

CHART OF THE MONTH

DECEMBER 2025

We have highlighted several notable changes in the tax laws for 2025 and 2026 for your information below. Please consult with your tax professional if you have specific questions.

Year-End Tax Planning. In 2025, you can give away up to \$19,000 (\$38,000 if married) per person to an unlimited number of people without eating into your lifetime estate and gift tax exclusion of \$13.99 million (\$27.98 million for married couples). Under the One Big Beautiful Bill Act, these amounts will increase to \$15 million and \$30 million, respectively, in 2026. Payments made for college tuition and medical expenses do not count toward your annual or lifetime exclusion as long as they are made directly to an educational or medical institution. Please advise us prior to year-end if you have any large realized gains or losses outside the portfolio(s) we manage on your behalf.

Higher Standard Deduction. For tax year 2026, the standard deduction increases to \$16,100 for single taxpayers and \$32,200 for married couples filing jointly. If you itemize on your tax return, you may be able to deduct up to \$40,000 in state and local taxes (SALT), subject to a phaseout on Modified Adjusted Gross Incomes of \$500,000 or more. The SALT deduction was previously capped at \$10,000 from 2018 to 2024. Taxpayers in high-tax states with significant property or state income taxes (such as California), whose total itemized deductions exceed the standard deduction, are most likely to benefit.

Social Security. Monthly benefits will increase in January 2026 via a 2.8% Cost-of-Living-Adjustment (COLA). However, premiums for Medicare Part B (typically withdrawn directly from Social Security checks) are increasing by nearly 10%, reducing the net amount of the new deposits well below what the 2.8% adjustment would suggest. Meanwhile, the Social Security tax rate for employees remains at 6.2% on earnings up to \$184,500 (vs. \$176,100 in 2025), with an additional 1.45% Medicare tax on all earnings. Self-employed individuals pay the combined 12.4% Social Security tax and 2.9% Medicare tax.

Required Minimum Distributions. For those born in 1953 or before, Schwab will post your 2026 RMD based on the market value of your IRA as of 12/31/25 divided by an IRS life expectancy factor on or about January 2. The RMD can be withdrawn whenever you wish. If the funds are not needed immediately, we recommend waiting until later in the calendar year in order to grow the money on a tax-deferred basis for as long as possible. The RMD age will change to 75 in 2033.

RIP: The Penny (1793-2025). The Department of Treasury has ceased production of the penny due to cost savings and declining use. The last penny was minted on November 12, 2025 after 232 years of production. Although the penny is being retired, it is still legal tender and can be used for purchases or deposits at banks. These changes will have no impact on digital transactions (such as stock and bond purchases and sells, and dividend and interest income).

