

CLIENT UPDATE

PRACTICAL TAX & FINANCIAL ADVICE

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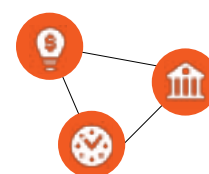
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CLIENT UPDATE

W I N T E R 2 0 2 5



Tax wisdom to help lower your tax bill



Here are several bits of tax wisdom that can help you lower your bill to the IRS.

● **Phaseouts matter.** A lot of tax breaks, such as child tax credits, tax benefits for college costs, or the new senior deduction, phase out slowly as your income rises. This means earning a bit more could quietly cost you some of these benefits.

What you can do: Keep an eye on how much income you're showing on paper and how it will impact these phaseouts.

● **Itemized deductions going the way of the dinosaur. Not so fast!** Yes, the standard deduction is now higher than ever (\$31,500 for married couples, \$15,750 for singles in 2025), which makes itemizing less common. But with an increase of the state and local tax (SALT) deduction from \$10,000 to \$40,000, you may be shifting back to itemizing your deductions without realizing it.

What you can do: Add up your potential itemized deductions to see how close you are to being able to itemize. Consider bunching charitable contributions or property taxes into one year to clear the standard deduction hurdle.

● **Timing is everything.** If you sell assets held longer than a year, you'll likely qualify for long-term capital gains rates (0%, 15%, or 20%). But miss that time by

even a day and you could pay ordinary income rates, which can be nearly double.

What you can do: If possible, hold investments that are profitable for at least one year and a day before selling to qualify for lower tax rates.

● **Understand the Qualified Business Income deduction.** If you're a small business owner, self-employed, or even a gig worker, you may be eligible for a 20% deduction on your qualified business income.

What you can do: Review how your business is structured and how much income you're reporting. You may be able to reduce taxable income through retirement contributions, shifting income between years, or reclassifying your business activities.

● **Tax-deferred is not tax-free.**

Traditional 401(k)s and IRAs offer tax deferral, not tax elimination. When you withdraw funds in retirement, you'll pay ordinary income tax on the distributions. If you expect to be in a high tax bracket in retirement, it may be a better idea to contribute to a Roth account now and pay taxes up front.

What you can do: Schedule a planning session to discuss whether diversifying your retirement accounts between traditional and Roth makes sense for your situation. ♦

TIPS TO AVOID IDENTITY THEFT THIS TAX SEASON

WATCH FOR PHISHY MESSAGES

Ignore emails, texts, or calls that claim to be from the IRS, as they initiate contact through the mail.

SHRED BEFORE YOU TOSS

Destroy old tax forms, bank statements, and receipts to keep personal data out of the wrong hands.

FILE EARLY, WORRY LESS

Submit your tax return early to reduce the window of opportunity for scammers to file in your name.

PROTECT YOUR DIGITAL ACCESS

Use secure passwords and turn on multi-factor authentication.



THANK YOU!

We appreciate your business and continued support. Wishing you a happy holiday season and prosperous new year.

Beyond your credit score: What really reflects your financial health

A credit score is often treated like a financial grade. It's the number people look at when you are applying for a loan, renting an apartment, or even getting a job. But while it's important in certain situations, it doesn't tell the full story of your financial health.



What a credit score really measures

Your credit score is primarily designed to help lenders assess how likely you are to repay borrowed money. It looks at factors like your payment history, credit utilization, length of credit history, types of credit, and recent credit inquiries. In other words, it's a tool for measuring how you manage debt, not how you manage money overall.

You can have an excellent credit score and still struggle financially. You can also have a lower credit score and be in a strong financial position because you avoid using credit altogether.

What really matters for financial health

If your goal is long-term financial stability and peace of mind, there are more meaningful metrics than your credit score. Here's what you should pay attention to:

✓ **Cash flow mastery.** This is the foundation of your finances. Are you consistently spending less than you earn? Positive cash flow gives you the flexibility to save, invest, and plan for the future. Even if your income isn't high, managing it wisely can make a big difference.

✓ **Emergency readiness.** An emergency fund helps protect you from unexpected events such as a job loss, medical expenses, and home repairs. Having three to six months of living expenses saved can prevent you from going into debt during a crisis.

✓ **Debt load and structure.** How much you owe, and what kind of debt it is, plays a major role in your financial health. High-interest consumer debt, such as credit card balances, can be a major drain. On the other hand, low-interest, long-term debt (like a mortgage or student loan) may be more manageable.

✓ **Savings and investments.** Building wealth takes time and consistency. Regular saving, even in small amounts, can have a big impact.

✓ **Financial knowledge.** Understanding how your money works is essential, such as knowing how interest compounds, how taxes affect your income, and knowing how to set financial goals. You don't need to be an expert, but increasing your financial literacy over time helps you make smarter financial decisions.

✓ **Confidence around money.** Financial health isn't just about numbers. It's also about how you feel. You might have a great credit score but still feel anxious every time you check your bank account. Feeling stable and secure is a sign that your financial system is working for you.

Your credit score is just one small piece of the puzzle. It matters when you're borrowing money, but it's not a full measure of how well you're doing financially. Treat it like a tool – useful in the right context, but not the final word. ♦

✓ Ideas to graduate with **ZERO** students loans! 2026

A growing number of students are saying no to paying for higher education with student loans. Here are some ideas to join the growing number of students graduating debt-free, often by using unconventional approaches.

■ **The gap year that pays off.** Students taking a gap year can earn a steady income, build savings, and gain valuable work experience before stepping onto a campus. Spending a year or two in the workforce can also provide insights on future career paths.

Potential tradeoffs: Taking time away from academics can make it harder for some to get back into a rhythm of rigorous coursework. Some students risk losing academic momentum altogether. A delayed start also means graduating later, which can postpone entry into certain careers.

■ **Beating the clock: Accelerated and AP credit.** Students may be able to enter college with a head start, sometimes as a sophomore instead of a freshman, by maximizing Advanced Placement (AP) courses or dual-enrollment credits while still in high school.

Potential tradeoffs: The pace of accelerated education can be demanding. Students often carry heavier course loads, enroll in summer or winter sessions, and have less flexibility for internships, study abroad, or part-time work.

■ **Serve before studying: Military service.** The Post-9/11 GI Bill not only covers in-state public tuition or contributes toward private schools, but also provides housing stipends, book allowances, and even the option to transfer unused benefits to a spouse or child. Active-duty personnel and reservists can also qualify for other tuition assistance programs that cover college courses taken during service.

Potential tradeoffs: Enlistment requires several years of service, during which you may face deployments, relocations, and the demands of military life.

■ **Work study & paid internships.** Finding a job while in school not only reduces the need for loans, if handled right it could also be your entry into a great job after graduation.

Potential tradeoffs: The extra workload is not for the faint of heart and requires discipline.

■ **Employer-sponsored degrees.** More companies are offering tuition assistance or direct sponsorship for employees pursuing degrees or certifications as the competition for talent increases. Some companies also partner directly with universities or online programs, creating a simple pathway for workers to earn degrees in fields related to their jobs. Many employers now extend these opportunities beyond management, also offering assistance to front-line workers in retail, hospitality, healthcare, and manufacturing.

Potential tradeoffs: Balancing work and study can be challenging, often stretching degree timelines to five or more years. Some programs require employees to remain with the company for a set period after graduation, tying educational opportunities to job loyalty.

While student loans remain the norm for many, the rise of debt-free graduates shows that alternatives do exist. These paths may be unconventional, but they show that a college degree or technical certification doesn't have to mean decades of repayment. ♦

IRS UPDATE

Taxpayers encouraged to look at paycheck withholding heading into 2026

The IRS reminds taxpayers that late 2025 and early 2026 is a great time to look at your paycheck's tax withholding amounts. Various life events in the preceding 12 months can potentially lead to a taxpayer owing a different amount of taxes in 2026 than they owed in 2025.

Taking a fresh look at your withholdings can determine if you have too much withheld and whether an adjustment would put more cash in your pocket. If not enough is being withheld, it could lead to an unexpected tax bill when filing your tax return.

Max amount of Social Security taxes you'll have to pay spikes due to inflation

The maximum amount of Social Security taxes you'll have to pay in 2026 is \$11,439.00, a jump of 4.8% from the \$10,918.20 maximum amount in 2025, 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 \$184,500 in 2026, up from \$176,100 in 2025.

Social Security benefits will also be increasing by about 2.8%. Average retirement benefits starting January 2026 is \$2,071 per month, up from \$1,976 per month in 2025.

Interest rates remain the same for fourth quarter of 2025

Interest rates for the fourth quarter of 2025 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, 2026

- Due date for the fourth installment of 2025 individual estimated tax.

GETTING READY: THIS YEAR & NEXT!

Plenty of tax changes are lining up as the calendar turns toward 2026, and knowing what's coming can help you stay a step ahead. Before then, there's also several moves to make filing your 2025 tax return as easy as possible.

GET READY TO FILE YOUR 2025 RETURN

► **Support deductions for no tax on tips and no tax on overtime.** Review the approved occupations for qualified tips and confirm the amount of this benefit long before you receive documentation from your employer. The same holds true for overtime pay. Employers are not required to issue W-2s or 1099s with this breakout in 2025, so you'll need to ensure the reporting you do receive is accurate and defensible.

► **Be prepared to receive the new Form 1099-DA.** Starting with the 2025 tax year, exchanges and brokers must report certain cryptocurrency and digital asset transactions, so you should track cost basis, sale dates, and wallets used to avoid mismatches or questions

from the IRS.

► **You may receive a Form 1099-K in error.** You shouldn't see a Form 1099-K from a payment processor such as PayPal or Venmo unless you've received more than \$20,000 in payments from a processor along with the dual requirement of having recorded 200 or more transactions. You may still, however, receive a Form 1099-K in error. If you receive one, don't throw it away! Include it with your other tax documents for proper reporting on your 2025 tax return.

► **Review IRA and HSA accounts.** If you have an IRA or HSA account, you can make 2025 contributions up until either April 15, 2026 or the date you file your return, whichever is earlier.

WHAT'S NEW IN 2026

► **Above-the-line charitable contributions.** You can deduct \$1,000 of charitable contributions if single or \$2,000 if filing jointly. This is available to you whether you use the standard deduction or itemize your deductions. There is also the introduction of a 0.5% floor for

itemizing charitable contributions.

► **Itemized deduction phaseout returns.** If you're in the top 37% tax bracket, your itemized deductions could be reduced. This phaseout of deductions is being re-introduced beginning in 2026.

► **Gamblers take a loss.** Losses from wagering transactions are now limited to 90% of such losses. Under the previous law you could claim deductions up to the amount of your winnings. For example, if you won \$10,000 and incurred \$15,000 in losses over the course of a tax year, you could deduct \$10,000 using the previous law. Under the new law you can only deduct 90% of your losses, or \$9,000 in this example.

► **Mortgage insurance premiums** can be reported as an itemized deduction.

► **Elimination of many energy credits.** This includes the credit for purchasing electric vehicles after September 30, 2025 and elimination of many residential energy efficient purchase credits at the end of 2025. So plan accordingly. ♦

INCOME BRACKETS FOR 2026 TAX RATES

TAX RATE	SINGLE	MARRIED FILING JOINT/WIDOW	HEAD OF HOUSEHOLD	MARRIED FILING SEPARATE
10%	\$1 – 12,400	\$1 – 24,800	\$1 – 17,700	\$1 – 12,400
12%	12,401 – 50,400	24,801 – 100,800	17,701 – 67,450	12,401 – 50,400
22%	50,401 – 105,700	100,801 – 211,400	64,451 – 105,700	50,401 – 105,700
24%	105,701 – 201,775	211,401 – 403,550	105,701 – 201,750	105,701 – 201,775
32%	201,776 – 256,225	403,551 – 512,450	201,751 – 256,200	201,776 – 256,225
35%	256,226 – 640,600	512,451 – 768,700	256,201 – 640,600	256,226 – 384,350
37%	Over \$640,600	Over \$768,700	Over \$640,600	Over \$384,350

STANDARD DEDUCTIONS

ITEM	2026	2025	CHANGE
Single	\$16,100	\$15,750	+\$350
Married Joint/Widow	32,200	31,500	+\$700
Head of Household	24,150	23,625	+\$525
Married Filing Separate	16,100	15,750	+\$350
Elderly/Blind: Married	+\$1,650	+\$1,600	+\$50
Elderly/Blind: Unmarried	+\$2,050	+\$2,000	+\$50
Extra Deduction, Age 65+	+\$6,000	+\$6,000	—

KEY RETIREMENT PLAN LIMITS

RETIREMENT PLAN	2026	2025	CHANGE	AGE 50+ CATCH-UP
401(k), 403(b), 457 plans	\$24,500	\$23,500	+ \$1,000	Add \$8,000*
IRA: Roth	\$7,500	\$7,000	+ \$500	Add \$1,100
IRA: SIMPLE	\$17,000	\$16,500	+ \$500	Add \$4,000**
IRA: Traditional	\$7,500	\$7,000	+ \$500	Add \$1,100

* A higher catch-up contribution limit of \$11,250 applies for taxpayers ages 60 to 63.
** Employees of eligible small businesses can contribute up to \$18,100, with an age 50+ catch-up limit of \$3,850 (\$5,250 for ages 60-63).

MAXIMUM EARNED INCOME TAX CREDIT

# OF CHILDREN	2026	2025	CHANGE
No Child	\$664	\$649	+\$15
1 Child	4,427	4,328	+\$99
2 Children	7,316	7,152	+\$164
3+ Children	8,231	8,046	+\$185

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.