TaxUpdate

2026 TAX TIPS NEWSLETTER

Tips to Leverage New Trump Accounts

It's worth understanding how this new tax-advantaged account works and whether it fits your family's goals. Here are some tips.

TIP 1 Know the basics. Deposit up to $5,000 per year for the benefit of a child under age 18. With few exceptions, the funds MUST stay in the account until January 1st of the year of the child's 18th birthday. An eligible investment is generally a mutual fund or exchange traded fund (ETF) that tracks an index of primarily U.S. companies.

TIP 2 Coordinate who opens the account. Each child may only have one account. The priority on who can open the account is: legal guardians, then parents, then adult siblings, then grandparents.

TIP 3 Plan for the rollover. At age 18 the funds are then to be rolled over or distributed. Distributions are treated similar to a traditional IRA.

TIP 4 Open the account now, as added benefits may be coming. Here are examples:

- **$1,000 deposit for births** between 12/31/25 – 12/31/28.
- **Employers can contribute** up to $2,500 per year to the accounts. These contributions will not add to the employee's taxable wages.
- **$250 in free money to children.** 25 million children ages 10 and under will receive a $250 gift courtesy of Micheal and Susan Dell of Dell Computers.

TIP 5 OPEN IT NOW. Use IRS Form 4547 or visit *www.trumpaccounts.gov* to open an account.

Tips to Lower Your Tax Obligation

Now is a good time to review your tax situation and identify planning opportunities for 2026. Here are five tips.

TIP 1 Review your taxable income and the amount of withholdings you've sent to Uncle Sam so far this year. How do the numbers compare to last year? Based on your analysis, adjust your paycheck withholdings or make estimated tax payments during the balance of the year to avoid underpayment penalties or a surprise tax bill. Remember to pay special attention if:

- You have tip income
- You have overtime income
- You or your spouse is eligible for the senior deduction

TIP 2 Build up your retirement accounts. Increase your retirement savings during the remainder of the year. For instance, if you have a 401(k) plan at work, you can defer up to $24,500 of salary in 2026, plus an extra $8,000 if you're either age 50 to 59 or 64 and over ($11,250 for ages 60 to 63).

TIP 3 Fully leverage your tax bracket. The U.S. tax code is progressive in nature, meaning the next dollar you earn could be taxed at a different rate, depending on where your earnings are. Here's how to use this:

- **Pulling money from tax-deferred retirement accounts.** Set the amount just short of the next highest tax rate.
- **Leverage your child's kiddie tax rate.** The first $1,350 of unearned income is tax-free and the next $1,350 is taxed at the child's lower tax rate.
- **Know when your Social Security benefits can become taxable** and monitor your income accordingly.

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TIP 4 Understand and leverage capital gains tax rates to your advantage. Remember, short-term capital gains are taxed as ordinary income, while long-term gains (assets held more than one year) have special, lower tax rates. Consider the following strategies, if possible:

- Take $3,000 in losses every year.
- Offset (net) short-term gains against losses whenever possible.
- Leverage special capital gains exclusions for the sale of your primary home.

TIP 5 Plan taxable events. It's easy to overlook one-time events that will have an impact on your 2026 tax liability. Perhaps you changed jobs, no longer qualified to claim a child as a dependent, or got married. Each of these events can create a change to your tax obligation. Review your records now to avoid any unpleasant tax surprises later.

Call now if you'd like a review of your tax situation. It's better to be prepared than surprised when it comes to managing your tax obligation.

Tax Tip: A Gift of Stock

You own some stock that has increased in value. To avoid a possible taxable gain by selling the stock, consider giving it directly to a child or grandchild. This simple idea has some interesting tax consequences to consider.

Value of the gift

When you gift stock, there are two values to consider:

- ❑ **Gift value.** This is the market value of the stock at the time of your gift. Since there's a possible gift tax to you if the value of all gifts given by you to a person during the year is $19,000 or more ($38,000 for a married couple), you'll need to calculate this value prior to finalizing your decision to provide the gift.
- ❑ **Value (basis) of the stock.** Determine your cost basis for the shares, including the original purchase price and any brokerage fees or commissions. Also record the purchase date(s) of the shares. Provide this information to the recipient, as they may need it when they eventually sell the stock.

Provide important information

- ❑ **Basis is key.** Those receiving your direct gift of stock are not required to sell it. But when they do, they will need to know:
  - The original cost of the stock and when it was purchased.
  - The date and fair market value of the stock when it was given.
- ❑ **Timing is important.** If the recipient sells the gifted stock immediately, the tax treatment depends on how long you owned the shares before making the gift. If you held it longer than one year, it generally qualifies for long-term capital gains treatment based on your original purchase date.

The benefits

- ❑ **No immediate taxes.** Gifts of stock allow you to avoid paying capital gains tax on the ownership transfer. As long as annual gift amounts to one person are less than the gift limits, there is no tax consequence.
- ❑ **Lower taxes.** In addition, the future sale of the stock could result in lower taxes as long-term capital gains tax rates can be as low as 0% or as high as 20%. Short-term capital gains tax rates can be as high as 37%. Assuming your child or grandchild has lower income than you, the resulting sale creates potential tax savings. Care must be taken if the gain is high, as kiddie tax rules could create a tax bite at the parents' tax rate.
- ❑ **Kiddie tax benefit.** Future dividend income may be taxed at the recipient's lower tax rate. When the recipient is a child, this strategy can also provide tax savings, although the kiddie tax rules may limit how much investment income qualifies for favorable treatment ($1,350 of unearned income is tax-free with the next $1,350 taxed at the child's tax rate).
- ❑ **Gift to anyone.** Your gift can be provided to anyone you wish, not just a relative.

Some wrinkles

- ❑ **If your stock has declined in value,** it is often better to sell it yourself and claim the capital loss.
- ❑ **It is no longer your property.** Once you gift stock, it belongs to the person who receives it. For example, stock owned by a grandchild could become part of a parent's divorce or another legal dispute.
- ❑ **This property could impact future aid.** The gift's value could affect how much federal financial aid your child qualifies to receive.

A well-planned gift can provide valuable tax benefits, but mistakes can lead to unexpected tax costs.

Social Security Tips for EVERYONE!

Although you won't become eligible for Social Security until your 60s, there's a lot you can do to prepare before then. Here's a rundown of steps you can take:

- ✔ **In your 20s:** In the event Social Security won't be around when you retire, the smart move is to build up retirement savings on your own, such as by participating in a 401(k) or other qualified plan at work. Then if it's still around, Social Security benefits will be a pleasant surprise when you retire.
- ✔ **In your 30s:** As you continue making retirement contributions, begin checking on your Social Security wage history. Go to the Social Security Administration (SSA) website to set up and review your account. Benefits will eventually be based on your work history, so make sure your wages are being reported correctly and report any errors you find.
- ✔ **In your 40s:** Your peak earning years often occur during this stage of life. Because Social Security benefits are based on your highest 35 years of earnings, replacing lower-earning years with higher-earning years can increase your future benefit.
- ✔ **In your 50s:** Choose a target retirement date, even if it changes over time. This gives you a benchmark for estimating whether your savings, Social Security benefits, and other income will support your retirement goals. Also review your Social Security earnings record and update your projections regularly so you have time to make adjustments if needed. If you wait until your 60s to begin this planning process, it may be too late.
- ✔ **In your 60s:** Decide whether you want to begin taking benefits at age 62 (the earliest age), age 67 (the current full retirement age), age 70 (to maximize your monthly check), or somewhere in between. Waiting longer generally increases your monthly benefit, but factors such as your health, retirement income, required minimum distributions, and taxes should all be part of the decision. Remember that up to 85% of your Social Security benefits may be taxable at the federal level, so it's worth starting to plan now!

This publication provides summary information regarding the subject matter at time of printing. Please call with any questions on how this information may impact your situation.