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 **TIAA** Wealth Management



**2026 YEAR-END
TAX PLANNING
GUIDE**

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Introduction

The TIAA Wealth Management 2026 Year-End Tax Planning Guide is a comprehensive resource to help you become more familiar with key aspects of the current federal tax laws that apply to individual taxpayers. The information in this guide will help you identify tax-saving strategies for the current filing year and prepare for upcoming tax seasons. Having a better grasp of tax laws and potential tax-saving strategies will assist you in making informed decisions aligned with your overall financial goals.

While this guide focuses on federal tax law, it's also important to understand the impact that state and municipal laws may have on your personal tax situation. You should consult with your legal and tax advisors to determine how the various tax laws affect your situation prior to taking any action.

An aerial photograph of a highway interchange. The highway has multiple lanes with white lane markings. On the right side of the highway, there is a green car. The embankments on either side of the highway are covered in green grass and have been reinforced with terraced concrete structures. The overall scene is a mix of natural greenery and man-made infrastructure.

I. One Big Beautiful Bill Act (OBBBA)

Lessons learned and
what's next

As we approach the close of another tax year, taxpayers find themselves in a meaningfully different landscape than the one they navigated just 12 months ago. The One Big Beautiful Bill Act (OBBBA), signed into law in July 2025, has reshaped significant portions of the federal tax code, extending and making permanent key provisions from the 2017 Tax Cuts and Jobs Act (TCJA) while introducing new deductions, credits, and planning opportunities of its own. For many taxpayers, 2026 marked the first full year living with these changes, whether through adjusted withholding, new deduction categories, or shifts in how certain income and expenses are treated.

I. One Big Beautiful Bill Act (OBBBA)

Rather than viewing this transition period as simply behind us, taxpayers and their advisors have a valuable opportunity to look back at how OBBBA's provisions played out this year and use those lessons to sharpen their approach heading into next year. Where did the new rules create unexpected tax liabilities? Where were planning opportunities missed because they weren't anticipated early enough? Which provisions phased in gradually and will have a larger impact going forward? These are the questions that separate reactive tax filing from proactive tax planning.

This guide is designed to help you translate last year's experience into this year's strategy. We'll walk through the OBBBA's core provisions as they now stand, highlight areas of key consideration, identify deductions and credits that may have been underutilized, and outline timing strategies—such as income deferral, accelerated deductions, retirement contributions, and charitable giving—that can help you make the most of the current rules.

The goal is straightforward: Use what we've learned this year to plan more deliberately for the next one, ensuring that the choices you make between now and December 31, and the strategies you set in motion for the year ahead, are grounded in a clear understanding of how the tax code actually works today.

Understanding the strategies discussed in this guide will better prepare you for discussions with your legal and tax advisors.

An aerial photograph of a wooden bridge spanning a river with white water rapids. A person wearing a bright yellow jacket and a white helmet is walking across the bridge. The surrounding landscape is rocky with some green and yellow foliage.

II. Planning with retirement assets

Effective tax planning includes ensuring you maximize funds saved for retirement, which can in turn help you meet your financial goals. If you're still working, that may mean maximizing contributions to your employer-sponsored retirement accounts. If you're already retired, that may include continuing to contribute to an individual retirement account (IRA) or considering conversion of traditional balances into tax-free Roth accounts. Traditional retirement plan balances generally grow tax deferred, meaning the contributions are only taxed when you withdraw the funds. With a Roth account, you're either contributing on an after-tax basis or prepaying the tax in the case of a conversion, allowing the funds and any appreciation to be withdrawn income tax free in retirement. As there are advantages to both pretax and after-tax retirement plans, you should discuss your situation with your legal and tax advisors prior to making traditional or Roth contributions or initiating a conversion. With the permanent extension of the lower individual income tax rates under the OBBBA, high-earning taxpayers may want to think about their future contributions and determine whether Roth contributions make sense.

1 | TRADITIONAL RETIREMENT PLAN CONTRIBUTIONS

The IRS sets limits on the amount each taxpayer can set aside pretax into a traditional IRA or employer-sponsored retirement plan. These contribution limits increase with inflation. In 2026, employees may contribute up to \$24,500 to an employer-sponsored retirement plan, such as a 403(b) or 401(k). Generally, these amounts are withheld from the employee’s paycheck before taxes, or they can be contributed in a single lump sum. Additional benefits are provided to employees as they near retirement age. For example, if you’re 50 or older, you can contribute an additional \$8,000 as a catch-up each year for \$32,500 in pretax retirement savings in 2026. Employees between the ages of 60 and 63 in the plan year are eligible for a “super catch-up” contribution of up to \$11,250 in 2026. Some employees who contribute to 403(b) plans and have at least 15 years of service with the plan-sponsoring employer may have additional catch-up contribution opportunities in the last three years prior to retirement. Additionally, depending on your employer, certain high earners may be eligible for additional pretax and after-tax retirement savings accounts such as 457(b) plans. Employees should check with their employers to make sure they’re maximizing their retirement contributions.

Annual IRA contributions are also limited, but the contribution amounts are smaller. In 2026, the annual contribution limit for traditional IRAs is \$7,500 per taxpayer, and, if you’re age 50 or older, you’re eligible for a catch-up contribution of an additional \$1,100. Contributions are allowed at any age, provided you have earned income.¹

Taxpayers can make contributions to a traditional IRA on a pretax or after-tax basis. Contributions to traditional IRAs may be deductible on your income tax return depending on your income and whether you’re covered by an employer-sponsored plan. If you (or both you and your spouse if you’re married) are not covered by an employer-sponsored plan, contributions to a traditional IRA are fully deductible. If you (or you and your spouse) are covered by an employer-sponsored retirement plan, whether the traditional IRA contribution is deductible depends on your modified adjusted gross income (MAGI). In 2026, the deductibility of a traditional IRA contribution is phased out between \$81,000 and \$91,000 of MAGI for a single taxpayer and between \$129,000 and \$149,000 for married taxpayers filing joint returns (or between \$242,000 and \$252,000 if one spouse doesn’t have access to an employer plan). You should keep careful track of any nondeductible contributions because they won’t be subject to income tax when withdrawn, whereas any deductible contributions and the growth on all contributions will be subject to ordinary income tax upon withdrawal.

Taxpayers eligible to contribute to simplified employee pension (SEP) IRAs have even greater limits. For SEP IRA owners, the annual contribution limits are the lesser of 25% of compensation (up to \$350,000) or \$72,000.

	Annual contribution	Age 50+ “catch-up”
Traditional and Roth IRAs	\$7,500	\$1,100
Employer-sponsored retirement plans	\$24,500	\$8,000

¹ If filing jointly, a nonworking spouse can open a traditional IRA if the married couple's combined contributions don't exceed \$15,000 (or \$17,200 if both spouses are age 50 or older).

2 | ROTH RETIREMENT PLAN CONTRIBUTIONS

While most retirement account contributions are made on a traditional or pretax basis, you may also have the option to make after-tax contributions to a Roth IRA or an employer-sponsored Roth 401(k) or 403(b) account. Annual Roth IRA and catch-up contributions are limited to the same amounts as traditional IRAs. The same is true for the contribution and catch-up limits for Roth 401(k) and 403(b) plans—they share the same limits as their traditional counterparts. Taxpayers should be aware that beginning this year, if an employer-sponsored plan allows for catch-up contributions, an employee earning more than \$150,000² (indexed for inflation) from the employer sponsoring the plan must make such contributions on an after-tax Roth basis. If the plan does not include a Roth option, catch-ups will not be available to impacted employees.³ Affected employees may wish to consult their tax advisors regarding this new catch-up rule.

Unlike traditional IRAs, not everyone with earned income can contribute to a Roth IRA. That's because Roth IRA contributions are limited to individuals earning less than specific income thresholds. In 2026, the ability to contribute to a Roth IRA phases out if you're a single taxpayer with MAGI between \$153,000 and \$168,000, and if you're married filing jointly, the phaseout applies between \$242,000 and \$252,000. Additionally, you must have earned income of at least the amount being contributed to the Roth IRA to make the contribution. These income thresholds don't apply to Roth contributions to an employer-sponsored plan.

² Limitation is applicable to Federal Insurance Contributions Act (FICA) wages for 2025. Notice 2023-62

³ IRS Notice 2023-62

3 | ROTH CONVERSIONS

While contributions to a Roth IRA are limited to taxpayers below these income thresholds, there are no income limitations for Roth conversions. In a Roth conversion, the taxpayer elects to take traditional retirement funds and convert them to a Roth account by paying the income tax on the converted amount in the year of the conversion. Conventional wisdom holds that it makes sense to convert traditional retirement balances to Roth accounts if you believe you're in a lower tax bracket in the year of conversion than you will be in the future when the traditional funds are being withdrawn, with the goal being to pay the lowest tax possible. Often, taxpayers elect to convert an amount to fill up their current marginal income tax bracket but avoid spilling into the next marginal bracket. Taxpayers who are already in active required minimum distribution (RMD) status must take their RMD due in the year of conversion before executing a Roth conversion. For taxpayers who retire prior to RMD age, Roth conversions may make sense while your income is lower in the years between retirement and when RMDs begin. But the exact amount and timing of a conversion will be different for each person, depending on your specific situation. You should consult with your financial and tax advisors to determine if a Roth conversion makes sense for you.

Many Roth accounts are earmarked for legacy, so another consideration is your current tax rate compared with the future tax rate of your intended beneficiary. As a general rule, someone, either you or your beneficiary, is going to be required to pay ordinary income tax on the withdrawals taken from your traditional retirement assets, and it may make sense to plan for the individual in the lowest marginal tax bracket to bear that tax burden. For example, if you're in a high tax bracket and your children are in low tax brackets, it may not be as beneficial from a tax standpoint for you to convert traditional balances to Roth accounts because you would be paying tax at a higher rate than your children would be after inheriting. Conversely, if you're retired and your children are high earners, it may make sense for you to convert and pay the tax at a lower rate. Importantly, a Roth conversion tends to be more effective when the taxes can be paid outside the assets being converted, which requires the taxpayer to have excess cash flow in the year of conversion. Should your employer-sponsored retirement plan allow for an in-plan Roth conversion, there's no withholding inside the plan, so taxes on the conversion must be paid from outside assets.⁴

A number of additional factors play into the decision to convert to a Roth account. For example, at lower income levels, the additional income associated with a Roth conversion might cause taxpayers to lose all or part of the senior deduction. Similarly, at higher income levels, taxpayers should be aware of the potential effect of a Roth conversion on their eligibility for the increased SALT deduction. **See Section III. Income tax planning.** Taxpayers considering a Roth conversion may also want to pay attention to their capital gain income, which could push the taxpayer into a higher marginal tax bracket. Taxpayers over age 70½ may be able to reduce their adjusted gross income (AGI) by contributing to charity directly from their IRA through a qualified charitable distribution (QCD). See later in this section and **Section IV. Charitable planning.**

⁴ Taxpayers under age 59½ who are considering a Roth conversion should be aware that withholding taxes from the amount converted may be subject to early withdrawal penalties.

Should you consider converting to a Roth?

Yes, if

- Lower tax bracket at conversion than at distribution (you or your heirs)
- Other assets from which to pay the conversion tax
- Do not need distributions for support during retirement and want to pass funds to heirs who may be in higher tax bracket

No, if

- Higher tax bracket at conversion than at distribution (you or your heirs)
- No other resources from which to pay conversion tax
- Need distributions for support during retirement, and income tax bracket will be same or higher in retirement tax bracket

What is a backdoor Roth IRA?

Because of the income limitations for Roth contributions, high-earning taxpayers are generally not able to contribute to a Roth IRA. At the same time, high earners may be in a marginal tax bracket that makes conversion of large traditional retirement balances unpalatable. Taxpayers in this situation may consider a backdoor Roth IRA strategy. This strategy entails making a nondeductible (after-tax) contribution to a traditional IRA, then immediately converting that amount to a Roth IRA. Because the amount being converted is comprised entirely of nondeductible contributions, the conversion can be done income tax free.

A variation on this strategy is known as the “mega backdoor Roth conversion” and is used to contribute more funds into a Roth account than the standard employee contribution limits otherwise allow. The strategy involves making after-tax contributions to an employer-sponsored retirement plan such as a 403(b) or 401(k). These contributions are then immediately converted to a Roth employer-sponsored plan or Roth IRA. By using after-tax contributions, this strategy allows the taxpayer to save more within the employer-sponsored retirement plan than the annual contribution limits for pretax contributions. Taxpayers should be aware that not all employer-sponsored plans allow for these after-tax contributions or for the corresponding “in-service” distributions to a Roth IRA or Roth conversions. You should consult your plan administrator to understand the details of your workplace plan.

While this strategy is a viable way for high earners to increase their Roth account balances, it should only be undertaken with the supervision of your tax advisor because there are many traps for the unwary. For example, when considering the taxable amount of the conversion, the IRS considers all your traditional IRAs, not just the one from which you make the conversion. Thus, if you have pretax and after-tax funds in your traditional IRAs, a pro-rata portion of the amount converted will be deemed as coming from pretax funds. This will result in a portion of the converted amount being subject to income tax. Taxpayers with a mix of pretax and after-tax funds in their IRAs can still do a backdoor Roth conversion, but it won’t be income tax free.

4 | RETIREMENT ACCOUNT WITHDRAWALS

Year-end is an important time to ensure you're taking out the correct amount from your retirement accounts. And since withdrawals and distributions from traditional retirement accounts are subject to ordinary income tax, it's important that withdrawal requirements are factored into any income tax planning conversation.

5 | REQUIRED MINIMUM DISTRIBUTIONS

While traditional retirement accounts grow tax deferred, there does come a time when the IRS says you must start withdrawing your balances and paying income tax on the amount withdrawn. Under current law, the IRS requires taxpayers to start taking RMDs from their traditional retirement plans beginning in the year they turn 73 (for persons born in 1959 or earlier) or age 75 (for persons born in 1960 or later).⁵

If you're still working, you may defer taking RMDs from your current employer plan until the later of either the year you attain RMD age or the year you retire from your employer sponsoring that plan. In addition, the RMD rules allow you to defer taking your first RMD until April 1 of the year following the year you attain RMD age or retire from the employer sponsoring the plan. This date is referred to as your required beginning date (RBD). Note that if you do wait until April 1 of the following year to begin your RMDs, you'll have to take two RMDs in that calendar year. Whether this two-in-one-year strategy might be right for you will be specific to your situation, so check with your tax advisor before making any final decisions.

RMDs are calculated based on IRS-published life expectancy tables and increase a small amount each year as you age. For example, if your RMD age is 73, the RMD would be 3.77% of the prior year-end balance in your age 73 year, but then it gradually increases each year, reaching 4.95% in the year you turn 80 and 8.2% in the year you turn 90. The RMD percentages are even smaller when an account owner's spouse is more than 10 years younger and named as the sole beneficiary. When you have an RMD from multiple accounts, you can sometimes aggregate and withdraw them from just one account. For example, if you have two traditional IRAs, the full RMD can be taken from just one of the accounts. Similarly, RMDs can be aggregated across traditional 403(b) accounts and taken from just one 403(b). Unfortunately, RMDs from other types of retirement accounts (e.g., traditional 401(k)s and 457(b) plans) can't be aggregated.

Just like the rules differ between contributions to traditional IRAs and Roth IRAs, so do the rules for withdrawals. Taxpayers who own Roth IRAs and Roth employer-sponsored plans don't have RMDs during their own lifetimes, meaning the accounts can continue to grow free of income tax and unreduced by distributions. When RMDs do apply, taking them before the end of the year is important. The IRS imposes significant penalties for missing RMDs. Under the SECURE 2.0 Act, penalties were reduced from 50% to 25% and potentially to 10% for missed IRA RMDs that are corrected in a timely manner, but they still can be avoided with proper planning. Penalties may even be waived in certain circumstances when missed RMDs are discovered and promptly taken. If you believe you may have missed RMDs in the past, you should consult your legal or tax advisor as soon as possible to determine the most appropriate course of action.

⁵ Prior to 2020, taxpayers had to start withdrawals in the year they reached age 70½. The Setting Every Community Up for Retirement Enhancement (SECURE) Act extended that to the year the taxpayer turned 72 and the SECURE 2.0 Act extended it further to age 73 for persons born between 1951 and 1959, and age 75 for those born in 1960 or later.

Most taxpayers elect to have taxes withheld from their RMD distributions, whether they're taken in a single lump sum or on a planned schedule. While tax withholding and estimated tax payments are covered in more detail in **Section III: Income tax planning**, withholding tax from RMD payments offers taxpayers an additional strategy. Income taxes withheld from RMDs are deemed to be spread equally across the calendar year, which presents an opportunity for taxpayers to reduce or satisfy entirely their estimated tax payments at the time the RMD is paid out rather than the standard quarterly schedule. You should consult your tax advisor to see if this strategy might apply to your specific situation.

6 | INHERITED RETIREMENT ACCOUNTS

Inherited retirement accounts may also have RMDs, and whether a taxpayer inheriting an account has an RMD requirement depends on a number of factors, including the category of beneficiary to which the taxpayer belongs and the RMD payout status of the original account owner at death.

Prior to 2020, nearly all beneficiaries of retirement accounts were required to take RMDs on inherited accounts, but those RMDs were based on the beneficiary's own life expectancy and allowed to be distributed over that extended period (referred to as a stretch IRA). Following passage of the SECURE Act, the lifetime stretch IRA only remains for a certain subset of beneficiaries who qualify as an eligible designated beneficiary (EDB). An EDB includes a surviving spouse, minor children of the account owner, disabled and chronically ill persons, and individuals not more than 10 years younger than the original account owner. In general, EDBs are still subject to lifetime RMDs and can use the benefit of the lifetime stretch; however, IRS rules provide that a plan may require EDBs to use the lifetime stretch method or the 10-year rule described below and, if the decedent died prior to attaining their RBD, an EDB may elect to choose the 10-year rule in lieu of the stretch method.

Individual beneficiaries inheriting retirement accounts who don't qualify as EDBs are simply referred to as designated beneficiaries, which includes beneficiaries such as adult children and certain trusts for the benefit of such individuals. These designated beneficiaries are no longer able to stretch RMDs over their lifetimes and must withdraw the entire account balance by the end of the year containing the 10th anniversary of the original owner's death. This is referred to as the 10-year rule. If the original account owner died prior to their RBD (generally meaning the account owner was not taking RMDs), the designated beneficiary need not take any distributions during the 10-year period. In contrast to that, if the original account owner died on or after their RBD, then the designated beneficiary must take annual RMDs during the 10-year period and withdraw the entire balance by the end of the 10th year. If RMDs are required, they're calculated based on the beneficiary's age, and using the IRS Single Life Expectancy Table, factor for the beneficiary's age in the year following the decedent's death. That factor is then decreased by one each year, with the entire amount required to be withdrawn by the end of the 10th year.

If you've inherited a retirement account that is subject to the 10-year rule, you should consult your legal or tax advisor about the amount of your RMD and whether it makes sense from a financial-planning perspective to take more in any given year to avoid a significant tax bill in year 10, when the entire remaining account balance must be withdrawn. This is because all distributions from inherited retirement accounts (except inherited Roth accounts) are subject to ordinary income tax. Whether the income tax should be paid all at once, in equal amounts over 10 years, or something in between is a personal question that only you and your tax advisor can answer.

Inherited Roth IRAs are subject to the same rules as inherited traditional IRAs. If the beneficiary is an EDB, that person is subject to RMDs based on their life expectancy. If the beneficiary is a designated beneficiary (e.g., an adult child), the beneficiary must withdraw the entire balance by the end of the 10th year, but because the decedent didn't have a lifetime RMD requirement, the decedent is deemed to have died before their RBD and therefore there are no RMDs on inherited Roth IRAs in years 1 through 9. Distributions from an inherited Roth IRA are generally tax-free to the beneficiary provided they meet certain requirements.⁶

The 10-year rule only applies to individuals and not to entities such as a decedent's estate. In such cases, the remaining balance of the retirement account must be withdrawn over either five years or the decedent's remaining life expectancy, depending on whether the decedent died before or after their RBD.

Beneficiary	Decedent passed on or after 1/1/2020* and prior to RBD	Decedent passed on or after 1/1/2020* and on or after RBD
	*1/1/2022 for governmental plans	*1/1/2022 for governmental plans
Surviving spouse	Spousal rollover, stretch, or 10-year rule	Spousal rollover, stretch over longer option: beneficiary or decedent's life expectancy, or 10-year rule
EDB	Stretch or 10-year rule	Stretch over longer option: beneficiary or decedent's life expectancy, or 10-year rule
DB	10-year rule, no RMDs except in year 10	10-year rule with RMDs in years 1 through 9
No DB	5-year rule, no RMDs except in year 5	Stretch over decedent's remaining life expectancy

7 | TAX TREATMENT OF RETIREMENT PLAN DISTRIBUTIONS

In general, distributions from IRAs and employer-sponsored plans are subject to ordinary income tax when the funds are withdrawn. Roth accounts are an exception because distributions from those are generally free of income tax provided the taxpayer meets the basic requirements for the distribution to be considered qualified. However, while the distributions from traditional accounts are taxable, that tax can be managed. One strategy to mitigate the tax burden of RMDs is to send the distributions directly to a charity through a QCD. This strategy is available only for IRAs (not employer-sponsored plans) and only if the taxpayer is over age 59½. Because the distributions go directly to charity, they're not included in the

⁶ "Qualified" distributions from a Roth IRA are tax-free provided the account meets the five-year aging requirement and at least one specific condition is met, such as the participant's attainment of age 59½, or the participant's death or disability.

taxpayer's gross income for the year—and because the QCD can satisfy the RMD requirement, the greatest tax benefit to the strategy comes when the taxpayer is at or beyond RMD age. When RMDs are required, the first distributions from an IRA each year are considered the RMD. Therefore, if you wish to use the QCD strategy, it generally should be done before you've taken your entire RMD for the year. For more information about the QCD strategy, see **Section IV: Charitable planning**.

A second strategy to consider is a Roth conversion. While a Roth conversion increases your taxable income in the year of conversion, it also decreases the year-end balance of the assets remaining in your traditional retirement accounts, therefore reducing RMDs in future years. This strategy may be especially appealing to retired taxpayers who aren't yet receiving Social Security or RMDs from their retirement accounts. If your income is lower during this period, the Roth conversion may be accomplished without pushing you into a higher marginal tax bracket.

8 | TRUMP ACCOUNTS

Beginning in 2026, a parent or guardian can contribute to a new type of retirement account for the benefit of a child under age 18. See **Section V. Gift and estate tax planning opportunities** for more details on contribution rules and limitations. Contributions to a Trump Account aren't tax-deductible, but the funds will grow on a tax-deferred basis until they're withdrawn. When the beneficiary turns 18, the Trump Account effectively becomes a traditional IRA, and general IRA withdrawal rules apply. Contributions made by family members will be considered principal, but all growth and contributions made by employers, the government, and others generally will be taxed at ordinary income tax rates at withdrawal. As with a traditional IRA, withdrawals made before age 59½ will be subject to penalty unless an exception applies. Beneficiaries also may be able to convert Trump Account balances to a Roth IRA early in their careers when they may be in a low marginal income tax bracket. Note that if the beneficiary executes a Roth conversion prior to age 24, the kiddie tax may apply to any taxable portion. If the beneficiary participates in an employer retirement plan that accepts rollovers, the beneficiary could roll pretax amounts into the employer plan and the after-tax amounts to a Roth IRA, both of which would be tax-free transactions.

9 | RETIREMENT PLAN BENEFICIARIES

While not strictly a financial planning strategy, year-end is also a good time to review and confirm your retirement plan beneficiaries. With the recent changes to retirement planning in the SECURE Act and SECURE 2.0 Act legislation, you'll want to confirm with your legal and tax advisors that your beneficiary decisions still make sense.

When you die, your retirement accounts generally don't pass through your estate plan, but rather they pass automatically to the persons or entities named in the beneficiary designation on those accounts. If the beneficiary is a person, the beneficiary is considered to be a "designated beneficiary." Designated beneficiaries generally have 10 years to withdraw (and pay taxes on) the inherited account and

may or may not have to take RMDs from the account in the interim, depending on whether the decedent died before or after their RBD. Certain designated beneficiaries may be considered EDBs and receive potentially more beneficial withdrawal options. The most-favored category of EDB is the surviving spouse, who always has the option to claim the account as their own (by spousal rollover). Other EDBs include disabled or chronically ill individuals, minor children of the decedent, and individuals who aren't more than 10 years younger than the decedent. The benefit of being an EDB is that you can use the lifetime stretch method for calculating RMDs, extending the amount of time over which the income taxes must be paid. If the decedent died prior to their RBD, the EDB may also elect to use the 10-year rule. This decision is very specific and should only be made under the supervision of your tax advisor. When naming beneficiaries, you may want to consider their withdrawal requirements: Since they may need to pay income taxes within 10 years, will that window coincide with the beneficiary's highest earning years? While this may not necessarily be avoided, knowing the future consequences can help your beneficiaries prepare for what's to come.

Post-SECURE Act beneficiary options

NOTE: Plan permitting, a surviving spouse or eligible designated beneficiary (EDB) of an individual may elect full payout by the end of the tenth year following the account owner's death in lieu of taking payments over life expectancy. We are awaiting IRS guidance with respect to default options for EDBs.

NOTE: For government plans under IRC 414(d), the new rules begin to apply to participants who died after 12/31/2021.

Surviving spouse
Spousal rollover or inherited IRA using life expectancy
Non-spouse eligible designated beneficiary
Inherited IRA using life expectancy
Designated beneficiary
Payout by end of tenth year after death of account owner (10-year rule)
No designated beneficiary
Payout within five years or remaining life expectancy of decedent if taking RMDs

You may instead choose to name a trust as beneficiary of your retirement accounts. When a trust is named as beneficiary, RMDs are still required, but in order to take advantage of the 10-year rule or the lifetime stretch method for calculating RMDs, the trust must contain certain language to qualify as a “see-through” trust. You should use extra caution when naming a trust for the benefit of multiple individuals or a trust that has restrictive distribution provisions as both can alter the calculation of RMDs and the time period over which the accounts must be withdrawn. Naming a trust as beneficiary can offer you some control over the ultimate disposition of the accounts as well as some limited creditor protection for your beneficiaries. If you're naming your trust as a beneficiary, be sure to check with your estate planning attorney to confirm that your trust is drafted appropriately.



III. Income tax planning

For many, income taxes are one of their largest annual expenses. Income taxes are assessed on income from all sources—earned, unearned, retirement plan distributions, Social Security benefits, and capital gains, to name a few. While paying income taxes is unavoidable, the tax code provides planning strategies that you can employ to reduce your income tax exposure and liability.

Calculating your tax liability starts with understanding your various sources of income and how it's taxed. From there, you subtract any allowable deductions, and the remainder is what you're taxed on. Knowing how your income and assets are treated for tax purposes—and making full use of available deductions—can significantly impact your tax bill.

1 | HOW WILL YOUR INCOME BE TAXED?

Not all income is created equal in the eyes of the tax code—different types are subject to different rates. Recognizing these distinctions is key to getting a clear picture of your overall tax liability.

Income tax in 2026

Income tax			Social Security payroll tax	Capital gains tax			Net investment income and Medicare surtax							
Single taxpayer	Married taxpayer	Income tax brackets		Single taxpayer	Married taxpayer	Capital gains rate	Single taxpayer	Married taxpayer	Medicare tax	Net investment income tax				
\$12,400 or less	\$24,800 or less	10%	6.2% on first \$184,500 of income	\$49,450 or less	\$98,900 or less	0%	\$200,000 or less	\$250,000 or less	1.45% on all earned income					
\$12,401 to \$50,400	\$24,801 to \$100,800	12%		\$49,451 – \$545,500	\$98,901 – \$613,700	15%								
\$50,401 to \$105,700	\$100,801 to \$211,400	22%				more than \$200,000	more than \$250,000	2.35% (additional 0.9% tax on earned income exceeding threshold)	3.8% NIIT on lesser of net investment income or MAGI exceeding threshold					
\$105,701 to \$201,775	\$211,401 to \$403,550	24%												
\$201,776 to \$256,225	\$403,551 to \$512,450	32%												
\$256,226 to \$640,600	\$512,451 to \$768,700	35%		more than \$545,500	more than \$613,700					20%				
more than \$640,600	more than \$768,700	37%												

Disclosure: The tax information contained herein is not intended to be used and cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer. It was written to support the promotion of the products and services addressed herein. Taxpayers should seek advice based on their own circumstances from an independent tax advisor.

a. Ordinary income tax

Earned income such as wages; distributions from traditional retirement assets such as from IRAs, 401(k)s, or 403(b)s; and deferred compensation will be taxed at ordinary income tax rates. Additionally, ordinary dividends, short-term capital gains, and the taxable amount of distributions from nonqualified annuities will also be taxed at ordinary income tax rates.

Tax on your Social Security benefits

If you’re receiving Social Security benefits, a portion of those benefits may be subject to taxes. The amount that is taxable will depend on whether your combined income exceeds certain thresholds.⁷

Taxability	Individual	Married filing jointly
Not taxable	<\$25,000	<\$32,000
Up to 50% taxable	\$25,000–\$34,000	\$32,000–\$44,000
Up to 85% taxable	>\$34,000	>\$44,000

⁷ Combined income is your AGI plus nontaxable interest plus half of your Social Security benefit.

b. Social Security payroll tax

If you're working, both you and your employer are required to pay a 6.2% Social Security tax on the first \$184,500 of net wages, and a 1.45% Medicare tax on your entire net earnings. If you're self-employed, you'll pay both the employer and employee portions of these two taxes (12.4% on the first \$184,500 of wages and 2.9% on all wages). If you're single with income greater than \$200,000 or married with income greater than \$250,000, you'll pay an additional 0.9% in Medicare taxes.⁸ There's no employer match for the additional Medicare tax.

c. Capital gains tax

Long-term capital gains are gains associated with assets sold after being owned for 12 months or more. Qualified dividends and long-term capital gains will be taxed at capital gains rates.⁹ Short-term capital gains are gains associated with assets held for a period of less than 12 months. Short-term gains as well as ordinary dividends are taxed at ordinary income tax rates.

d. Net investment income tax (NIIT)

Certain taxpayers will be subject to an additional 3.8% NIIT. Net investment income includes interest, long-term capital gains, dividends, after-tax annuities, royalties and rents other than from trade or business. It doesn't include distributions from a qualified retirement plan or IRA. For single filers with a MAGI exceeding \$200,000 or married taxpayers with MAGI exceeding \$250,000, there will be a 3.8% tax on the lesser of (i) the total net investment income and (ii) the amount MAGI exceeds the NIIT stated amount.

Example: Jane is single and has earned income of \$175,000 and investment income of \$75,000. Jane is subject to a 3.8% tax on \$50,000 (the amount exceeding the \$200,000 MAGI limit). If Jane had earned income of \$225,000, she would be subject to a 3.8% tax on \$75,000 (the amount of her net investment income).



Trusts and estates are also subject to income tax and, while subject to the same bracket structure, reach the highest tax bracket much more quickly than an individual taxpayer. If you're the beneficiary of an irrevocable trust, consider whether trust income will be taxed at a higher rate if it remains in the trust or if it's distributed to you and taxed at your individual rate.

Trusts and estates	
≤ \$3,300	10%
No 12% bracket	
No 22% bracket	
\$3,301–\$11,700	24%
No 32% bracket	
\$11,701–\$16,000	35%
≥ \$16,000	37%

⁸ The additional 0.9% Medicare tax applies to Medicare wages, self-employment income, and railroad retirement compensation exceeding the above figures.
⁹ Qualified dividends are dividends paid by a U.S. corporation or qualified foreign corporation where the taxpayer has met certain holding period requirements.

2 | DEDUCTIONS

a. Will you itemize deductions or claim the standard deduction?

For purposes of calculating your tax liability, you're allowed to subtract certain amounts from your income. The standard deduction is a set deduction amount offered to all taxpayers. Alternatively, itemized deductions are certain expenses a taxpayer may have incurred, or certain dollars spent or donated, that the tax code allows you to deduct. When you add up all your itemized deductions, if that amount is less than the standard deduction, you get the benefit of the full standard deduction. If your itemized deductions exceed your standard deduction, you'll elect to itemize.

As a starting point for determining whether you're going to itemize your deductions or take the standard deduction, you have to know the amount of your standard deduction. In 2026, the standard deduction is \$16,100 for single filers and \$32,200 for married filers. If you're over age 65 or blind, you may tack on another \$2,050 if you're single or \$1,650 each if you're married. For example, a married couple, both of whom are over 65, would have a standard deduction of \$35,500.

Next, you'll add up your allowable itemized deductions. The most common itemized deductions include:

- **Medical expenses:** You may deduct unreimbursed medical or dental expenses to the extent that they exceed 7.5% of your adjusted gross income (AGI). For example, if your AGI is \$100,000 and you have unreimbursed medical expenses of \$12,000, you could recognize \$4,500 as a deduction. In addition to expenses for medical care, certain insurance premiums are deductible under this category, including, with some limitations, premiums paid for long-term care insurance contracts.
- **State and local tax (SALT):** You may deduct up to \$40,400 paid in state and local tax, including income tax and property tax. This applies to both single filers and married couples filing jointly. Note that the SALT deduction is reduced for taxpayers with MAGI above \$505,000.¹⁰
- **Mortgage interest deduction:** You may deduct the interest on up to \$750,000 of principal on mortgage or home equity loans that were made after December 15, 2017.¹¹ The mortgage or home equity line of credit must constitute "acquisition indebtedness," meaning it was used to purchase or improve your home.

Example: Susan used a mortgage of \$250,000 to finance the purchase of a new home. She then took out a \$50,000 home equity line of credit (HELOC) to pay off her student loans. Susan can deduct the interest that she pays on the \$250,000 primary mortgage because it was used to acquire her home but can't deduct the interest that she pays on the \$50,000 HELOC since that was used to pay down student debt, not to acquire or improve her home.

¹⁰ The SALT deduction cap increased from \$10,000 to \$40,000 under the OBBBA. The SALT deduction is phased out for taxpayers with MAGI between \$505,000 and approximately \$606,000 but never reduced below \$10,000. The SALT deduction cap is set to revert to \$10,000 beginning in 2029.

¹¹ For mortgages that pre-date Dec. 15, 2017, or that were refinanced after that date, you may deduct the interest paid on up to \$1 million of mortgage indebtedness and up to \$100,000 of home equity indebtedness. The OBBBA provides that mortgage insurance premiums will be treated as interest and are therefore deductible.

- **Charitable donations:** You may deduct amounts donated to U.S.-based charitable organizations. The amount deductible will depend on the type of property donated and the type of organization that it was donated to. This is discussed in greater detail in **Section IV. Charitable planning**. There are two new provisions related to charitable deductions to be aware of for 2026. First, the charitable deduction itself will be subject to a 0.5% AGI floor. For example, someone with \$100,000 AGI will only be able to deduct amounts exceeding \$500 given to charity. Second, taxpayers who don't itemize will be able to deduct up to \$1,000 if single or \$2,000 if married for cash gifts made to charity. This deduction will be in addition to the standard deduction.

Once you've added up all your itemized deductions, if the total is greater than your allowable standard deduction, you would elect to itemize your deductions. If the sum is less than your allowable standard deduction, you would apply the standard deduction.

Example: In 2026, John, a single taxpayer age 50, has paid \$8,000 in state and local income tax and \$2,500 in mortgage interest. John also gives \$3,000 each year to his favorite charity. John's itemized deductions total \$13,500 and his available standard deduction is \$16,100. John will take the standard deduction.

For most taxpayers, the standard deduction is greater than itemized deductions. But if you take the standard deduction, you may not recognize an income tax deduction for certain charitable gifts you made during the year if the amount of the gift doesn't increase your total deductions beyond the standard deduction amount. One strategy to consider is bunching your charitable gifts for several years to increase your itemized deductions.

Example: Following the facts from the prior example, John could consider making three years of gifts to his favorite charity in 2026 to recognize an itemized deduction. If John's AGI is \$100,000 and he gave \$9,000 to charity, which would count as his 2026, 2027, and 2028 gifts, he would have an itemized deduction of \$19,000 in 2026, as only \$8,500 of the \$9,000 gift is deductible above the 0.5% AGI floor. Then, in 2027, he could take the standard deduction.

Additionally, beginning in 2027, John could make \$1,000 in cash gifts to his favorite charity under the new provision allowing a charitable deduction for non-itemizers. Over time, this strategy results in greater total deductions.

Other considerations:

State income tax: Understanding how your state's income tax laws affect your overall tax picture is important. States may tax income differently—for example, some states tax Social Security benefits while others don't. Likewise, some states mirror the allowable federal itemized deductions while others don't. Consult your accountant or tax advisor to understand the implication of income tax planning in your state.

Limitation on itemized deduction for high-income earners: New in 2026, taxpayers in the 37% marginal federal income tax bracket will see a reduction in the value of itemized deductions. For affected taxpayers, the amount of itemized deductions otherwise allowable will be reduced by 2/37th of the lesser of (i) the amount of the taxpayer's itemized deduction or (ii) the amount of the taxable income exceeding the dollar amount at which the 37% bracket begins with respect to the taxpayer. Effectively, itemized deductions for taxpayers in the 37% bracket will be limited to 35%.

b. Additional deductions

Several deductions were introduced by the OBBBA that offer qualifying taxpayers relief. Some are temporary and others are permanent. Many of these deductions are subject to phaseout based on the taxpayer's MAGI, and therefore careful planning may be required to take advantage of these deductions in future years.

- **Senior tax deduction (for tax years 2026 through 2028):** The OBBBA introduced a \$6,000 deduction for each taxpayer age 65 or older. You must have turned 65 on or before December 31 of the tax year to be eligible for this deduction. This deduction is phased out to the extent the taxpayer has MAGI greater than \$75,000 for single filers or \$150,000 in the case of joint filers.¹² It's available whether or not the taxpayer(s) itemizes deductions.
- **Charitable deduction for non-itemizers (new in 2026):** Beginning in 2026, married taxpayers who do not itemize deductions will be permitted to deduct up to \$2,000 for cash gifts given to a charitable organization. Single taxpayers will be permitted to deduct up to \$1,000. Gifts must be made in cash and must be made directly to a charitable organization as defined in IRC § 170(b)(1)(A), not to a donor advised fund or a private foundation.
- **Deduction for tips (for tax years 2026 through 2028):** Taxpayers earning qualified tips may deduct up to \$25,000 from income. The deduction is phased out by \$100 for each \$1,000 by which the taxpayer's MAGI exceeds \$150,000 (or \$300,000 for joint filers).
- **Deduction for overtime (for tax years 2026 through 2028):** Taxpayers earning overtime may deduct up to \$12,500 (or \$25,000 for joint filers) from income. The deduction is phased out by \$100 for each \$1,000 by which the taxpayer's MAGI exceeds \$150,000 (or \$300,000 for joint filers).

- **Automobile loan interest deduction (for tax years 2026 through 2028):** Taxpayers may deduct up to \$10,000 per year of qualifying interest paid on car loans as an above-the-line deduction. This applies to interest on loans used to purchase a new vehicle on or after January 1, 2025, primarily for personal use. Leases, loans used to buy luxury vehicles above a set value, and business-use vehicles are excluded. Vehicles that qualify for this loan deduction must have final assembly in the United States, which can be determined based on the car's vehicle identification number (VIN) and can be checked on the National Highway Traffic Safety Administration (NHTSA) website.
- **Credit for contributions to Scholarship Granting Organizations (SGOs) (for tax years after 2026):** Beginning in 2027, individuals can take a nonrefundable credit of up to \$1,700 for cash contributions made to qualifying SGOs, which are 501(c)(3) charities that fund scholarships for elementary and secondary school students. The credit must be reduced by any state credit on the same contribution, and no charitable deduction may be claimed on that amount. Although the credit is not available in 2026, taxpayers interested in supporting such organizations could start investigating whether organizations qualify as SGOs.

3 | INVESTMENT MATTERS

While you never want to base investment decisions solely on tax consequences, it's certainly important to understand how taxes impact your investments.

The type of investment account will determine how assets are taxed. Nonqualified (i.e., nonretirement) accounts are currently taxable, which means any interest, dividends, or capital gains generated in those accounts are reported each year on your Form 1040. Qualified accounts—such as 403(b), 401(k), and IRA accounts and nonqualified annuities—are tax deferred. That means any income or capital gains aren't currently taxable, but distributions are taxable. In some cases, it may make sense to allocate income-paying investments to your qualified accounts rather than nonqualified accounts because the income isn't currently taxable. Understanding the impact of asset location (the type of account an asset is invested in) is as important as understanding your asset allocation. TIAA can help you to better understand how this may apply to your larger tax strategy.

Tax-efficient investing

Taxpayers are often surprised when they receive their 1099s and see the amount of investment income they have each year. Often, we are so focused on asset allocation that we are not considering the tax consequences of investments. And an unpleasant byproduct of a positive market can be outsized capital gains taxes.

Some common pitfalls:

Mutual fund capital gains distributions:

Mutual funds are commonly used by self-directed investors as well as professional investment advisors to provide diversification and access to different market sectors. What is often overlooked is that while you may buy a mutual fund, even if you don't sell it, the fund manager is buying and selling the underlying securities in line with the fund's overall investment strategy. This generates mutual fund capital gains distributions, even though no gains are actually distributed to you. These taxable distributions can be larger if you own an actively traded mutual fund. Over time the taxes paid can impact investment returns. One strategy to consider would be swapping actively traded mutual funds for exchange-traded funds (ETFs). Most ETFs are index funds, which are passively managed and not actively traded. Because their underlying holdings don't change much, index funds tend to distribute relatively few capital gains or losses to fundholders.

Taxable bond interest:

Another type of investment that can help keep taxes lower is tax-exempt municipal bonds. One lesson from recent years is that even the most conservative fixed-income investments can impact your tax bill. For example, the higher interest rates we've seen over the past several years have resulted in significant amounts of taxable income generated from bank accounts and money market funds. With municipal bonds, the interest you earn is free of federal income tax, and if the bonds are issued by your home state, they might be free of state income tax as well.

Capital gains budgeting:

When you're investing in a taxable account, you may need to sell assets from time to time to raise cash for distributions or rebalance your asset allocation. Setting a capital gains budget may keep you from dipping into higher brackets or subjecting yourself to the NIIT.

For those in high tax brackets, talk to your advisor about tax-efficient investing, including using municipal bonds, ETFs or a managed portfolio to minimize taxes.

Tax-gain harvesting:

Tax-gain harvesting is the strategic selling of appreciated investments in a taxable account with the goal of taking advantage of long-term capital gains rates during low-income years. For some taxpayers, these gains will be taxed at 0%.

For example, Don and Judy are married 63-year-old filers who just retired at the end of 2025 and are not yet claiming Social Security. Their only income for 2026 is \$10,000 of interest income and they'll claim the standard deduction. Don and Judy have sizable, unrealized gains in their brokerage account. Due to their low income in 2026, they could consider recognizing up to \$121,100 in long-term capital gains to take advantage of the 0% capital gains bracket. In this example, their gross income of \$131,100 would be reduced by the \$32,200 standard deduction, lowering their taxable income to \$98,900, which is the top of the 0% bracket. The proceeds from these sales could be used to fund their lifestyle or, to the extent not needed, could be used to purchase new securities to rebalance the portfolio. An added benefit to the rebalancing is establishing a higher cost basis to minimize future capital gains.

Tax-loss harvesting:

Not every investment will increase in value every year and, in fact, may decrease in value on occasion. A well-balanced investment portfolio will have some winners and some losers. Those losing investments offer opportunities to offset gains and reduce taxable income. Tax-loss harvesting is a strategy that involves selling investments that have a built-in loss, so the loss is realized. While not limited to end-of-year planning, this strategy is typically used as an opportunity to help offset taxes related to gains and income from other investments.

When looking to rebalance your portfolio, you'll likely have some assets that are up and some that are down. As you're selling your "up" assets, which will result in a taxable capital gain, you may also want to consider selling your "down" assets, which will result in a capital loss. That capital loss can then be used to offset all or part of the gain. If you already have a diversified portfolio, the sold security may be replaced by a similar one, allowing you to maintain an optimal asset allocation.

Your goal may be to reduce your income tax bill, but you also must pay attention to the type of loss you have. **Short-term losses** are losses associated with assets held for a period of less than 12 months. **Long-term losses** are losses associated with assets sold after being owned for 12 months or longer.

In calculating the income tax consequences of selling assets, short- and long-term gains and losses are determined separately but on a net basis. The net short-term gains and losses are then combined with the net long-term gains and losses to determine the amount that will be subject to income taxes or that may be used as an offset to other income. To the extent your losses exceed your gains each year, up to \$3,000 of losses can be deducted from ordinary income each year, and the balance will carry forward to future tax years to offset future gains.

A word of caution: Remember the wash-sale rule, which states that if you sell a security at a loss and then purchase a "substantially identical" security within 30 days prior to or after the sale, the loss is disallowed for income tax purposes.

The wash-sale rule also applies to sales of assets held in a tax-qualified retirement plan and to sales among spouses. You can't sell an asset at a loss in a taxable account and then purchase that same security (or a substantially identical one) in your retirement account. Nor can one spouse sell at a loss and the other spouse purchase a substantially identical security within 30 days prior to or after the sale. Losses in both scenarios will be barred by the wash-sale rule.

Selling investments may change the overall risk associated with your portfolio and your expected returns and ultimately have an impact on your financial plans. Please consult with your advisor before making any modifications to your investment portfolio, as individual situations vary, and professional guidance can help ensure that changes align with your long-term goals and risk tolerance.

4 | HAVE YOU WITHHELD ENOUGH?

When you file your taxes in April, you'll either be due a refund or owe taxes. This is determined by the amount of taxes you've paid throughout the year by withholding from your paycheck and other distributions or making quarterly estimated payments relative to your tax liability. If you filed for a tax extension but you owe taxes, note that while the filing date is extended, the deadline for paying taxes isn't. You must still pay your tax due by April 15 or you may be subject to further interest and penalties.

To avoid having to write a big check on tax day, make sure you're withholding the correct amount of federal income taxes. If you've under-withheld, you may still have time to adjust your salary withholding to take more money out for taxes through the end of this year. Adjusting any retirement plan or IRA distribution withholdings could also be used to catch up. In addition, you could make quarterly estimated tax payments, if appropriate. You might make quarterly estimated payments if you have income throughout the year that isn't subject to withholding or if your withholding isn't adequate. Quarterly payments are due in April, June, September, and January of the following calendar year. You'll want to discuss with your accountant or tax preparer whether quarterly estimates are appropriate for your situation.

Keep in mind that if your goal is just to temporarily increase your withholding through the end of this year, you'll need to revisit your withholding again in January. Your withholding elections remain in place until you change them by submitting an updated Form W-4 to your employer.

You may also want to consider adjusting your withholding if you received a large refund last year. While a refund may seem like you're ahead of the game, in reality it means you gave the government an interest-free loan. That's money you could have been using to increase savings, pay down debt, or do something fun, like take a vacation.

If you need help estimating your withholding, you could consider using the [IRS Tax Withholding Estimator](#). The online estimator can help you identify your tax withholding to make sure you have the right amount of tax withheld from your paycheck, or to determine if you need to complete a new W-4 for your employer.

Caution: If you don't pay enough either through withholding or estimated tax payments, you may end up owing a penalty. You can avoid paying an underpayment penalty if you owe less than \$1,000, or if you have paid the lesser of 90% of your current year liability or 100% of your prior year liability.¹³

¹³ If your income is greater than \$150,000 (or \$75,000 if married filing separately), substitute 110% of your current year liability for 100%.

5 | TAKING ADVANTAGE OF THE OBBBA OPPORTUNITIES

Year-end income tax planning strategies often focus on reducing your income and tax exposure. The OBBBA has introduced a number of new deductions that have to be factored into tax planning decisions.

Planning for the OBBBA deductions:

If you're a taxpayer over age 65, have tip or overtime income, or have borrowed to purchase a new vehicle, new deductions may be available to you. These deductions, described above, are subject to certain MAGI limits. Itemized deductions or the standard deduction does not reduce MAGI, so the focus must be on reducing income. Ways to reduce or control income include:

- **Maximizing retirement plan contributions:** By maximizing your retirement plan contributions, you'll be deferring income to the future. This includes not only maximizing contributions to employer-sponsored retirement plans but also IRAs. This is discussed in greater detail in **Section II. Planning with retirement assets**.
- **Look ahead at your income:** If you anticipate that your income is going to increase over time, perhaps because you will have to begin taking RMDs, consider whether a Roth conversion may make sense. While a Roth conversion will increase your taxable income for the year in which you convert and may disqualify you from recognizing certain deductions for that year, it may reduce RMDs in future years, allowing you to take advantage of those deductions down the road.
- **Manage investment income:** Investing in a tax efficient manner can reduce your taxable income. Discuss with your TIAA advisor ways that you can manage investment income by shifting to more tax-sensitive investments, sticking to a capital gains budget, harvesting investment gains and losses, or investing in a managed portfolio.
- **Harvest investment losses:** Recognizing investment losses will not only offset investment gains, but you're also permitted to offset up to \$3,000 of ordinary income with investment losses each year.
- **Consider QCDs for charitable giving:** As discussed in **Section IV. Charitable planning**, QCDs can be used by taxpayers age 70½ or older. If subject to RMDs, this will reduce your taxable income because the funds are transferred from the IRA directly to a charity and still count toward satisfying your annual RMD, which would otherwise be taxable income.

Planning for OBBBA limitations on deductions:

- **Itemized deductions in 37% bracket:** With itemized deductions essentially capped at 35%, look for ways to maximize deductions by reducing income below the 37% bracket or shifting certain deductions into more favorable years.
- **0.5% charitable AGI floor:** New in 2026, only charitable gifts in excess of 0.5% of the taxpayer's AGI will be deductible. Consider whether bunching gifts or taking advantage of QCDs might help maximize charitable deductions.
- **SALT phaseouts:** While the available SALT deduction cap was raised from \$10,000 to \$40,400 for 2026, the deduction is phased out 30 cents for every additional dollar of income above \$505,000 until it's reduced to a minimum floor of \$10,000. This phaseout range is something to consider avoiding, as a taxpayer in the 35% marginal bracket would effectively raise their tax bill at over a 40% rate in this phaseout zone because of the combination of the 35% tax on the new income and simultaneous loss of SALT deductions.

Example: Jack and Jill, age 50, are married and have \$475,000 of AGI and MAGI. They pay \$35,000 in SALT, \$10,000 in mortgage interest, and make \$5,000 of charitable contributions annually. Last year, in 2025, their total itemized deductions were \$50,000. In 2026, if they have the same SALT and mortgage deductions and make the same charitable contributions, their itemized deductions will be reduced to \$47,625. They will only recognize charitable gifts exceeding the 0.5% AGI floor and will not be able to recognize the first \$2,375 of charitable gifts they make.

Example: Jane, age 65, has \$750,000 of AGI and MAGI. She pays \$40,000 in SALT, \$25,000 in mortgage interest, and makes \$100,000 of charitable gifts each year. In 2026, her deductions will be reduced as follows:

- SALT deduction will be reduced to \$10,000 (because Jane's MAGI exceeds the phase-out)
- Mortgage interest deduction will remain at \$25,000
- Charitable deduction will be reduced to \$96,250 (\$3,750 lost due to the 0.5% AGI floor)
- Total itemized deductions: \$131,250
- Income in 37% bracket $\$109,400 \times 2/37 = \$5,914$ reduction in itemized deductions
- Recognized itemized deductions: \$125,336

Traditional income tax planning:

In addition to considering strategies to reduce income to allow you to take advantage of the new deductions and avoid limitations under the OBBBA, it's also important to consider traditional tax planning. Traditional tax planning focuses on considering whether you'll have more income this year or next year. To do this, look at your income for this year and compare it to what you expect next year. For example, let's say you're working this year but plan on retiring next year. You may expect to be in a lower marginal bracket because you'll have less income next year. Alternatively, let's say you're retired with no income this year, but next year you must start taking RMDs. In that case, your income and tax rate could be higher.

If you're in a higher income tax bracket this year than you'll be next year, consider:

- **Maximizing retirement plan contributions:** As noted above, when you maximize retirement contributions, you defer income to the future.
- **Postponing lump-sum payments and bonuses and deferring compensation:** To the extent possible, defer any compensation, including lump-sum payments or bonuses, into future years.
- **Maximizing itemized deductions:** While state and local income tax and mortgage interest deductions are capped, you can still impact the amount of your itemized deductions. Consider increasing or bunching charitable gifts. You can also maximize your medical deduction by, for example, purchasing your new eyeglasses this year rather than waiting until next year.
- **Harvesting investment losses:** As noted above, harvesting losses will offset investment income and can be used to reduce taxable income.

Alternatively, if you anticipate being in a higher tax bracket next year, you could consider:

- **Accelerating income:** To the extent possible, you could accelerate any lump-sum payments, bonuses, and deferred compensation into this year. Additionally, you could take distributions from nonqualified annuities, redeem U.S. savings bonds, and recognize capital gains or other investment income.
- **Postponing itemized deductions:** Hold off on making large charitable gifts or incurring large medical expenses until next year.
- **Roth conversions:** A Roth conversion allows you to take traditional retirement funds and convert them to a Roth account by recognizing income and paying tax on the amount converted in the year of the conversion. This is discussed in greater detail in **Section II. Planning with retirement assets**.

The OBBBA has made tax planning more complex. It's important that you work with a tax professional to ensure you're taking advantage of all available tax strategies. Your TIAA advisor also can help you consider strategies to enhance overall income tax efficiency—not just to save dollars this year, but as part of your comprehensive plan. Ask your TIAA advisor how to create tax-efficient strategies for income taxes, investments, and charitable giving that align with and support your financial goals.



IV. Charitable planning

Many taxpayers are charitably inclined and financially support their favorite organizations, regardless of potential tax benefits from making charitable gifts. And while tax benefits might not be front of mind when making charitable gifts, there are certainly benefits that can lower your annual tax obligation.

Charitable gifts for federal tax purposes are gifts of property to organizations that the IRS formally qualifies and recognizes for charitable, religious, scientific, educational, and other purposes. The two most common types of qualified organizations are public charities and private foundations.

The kind of property that you give and the type of charitable organization you give it to will directly impact the tax benefits you may receive as a result. For this reason, you should always consult your legal and tax advisors for specific guidance before making substantial charitable gifts, especially when determining what you give and when.

The OBBBA made significant changes to rules and tax benefits of charitable giving, which took effect in 2026. If you're considering making a substantial charitable gift this year, you should discuss the changes with your tax advisor to determine the tax benefit of your gift. The OBBBA's overall impact on itemized and other deductions is discussed in greater detail in section **III. Income tax planning**, but here we discuss the provisions that specifically affect charitable gifts.

New charitable deduction for non-itemizers: Beginning this year, the OBBBA allows taxpayers taking the standard deduction to claim an additional deduction for cash gifts to public charities. Single taxpayers can now claim up to \$1,000 as a charitable deduction, and married taxpayers who file jointly may take a combined \$2,000 charitable deduction, even if they choose not to itemize their deductions.

New limit for itemizers: For taxpayers who itemize, beginning this year, the OBBBA introduced a 0.5% AGI floor to the deductibility of charitable gifts, meaning that only charitable gifts exceeding 0.5% of the taxpayer’s AGI will now be deductible. For example, taxpayers with \$150,000 in AGI will only be able to deduct charitable gifts in excess of \$750.

Deduction limit for 37% bracket taxpayers: The OBBBA also imposed a new limitation on itemized deductions for taxpayers in the top 37% federal income tax bracket. As of 2026, taxpayers in the 37% bracket are effectively capped at a 35% deduction on their itemized deductions. For example, this year a taxpayer in the 37% bracket who makes a \$100,000 charitable gift will no longer realize a full \$37,000 tax benefit for that gift. That benefit is now reduced to \$35,000.

1 | TYPES OF GIFTS AND CHARITABLE DEDUCTIONS

The deductibility of a charitable gift depends on the type of charitable organization receiving the gift and the type of property donated. The amount of a charitable gift a taxpayer may deduct is limited to a percentage of the taxpayer’s AGI in the year the gift is made. Any amount the taxpayer cannot deduct in the year of the gift can be carried forward and deducted (subject to AGI limitations) for up to five additional years.

The chart below details the deductibility limits applicable to various forms of charitable gifts.

Gifts to public charities (including donor-advised funds)

Donated asset	Deduction amount	Annual AGI limitation
Cash	Amount of cash	60%
Short-term capital gain property (property held less than one year)	Cost basis	50%
Long-term capital gain property (property held more than one year)	Fair market value	30%

Gifts to private nonoperating foundations

Donated asset	Deduction amount	Annual AGI limitation
Cash	Amount of cash	30%
Short-term capital gain property (property held less than one year)	Cost basis	20%
Long-term capital gain property (property held more than one year)	Fair market value	20%

2 | CHARITABLE GIVING STRATEGIES

a. What asset to gift

A key advantage to giving a charity your appreciated assets, such as securities held longer than one year, is the avoidance of capital gains tax on the appreciation. The avoidance of capital gains tax from a sale of appreciated securities, combined with a deduction for the gift value, may result in a greater overall tax benefit than making a gift of cash. The charity’s benefit and the amount of your charitable deduction remain the same whether you give cash or appreciated securities, since charitable organizations do not pay tax on the sale of appreciated assets they’ve received.

b. Qualified charitable distributions (QCDs)

If you’re over age 70½, you can direct a gift of up to \$111,000 from your IRA to charity in 2026. If you’re already taking RMDs, a QCD will count toward your RMD up to \$111,000 this year.

While there’s no charitable tax deduction for making a QCD, there’s still a tax benefit. The amount of the QCD, which would otherwise have been a taxable distribution from your IRA, is not reported as taxable income on your return for the year. This means your income is lower than it otherwise would have been, reducing your tax obligation (and potentially lowering your tax bracket). Furthermore, a lower MAGI may have other benefits. A lower MAGI might reduce Medicare premiums and the tax on your Social Security income, both of which are MAGI-sensitive. Additionally, a lower AGI could allow you to deduct a greater amount of medical expenses, which are subject to a 10% AGI floor. And as discussed in **Section III. Income tax planning**, lowering your income may allow you to take advantage of new MAGI restricted deductions, such as the senior deduction, tips and overtime deductions, and auto-loan interest deductions provided for under the OBBBA.

QCDs allow you to reduce taxable income from RMDs, whether you itemize or take the standard deduction. While you’re permitted to make QCDs from an IRA beginning at age 70½, the immediate tax benefit of a QCD is the reduction in the taxable amount of your RMD. However, RMDs are not currently required until age 73 and will not be required for taxpayers born in 1960 and later until they reach age 75. If you don’t have to take an RMD this year, there’s no taxable income to reduce by making a QCD. You may still make a QCD at age 70½, but if you’re not yet subject to RMDs, it

IV. Charitable planning

may make sense tax-wise to wait until you reach your RMD required beginning date to take full advantage of the strategy.

Example: Jack is 74 and must take a \$50,000 RMD from his IRA for 2026. Jack plans to make a \$50,000 gift to his favorite charity. Jack can direct \$50,000 from his IRA to his favorite charity, and he'll have satisfied his RMD without reporting the \$50,000 of income.

QCDs can only be made from IRAs and not from employer plans such as 403(b) or 401(k) plans.¹⁴ QCDs must also be made to public charities and may not be made to a donor-advised fund (DAF) or private foundation.

You can also make a one-time QCD to establish a charitable gift annuity (CGA), which is a contract between you and a charity, such as your alma mater university. In return for establishing the CGA, the charity will pay you a fixed annual percentage of your gift for a term of years or over your lifetime. At the end of the term or upon your death, the remaining balance passes to the charity. Note that you can only elect a QCD to establish a CGA once in your lifetime, and in 2026, the limit is \$55,000 per taxpayer.

c. Incorporating charitable giving into your estate plan

There are several ways you can include a charity as a beneficiary of your estate. You can name a charity in your will or trust to receive a specific dollar amount or percentage of assets, or you can leave specific items, such as valuable art, to a charity. Including charities in your estate plan not only fulfills your desire to leave a charitable legacy but can provide your estate with tax benefits as well. Amounts left to charity through your estate may be deductible for estate or inheritance tax purposes.

d. Leaving retirement assets to charity

One often-overlooked strategy is using your retirement assets to fund a charitable bequest. Just as you must pay income tax on distributions from your traditional retirement accounts, individual beneficiaries to whom you leave those accounts will also have to pay income tax. Charities, however, can receive retirement assets free of any income tax. To the extent you have both charities and individuals included in your estate plan, a possible tax-efficient strategy to boost your legacy is to leave your retirement assets to charity. Charities can be named directly as the beneficiary of your retirement account or, with careful drafting, you can direct your executor or trustee to use retirement assets to fulfill the charitable bequests contained in your will or other estate planning documents. Using retirement assets to fulfill charitable bequests allows you to leave assets that will receive a step-up in basis to your individual beneficiaries. See **Section V. Gift and estate tax planning opportunities**.

¹⁴ QCDs can be made from traditional IRAs, inherited IRAs, and "inactive" SIMPLE and SEP IRAs, meaning those to which contributions are not currently being made.

Without any designation	With specific designation
Charity receives: \$50,000 Securities \$50,000 IRA \$100,000	Charity receives: \$100,000 IRA
Individual receives: \$50,000 Securities \$50,000 IRA (\$20,000) Income tax* \$80,000	Individual receives: \$100,000 Securities Tax savings = \$20,000
*Assumes a combined federal and state income tax rate of 40%	

e. Donor-advised funds (DAF)

A DAF is an account you establish through a sponsoring public charity to support your charitable giving. The DAF receives your contribution and holds your gift in a separate account that you name. The funds within the DAF are invested and used to make gifts later, as advised by you or those whom you appoint, to benefit the charitable organizations of your choice.

DAFs can be funded with cash, marketable securities, or other property, and you receive a charitable deduction for the amount of your gift to the DAF in the same year (subject to AGI limitations). Gifts from your DAF can be distributed to your favorite charities over time—now, next year, or whenever you choose. Until then, the funds are invested with the potential to grow tax-free, which can result in more substantial gifts to charity and greater charitable impact. DAFs operate much like private foundations, but with less cost and complexity, offering a lower barrier to entry for taxpayers who want to make a substantial, deductible charitable gift in a single year while stretching their charitable impact over a longer term.

Example: Jane typically makes \$5,000 of charitable gifts each year. In a year of unusually high income and income tax liability, Jane opts to fund a DAF with \$25,000. Jane can use the \$25,000 charitable deduction to offset her income tax liability that year but can still direct funds from the DAF to her charities at the same rate and in the same amount she traditionally has: \$5,000 annually.

f. Bunching charitable gifts

Taxpayers taking the standard deduction might not realize the full tax benefit from their charitable gifts. Bunching, or bundling, several years of charitable gifts into one tax year could change that by increasing your charitable deduction so your itemized deductions exceed the standard deduction, providing a greater overall tax benefit. This strategy is discussed in greater detail in **Section III. Income tax planning.**

g. Charitable remainder trust (CRT)

Charitable remainder trusts (CRTs) are a potential solution for taxpayers seeking to generate predictable income and make a charitable impact. A CRT is an irrevocable trust that pays an income stream to you or other individual beneficiaries for a specified period, with the balance at the end of the trust term passing to charity as the remainder beneficiary. The income stream may be either a fixed dollar amount (as an annuity) or a fixed percentage of trust assets (a unitrust amount), and the specified period can be either a fixed term of years or over beneficiaries' lifetimes.

CRTs may be a useful strategy for taxpayers seeking to create an income stream for themselves or others from an appreciated, non-income-producing asset, while avoiding up-front taxes on its sale. The appreciated asset is contributed to a CRT, which then sells the asset without incurring taxes due to its tax-exempt status. The full proceeds of the sale can then be reinvested within the CRT into a portfolio that will generate the desired income stream. The income stream will be taxable when paid to the CRT's individual beneficiaries and may include components of income received by the CRT (such as dividends) or capital gain realized on the sale of its assets.

When you fund a CRT during your lifetime, you receive an upfront charitable deduction equal to the present value of the remainder interest passing to charity. If you name anyone other than yourself or your spouse as individual beneficiaries of the CRT, a gift-tax return may be required to report the current value of the income stream as a gift. The rules for creating CRTs and calculating the charitable deduction can be complicated, but your legal and tax advisors will help you understand how these apply to your situation.

Example: Jack and Jane have \$1 million of highly appreciated stock in an exciting tech company that they bought for very little money two years ago. They need to generate income, but know if they sell the stock, they'll have to pay a significant capital gains tax. They're charitably inclined and decide to create a CRT. Jack and Jane transfer their highly appreciated stock to the CRT. The CRT sells the stock, but instead of the trust paying the capital gains tax up front, taxes are paid each year when Jack and Jane receive distributions. The current value of what the charity is projected to receive at the end of the trust term can be taken as a charitable deduction by Jack and Jane in the year of the gift to the CRT.

h. CRTs for retirement accounts

The SECURE Act fundamentally reshaped the rules regarding distributions from inherited retirement accounts. Now many non-spouse beneficiaries are required to receive full distribution of, and pay income tax on, inherited retirement assets within 10 years following the account owner's death. This change prevents many beneficiaries from stretching distributions from inherited retirement accounts over their lifetime. In the tenth year of an inherited retirement account, many adult beneficiaries must take a lump-sum distribution to close the inherited account, often incurring a large income tax liability.

One strategy to consider is naming a CRT as the beneficiary of your pretax retirement accounts. Because of the CRT's tax-exempt status, it can receive lump-sum distributions from the retirement accounts without owing income taxes. The funds received can then be invested by the CRT to generate an income stream that you determine for the trust's individual beneficiaries. This potentially enables you to extend a beneficiary's taxable income stream beyond the IRS-determined distribution period. The CRT may be structured to provide stable income over the beneficiary's lifetime, thereby spreading the tax liability over that period and avoiding a large taxable distribution from the retirement accounts, and resulting tax bill, in year 10 following your death.



V. Gift and estate tax planning opportunities

As you gather documents and financial information for annual tax planning, don't overlook your longer-term strategies, which include your estate plan and any lifetime gifting opportunities worth considering before year-end. This section covers the fundamental tax considerations that shape gift and estate planning strategies, along with several reasons why an existing estate plan may need updating and where to start if you don't yet have a plan in place.

1 | BACKGROUND

It's important to be aware of the federal taxes that may affect your gift and estate plans, as well as any taxes imposed by your state of domicile or states where you own real property. This section provides an overview of federal taxes and planning strategies, but you should check with your tax or legal advisor to determine whether your state imposes a gift, estate, or inheritance tax that you should also keep in mind. The federal gift and estate tax applies to transfers of assets made by citizens and residents of the United States. It's helpful to be familiar with two concepts of the federal gift and estate tax laws and how they work: annual exclusion and lifetime exemption.

- **Annual exclusion:** The annual exclusion is the amount you can gift each calendar year to a single beneficiary without federal gift tax consequences. You can make annual exclusion gifts to an unlimited number of beneficiaries each year. The annual exclusion amount is determined each year by the IRS and is \$19,000 for 2026. Spouses who make gifts together (referred to as gift-splitting) can make combined annual exclusion gifts up to \$38,000 per beneficiary in 2026. Most gifts, such as birthday and graduation gifts, typically fall under the annual exclusion.

A gift of community property is treated as a gift of a one-half interest by each spouse, regardless of which spouse actually owned the property or made the gift. If you or your spouse own property which, under state law, is deemed to be "community property," keep this in mind when tracking the value of gifts made to a beneficiary for purposes of the annual exclusion and lifetime exemption, discussed below.

- **Lifetime exemption:** What happens if you make a gift or a series of gifts in one year to an individual in excess of the annual exclusion amount? The amount above the annual exclusion is referred to as a taxable gift, which is where the lifetime exemption comes in. Federal gift and estate taxes are often referred to as a combined system of taxation because they share the lifetime exemption. That means the exemption can be used to shelter taxable gifts (again, those that exceed the annual exclusion), and any exemption that isn't used during your lifetime is available to shelter assets from the federal estate tax at death.

The lifetime exemption is determined each year by the IRS and is \$15 million for 2026. Married couples can use their combined exemptions to pass \$30 million of wealth to their beneficiaries, whether through lifetime gifts, bequests at death, or a combination of both. Assets gifted or transferred above the amount of the exemption are currently taxed at the top federal gift and estate tax rate of 40%.

Unlike the annual exclusion, which shelters gifts each year (and renews each year), the lifetime exemption is one exemption for the cumulative value of all lifetime taxable gifts plus the value of assets passing through your estate at death. Taxable gifts and the exemption used to shelter them from gift tax are reported and tracked by filing annual gift tax returns with the IRS. The amount of cumulative lifetime gifts is then noted on the federal estate tax return.

V. Gift and estate tax planning opportunities

Remember that a beneficiary doesn't incur gift or income tax liability for having received a gift but may incur capital gains tax upon the sale of the gifted asset. See the discussion below regarding "Basis."

For example, if Jane gifted \$30,000 to David in 2026, \$19,000 of David's gift would not need to be reported to the IRS because it falls under Jane's annual exclusion, but the remaining \$11,000 would need to be reported on a gift tax return and would reduce Jane's lifetime exemption by that same amount. If Jane gave \$30,000 to David in two gifts, however, sending him \$19,000 in December 2026, and \$11,000 more in January 2027, both gifts would fall under Jane's annual exclusion for the year of the gift and neither gift would need to be reported as a taxable gift nor reduce Jane's lifetime exemption.

For married couples, the unused lifetime exemption of a deceased spouse is now portable to the surviving spouse. Prior to 2011, the lifetime exemption needed to be used by each spouse independently. If the first spouse to pass hadn't used his or her full exemption, any unused amount was lost. This is no longer the case. A deceased spouse's unused exemption amount (DSUEA) is now transferable to the surviving spouse. The DSUEA will be added to the surviving spouse's available exemption and can be used by the surviving spouse to shelter lifetime gifts and assets transferred at death. Note that portability is not automatic. The surviving spouse must file a federal return within a required time period to elect portability of the deceased spouse's remaining exemption. As an example, if upon Jane's passing she hadn't used \$14 million of her available lifetime exemption, her surviving spouse, David, could file with the IRS to claim Jane's remaining exemption and add it to his own, resulting in David having \$29 million of lifetime exemption.

Additional tax considerations to keep in mind

- **Basis—carryover versus adjusted:** When considering planning opportunities, it's important to understand the basis rules that apply to lifetime gifts versus transfers through an estate at death. When you acquire an asset, its purchase price becomes your basis for the purpose of calculating the capital gain or loss when it's sold. Basis may be adjusted, both up and down, during your ownership of the asset for various reasons, such as the cost of improvements made to real estate.

When you gift an asset during lifetime, the beneficiary takes your basis in the asset for capital gains purposes. This is referred to as a carryover basis. When an asset passes through your estate at death, the basis is adjusted, up or down, to its date of death value. If the asset appreciated in value since its purchase, the adjustment is referred to as a step up in basis. The step up in basis can reduce or even eliminate the capital gains tax due upon the sale of the asset by the beneficiary after your death. This can make a significant difference in the value of the asset in the hands of its new owner.

Different basis rules may apply to community property assets. Generally, community property assets will receive a full basis adjustment at the death of the first spouse and at the death of the surviving spouse.

V. Gift and estate tax planning opportunities

- **Kiddie tax:** It's important to keep the kiddie tax rules in mind when considering lifetime gifting strategies. The rules are intended to discourage parents from gifting income-producing assets to their child to take advantage of the child's lower income tax rate. These special income tax rules apply to the unearned income (including capital gains distributions, dividends, and interest income) of dependent children under the age of 18, or full-time students under the age of 24. For 2026, the kiddie tax rules provide that the child's unearned income above \$2,700 is taxed at the parents' marginal income tax rate. The kiddie tax threshold is adjusted for inflation each year.
- **Generation-skipping transfer (GST) tax:** The GST tax is another federal tax to be aware of when considering gift and estate tax planning strategies. The GST tax is calculated in addition to any federal gift or estate tax. It applies when you gift assets during your lifetime or transfer assets at your death to or for the benefit of an individual who is two or more generations younger than you, such as a grandchild or a great-grandchild (thereby "skipping" the prior generation(s)). The GST tax applies even if the person isn't related to you but is more than 37½ years younger than you. The GST tax rate and exemption are equal to those of the federal estate tax—for 2026, they're 40% and \$15 million. GST transfers may be made to prevent the transferred funds (and any appreciation thereon) from being included and taxed in the estate of the skipped generation. Unlike the lifetime exemption, a deceased spouse's remaining GST exemption is not "portable," or transferable, to a surviving spouse.
- One final note, neither the annual exclusion nor the lifetime exemption applies when it comes to gifts to charity. Charitable gifts can be made in unlimited amounts during life, subject to deductibility limitations for income tax purposes. You can also leave unlimited assets to charity at your death, and doing so may provide your estate additional federal and state death tax benefits.

2 | LIFETIME GIFTING OPPORTUNITIES

Described below are several gifting strategies worth considering. One of the benefits of lifetime gifting, at any level, is that it can remove from your estate not only the amount of the gift, but all future appreciation on that gift.

- **529 college savings plans:** A 529 plan is a tax-advantaged savings vehicle designed to help families save for education expenses. They allow contributions to grow tax deferred, with withdrawals remaining tax-free when used for qualified education expenses. A 529 plan can be front-loaded in a single year by using five years of annual exclusion gifts to the beneficiary of the 529. Annual gift tax returns must be filed to report the funding, and additional annual exclusion gifts can't be made to the beneficiary of the 529 during those five years. For 2026, that means up to \$95,000 can be contributed to a 529 plan for one beneficiary with no gift tax consequences. If you're concerned about overfunding a 529 plan, note that unused funds may also be rolled into a Roth IRA for the beneficiary, up to \$35,000 over a lifetime and pursuant to annual-funding limits and requirements. You can also change a 529's beneficiary to another member of the beneficiary's family.

Gifts to both 529s and Trump Accounts: Staying within the annual exclusion

If you contribute to both a 529 plan and a Trump Account for the same beneficiary in the same calendar year, the combined total of those contributions counts toward the \$19,000 annual exclusion limit for gifts to that beneficiary. Be sure to consult your tax advisor regarding the gifts, particularly if you already have or are considering front-loading a 529 plan with five years of annual exclusion gifts.

- **Trump Accounts:** Trump Accounts are covered in greater detail in **Section II. Planning with retirement assets**, but are addressed here for purposes of the rules applicable to lifetime gifts. While parents, grandparents, and other individuals can make contributions to a Trump Account, annual contributions from all sources cannot exceed \$5,000. Contributions are also subject to the gift-giver's \$19,000 annual exclusion limit for gifts to the beneficiary. Coordinating contributions across multiple accounts like 529 plans and Trump Accounts for the same beneficiary can be complex, so it's advisable to consult with a tax advisor to ensure gifting strategies are structured effectively and remain within applicable exclusion limits.
- **Medical expense and tuition exemptions:** Without regard to the annual exclusion, you can pay unlimited amounts directly to the provider of medical services on behalf of another and make unlimited tuition payments for another directly to the educational institution, free of the federal gift tax and with no reporting requirements. If you make the gift instead to a friend with the assumption that they will use it for medical or tuition expenses, the gift will not qualify for this exemption, but it will count toward your annual exclusion. Any funds gifted to your friend above your annual exclusion will be a taxable gift to which you can apply your lifetime exemption.

Note, however, that the IRS does limit the medical services that qualify and very narrowly defines tuition, so it's important to understand what qualifies prior to making any such direct payments.

- **Outright gifts and gifts in trust:** Annual exclusion gifts and taxable gifts sheltered by the lifetime exemption can be made outright to children, family members, and others. Gifts can be made to minors under the rules of the Uniform Gifts (or Transfers) to Minors Act (UGMA or UTMA) in your state of residence, which generally means the minor will have access to the funds when they reach age 18 or 21, depending on the state.

When it comes to minors (and often young adults), you may want to understand the options for using your lifetime exemption to make substantial gifts while limiting the beneficiary's access to the funds. Gifts can be made into a trust—sometimes referred to as a minor's trust, a 2503(c) trust, or a Crummey trust. You can establish the trust and its terms, which then control when and for what purposes the trustee distributes the trust income and principal to or for the benefit of the beneficiary. For more information on the use of trusts, please see TIAA's article on [Lifetime Trusts for Your Heirs](#).

V. Gift and estate tax planning opportunities

While trusts are often used for gifting purposes, you might consider making outright gifts, especially when the gift can help the beneficiary take important steps toward their future, such as putting a down payment on a home or contributing to a Roth IRA. Consider the following: Peter is age 18 and earns \$7,000 per year. His grandfather makes a \$7,000 gift to Peter at age 18 and for nine years thereafter, directing Peter to contribute each gift to a Roth IRA. Assuming a 5% annual growth rate, below you will see how Peter's Roth IRA grows entirely tax-free as he reaches retirement age.

Peter's age	Value of Roth account
27	\$92,000
50	\$283,000
60	\$460,000
70	\$750,000

Disclosure: The values shown are hypothetical illustrations provided solely for educational and informational purposes. They are based on assumed annual contributions and a hypothetical 5% annual growth rate and do not reflect the performance of any actual investment, account, or investment strategy.

3 | WHY MAKE LIFETIME GIFTS?

We started with the rules and the “hows” of making gifts, so now we turn to the “whys.”

- A consistent practice of annual exclusion gifts removes not only the gifts themselves but all appreciation thereon from your estate
- To help the next generation pay for their children's education by funding 529 plans for grandchildren
- To help a child age 18 or younger begin saving for their future by making gifts to a Trust Account for their benefit
- If you expect the value of an asset to appreciate substantially during your lifetime, a lesser amount of your lifetime exemption may be needed to shelter the gift of the asset during life as opposed to the amount of your lifetime exemption that may be needed to shelter the asset from the federal estate tax at your death when considering future appreciation on that asset

4 | ADVANCED GIFTING STRATEGIES

Under current law, the \$15 million lifetime exemption will be indexed for inflation each year. Families with substantial wealth that may still be impacted by the federal estate tax may want to consider advanced gift and estate tax planning strategies. While simply making gifts that take advantage of the annual exclusion and lifetime exemption can be effective, for some it may make sense to consider the more complex strategies described on the following pages. These strategies may be structured to ultimately skip generations, taking advantage of any available exemption from the GST tax as well.

V. Gift and estate tax planning opportunities

Spousal lifetime access trust (SLAT): A SLAT is an irrevocable trust that includes the gift-giver's (the grantor's) spouse as a permissible beneficiary. Gifting assets to a SLAT uses the grantor's lifetime exemption and removes the SLAT assets (and the appreciation on those assets) from the grantor's and the spouse's estates. Because the SLAT assets are indirectly available to the grantor while the spouse is living, a SLAT may be an appropriate solution for married individuals who want to take advantage of the opportunity to use their lifetime exemption but are uncomfortable relinquishing all access to the gifted funds. If the spouse predeceases the grantor, however, the remaining beneficiaries (typically the couple's children) are now the only permissible distributees, and the grantor has no access to the trust assets.

Intentionally defective grantor trust (IDGT): An IDGT is another strategy for gifting assets in trust, typically for the benefit of children and grandchildren. While an IDGT accomplishes the same goal of gifting to take advantage of the lifetime exemption against the gift tax, it's also intentionally defective for income tax purposes. That means the income generated by the trust is taxed to its grantor, enabling the assets in the IDGT to grow free of any income tax burden. As added benefits, the grantor's payment of the income taxes is not deemed to be an additional gift to the IDGT for gift tax purposes, and the value of the grantor's estate is further reduced by the amount of income taxes paid.

Grantor retained annuity trust (GRAT): For assets expected to appreciate, such as undervalued stocks, funding a GRAT might be a good option. A GRAT is an irrevocable trust in which the grantor retains an initial interest in the trust for a period of time, in the form of an annuity payment received at least annually. After the annuity term, the remaining trust assets are distributed to or held for the benefit of designated beneficiaries.

A GRAT is considered an estate freeze because the value of the assets transferred and their projected growth rate become fixed, or frozen, for gift tax purposes at the time the assets are transferred to the trust. As a result, future growth of the trust assets during the grantor's retained term in excess of the frozen value is ultimately transferred to the grantor's beneficiaries, who are typically the children of the grantor. Because of the freeze, a GRAT may allow the appreciation of the trust assets to be transferred to heirs with a reduced use of the grantor's lifetime exemption.

Qualified personal residence trust (QPRT): A QPRT is an irrevocable trust into which a grantor transfers a residence while retaining the right to live in the residence for a term of years. At the end of the term, the residence then passes to the QPRT beneficiaries. Depending on the length of the retained term, the value of the gift (which is the future transfer of the residence to the QPRT beneficiaries) and the lifetime exemption used to shelter it can be substantially lower than the fair market value of the residence when it was transferred to the QPRT, simply because of the delay in the beneficiaries' ultimate receipt of the gift. Additionally, all appreciation in the value of the residence occurring after the initial transfer to the QPRT passes to the beneficiaries free of gift tax.

V. Gift and estate tax planning opportunities

Irrevocable life insurance trust (ILIT): An ILIT is a trust specifically designed to own life insurance policies, while excluding the value of those policies and any death benefit proceeds from the insured's taxable estate for estate tax purposes. The transfer of an existing policy to an ILIT may have gift tax consequences, as may the payment of annual premiums. However, those transfers may be sheltered by the strategic use of the insured's ability to make annual exclusion gifts and taxable gifts sheltered by the lifetime exemption. When structured properly, an ILIT can save significant federal estate taxes that might otherwise be due on the value of the death benefit.

5. ESTATE PLANNING: Why now is a good time to focus on it

Whether you're starting from scratch, planning around recent life events, or already have an estate plan that just needs to be reviewed, a good place to begin is by completing [Asset Inventory Organizer](#) in preparation for meetings with your legal and tax advisors. Below are a few prompts to help you get started.

If you have existing documents, when were they signed? As noted above, the lifetime exemption from the federal estate and gift tax is currently \$15 million per person, which means married couples can shelter \$30 million of wealth to pass on to their heirs. The lifetime exemption has been much lower in prior years, impacting many more individuals and families. While there's no guarantee that the exemption will remain at or near its current level, if it's been a few years since your estate plan was prepared, you should review your documents with your attorney to determine whether the tax planning provisions are still appropriate.

Are your assets coordinated with your plan? It's important to not only review your estate documents, but to also ensure that your assets are properly coordinated with them. That means assets are titled correctly—for example, whether in your individual name, joint names, or in the name of a trust. Does an asset carry a transfer on death or beneficiary designation, as with retirement accounts and life insurance? If so, it's important that those designations also be coordinated so they don't supersede the terms of your estate planning documents. The effectiveness of any estate plan requires periodic review of such details, which tend to become uncoordinated over time as new financial accounts are opened and new assets are acquired.

Have you moved to another state since you signed your estate planning documents? Where you live may determine how your estate plan is structured and documented. There are several important factors that vary from state to state. They include state-level taxes and the process (and efficiency) of administering an estate under the state's probate laws, perhaps calling for the use of a revocable trust in addition to a will. It's a good idea to contact an estate attorney in your new state of residence to have your documents reviewed.

Do you own out-of-state real estate? The vacation home you own at the shore may provide much joy to you and your family while you are living, but if it's not located in the state of your domicile when you pass away, it could cause significant additional work in the administration of your estate. That's because each state retains the sole right to govern real estate within its borders. So your estate will not only need to be administered in the state where you were domiciled, but in the state where your vacation home is located as well. Thankfully, there are strategies you can employ to simplify the process of passing the vacation home on to your heirs without the need for a second, or "ancillary," estate administration.

Have there been any significant family or financial changes since you signed your estate planning documents? The birth of a child or grandchild, divorce, remarriage, a financial windfall, starting or selling a business—there are several reasons to revisit your estate planning documents to ensure that your current circumstances and desires are taken into consideration when it comes to the distribution of your estate.

Who's named in your documents? There are several instances when a "fiduciary" needs to be named in your estate planning documents. Your fiduciaries include the executor of your will, potentially a trustee or successor trustee, and agents under your powers of attorney (which will be discussed in more detail below). Take the time to review whom you have named (or think about who you should), whether it's an individual or a corporate entity authorized to serve in such capacities. If you have minor children, you may have also named (or need to name) guardians for them in the event that both parents pass away.

Do you have powers of attorney (POA) and a living will (LW)? While reviewing your estate plan, don't overlook your financial and healthcare POAs and your LW. Those documents differ from your will in that they're only effective during your lifetime. They become void upon your death, when your executor or trustee takes over. Are the individuals named as agents under your financial POA still local and able to easily collect your mail, care for your home or pets, and manage your finances and taxes? Do the provisions of your LW still reflect your current wishes regarding end-of-life care?

Where to begin? For more information on basic estate planning documents and other planning considerations, please see [TIAA's Essential Estate Planning Guide](#) and take the time to complete [TIAA's Asset Inventory Organizer](#) in preparation for meetings with your legal and tax advisors.

TAX TERMS AND ACRONYMS

This glossary provides acronyms and terms used throughout this guide to support quick reference.

AGI	Adjusted gross income	RBD	Required beginning date
CGA	Charitable gift annuity	RMD	Required minimum distribution
CRT	Charitable remainder trust	SALT	State and local tax (deduction)
DAF	Donor-advised fund	SECURE	Setting Every Community Up for Retirement Enhancement (Act)
DSUEA	Deceased spouse's unused exemption amount	SEP	Simplified employee pension
EDB	Eligible designated beneficiary	SIMPLE	Savings incentive match plan for employees
ETF	Exchange-traded fund	SLAT	Spousal lifetime access trust
FICA	Federal Insurance Contributions Act (wages)	TCJA	Tax Cuts and Jobs Act
GRAT	Grantor retained annuity trust	UGMA	Uniform Gifts to Minors Act
GST	Generation-skipping transfer (tax)	UTMA	Uniform Transfers to Minors Act
HELOC	Home equity line of credit		
IDGT	Intentionally defective grantor trust		
ILIT	Irrevocable life insurance trust		
IRA	Individual retirement account		
IRC	Internal Revenue Code		
IRS	Internal Revenue Service		
LW	Living will		
MAGI	Modified adjusted gross income		
NHTSA	National Highway Traffic Safety Administration		
NIIT	Net investment income tax		
OBBBA	One Big Beautiful Bill Act		
POA	Power of attorney		
QCD	Qualified charitable distribution		
QPRT	Qualified personal residence trust		



Wealth Planning Strategies

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