

KARIN McNAIR

Head of Estate and Wealth Planning

YEAR-END PLANNING:

Key Considerations for 2025 and Beyond

Reviewing your estate and wealth plans, and taking various timely steps for legacy, education and retirement, can help put you and your family on solid footing for the long term.

Each year, it seems like the clock speeds up from September to December. As we barrel toward the end of 2025, however, this could be the perfect time to pause and consider your estate and wealth planning goals, as well as concrete steps that you can take before year-end to help attain them. While markets and geopolitical conditions continue to reflect uncertainty, you may find comfort in taking control of your personal planning and capitalizing on the various annual opportunities discussed below. In our view, it is a sound practice to take stock of these actionable items before the hectic end-of-year holiday season kicks in.

Estate Planning Essentials

Last year at this time, we faced the uncertainty of the federal estate and gift tax exemption amounts potentially being reduced at the end of 2025. Because of that uncertainty, we recommended that many clients utilize their existing exemptions with large gifts into trusts. With the passage of the One Beautiful Bill Act (OBBA) in July, the estate tax exemption was made permanent at \$15 million per individual beginning in 2026. That amount will be adjusted for inflation each year.

For those with federally taxable estates (over \$15 million for an individual or over \$30 million for a married couple), the elimination of the “sunset” of the exemption does not eliminate the need for estate and gift tax planning. To the extent that you are comfortable parting with your assets, it remains beneficial to make gifts of your exemption amount now rather than later, so that all of the potential growth on the transferred assets will be removed from your taxable estate.

Certain states (such as New York) impose a state estate tax on estates that are much smaller than the federal exemption amount. Even if your estate is under \$15 million, you may need to engage in estate planning to ensure that you maximize your state estate tax exemption.

Moreover, even if your estate is comfortably under the federal estate tax exemption amount, it is still a good idea to review your estate plan periodically to ensure that it reflects your wishes. Take a fresh look at your will, trusts and advance planning directives to make sure the named beneficiaries are still the appropriate individuals to receive assets and that the designated fiduciaries are still the appropriate individuals or institutions to carry out your wishes.

In addition to the \$15 million exemption from federal gift and estate tax, the annual exclusion from gift tax allows you to give up to \$19,000 in 2025 to as many people as you wish without using any of the \$15 million exemption. For married couples, each spouse can give \$19,000 for a total of \$38,000. Consistently using the annual exclusion can add up to a significant transfer of wealth, particularly in large families where parents have an opportunity to give \$38,000 to each child and grandchild.

It is important to keep track of all transfers that may qualify for the annual exclusion since all of your gifts—including those made directly to children via taxable investment accounts and/or Uniform Transfers to Minors Act (UTMA) accounts, 529 college savings accounts (discussed below) and, indirectly, to life insurance trusts to cover annual premiums—must be coordinated to ensure you do not inadvertently exceed the annual gifting limits for any one person.

Another exclusion from gift tax is the unlimited payment of medical expenses and educational expenses on behalf of other individuals. This is in addition to the annual exclusion. Any payment must be made directly to the educational institution or medical provider in order to qualify for the exclusion.

Education Planning

529 Plans

One way to use the annual gift exclusion is to contribute to a 529 education account on behalf of a family member or other individual. It is possible to front-load up to five years of annual exclusions in one 529 contribution. Although the contribution is not tax-deductible at the federal level, account assets grow tax-free, and withdrawals are also not taxable if they are used for qualified education expenses. Many states provide a limited income tax deduction for residents who contribute to a 529. It is now possible to convert up to a lifetime limit of \$35,000 in 529 account assets to a Roth IRA where the beneficiary and account have been in place for 15 years, subject to Roth contribution limits and the beneficiary's earned income levels.

Unlimited Gift Tax Exclusion for Educational Expenses

For individuals with taxable estates, it can be beneficial from an estate tax perspective to employ annual gifting to benefit an individual directly (or to certain types of trusts for their benefit) rather than to a 529 plan, and to make payments for educational expenses directly to the institution. That way, you are maximizing all of your exemptions to transfer more assets out of your estate—the annual exclusion amount plus the educational expenses. For grandparents, paying for educational expenses for all of your grandchildren can not only promulgate family values by enabling and promoting education but also can reduce the size of your taxable estates and thereby reduce the amount of estate tax paid.

Charitable Opportunities

The holiday season generally brings attention to charitable giving, along with a focus on the income tax charitable deduction. With any year-end charitable contribution, it is important to ensure that the contribution can be finalized before year-end if the goal is to utilize the income tax charitable deduction in the current tax year.

For direct gifts of cash to public charities, electronic funds transfers and credit card contributions are generally effective when made. For checks that are mailed, the postmark date is the effective date of the gift. Individuals can deduct up to 60% of their adjusted gross income (AGI) for cash gifts to public charities.

Charitable gifts of long-term appreciated property have the advantage of avoiding capital gains tax on the appreciated asset, and the donor can generally take an income tax charitable deduction for the full fair market value of the asset. Donors can deduct up to 30% of AGI for gifts to public charities of appreciated property held for over a year. It is important to plan ahead for gifts of appreciated property since transfers of securities are not instantaneous; transfers of certain assets like mutual funds can take up to six weeks.

Qualified Charitable Distributions

To further your charitable giving goals, you may want to consider making a qualified charitable distribution (QCD) from your IRA.

If you are age 70½ or over, you can donate up to \$108,000 from your IRA in 2025 to an eligible charitable organization (other than a DAF sponsor or private foundation) and avoid paying otherwise applicable taxes on the distributions, which are excluded from your gross income. You cannot claim a tax deduction for this charitable donation, but the distribution can apply to the required minimum distributions (RMDs) you may be required to distribute after age 73, providing a valuable method to offset the impact of other income. As part of the SECURE 2.0 Act of 2022, you can use up to \$54,000 (in 2025) of your \$108,000 QCD to make a gift to a split-interest entity, such as a charitable remainder annuity trust, charitable remainder unitrust or a charitable gift annuity.

A donor-advised fund (DAF) can play an important role in year-end giving. If you want to take a large income tax charitable deduction in the current year, but you are not sure which charities you want to benefit or you do not want the charitable beneficiary to receive a large lump sum at one time, you can donate to a DAF, take an income tax deduction in the year of the DAF donation, and advise on distributions to charities over time. Most DAFs accept gifts of appreciated securities and some other assets, as well as cash.

In addition, those with private foundations may meet their 5% minimum distribution requirement by transferring to charities the commensurate value of long-term appreciated securities, thus bypassing the 1.39% net investment excise tax that would otherwise apply when selling to raise cash.

Your NB Private Wealth team can review your balance sheet and work with your tax advisor to identify optimal assets to transfer. We can then work with you to execute your philanthropic objectives for the year in the most tax-efficient manner.

Retirement Planning

Capitalizing on the tax-advantaged growth potential of retirement accounts can provide significant savings over time. We believe it is important to maximize retirement contributions where possible. For 2025, employees can contribute \$23,500 to their 401(k) or other employer-sponsored retirement plan accounts, and employees aged 50 or older can contribute an additional \$7,500, for a total of \$31,000. For IRA accounts, the standard limit is \$7,000 in 2025, or \$8,000 for those aged 50 or older (though depending on your participation in a work retirement plan and your earnings, the tax deductibility of your IRA contribution may be reduced or disallowed).

Taking Stock at Year-End

Before the rush of the holidays, take a moment to reflect on your planning goals and consider steps to maximize all annual benefits before 2026. Now is the time to schedule a meeting with your NB Private Wealth team, who can help you distill your planning objectives and determine the best ways to achieve them.

Checklist for Year-End

Your year-end financial review may include addressing these questions and more:

- | | |
|--|--|
| ☐ How should you utilize the annual exclusion from gift tax? | ☐ Are the beneficiary designations correct on your insurance and retirement accounts? |
| ☐ Have you maximized your retirement contributions? | ☐ Have your circumstances changed in any way that might require a reassessment of your asset allocation, or a fresh look at your estate planning? |
| ☐ Do you want to make charitable contributions this year, and if so, do you have any appreciated assets that would be appropriate for giving? | ☐ Is your home adequately insured, given that valuations and rebuilding costs have increased substantially in many markets? |
| ☐ Are the fiduciaries named in your estate planning documents (executors, trustees, guardians) still appropriate? | ☐ Have you taken steps to protect your personal and financial data? This may include a review of your credit report to address inaccuracies or identify unusual activity. |
| ☐ Are the beneficiaries named in your estate planning documents still appropriate? Should they receive their bequests outright or in trust? | |

This material is provided for informational and educational purposes only and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. This material is general in nature and is not directed to any category of investors and should not be regarded as individualized, a recommendation, investment advice or a suggestion to engage in or refrain from any investment-related course of action. Investment decisions and the appropriateness of this material should be made Neuberger Berman, as well as its employees, does not provide tax or legal advice. You should consult your accountant, tax adviser and/or attorney for advice concerning your particular circumstances. Information is obtained from sources deemed reliable, but there is no representation or warranty as to its accuracy, completeness or reliability. All information is current as of the date of this material and is subject to change without notice. Any views or opinions expressed may not reflect those of the firm as a whole and Neuberger Berman does not endorse any third-party views expressed. This material may include estimates, outlooks, projections and other "forward-looking statements." Due to a variety of factors, actual events may differ significantly from those presented. Investing entails risks, including possible loss of principal. **Past performance is no guarantee of future results.**

Tax planning and trust and estate administration services are offered by Neuberger Berman Trust Company. "Neuberger Berman Trust Company" is a trade name used by Neuberger Berman Trust Company N.A. and Neuberger Berman Trust Company of Delaware N.A., which are affiliates of Neuberger Berman Group LLC.

Philanthropic Services are provided as a courtesy and are for informational and discussion purposes only. Neuberger Berman is not acting in a fiduciary capacity or recommending any specific philanthropic or charitable activities and recipients of Philanthropic Services should consult their own tax or legal advisors before implementing any such activities.

Neuberger Berman Investment Advisers LLC is a registered investment adviser. The "Neuberger Berman" name and logo are registered service marks of Neuberger Berman Group LLC.

NEUBERGER BERMAN

1290 Avenue of the Americas
New York, NY 10104-0001
www.nbprivatewealth.com

