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2025 Year-End Tax Planning: Strategic Moves for Wealth Preservation

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As we approach the close of 2025, high-net-worth individuals and families have a unique opportunity to optimize their financial position through proactive tax planning. With significant legislative changes on the horizon and evolving IRS guidance, now is the time to take a strategic look at your income, investments, estate and charitable giving.

Key Planning Areas to Consider

1

Filing Status and Dependents

Evaluate your filing status — especially if you're newly married or supporting dependents. Joint filing may offer tax advantages, but in some cases, separate filing could reduce your liability. If multiple parties support a dependent, coordinate to ensure one person qualifies to claim them and unlock associated tax benefits.

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Family Wealth Strategies

- **Income Shifting:** Consider transferring income-producing assets to family members in lower tax brackets. Be mindful of the **kiddie tax**, which applies to unearned income over \$2,700 for certain minors.
- **Gifting:** Use the **\$19,000 annual gift tax exclusion** to transfer appreciating assets tax-free.
- **Education Credits:** Maximize the **American Opportunity** and **Lifetime Learning** credits by timing tuition payments strategically.

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Employee and Self-Employed Planning

- Delay billing or bonuses to defer income.
- Consider using **installment sales** to spread capital gains.

- Adjust withholding and pay Q4 estimates by **January 15, 2026**.
- Spend down **FSA balances** before year-end to avoid forfeiture.

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Business Optimization

- Accelerate deductible expenses.
- Leverage **Section 179** and **bonus depreciation** for equipment purchases.
- Maximize retirement plan contributions before December 31.

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Investment Management

- Prioritize long-term capital gains.
- Offset gains with losses through **tax loss harvesting**.
- Consider selling low-gain assets to minimize taxable income.

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Real Estate Moves

- Consider paying property taxes and January mortgage in December to deduct expenses early.
- If selling your primary residence, ensure you meet the **2-out-of-5-year rule** to exclude up to **\$500,000** in gains if married filing jointly.
- Structure investment property sales as **installment sales** to defer taxes.

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Retirement Contributions

- IRA limits: **\$7,000** (or **\$8,000** if age 50+).
- 401(k) limit: **\$23,500**.
- **Catch-up contributions** for those 50 or older are changing in 2026 and must be made in a Roth 401(k) for earners who made more than \$145,000 the prior calendar year, according to the SECURE Act 2.0.
- HSA limits: **\$4,300 individual, \$8,550 family**.
- Take **required minimum distributions (RMDs)** if age 73+. Taxpayers can also satisfy their RMD by making a qualified charitable distribution (QCD). The 2025 QCD limit is \$108,000.

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Charitable Giving

- Donate appreciated stock to avoid capital gains.
- Consider creating a donor-advised fund for immediate tax deduction, even if the funds are distributed to specific charities later.
- Use credit cards for year-end donations to ensure deductibility.
- Starting in 2026, **non-itemizers** can deduct up to \$1,000 for single filers or \$2,000 for married couples filing jointly in cash donations to charity.

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Adoption and Medical Expenses

- Adoption credit: Up to **\$17,280** per child.
- Bunch medical expenses to exceed the **7.5% AGI threshold** for itemization.

Looking Ahead to 2026: Legislative Changes and Opportunities

Lifetime Exemption

The **gift and estate tax exemption** will be increased to \$15 million for the 2026 tax year. Consider using your exemption now to lock in the higher threshold and remove future appreciation from your estate.

New Individual Tax Breaks

- **Standard Deduction Increase:** Up to **\$31,500** for joint filers.
- **Senior Bonus Deduction:** Additional **\$6,000** for taxpayers 65+.
- **State and Local Property Taxes (SALT) Deduction Cap:** Raised to **\$40,000** in 2025.
- **Child Tax Credit:** Increased to **\$2,200**, with \$1,700 refundable.
- **Car Loan Interest Deduction:** Up to **\$10,000** for qualifying vehicles and it applies to eligible purchases between January 1, 2025, and December 31, 2028.

Crypto and Digital Assets

- New **Form 1099DA** for crypto transactions.
- Mandatory reporting of staking, mining and NFTs.
- Non-compliance is a major **IRS audit trigger**.

Business Provisions

- **QBI Deduction:** Made permanent.
- **Bonus Depreciation:** Restored to 100% for qualified property acquired after January 19, 2025.

- **Section 179:** Limit increased to **\$2.5 million**.
- **R&D Expensing:** Immediate deduction for domestic costs.
- **Opportunity Zones:** Permanently extended.

Reporting Thresholds

- **Form 1099-K:** Restored to \$20,000/200 transactions.
- **Form 1099:** Threshold raised to **\$2,000** starting in 2026.

Energy Credit Phaseouts

Many clean energy incentives — including EV and solar credits — will phase out between 2025 and 2027. Consider accelerating purchases to capture these benefits.

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