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CLIENTUPDATE

PRACTICAL TAX & FINANCIAL ADVICE

Make banks compete for your business

Banks regularly compete for new customers by offering cash bonuses, higher interest rates, and other perks. By periodically reviewing your options, you may be able to earn extra money while gaining access to better products and services. Here are some ideas to make banks compete for your business.

Your paycheck is worth something to a bank

Banks want customers who deposit money regularly, which is why many offer sizable cash bonuses for opening a new account and will often provide higher savings rates for direct depositors. To qualify, you may need to set up direct deposit or keep the account open for a specified period. If your paycheck is already being deposited somewhere every two weeks, redirecting it temporarily can sometimes turn an ordinary banking activity into a few hundred dollars in extra income.

Don't let your money work for free

A savings account that pays next to nothing has a hidden cost: the interest you could be earning elsewhere. Move some or all of your savings to a bank willing to pay more for it. Your bank benefits from holding your money. Make sure you benefit, too.

One bank doesn't have to do everything

There is no rule saying all of your financial life has to live under one roof. One bank might have convenient branches and ATMs, another might offer an attractive checking bonus, and a third might have an excellent high-yield savings account. Maintaining more than one banking relationship lets you pick the best features from each institution rather than accepting one bank's entire package. A second account can also provide a useful backup if your primary account is temporarily inaccessible because of fraud concerns, technical problems, or a lost debit card.

A $300 bonus can come with homework

An eye-catching bonus for opening a new checking or savings account is only worthwhile if you actually qualify for it and avoid unnecessary fees. Before opening an account, check the monthly fees, minimum balance requirements, direct-deposit rules, deadlines, and how long you must keep the account open. Closing an account too quickly could mean forfeiting the bonus or paying an early-closure fee. And remember that bank bonuses may be taxable income, so keep any tax documents the bank sends you.

Loyalty is nice. Leverage is better.

Your relationship with a bank is ultimately a business relationship. The bank benefits from your deposits, transactions, and continued business, so there is no reason you should feel obligated to stay when a competitor offers significantly more value. So look around. Compare bonuses, rates, fees, ATM access, and customer service.

Get your financing lined up

A good banking relationship can make all the difference. Your deposits should be used to leverage lower interest rates when you need to borrow.

Remember, when banks have to compete for your money, you're in a much better position to make your money work for you. ♦

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CLIENTUPDATE

WINTER 2026

Small tax planning moves *add up*

Small, consistent tax planning moves can deliver significant long-term savings. Here are a few strategies worth considering:

- **Adjust your tax withholding.** Review and adjust your withholding to match what you owe and put cash in your pocket all year instead of waiting until spring.

  Result: *Increasing your take-home pay by $50 per month can be used to pay down credit card debt or reduce the principal on your mortgage.*

- **Increase retirement contributions.** Contributing to a traditional retirement account helps you save for retirement while reducing your current tax bill.

  Result: *Contributing an extra $100 per month means you've added $6,000 to your retirement savings after five years, before any investment growth.*

- **Take advantage of HSAs or FSAs.** If eligible, an HSA lets you set aside pretax money for medical costs. Unused funds stay in your HSA for future expenses. An FSA works similarly, but generally must be used within the year.

  Result: *You pay more of your medical expenses with money the IRS never taxed.*

- **Open or fund a 529 college savings plan.** A 529 plan lets education savings grow tax-free, with qualifying withdrawals also free of tax. Many states also offer a tax deduction for contributions. Unused funds may be rolled into your child's Roth IRA, subject to restrictions.

  Result: *Contributing $100 per month adds $6,000 over five years before any investment growth.*

- **Maximize available tax credits.** Credits reduce your tax bill dollar for dollar, so don't overlook them. Child and dependent care credits may be available if you have children or care for an aging parent. If you have a child in college, education credits may offset costs you already have.

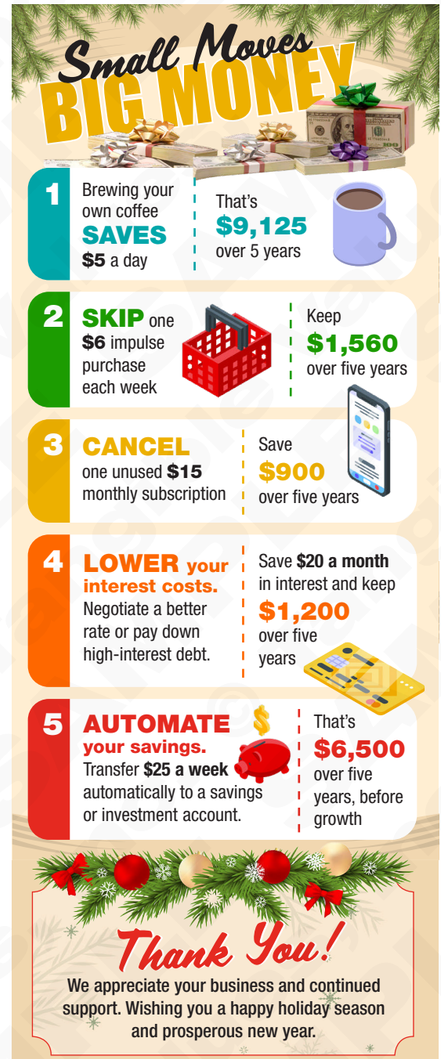
  Result: *A childcare credit worth $600 annually while your kids are young adds up to $3,000 over five years, saving money on expenses you were paying anyway.*

- **Review life changes annually.** Marriage, a new baby, or a child heading to college can shift what you owe or which tax breaks you can claim. The tax implications of these can be easy to miss in a busy year. A quick annual review catches new credits or a needed withholding change while there's still time to act.

  Result: *Catching one missed credit can be worth hundreds or thousands of dollars over the years.* ♦

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Rethinking your EMERGENCY FUND



We're told to build an emergency fund for life's unexpected expenses. But the word *unexpected* can cover a lot of financial territory.

Instead of treating every financial surprise the same way, consider dividing your emergency savings into three categories, each with a different purpose.

Category #1: Replacing Your Income

Losing your job or experiencing an extended interruption in income can quickly put pressure on household finances. Having enough savings to cover your regular expenses can provide some breathing room while you get back on your feet.

- **Step 1:** Identify your essential monthly expenses, including housing, utilities, groceries, insurance and debt payments.
- **Step 2:** Calculate how much money you would need to cover these expenses for three months and six months.

These figures provide concrete savings targets rather than relying on a vague rule of thumb.

Category #2: Planning for Major Replacements

Some expenses are unpredictable in timing but predictable in existence. Cars eventually need replacing, appliances wear out, and certain medical or dental procedures can be anticipated well in advance.

- **Step 1:** Identify large, anticipated expenses, such as replacing a vehicle, purchasing new appliances or undergoing dental work. Estimate the cost and timing of each.
- **Step 2:** Build enough savings to cover at least one or two of these expenses, then continue adding to your reserves.

> **"The goal isn't to accumulate enough money to cover every imaginable catastrophe. Instead, work toward having sufficient savings to handle one or two significant emergencies..."**

Even relatively small monthly contributions can help prevent these expenses from competing with other financial priorities.

Category #3: Preparing for the Great Unknown

Even the best financial plan can't anticipate everything. Consider some of the unexpected emergencies that could affect your household:

- A pet requiring emergency veterinary care.
- A broken leg, damaged teeth or another unexpected medical expense.
- Major repairs involving your vehicle, furnace or plumbing.

Start by estimating what each emergency might cost. The goal isn't to accumulate enough money to cover every imaginable catastrophe. Instead, work toward having sufficient savings to handle one or two significant emergencies without taking on debt or disrupting your regular budget.

Sometimes the best emergency plan isn't predicting the emergency. It's making sure the money is ready before you know what it will need to replace. By giving different kinds of financial surprises their own place in your savings plan, the next unexpected expense may feel a little less like an emergency. ♦

IRS UPDATE

A quick review could put more money in your paycheck

Now is a good time to ensure the right amount of federal income tax is being withheld from your paycheck heading into 2027. Changes in your income, family circumstances, or tax situation during 2026 could mean your current withholding no longer matches what you'll owe in 2027.

Having too much withheld means you're giving the government an interest-free loan instead of keeping that money throughout the year. Having too little withheld could leave you facing an unexpected tax bill. If an adjustment is needed, you can submit an updated Form W-4 to your employer to change how much federal income tax is withheld from future paychecks.

Amount of income subject to Social Security taxes increases by 4.2%

The maximum amount of Social Security taxes you'll have to pay in 2027 is $11,923, a jump of 4.2% from the $11,439 maximum amount in 2026, the Social Security Administration announced in its annual cost-of-living increase report. The amount of taxable earned income subject to the 6.2% Social Security tax rate (12.4% for self-employed) is $192,300 in 2027, up from $184,500 in 2026.

Social Security retirement benefits will increase by 3.6% in 2027. The estimated average monthly retirement benefit will rise by approximately $75, from $2,095, before the adjustment to $2,170 beginning in January 2027.

Interest rates remain the same for fourth quarter of 2026

Interest rates for the fourth quarter in 2026 are unchanged compared to last quarter. These rates include: 7% for overpayments (6% for corporations); 4.5% for the portion of a corporate overpayment over $10,000; 7% for underpayments and 9% for large corporation underpayments.

TAX CALENDAR

January 15, 2027

- Due date for the fourth installment of 2026 individual estimated tax.

What's new for 2026

Here are several important tax law changes worth knowing about before filing your 2026 return:

- **New charitable contribution deductions.** Even if you take the standard deduction, you can now deduct up to $1,000 in qualifying cash donations, or $2,000 if married filing jointly. If you itemize, charitable deductions are generally limited to contributions exceeding 0.5% of your adjusted gross income (AGI). Taxpayers in the highest bracket also face a 35% cap on the tax benefit of itemized deductions.
- **Expanding 529 education savings benefits.** Families can now withdraw up to $20,000 annually per beneficiary for qualifying K–12 education expenses, double the previous $10,000 limit. Additional educational expenses also qualify for tax-free withdrawals.
- **New Trump Accounts for children.** Eligible children born between 2025 and 2028 can receive a one-time $1,000 federal contribution to a new tax-advantaged savings account. Families and other eligible contributors can generally add up to $5,000 annually.
- **Increasing dependent care benefits.** If your employer offers dependent care benefits, you can now set aside up to $7,500 tax-free for qualifying expenses, up from $5,000. The Child and Dependent Care Credit also becomes more generous, with the maximum credit rate increasing from 35% to 50%, depending on income.
- **Expanding health savings account eligibility.** Certain bronze and catastrophic health insurance plans now qualify for Health Savings Account (HSA) purposes. Qualifying direct primary care arrangements are also permitted without jeopardizing HSA eligibility.
- **New limits on gambling loss deductions.** Taxpayers can deduct only 90% of otherwise eligible gambling losses, up to the amount of their winnings. This means you could owe taxes even if your gambling winnings and losses break even.
- **Additional tax breaks for educators.** Eligible teachers and other educators who itemize can now deduct additional qualifying unreimbursed classroom expenses in addition to the $350 limit that applies to the separate educator expense deduction. The same expenses cannot be deducted twice.
- **New Roth catch-up contribution requirements.** If you're age 50 or older and earned more than $150,000 from your employer in the previous year, catch-up contributions to your employer-sponsored retirement plan generally must be made on an after-tax basis (similar to Roth IRAs). This change comes from the SECURE 2.0 Act.
- **Additional cryptocurrency reporting.** Cryptocurrency brokers must now report cost basis for certain covered digital asset transactions on Form 1099-DA, making it easier for taxpayers and the IRS to track gains and losses. The reporting requirements stem from legislation passed in 2021.
- **Higher estate and gift tax exemption.** The federal estate and gift tax exemption increases to $15 million per person, or $30 million for married couples, giving families more flexibility to transfer wealth without triggering federal estate or gift taxes. ♦

Income Brackets for 2027 Tax Rates

TAX RATE	SINGLE	MARRIED FILING JOINT/WIDOW	HEAD OF HOUSEHOLD	MARRIED FILING SEPARATE
10%	$1 – 12,800	$1 – 25,600	$1 – 18,250	$1 – 12,800
12%	12,801 – 52,025	25,601 – 104,050	18,251 – 69,650	12,801 – 52,025
22%	52,026 – 109,125	104,051 – 218,250	69,651 – 109,100	52,026 – 109,125
24%	109,126 – 208,325	218,251 – 416,650	109,101 – 208,300	109,126 – 208,325
32%	208,326 – 264,550	416,651 – 529,100	208,301 – 264,550	208,326 – 264,550
35%	264,551 – 661,375	529,101 – 793,650	264,551 – 661,350	264,551 – 396,825
37%	Over $661,375	Over $793,650	Over $661,350	Over $396,825

Standard Deductions

ITEM	2027	2026	CHANGE
Single	$16,600	$16,100	+$500
Married Joint/Widow	33,200	32,200	+$1,000
Head of Household	24,925	24,150	+$775
Married Filing Separate	16,600	16,100	+$500
Elderly/Blind: Married	+$1,700	+$1,650	+$50
Elderly/Blind: Unmarried	+$2,100	+$2,050	+$50
Extra Deduction, Age 65+	+$6,000	+$6,000	—

Key Retirement Plan Limits

RETIREMENT PLAN	2027	2026	CHANGE	AGE 50+ CATCH-UP
401(k), 403(b), 457 plans	$25,500	$24,500	+$1,000	Add $8,500*
IRA: Roth	$7,500	$7,500	—	Add $1,100
IRA: SIMPLE	$17,500	$17,000	+$500	Add $4,000**
IRA: Traditional	$7,500	$7,500	—	Add $1,100

** A higher catch-up contribution limit of $11,750 applies for taxpayers ages 60 to 63.*
*** Employees of eligible small businesses can contribute up to $19,100, with an age 50+ catch-up limit of $3,850 ($5,250 for ages 60-63).*

Maximum Earned Income Tax Credit

# OF CHILDREN	2027	2026	CHANGE
No Child	$685	$664	+$21
1 Child	4,573	4,427	+$146
2 Children	7,552	7,316	+$236
3+ Children	8,496	8,231	+$265

This newsletter is issued quarterly to provide you with an informative summary of current business, financial and tax planning news and opportunities. 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 easily summarized. For details and guidance in applying the tax rules to your individual circumstances, please contact us.