

Timely Tax-Savings *Tips for Income Investors*



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Timely Tax-Saving Tips for Income Investors

Tax laws and regulations are constantly changing. That's why **it's always good to meet with your CPA or financial advisor annually** to talk about potential tax-saving strategies as they exist under current tax rules and guidelines. While it's generally best to have that meeting in November or December to beat all the IRS's year-end deadlines, a meeting in January or February can also be extremely beneficial and potentially **save you thousands of dollars**.

The tax savings strategies discussed here are primarily geared toward filers in the 12% to 24% income tax brackets and are strategies related to retirement contributions, investments, savings, healthcare expenses, charitable donations, and other key areas.

— Deductions & Exemptions¹

The standard deductions for the tax year 2025 are:

- ✓ **Singles** get \$15,000, plus an additional \$1,950 if age 65 or over.
- ✓ **Married couples** get \$30,000, plus \$1,550 per spouse if both are 65 or over.
- ✓ **Heads of household** get \$22,500, plus \$2,000 if age 65 or over.

Personal exemptions were eliminated with The Tax Cuts and Jobs Act and remain at 0. Most people know how basic tax preparation works: **your adjusted gross income minus deductions and exemptions equals your taxable income**. You and your advisor may want to explore and possibly implement some of the following additional strategies:

— 401(k)s and Other Qualified Plans

It is generally a good idea to maximize tax-deferred 401(k) contributions whenever possible. If you feel you can't afford to put in the maximum amount of money allowed, try to contribute at least the amount that employers' contributions will match. **The contribution limit for 401(k), 403(b), and 457 plans is \$23,500 for employees under age 50**. Employees over 50 can contribute a maximum of \$31,000, which includes an additional catch-up contribution of \$7,500.

— IRA Contributions

Maximizing IRA contributions also always makes sense when allowed. For both traditional and Roth IRAs, you can contribute a maximum of \$7,000 for 2024 if you are under age 50, with a limit of \$8,000 if you are over 50. **There are income limits for being able to deduct traditional IRA contributions**, and these income limits have increased for 2025 as follows:

Singles and heads of household

with a workplace retirement plan can claim a fully deductible contribution if their Modified Adjusted Gross Income (AGI) is \$77,000 or less. Modified AGIs between \$79,000–\$89,000 can claim a partial deduction. There is no deduction over \$89,000.

For **married couples filing jointly**, a spouse who contributes to a workplace retirement plan can claim a full deduction if their modified AGI is \$123,000 or less. Modified AGIs between \$126,000–\$146,000 can claim a partial deduction. There is no deduction over \$146,000.

Income limits for Roth IRA contributions have also increased as follows:

Single filers earning less than \$146,000 can make a full Roth IRA contribution, a reduced contribution between \$150,000–\$165,000, and no allowable contribution for filers who earn more than \$165,000 or more.

Married couples filing jointly can make a full contribution if their combined income is less than \$236,000, a reduced contribution between \$236,000–\$246,000, and no allowable contribution for filers who earn more than \$246,000 or more.²

Itemized Deduction Bunching

If your tax deductions normally don't meet the threshold for itemizing, or even if you can only itemize marginally, you might benefit from a **"bunching" strategy**. It is most commonly used for medical expenses, tax payments, and charitable deductions, although it is sometimes applicable to other types of deductions.

NOTE: It's important to know that accelerating tax deductions can end up costing you if you are in the Alternative Minimum Tax (AMT), a provision of the tax code that increasingly impacts the middle class. The AMT is calculated separately from your regular taxes and with different rules. The AMT exemption amounts have increased in 2025 to \$88,100 for single filers; \$137,000 for married-joint filers and surviving spouses; and \$68,650 for married filing separately.³

Loss Harvesting

A common year-end strategy is **selling investments** (like stocks and mutual funds) to **realize losses**.

These losses can be used to **offset taxable gains** from the same year **dollar for dollar**.

If your losses exceed your gains, you can use up to **\$3,000 of the excess** to reduce **other taxable income**.

Any remaining losses beyond **\$3,000 can be carried over** to the next year.

You can **continue carrying over** unused losses **year after year** until fully used.

Healthcare

Health savings accounts can **offer nice tax perks and long-term opportunities**. In 2024, any healthcare plan with a deductible over \$1,600 for individuals and \$3,200 for families is classified as a high-deductible plan. **For single coverage**, a contribution of \$4,300 can be made to a health savings account. **For family coverage**, a contribution of up to \$8,550 can be made. **Investors aged 55 and over** can make a catch-up contribution of \$1,000.⁵

Medical expense deductions and long-term-care deductions have changed for 2025. Listed below is how much taxpayers can write off based on their age:⁶

Age attained before the close of the tax year	2025 Tax Year
40 or younger	\$480
41 - 50	\$900
51 - 60	\$1,800
61 - 70	\$4,810
71 or older	\$6,020

— Education

Education savings can provide great tax-saving opportunities for parents and grandparents. For starters, 529 college savings plans now have distribution limits which are limited to the number of qualified expenses. **It's worth noting that there is a lot of flexibility with education savings accounts.** For instance, the owner can transfer the funds to different family members, and if the account is not used, it can be transferred down to the next generation.

— Charitable Donations

If you itemize, **donating to charities** is a great and popular way to reduce your tax bill, provided you are proactive and make your deductible donations **before the IRS's December 31 deadline.** Here's a simplified breakdown of how donating appreciated securities or using a Qualified Charitable Distribution (QCD) can be a smart giving strategy:

Instead of donating cash, you can donate appreciated securities, which may help you **avoid paying capital gains tax.**

The **Qualified Charitable Distributions (QCD)** law, made permanent in 2016, allows for tax-efficient giving from an IRA.

A QCD lets you **donate up to \$100,000** directly from your IRA to a qualified charity **without it counting toward your adjusted gross income (AGI).**

QCDs can also be used to satisfy **Required Minimum Distributions (RMDs)**, making them a cost-effective giving option for retirees.

— Don't Try This at Home

Proactive tax planning can help you avoid missing valuable tax-saving opportunities. Since tax laws are complex and ever-changing, working with the right advisor ensures your strategies align with your retirement plan and long-term financial goals. **Contact us** today to get started!

Sources:

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