



2025 YEAR-END TAX PLANNING GUIDE

Optimizing your wealth: Big bill, bigger moves

**WEALTH
PLANNING
STRATEGIES**

TIAA
Wealth
Management

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Introduction

The TIAA Wealth Management 2025 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 the 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.





I. One Big Beautiful Bill Act (OBBBA)

I. One Big Beautiful Bill Act (OBBBA)

With the passage of the One Big Beautiful Bill Act (OBBBA) in July 2025, much of the uncertainty felt by taxpayers at the beginning of the year as to the future of income and estate taxes has subsided. The OBBBA expanded and made permanent many of the individual tax provisions introduced by the Tax Cuts and Jobs Act of 2017 (TCJA), which were set to expire at the end of this year. It also introduced changes to itemized and standard deductions, which will benefit many taxpayers. But these changes are complex—with different effective dates, income limitations, and requirements for claiming. It will be important to understand these new and enhanced provisions to better prepare you to minimize your tax liability and maximize your tax opportunities.

Some of the key individual income, gift, and estate tax provisions of the OBBBA discussed in this guide include:

- The low individual income tax rates originally introduced by the TCJA are made permanent
- Enhancements to the standard deduction
- A new senior deduction
- The cap on the State and Local Tax (SALT) deduction is raised
- Introduces a charitable deduction for non-itemizers and imposes a charitable deduction adjusted gross income (AGI) floor for those who do itemize
- Allows 529 plans to be used for more purposes
- Introduces Trump accounts as savings vehicles for children under 18
- Introduces new deductions for those who earn tips or overtime pay
- Permanently increases the federal estate, gift, and generation-skipping transfer (GST) tax exemptions

Understanding these provisions and other year-end tax savings strategies discussed in this guide will better prepare you for discussions with your legal and tax advisors.



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, however, you're contributing on an after-tax basis, allowing the funds and any appreciation to be withdrawn income tax free in retirement. As there are advantages to contributing 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. With the permanent extension of the lower individual income tax rates under the OBBBA, high-earning taxpayers may want to begin thinking 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 2025, employees may contribute up to \$23,500 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 \$7,500 as a catch-up each year for \$31,000 in pretax retirement savings in 2025. Beginning this year, employees between the ages of 60 and 63 in the plan year will be able to contribute the greater of \$10,000 or 150% of the regular catch-up limit (indexed to inflation), for a total catch-up of \$11,250 in 2025. 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. 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 2025, the annual contribution limit for traditional IRAs is \$7,000 per taxpayer, and, if you're age 50 or older, you're eligible for a catch-up contribution of an additional \$1,000. Contributions are allowed at any age, provided you have earned income.¹

You 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) aren't 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 2025, the deductibility of a traditional IRA contribution is phased out between \$79,000 and \$89,000 of MAGI for a single taxpayer and between \$126,000 and \$146,000 for married taxpayers filing joint returns (or between \$236,000 and \$246,000 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 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 \$70,000.

	Annual contribution	Age 50+ “catch-up”
Traditional and Roth IRAs	\$7,000	\$1,000
Employer-sponsored retirement plans	\$23,500	\$7,500

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 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. Starting in 2026, employees earning more than \$145,000² (indexed for inflation) must make catch-up contributions to employer-sponsored plans as after-tax Roth contributions. If the plan doesn't include a Roth option, catch-ups will not be available to impacted employees.³

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 2025, the ability to contribute to a Roth IRA phases out if you're a single taxpayer with MAGI between \$150,000 and \$165,000, and if you're married filing jointly, the phase out applies between \$236,000 and \$246,000. 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.

²Limitation is applicable to Federal Insurance Contributions Act (FICA) wages.
³IRS Notice 2023-62.

3 | ROTH CONVERSIONS

While contributions to a Roth IRA are limited to taxpayers below these income thresholds, Roth conversions have no such limitations. In a Roth conversion, you can elect 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. It often 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'll 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 already in active required minimum distribution (RMD) status must take their RMD due in the year of conversion before executing a Roth conversion. If you 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. Generally, either you or your beneficiary is going to be required to pay 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. Additionally, a Roth conversion tends to be more effective when the taxes can be paid outside the assets being converted, which requires the you 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

Several 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 could result in losing all or part of the new senior deduction. Similarly, at higher income levels, be aware of the potential effect of a Roth conversion on eligibility for the increased SALT deduction. See **Section III. Income tax planning**. When considering a Roth conversion, pay attention to your capital gain income, which could push you into a higher marginal tax bracket. In such situations, taxpayers over age 70½ may be able to reduce their 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**.

⁴Taxpayers 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 Roth contribution income limitations, high-earning taxpayers may not be 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 of nondeductible contributions, the conversion can be done income tax free.

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 pre- and after-tax funds in their IRAs can still do a backdoor Roth conversion, but it won't be income tax free.

4 | REQUIRED MINIMUM DISTRIBUTIONS

Year-end is an important time to make sure you're taking out the correct amount from your retirement accounts. And because withdrawals and distributions from traditional retirement accounts are subject to ordinary income tax, it's important to consider withdrawal requirements in any income tax planning conversation.

II. Planning with retirement assets

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. Recent changes have extended the age at which the IRS requires RMDs to be taken from retirement plans. 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 age 72, and the SECURE 2.0 Act extended it further to age 73 for those born between 1951 and 1959, and age 75 if born in 1960 or later.

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—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 it gradually increases each year reaching 4.95% in the year you turn 80 and 8.2% in the year you turn age 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 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 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 | 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 people, and individuals not more than 10 years younger than the original account owner. EDBs are still subject to lifetime RMDs and can use the benefit of the lifetime stretch. (Final rules published by the IRS in 2024 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 tenth 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, if the original account owner died on or after their RBD, the designated beneficiary must take annual RMDs during the 10-year period and withdraw the entire balance by the end of the tenth 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 tenth year.

If you've inherited a retirement account 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 only you and your tax advisors 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 lifetime RMDs. If the beneficiary is a designated beneficiary (an adult child, for example), they must withdraw the entire balance by the end of the tenth year, but because the decedent didn't have a lifetime RMD requirement, the decedent is deemed to have died before their RBD. Therefore, there are no RMDs on inherited Roth IRAs in years 1 through 9.

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 (eligible designated beneficiary)	Stretch or 10-year rule	Stretch over longer option: beneficiary or decedent's life expectancy, or 10-year rule
DB (designated beneficiary)	10-year rule	10-year rule with RMDs in years 1 through 9
No DB	5-year rule	Stretch over decedent's remaining life expectancy

6. 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 those distributions 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 you're over age 70½. Because the distributions go directly to charity, they're not included in your gross income for the year—and, because the QCD can satisfy the RMD requirement, the greatest benefit to the strategy comes when you're 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, 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.

7 | 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—they're passed automatically to the people or entities named in the beneficiary designation on those accounts. If the beneficiary is a person, they're 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 his 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: Because 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 I.R.C 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

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 are naming your trust as a beneficiary, be sure to check with your estate planning attorney to confirm your trust is drafted appropriately.



III. Income tax planning

Income taxes can be one of your 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 you can employ to reduce your income tax exposure and liability. While the OBBBA has extended many of the individual income tax provisions of the TCJA, it also introduced several new provisions, which makes income tax planning potentially more complex.

A starting point for calculating your tax liability is understanding your various sources of income and how that income is taxed. From there, subtract any allowable deductions, and you’re taxed on the results. Understanding the way income and assets are taxed—and taking advantage of allowable deductions—can make a significant impact on your tax bill.

1 | HOW WILL YOUR INCOME BE TAXED?

Different types of income are subject to different tax rates, and understanding how each income type is taxed is an important part of understanding your overall tax liability.

Income tax			Social Security payroll tax	Capital gains tax			Net investment income and Medicare surtax			
Single taxpayer	Married taxpayer	Income tax brackets	6.2% on first \$176,100 of income	Single taxpayer	Married taxpayer	Capital gains rate	Single taxpayer	Married taxpayer	Medicare tax	Net investment income tax
\$11,925 or less	\$23,850 or less	10%		\$48,350 or less	\$96,700 or less	0%	\$200,000 or less	\$250,000 or less	1.45% on all earned income	
\$11,926 to \$48,475	\$23,851 to \$96,950	12%								
\$48,476 to \$103,350	\$96,951 to \$206,700	22%								
\$103,351 to \$197,300	\$206,701 to \$394,600	24%		\$48,351 - \$533,400	\$96,351 - \$600,050	15%	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
\$197,301 to \$250,525	\$394,601 to \$501,050	32%								
\$250,526 to \$626,350	\$501,051 to \$751,600	35%								
more than \$626,350	more than \$751,600	37%								

a. Ordinary income tax

Earned income such as wages; distributions from traditional retirement assets such as 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's taxable will depend on whether your combined income exceeds certain thresholds.⁵

Individual	Married filing jointly	Age 50+ "catch-up"
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

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 \$176,100 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 \$168,800 of wages and 2.90% 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.⁶ 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.⁷ 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 interest 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 net investment income and (ii) MAGI exceeding the 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).

⁵Combined income is your AGI plus nontaxable interest plus half of your Social Security benefit.
⁶The additional 0.9% Medicare tax applies to Medicare wages, self-employment income, and railroad retirement compensation exceeding the above figures.
⁷Qualified dividends are dividends paid by a U.S. corporation or qualified foreign corporation where the taxpayer has met certain holding period requirements.



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	
≤ \$3,150	10%
No 12% bracket	
No 22% bracket	
\$3,151–\$11,450	24%
No 32% bracket	
\$11,451–\$15,650	35%
≥ \$15,651	37%

2 | DEDUCTIONS

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

You're allowed to subtract certain amounts from your income. The standard deduction is a set deduction amount offered to all taxpayers, which was increased under the OBBBA. Alternatively, itemized deductions are certain expenses you may have incurred, or certain dollars spent or donated, that the tax code allows you to deduct. When you add up all your deductions and that amount is less than the standard deduction, you get the benefit of the full standard deduction. Alternatively, 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 must know the amount of your standard deduction. In 2025, the standard deduction is \$15,750 for single filers and \$31,500 for married filers. If you're over age 65 or blind, you may tack on another \$2,000 if you're single or \$1,600 each if you're married. For example, a married couple, both of whom are over 65, would have a standard deduction of \$34,700.

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.
- **SALT:** You may deduct up to \$40,000 paid in state and local tax, including income tax and property tax. This applies to both single filers and married couples filing jointly. Married couples filing separately may deduct \$5,000 each. Note that the SALT deduction is reduced for taxpayers with MAGI above \$500,000.⁸

⁸The SALT deduction cap increased from \$10,000 to \$40,000 under the OBBBA. The SALT deduction is phased out for taxpayers with MAGI between \$500,000 and \$600,000 but never reduced below \$10,000. The SALT deduction cap is set to revert to \$10,000 beginning in 2030.

- **Mortgage interest deduction:** You may deduct the interest on up to \$750,000 of principal on mortgage or home equity loans made after December 15, 2017.⁹ The mortgage or home equity line of credit (HELOC) 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 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 because that was used to pay down student debt, not to acquire or improve her home.

- **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 it was donated to. This is discussed in greater detail in **Section IV. Charitable planning.**¹⁰

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

Example: In 2025 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 \$2,500 each year to his favorite charity. John’s itemized deductions total \$13,000 and his available standard deduction is \$15,750. John will take the standard deduction on his Form 1040.

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.¹¹ One alternative is to consider 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 2025 to recognize an itemized deduction. If John gave \$7,500 to charity—which would count as his 2025, 2026, and 2027 gifts—he would have an itemized deduction of \$18,000 in 2025. Then in 2026, he could take the standard deduction. Additionally, beginning in 2026, John could make \$1,000 in cash gifts to his favorite charity under a new OBBBA provision allowing a charitable deduction for non-itemizers. Over time, this strategy results in greater total deductions.

This will also allow John to realize the full value of his charitable gifts before the 0.5% AGI floor becomes effective in 2026.

⁹For mortgages that predate 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.

¹⁰Beginning in 2026, the charitable deduction 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.

¹¹Beginning in 2026, 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.

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 on your estate.

Limitation on itemized deduction for high-income earners: Beginning in 2026, taxpayers in the 37% 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 $2/37^{\text{th}}$ 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 new deductions were introduced by the OBBBA that will offer qualifying taxpayers relief. As noted above, some of these deductions are effective beginning in 2025 and others in 2026. Some are temporary and some are permanent. Many of these deductions are subject to phase-out based on the taxpayer's MAGI, and therefore careful planning may be required to take advantage of these deductions in future years.

- **New senior tax deduction (for tax years 2025 through 2028):** The OBBBA introduced a new \$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 will be 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 This deduction is available whether taxpayers' deductions are itemized or not.
- **Charitable deduction for non-itemizers (beginning in 2026):** In 2026, married taxpayers who don't 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 2025 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 2025 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 2025 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.

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. That 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 this.

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're so focused on asset allocation that we're not considering the tax consequences of investments. And an unpleasant byproduct of a positive market can be outsized capital gains taxes. Some of the common pitfalls that we see include:

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. But what's 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, which 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 have 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.

If you're in a high tax bracket, talk to your advisor about tax-efficient investing, including using municipal bonds, ETFs, or a managed portfolio to minimize taxes.

Tax-loss harvesting:

Not every investment guarantees annual growth, and value may decrease 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, resulting 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.

A word of caution: Selling investments may change the overall risk associated with your portfolio and expected returns and ultimately could 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. While a tax extension allows more time to file, it doesn’t extend the deadline for tax payments. 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 in April, 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 withholding to take more money out for taxes through the end of this year. 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 whether quarterly estimates are appropriate with your accountant or tax preparer.

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, it actually 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.

A word of 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

5 | YEAR-END INCOME TAX PLANNING CONSIDERATIONS

Year-end income tax planning strategies often focus on reducing your income and tax exposure. The OBBBA has introduced several 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 above-the-line deductions, described above, are subject to certain MAGI limits. Itemized deductions or the standard deduction doesn't reduce MAGI—therefore, 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'll have to begin taking RMDs, consider whether a Roth conversion may make sense. While the 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 you can manage investment income by shifting to more tax-sensitive investments, sticking to a capital gains budget, harvesting investment 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. 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.

OBBBA limitations on deductions:

If you're a taxpayer in the 37% bracket, the new limitations mean you'll lose a portion of your itemized deductions beginning next year, and, if you make charitable gifts, those gifts will also be subject to the 0.5% AGI floor, as noted above. If you've been anticipating giving a large charitable gift, you may wish to do so in 2025 so you can recognize the full tax deduction associated with that gift (subject charitable AGI limitations).

Example: Jack and Jill, both age 50, are married and have \$475,000 of AGI and MAGI. They pay \$35,000 in SALT and \$10,000 in mortgage interest, and they make \$5,000 of charitable contributions annually. In 2025, their total itemized deductions will total \$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'll only recognize charitable gifts exceeding the 0.5% AGI floor and won't 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 and \$25,000 in mortgage interest, and she makes \$100,000 of charitable gifts each year. In 2025, Jane's itemized deductions will total \$165,000. 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 $\$123,649 \times 2/37 = \$6,683.51$ reduction in itemized deductions
- Recognized itemized deductions: \$124,566.49

Jane's total itemized deductions are reduced by $2/37^{\text{th}}$ of the amount of her income in the 37% bracket, resulting in a "loss" of more than \$40,000 of itemized deductions. Jane could consider front loading charitable gifts in 2025 to reduce the erosion of the value of those gifts in future years.

Traditional income tax planning:

In addition to considering strategies to reduce income to allow you to take advantage of the new deductions 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 than this year. Alternatively, 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.

III. Income tax planning

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 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 to work with a tax professional to ensure you're taking advantage of all available tax strategies. Your TIAA advisor can also 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

IV. Charitable planning

Many are charitably inclined and wish to give to their favorite organizations. And while tax benefits may not be front of mind, there are certainly income tax benefits to making charitable gifts. Charitable gifts for tax purposes are gifts of property to organizations that the IRS formally qualifies and recognizes for their charitable, religious, scientific, educational, and other purposes. The two most common types of qualified organizations are public charities and private foundations.

The type of property you give and the type of charitable organization you give it to will impact the tax benefits you may receive. For this reason, you should always consult your legal and tax advisors for specific guidance before making substantial charitable gifts.

The OBBBA makes changes that impact the tax benefits of charitable giving beginning in 2026. If you're considering a substantial charitable gift, you should discuss the changes with your tax advisor to determine whether your tax benefit might be greater by making the gift this year or next. The OBBBA's overall impact on itemized and other deductions is discussed in greater detail above in **Section III. Income tax planning**, but here we discuss those provisions that specifically affect charitable gifts.

New deduction for non-itemizers: Beginning in 2026, the OBBBA allows taxpayers taking the standard deduction to claim an additional deduction for cash gifts to charity. Single taxpayers will be able to claim up to \$1,000 as a charitable deduction, and married taxpayers who file jointly may take a combined \$2,000 charitable deduction.

If you take the standard deduction and make cash charitable donations at year-end, consider whether it makes sense to wait until January to be able to deduct those donations in 2026.

New limit for itemizers: For taxpayers who itemize, beginning in 2026, the OBBBA will introduce a 0.5% AGI floor to the deductibility of charitable gifts—meaning only charitable gifts exceeding 0.5% of the taxpayer's AGI will be deductible. For example, if you have \$150,000 AGI, beginning in 2026, you'll only be able to deduct charitable gifts exceeding \$750.

If you itemize deductions and are considering a substantial charitable gift in the coming years, work with your tax advisor to estimate the impact of the 0.5% floor (the charitable deduction you'll lose) and consider whether it would be more advantageous to make the gift prior to year-end 2025.

New limit for 37% bracket taxpayers: The OBBBA also imposes a new limitation on itemized deductions for taxpayers in the 37% income tax bracket. Beginning in 2026, taxpayers in the 37% bracket will effectively be capped at a 35% deduction on all itemized deductions. For example, this year a taxpayer in the 37% bracket who makes a \$100,000 charitable gift will realize a \$37,000 tax benefit for that gift. Beginning in 2026, however, that tax benefit will be reduced to \$35,000.

If you anticipate being in the 37% bracket in 2026, talk to your tax advisor about strategies to consider this year, prior to the reduction in itemized deductions taking effect.

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 that can be deducted is limited to a percentage of the taxpayer’s AGI in the year the gift is made. Any amount that cannot be deducted can be carried forward and deducted (subject to the AGI limitations) for up to five additional years. As noted above, however, beginning in 2026, additional limitations will apply to charitable deductions.

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%

*OBBA made permanent.

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 appreciated assets that you've held longer than one year is the avoidance of capital gains tax on the appreciation. The charity's benefit and the amount of your charitable deduction are the same whether you give cash or appreciated securities, but the avoidance of capital gains tax on the appreciated securities may result in a greater overall tax benefit than making a gift of cash.

b. Qualified charitable distributions (QCDs)

If you're over age 70½, you can direct up to \$108,000 from your IRA to charity in 2025. If you're already taking RMDs, a QCD will count toward your RMD in the year it is made.

While there's no charitable 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. That means your income is lower than it would have been, reducing your tax obligation (and potentially your bracket). Further, a lower MAGI may have other benefits. A lower MAGI may reduce your Medicare premiums and the tax on your Social Security income, both of which are MAGI-sensitive. Additionally, a lower AGI may 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**, it may allow you to take advantage of the new MAGI restricted deductions, including the senior deduction, tips and overtime deductions, and auto-loan interest deduction provided for under the OBBBA.

While you're permitted to make QCDs at age 70½, the immediate tax benefit of a QCD is the reduction in the taxable amount of your RMD. However, RMDs are not required until age 73. You may still make a QCD at age 70½, but if you're not subject to RMDs until age 73, it may make sense to wait until then. If you do not have to take an RMD, there's no taxable income to reduce.

If you take the standard deduction, a QCD will allow you to reduce your taxable income even though you didn't itemize to report a charitable deduction.

Example: Jack is 74 and must take a \$50,000 RMD from his IRA for 2025. 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 DAF or private foundation.

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

IV. Charitable planning

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. In return for establishing the CGA, the charity will pay you a fixed annual percentage of your gift for a term or 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 2025, the limit is \$54,000 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 to receive a specific dollar amount or percentage of your assets, or you can leave a specific item, such as a piece of artwork, to a charity. Including charities in your estate plan not only fulfills your desire to leave a charitable legacy but can provide tax benefits as well. Amounts left to charity through your estate may be deductible for purposes of any applicable estate or inheritance tax.

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 assets 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, an income 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**.

Without any designation	With specific designation
Charity receives: \$50,000 Securities \$50,000 IRA <u> </u> \$100,000	Charity receives: \$100,000 IRA
Individual receives: \$50,000 Securities \$50,000 IRA (\$20,000) Income tax* <u> </u> \$80,000	Individual receives: \$100,000 Securities
	Tax savings = \$20,000

*Assumes a combined federal and state income tax rate of 40%

IV. Charitable planning

e. Donor-advised funds (DAF)

A DAF is a type of charitable account that's established through a sponsoring organization, such as a financial institution or community foundation. DAFs can be funded with cash, marketable securities, or other property. You can deduct the amount of your gift to the DAF in the year of the gift (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 the cost and complexity in creating a DAF are much lower.

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

Many taxpayers who take the standard deduction no longer realize a 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 above in **Section III. Income tax planning**.

g. Charitable remainder trust (CRT)

A CRT is an irrevocable trust that pays an income stream to you, or to another person (or persons), for a specified period, with the remaining balance passing to charity. The income stream may be either a fixed dollar amount or fixed percentage of trust assets, and the specified period may be either a term of years or the beneficiary's lifetime.

When you fund the CRT, you receive a charitable deduction equal to the present value of remainder interest passing to charity. 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 \$1,000,000 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 can sell the stock, but instead of paying the capital gains tax up front, taxes are paid each year when Jack and Jane receive distributions. The amount the charity is projected to receive at the end of 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 of 2020 fundamentally reshaped the rules regarding distributions from inherited retirement accounts. Now, most nonspouse adult 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, thereby spreading the annual income and resulting tax liability as well.

One strategy to consider is naming a CRT as the beneficiary of your pretax retirement accounts. The proceeds of the retirement accounts are invested within the CRT. Income tax is not paid by the CRT but is paid by the beneficiary as he receives payments. The income stream from the CRT can stretch over the beneficiary's lifetime, spreading the tax liability over that period and avoiding a large lump-sum tax bill due in year 10 as with an inherited retirement account.

Please refer to TIAA's [Charitable Giving Guide](#) for more information on the charitable strategies mentioned above.



V. Gift and estate tax planning opportunities

V. Gift and estate tax planning opportunities

While gathering documents and financial information for tax planning purposes, be certain not to overlook your estate plan and any lifetime gifting opportunities you may want to consider prior to year-end. This section will cover the basic tax considerations that impact gift and estate planning strategies. It will also cover several reasons why an existing estate plan may need to be updated, and where to begin if you don't have a plan in place.

1 | BACKGROUND

It's important to be aware of the federal taxes that may impact your gift and estate plans, as well as any taxes that may be imposed by your state of domicile. This section will provide an overview of federal taxes and planning strategies, but you should confirm with your tax or legal advisor whether your state imposes a gift, estate, or inheritance tax that you should also be aware of.

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 that can be gifted 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 2025. Spouses who make gifts together (referred to as gift-splitting) can make annual exclusion gifts up to \$38,000 per beneficiary in 2025. Most gifts, such as birthday and graduation gifts, typically fall under the annual exclusion.

A gift of community property is considered a gift of a one-half interest in the property by each spouse, regardless of which spouse owned the community property and made the gift. It's important to keep that 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. 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. The cumulative amount of 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. Note that a beneficiary doesn't incur gift or income tax liability for having received a gift.

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Example: If Jane gifted \$30,000 to David in 2025, \$19,000 of David's gift wouldn't 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 2025 and \$11,000 more in January 2026, 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.

The lifetime exemption is also determined each year by the IRS and is \$13,990,000 for 2025. Assets gifted or transferred above the amount of the exemption are currently taxed at the top federal gift and estate tax rate of 40%.

For married couples, any unused lifetime exemption is now portable to a surviving spouse at the death of the first 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 in making lifetime gifts or for transferring assets at death.

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 and transfers through an estate at death. When you acquire an asset, its purchase price becomes your basis for purposes 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.

- **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 2025, the kiddie

V. Gift and estate tax planning opportunities

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.

- **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's two or more generations younger than you, such as a grandchild or a great-grandchild. 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 2025, they're 40% and \$13,990,000.
- 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 gifting strategies you may want to consider. 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 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 2025, 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 funds in a 529 plan not used for permissible education-related purposes 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.
- **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.

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However, 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](#).

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'll 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

3 | WHY MAKE LIFETIME GIFTS?

We started with the rules and how to make gifts, so now consider why we make them.

- Regularly utilizing annual exclusion gifts not only removes the gifts themselves but also any future appreciation from your estate.
- Help the next generation pay for their children's education by funding 529 plans for grandchildren.
- 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

V. Gift and estate tax planning opportunities

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

The OBBBA increases the lifetime exemption to \$15,000,000 beginning on January 1, 2026, and provides that it will be indexed for inflation each year thereafter. Families with substantial wealth who 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 below. These strategies may be structured to ultimately skip generations, taking advantage of any available exemption from the GST tax as well.

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 dies before 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 isn't 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 that are 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.

V. Gift and estate tax planning opportunities

A GRAT is considered an estate freeze because the value of the assets transferred and their projected growth rate becomes 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.

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 TAX PLANNING OPPORTUNITIES

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

If you have existing documents, when were they signed? As noted above, beginning January 1, 2026, the lifetime exemption from the federal estate and gift tax will increase to \$15,000,000 per person, which means married couples will be able to shelter \$30,000,000 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 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.

V. Gift and estate tax planning opportunities

Are your assets coordinated with your plan? It's important to not only review your estate documents, but to also ensure your assets are properly coordinated with them. Which means assets are titled correctly—whether in your individual name, joint names, or the name of a trust, for example. Does an asset carry a transfer on death or beneficiary designation as with retirement accounts and life insurance? If so, it's also important for those designations to 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, including 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 you and your family much joy while you're 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're 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—these and others are all reasons to revisit your estate planning documents to ensure 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 power of attorney (which will be discussed in more detail below). Carefully consider and review the individuals or corporate entities you've designated (or should designate) to serve in these roles. If you have minor children, you may have also named (or need to name) guardians for them in the event both parents pass away.

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Do you have power of attorney (POA) and a living will (LW)? While reviewing your estate plan, don't overlook your financial and health care POAs and your LWs. Those documents differ from your will in that they're only effective during your lifetime—they become void upon your death, when your executor and/or trustee take over. Are the individuals named as agent 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, as suggested above, take the time to complete [TIAA's Asset Inventory Organizer](#) in preparation for meetings with your legal and tax advisors.



Tax terms and acronyms

AGI	Adjusted gross income	SEP	Simplified employee pension
CGA	Charitable gift annuity	SLAT	Spousal lifetime access trust
CRT	Charitable remainder trust	TCJA	Tax Cuts and Jobs Act
DAF	Donor-advised fund	UGMA	Uniform Gifts to Minors Act
DSUEA	Deceased spouse's unused exemption amount	UTMA	Uniform Transfers to Minors Act
EDB	Eligible designated beneficiary		
ETF	Exchange-traded fund		
FICA	Federal Insurance Contributions Act (wages)		
GRAT	Grantor retained annuity trust		
GST	Generation-skipping transfer (tax)		
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		
RBD	Required beginning date		
RMD	Required minimum distribution		
SALT	State and local tax (deduction)		
SECURE	Setting Every Community Up for Retirement Enhancement (Act)		

The One Big Beautiful Bill - Quick Reference Guide

On July 4, 2025, the Reconciliation Legislation (H.R. 1) aka the One Big Beautiful Bill Act (OBBBA) was signed into law. Below are some of the key individual income tax provisions included in the legislation:

Tax Cuts and Jobs Act (TCJA) current provisions made permanent by the One Big Beautiful Bill Act (OBBBA)		
Individual Income Tax Rates	Makes TCJA tax brackets permanent (10%, 12%, 22%, 24%, 32%, 35%, 37%).	
Capital Gains Tax Rates	Maintains and extends current capital gains tax brackets (0%, 15%, 20%)	
Standard Deduction	Makes permanent and increases the standard deduction (indexed for inflation): - S: \$15,750 - MFJ: \$31,500 - Aged or Blind additional \$2,000 S/\$1,600 per qualifying spouse for MFJ	
Mortgage Interest Deduction	Makes \$750,000 limit permanent; adds mortgage insurance premiums as allowable interest deduction	
Miscellaneous Itemized Deductions	Makes permanent the elimination of all miscellaneous itemized deductions except for educator expenses Expansion of allowable deductible educator expenses beginning in 2026	
Child Tax Credit	Makes permanent and increases the Child Tax Credit to \$2,200 per child (indexed for inflation and subject to phase out)	
Section 199A Pass-through deduction	Makes permanent pass-through deduction (increasing from 20% to 23% in 2026)	
Annual Gift Tax Exclusion	Maintains annual gift tax exclusion, currently \$19,000 per recipient (indexed for inflation)	
Estate & Gift Tax Exemption	Makes permanent and increases the lifetime exemption amount (increasing to \$15,000,000 in 2026, indexed for inflation thereafter)	
New Individual Provisions under the OBBBA		
Provision	Key Points	Effective Tax Years
Senior Deduction	\$6,000 deduction for individuals age 65+ Phases out at MAGI of \$75,000-\$175,000 S/\$150,000-\$250,000 MFJ	2025-2028
Auto Loan Interest	Loan interest up to \$10,000 deductible for qualified U.S.-assembled vehicles purchased after 12/31/2024 Phases out at MAGI over \$100,000 S/\$200,000 MFJ	
Tips/Overtime Deduction	Tips: Up to \$25,000 deductible Overtime: Up to \$12,500 S/\$25,000 MFJ deductible Phases out at MAGI over \$150,000 S/\$300,000 MFJ	
SALT Deduction	Increases to \$40,000 (2025), rises 1% annually thereafter Phases out to \$10,000 at MAGI of \$500,000-\$600,000 (for both S and MFJ) Reverts to \$10,000 in 2030	2025-2029
Itemized Deductions Limit	Deduction limited to 35% for taxpayers in the 37% bracket	2026-permanent
Charitable Deduction for Non-Itemizers	New permanent deduction for non-itemizers for charitable contributions of cash up to \$1,000 S/\$2,000 MFJ	
Termination of Green New Deal Subsidies	Termination of clean vehicle credit for cars and clean energy credits	Various
529 Plans	Makes ABLE rollovers permanent Expands definition of qualified higher expenses and allows postsecondary credentialing expenses for distributions after July 4, 2025 Beginning in 2026: increases elementary/secondary education annual limit from \$10,000 to \$20,000	
Trump Accounts	Beginning in 2025 provides for new tax-exempt accounts for children under 18 with \$5,000 annual contribution cap (indexed for inflation) Government pilot program with \$1,000 initial contribution for children born 2025-2028 Note: No contributions may be made before July 4, 2026	

Acronym Glossary: TCJA = 2017 Tax Cuts and Jobs Act; SALT = State and Local Tax; AGI = Adjusted Gross Income; MAGI = Modified Adjusted Gross Income; S = Single; MFJ = Married Filing Jointly

For more information, visit <https://www.whitehouse.gov/obbb/>.



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