William Blair

Private Wealth Management

2025

Wealth Planning and Philanthropy Strategies

Last year's election results have set the stage for significant changes in tax legislation.

The new administration is expected to prioritize extending the Tax Cuts and Jobs Act of 2017 (TCJA) and potentially repealing parts of the Inflation Reduction Act, which may lead to adjustments in corporate taxes and individual tax provisions. As we navigate these changes, it is important for individuals and businesses to stay informed and proactive in their planning approach. There are a number of immediate strategies you might consider to help you meet your financial, wealth-transfer, and philanthropic goals.

1. Evaluate Asset Allocation and Location
2. Plan Annual Gifting
3. Prepare for Charitable Giving
4. Analyze Wealth Transfer Strategies in a Higher-Interest Rate Environment
5. Review Current Estate Plan
6. Consider Using The High Lifetime Tax Exemption
7. Assess Roth Conversion
8. Review Important Retirement Ages

Overview

The chart below is a high level overview of 2025 tax changes.

	2024 Taxes	2025 Taxes
12.4% Social Security Tax	On income up to $168,600	On income up to $176,100
37% Income Tax	Individuals making over $609,350 Couples making over $731,200	Individuals making over $626,350 Couples making over $751,600
Standard Deduction	$29,200 per couple ($14,600 for individuals)	$30,000 per couple ($15,000 for individuals)
IRA/Roth Contribution Limit	$7,000 per person plus an additional $1,000 contribution amount for those age 50 or older	$7,000 per person plus an additional $1,000 contribution amount for those age 50 or older
Gift and Estate Tax Exemption	$13.61M and a top marginal rate of 40%	$13.99M and a top marginal rate of 40%
Gift Exclusion Amount	$18,000 per person	$19,000 per person

Planning Strategies

Evaluate Asset Allocation and Location

It is a good practice to periodically re-evaluate your asset allocation and review how your assets are distributed across different vehicles—nonqualified accounts, retirement accounts, trusts, insurance, foundations, and other investments. Determining the purpose and future intention of your funds is critical in reassessing your finances.

Plan Annual Gifting

Annual gifting allows you to give loved ones tax-exempt gifts throughout your lifetime.

- The current annual exclusion amount is $19,000 gift-tax-free to an unlimited number of recipients in one year. It does not count against the $13.61 million lifetime exemption.
- Consider establishing gift trusts for your children funded with annual exclusion gifts.
- Contribute to Roth IRAs for children who have earned income, matching earnings up to $7,000.
- Fund 529 education plans to help children and grandchildren through tax-exempt gifting. You can front-load five years' worth of exclusion gifts in one tax year for such plans; however, if you take advantage of this strategy, you are not allowed to make annual exclusion gifts to the beneficiary over the next four years.
- In addition to the annual exclusion gifts, you can also pay for tuition or medical bills for individuals directly to the institutions gift-tax-free. There is no cap to such payments and you can still make annual exclusion gifts of up to $19,000 gift-tax-free to the same beneficiary.

Charitable Giving

Give appreciated securities to charities. By gifting long-term appreciated securities directly to a qualified public charity, you can take advantage of a double income tax benefit. You will receive a charitable deduction on the fair market value of the gifted security and avoid paying capital gains tax on the security donated. Appreciated securities can also be contributed directly to a donor-advised fund.

Donate cash from the sale of depreciated securities. Donors may identify certain securities that are currently valued at less than their original cost (cost basis) and sell those securities at a loss. Tax-loss harvesting allows capital losses to offset capital gains and up to $3,000 of ordinary income. Donors can then claim a charitable deduction if they donate cash from the sale proceeds.

Qualified charitable distribution (QCD) continues. While the Secure 2.0 Act raised the RMD age limit to 73, it did not change the age at which an individual can make a qualified charitable distribution (QCD) from their IRA, which remains at age 70 ½. With the new RMD age limit, there is a two-and-a-half-year window when IRA distributions may qualify as charitable contributions and are not recognized as taxable income if the distribution is made directly from the IRA to a qualified public charity. At age 73, QCDs can satisfy RMDs and lower your taxable income by the amount of your donation up to $108,000 per year.

Use donor-advised funds (DAFs). DAFs allow donors to pool donations into one fund, deduct the entire contribution in one year, and advise the fund manager over time on the charities to donate to. DAFs have been growing in popularity in recent years for their tax advantages, simplicity, and convenience. Donations can be done by the donor online, while the recordkeeping is handled by the fund manager.

Consider Bunching Charitable Giving Bunching. involves consolidating multiple years' worth of charitable contributions into one tax year to surpass the standard deduction threshold. Bunching provides tax benefits by pushing itemized deductions over the standard deduction and creates flexibility in how and when donations are made.

Thought Leadership

Engage your wealth and philanthropic advisors and accountants in your charitable giving planning, and visit "Pathways to Planned Giving and High Impact Philanthropy" for more tips and tools.

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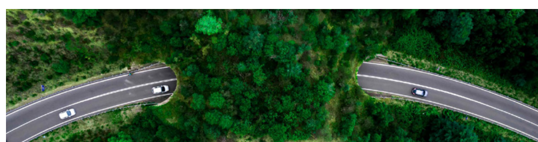

Developing Pathways to Planned Giving and High-Impact Philanthropy

Using charitable giving strategies to enhance the tax-efficiency of your donations plays a vital role in maximizing the impact of your gifts. Take time at year-end and during the year to consult with your tax and financial advisors to optimize your giving.

Ways to Give

Gifts of Assets

Cash

Writing a check is the simplest way to make a charitable contribution. You do not have to transfer stock certificates, titles, or other ownership documents or worry about your basis or valuations for tax purposes. If you itemize deductions, gifts of cash to qualified public charities can be deducted in an amount up to 60% of your adjusted gross income (AGI) in a given year.

Appreciated Assets

By donating long-term appreciated securities to charity, you can minimize paying taxes on the most efficient lowest basis shares, providing considerable tax efficiencies versus selling the stock and donating the after-tax cash proceeds. If you own assets that have appreciated significantly since you acquired them and you have owned them for more than one year (long-term unrealized gains require a 12-month holding period), donating these assets, rather than cash, may help you maximize the tax benefits of your gift.

When you donate long-term capital gain property, such as publicly traded stock, shares in a private company, and, in some situations, real estate, you can deduct the asset's full fair market value (FMV) at the time of the gift. In addition to enjoying the deduction, you will avoid having to pay capital gains tax on the appreciation. The charity can either hold the stock as an investment or, because of its tax-exempt status, sell the stock immediately without any tax impact. When contributing less marketable assets, such as shares of a privately owned company or real estate, you may need to obtain a qualified appraisal from a valuation professional.

Depreciated or "Loss" Assets

If you would like to dispose of assets that are worth less than your basis, it is not advisable to donate them to charity. Rather, sell the assets so that you can recognize the loss on your income tax return and then donate the sale proceeds to charity.

Non-Cash Assets

Donors may also contribute complex and illiquid assets—such as private company stock, restricted stock, real estate, alternative investments, cryptocurrency, or other long-term appreciated property—directly to charity. Making this type of donation requires more time and effort than donating cash or publicly traded securities, but it has distinct potential advantages. These types of assets often have a relatively low cost basis. In fact, for entrepreneurs who have founded their own companies, the cost basis of their private C-corp or S-corp stock may effectively be zero.

Contributing non-publicly traded assets to charity, however, involves additional laws and regulations, so investors should first consult their legal, tax, or financial professional. Also, not all charities have the administrative resources to accept and liquidate such assets. This is where you might consider a donor-advised fund (DAF) program (see next page for

Wealth Transfer Strategies in a Higher-Interest Rate Environment

Qualified Personal Residence Trust (QPRT) Gifting a home to a trust allows the grantor to retain an interest in the home for a set number of years. At the end of the term, the home is owned by the trust and is outside the estate for tax purposes. At the end of the retained term, the grantor may rent the home from the trust. The Section 7520 rate determines the retained value for the grantor's interest in the home. Keep in mind that a higher rate (and longer term) can greatly increase the value of the retained interest and make the gift considerably smaller. The basis in the home transfers to the QPRT. Establishing a QPRT will affect both capital gains and estate taxes.

Charitable Remainder Annuity Trust (CRAT)
The grantor receives an annuity from the Charitable Remainder Trust (CRT) for a set term of years. The charity receives what remains at the end of the term. As with a QPRT, the Section 7520 rate determines the remainder value for the grantor's tax deduction. A higher rate will increase the remainder value and also increases the amount of the deduction. There is a required minimum remainder of 10% of the initial value of the CRT to qualify; there is also a minimum annual payment amount required of 5% and not more than 50% of the trust assets.

Charitable Remainder Unitrust (CRUT) A CRT is an irrevocable trust that generates a potential income stream as the donor to the CRT, or other beneficiaries, for a set term or 20 years, with the remainder of the donated assets going to your favorite charity or charities.

Review Current Estate Plan

Make sure that that your estate documents are up to date.

- Review wills, trusts, and beneficiary designations to confirm they reflect your current wishes.
- Double-check to make sure your medical directives and powers of attorney for health and property are up to date in case of extended illness or incapacity.
- Review ownership titles on all property and assets so that property passes to the intended heirs.

Consider Using The High Lifetime Tax Exemption

The lifetime gift and estate tax exemption is set at $13.61 million per individual for 2025. Under the current law, this exemption is scheduled to sunset at the end of this year, as the 2017 Tax Cuts and Jobs Act expires. However, with Republicans gaining control of the presidency and both houses of Congress, it is widely believed that the exemption level will remain at an elevated level for the foreseeable future. While the urgency to transfer assets out of one's estate may now be lessened, clients should consider the benefits of the future appreciation on assets that would be not be subject to future estate taxes. For married couples, each spouse qualifies for the $13.61 million exemption, creating an opportunity to pass up to $27.22 million free of transfer taxes. The value of your estate above your available exemption is taxed at 40% at death. Keep in mind that the exemption applies to gifts and estate taxes combined—often referred to as a "unified" exemption. Any exemption used for lifetime gifting reduces the amount that can be used to offset the estate tax at death. Specific gifting vehicles include:

Gifting assets in trust. Allows you to specify provisions for beneficiaries, including: how much they can access; when distributions can occur; and what the funds can be used for.

A dynasty trust. Any trust that lasts one generation below that of the grantor can maximize the legacy passed onto heirs using the generation gift tax exemption. A significant drawback of a dynasty trust is that you are making a sizable irrevocable gift.

Spousal lifetime access trust. A SLAT—an irrevocable trust set up by one spouse for the other to be used during his or her lifetime—has become a popular estate planning strategy used by married couples to take advantage of the lifetime exemption.

Consider Converting a Traditional IRA (tax-deferred growth) to a Roth IRA (tax-free growth)

Any non-spouse beneficiary is now required to deplete an inherited account within 10 years of receipt, limiting the prior "stretch" IRA advantage over the beneficiary's lifetime. Completing a Roth conversion now could minimize the impact of the new rule since tax-free withdrawals from an inherited Roth IRA will also extend to your children. In addition, some employer-sponsored 401(k) plans also allow for in-plan Roth conversions of both pretax and after-tax contributions.

Both types of conversions are ideal for individuals who expect higher taxes in the future and/or want to accelerate income in a year with lower tax rates. You may want to consider a full or partial conversion now. You may also want to consider a Roth conversion if you have a long investment time frame for the tax-free earnings to grow and can pay the tax cost of the conversion with non-retirement funds.

Review Important Retirement Ages

The Secure 2.0 Act, enacted late in 2022, changed retirement rules to strengthen your retirement security. Among the key changes was required minimum distributions (RMD) beginning at age 73 versus 72. (In 2033, RMDs begin at age 75)

Planning Strategies (continued)

Roth IRA Conversion Analysis

	Yes	No
Can you afford to leave the IRA or 401(k) funds untouched throughout retirement, funding your expenses through other sources of income instead? **Will you be in the same or a higher tax bracket in the future?** **Can you pay the tax on the conversion by using funds from outside the IRA or 401(k) plan?** **Can you convert without negatively affecting your current income tax planning?** **Can you continue to fulfill your other financial planning objectives (e.g., charitable giving)?**	Your wealth-transfer plan will likely benefit from a Roth conversion	You may still benefit from a Roth IRA or 401(k) conversion, but it is advisable to run a personalized cost-benefit analysis

Important Retirement Ages

50	Begin making catch-up contributions, an extra amount that those 50 and over can add to 401(k) and other retirement accounts.
55	Early withdrawal penalty exception for distributions from certain employer-provided plans such as 401(k) for those who are age 55 and over and separate from service (does not apply to IRAs).
59½	No more tax penalties on early withdrawals from employer-provided retirement savings plans such as 401(k) plans and other individual retirement accounts.
62	Earliest age to collect Social Security retirement benefits; however claiming early reduces monthly benefits.
65	Sign up for Medicare and Medicare Part D.
66-67	Receive Social Security full benefits, depending on your birth year.
66-70	Earn Social Security delayed retirement credits.
70½	Eligible to make qualified charitable contributions from individual retirement accounts.
73	Start taking required minimum distributions from most retirement accounts.

Contact Your William Blair Wealth Advisor

William Blair is dedicated to helping you meet your financial and philanthropic goals with a focus on your evolving needs. Our team of dedicated wealth planning professionals and our philanthropy strategies team are here to serve you. To discuss these wealth planning strategies, please contact your William Blair wealth advisor or email *PWM@williamblair.com*.

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