



## Year-End Tax-Planning Tips and Traps

Tax planning can help clients hold onto more of what they earn. Without proactive strategies, taxes can quietly chip away at everything they've worked hard to build. How can you transform complex tax rules into powerful planning tools instead of costly traps?

Tax planning is a powerful tool that is vital to help protect and grow client wealth. Strategic planning can help reduce liabilities, preserve earnings, and align financial decisions with long-term goals. With tax laws constantly evolving, staying informed about new legislation can uncover opportunities to enhance planning strategies. Before we jump into some tips and a potential trap, here is a quick reminder about new legislation signed into law on July 4, 2025.

The One Big Beautiful Bill Act (OBBBA) locks in many tax breaks from the 2017 Tax Cuts and Jobs Act (TCJA) for individuals and businesses, creating fresh planning opportunities. While labeled "permanent," these provisions still can change with future administrations—making proactive tax strategies essential.

### Three Tips:

**1. Charitable Contributions:** Starting in 2026, the OBBBA allows taxpayers to deduct charitable contributions regardless of whether they itemize. In the past, only itemizers could benefit. Now, non-itemizers can claim up to \$1,000 (single) or \$2,000 (married filing jointly) for qualified cash gifts. This is a major shift.

The OBBBA also preserved the higher standard deduction. More than 90% of taxpayers do not itemize, so this new provision opens the door for millions of charitably inclined taxpayers to reduce their taxable income and could make for a powerful planning tool for next year. Note that the deduction is subject to phaseouts for high-income clients. Careful coordination with the client's tax professional is essential to optimize the strategy, particularly in years when substantial charitable contributions are made.

**2. Filling Up the Bracket:** Year-end tax planning is an opportunity to revisit past strategies and identify new ones before December 31st. Reviewing taxable income is a key step in determining whether clients will remain within their current brackets.

If there's room before moving into the next bracket, a Roth conversion can be a smart way to "fill" that space. By converting just enough, clients can take advantage of future tax-free qualified distributions without triggering a higher tax rate.

As always, coordination with the client's tax advisor is essential to ensure the strategy fits their broader financial plan.

**3. Tax-Deferred Annuities:** Tax deferral is a powerful strategy worth highlighting during year-end planning. If clients' taxable accounts are pushing them toward higher tax brackets, now is the ideal time to review and potentially restructure their portfolios. Annuities—though they come with additional costs—offer optional benefits that can support guaranteed income or legacy planning. With a wide variety of options, including fixed, variable, indexed, and registered index-linked annuities, advisors can align strategies closely with each client's goals.

### Look for Traps: Know the OBBBA Limits

While non-itemizers now can claim deductions for charitable contributions, it's crucial to understand the applicable limits and requirements. Overestimating the deduction or misapplying the rules could result in reporting errors or even the need for amended returns. Carefully review the type of contributions, timing, and limits to ensure clients receive the intended tax benefit.

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Another important consideration when planning Roth conversions and managing tax brackets is the phaseout of the new senior deduction under the OBBBA. Beginning in 2025, clients age 65 and older receive an additional \$6,000 deduction (\$12,000 for married couples both age 65+). However, this benefit begins to phase out at \$75,000 of Modified Adjusted Gross Income (MAGI) for single filers and \$150,000 for those married filing jointly. Since the deduction is only available through 2028, it's critical to factor this into conversion strategies to ensure eligible clients can capture the full benefit while it lasts.

### Year-End Tax Planning Presents a Unique Opportunity

Take this time to add real value for your clients. By leveraging charitable deductions, Roth conversions, and tax-deferred annuities, you can help clients reduce taxable income, optimize growth, and plan strategically for the future. But careful coordination is key; understanding limits, timing, and cumulative effects ensures that these powerful tools work as intended. Proactive, thoughtful planning can transform complex tax rules from potential pitfalls into meaningful opportunities for client success.

### ACTIONS YOU CAN TAKE RIGHT NOW

- Identify charitably inclined clients who may be able to adjust their 2026 income.
- Identify clients with room to fill the bracket to optimize Roth conversions.
- Evaluate whether deferral or other options can help clients achieve their goals.

### Additional Resources and Links

[One Big Beautiful Bill Act: Key Provisions](#)

[The One Big Beautiful Bill Act \(OBBA\) on Social Security Taxes: A Deduction-Not a Repeal](#)

[Tax-Deferred Annuities-Three Tips and a Trap](#)

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