savings Incentive Match Plan for Employees (SIMPLE)			
Under age 50	**16,500**	16,000	+500
Age 50+	**20,000**	19,500	+500
Age 60 to 63	**21,750**	19,500	+2,250
401(k) Plan			
Under age 50	**23,500**	23,000	+500
Age 50+	**31,000**	30,500	+500
Age 60 to 63	**34,750**	30,500	+4,250
***Kiddie tax* threshold**	**2,700**	2,600	+100
***Nanny tax* threshold**	**2,800**	2,700	+100

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