

2025 Year-End Wealth Management Reminders

As 2025 comes to a close, there are a variety of tasks that may need to be attended to before year-end. We're here to help with those and to keep you informed and well-prepared for any potential processing delays with custodians as they receive last-minute requests. In this letter, we flag a few wealth management deadlines that are fast approaching and ensure these key areas are on your radar so that you can finish the year with confidence.

Charitable Donations: DAF Contributions and IRA QCD's

There are multiple methods to donate to charity. Some donors contribute cash to their favorite organizations while others will give appreciated stock. One easy way to give charitably is through a **Donor Advised Fund (or DAF)**, a special vehicle that lets taxpayers receive a deduction for the year in which they contributed and then manage the disbursements to charities over time.

Another method for those aged 70.5 or older is a **"qualified charitable distribution" (QCD)**, which can reduce the amount of taxes owed in the year of a contribution. The current rules allow each person to contribute up to \$108,000 annually from their IRA directly to any charity (or charities) of their choice (excluding Donor Advised Funds).

Keep in mind that the deadline for charitable contributions this year is December 31, 2025.

Tip: If you plan on a charitable contribution in 2025, let your advisor know immediately. Custodians such as Schwab and Fidelity are usually flooded with requests in the last few months of the year to set up Donor Advised Funds and processing times can increase dramatically. We recommend notifying your advisor by December 10th to allow time for processing. Also, there are new tax laws in place that may reduce the deductibility of DAF contributions for high earners beginning next year. This may be a great opportunity to reach out to your CPA to discuss this and potentially accelerate some contributions for 2025.

Qualified Plan Contributions

If you are still working and are contributing to a qualified plan (meaning a work-sponsored plan), the deadline for your 2025 contributions is **December 31, 2025**, or the last paycheck prior to that date. These plans include 401(k)s, 403(b)s, 457s, among others.

The most you as an employee can contribute to these plans for 2025 is \$23,500 (if you are under 50 years old) or \$31,000 including the \$7,500 catch-up contribution (if you are 50 or older). These limits only reflect the maximum annual amount that you as an employee can defer into your own plan and **do not** include *employer* contributions. Note that those limits will go up for 2026 to \$24,500 for the base contribution and \$8,000 for the catch-up contribution.

Tip: If this is applicable, you may want to reach out to your payroll/HR department to ensure you are contributing the right amount to your qualified plan for 2025 and that you are receiving the full amount of matching funds that your employer may be offering. If you have been contributing an accelerated amount in the second half of 2025, it is a good idea to check to make sure that your January 2026 contribution is still appropriate to get to the desired annual amount for next year.

Individual Retirement Account Contributions

The deadline for your contribution to individual retirement accounts (such as Traditional, Roth, SEP IRA, and SIMPLE IRA) has more breathing room. The deadline to contribute to a Roth IRA or a Traditional IRA for 2025 is **April 15, 2026**. SEP-IRA and SIMPLE-IRA owners have until **April 15, 2026** or **October 15, 2026**, depending on whether or not the tax return will be extended.

The limit for IRA/Roth IRA contributions for 2025 is \$7,000 (or \$8,000 if you're 50 or older). For 2026 the base amount will increase to \$7,500 and those over 50 years old may contribute up to \$8,600.

Tip: Be sure to check with your tax advisor or CPA about the timing and amounts of any contributions. A Roth IRA, for example, has income phase-out limits that are different for single and married tax filers.

Required Minimum Distributions (RMDs)

The IRS requires investors who have Traditional IRAs, SIMPLE IRAs, SEP IRAs, and certain qualified plans to begin withdrawing amounts from those accounts once they reach their Required Beginning Date (RBD). These withdrawals are called **required minimum distributions (RMDs)**. Note that 401(k) holders may also have to take an RMD in the year they retire or sooner if they own more than 5% of the company sponsoring the plan. If you have any questions about these rules, we would be happy to assist.

Under Secure Act 2.0, which became law in 2022, the required age to begin taking RMDs was extended to 73 for any accounts that you own directly in your own name (not an inherited IRA, in other words). Secure Act 2.0 also eliminated the RMD requirement from Roth 401(k) accounts.

Your first-ever RMD must be taken by April 1 in the year after it was technically due (meaning you have a few extra months if you need them for your first-ever RMD). For each subsequent RMD (your second, third, and so forth) the deadline is **December 31** of that year.

Your advisor will work with you on the amount to withhold for taxes and whether to reinvest the after-tax proceeds or send them to you for your living expenses. If you have inherited an IRA or a Roth IRA, your advisor and Client Operations Specialist will work with you on an appropriate distribution strategy.

Roth Conversions

In some limited cases, it may be advantageous to convert a portion of your pretax retirement account to a Roth IRA. This requires thoughtful analysis and coordination with you and your CPA/tax preparer. Roth conversions may generate a favorable tax tradeoff for some investors. For example, if you are in the 12% bracket today but might be in the 22% bracket at the time you would be taking RMDs, a Roth conversion may improve the economics. And it actually gets better, because those after-tax dollars are reinvested and can grow over the course of your lifetime and will never be taxed again assuming tax laws remain the same.

The deadline for Roth conversions this year is **December 31, 2025**.

If you have questions about the items above, please do not hesitate to reach out to us at any time. We look forward to the opportunity to discuss your personal wealth management plan, and we are always happy to coordinate a meeting with your CPA or tax preparer as appropriate.

Please find this newsletter and others on our website at <http://www.gardecapital.com>.

This article was published by Garde Capital, Inc. a Seattle based Registered Investment Advisor that provides wealth management solutions to individuals and families, nonprofit organizations, and corporate retirement plans.

Copyright 2025 by Garde Capital, Inc.