Marc Verdi, CFO: Good morning, everyone. I wanted to thank everybody for joining us today. Those of you who have joined us in the past, welcome back. If you're new to this call, welcome. I hope all of you find this information helpful. For those of you who I've not met or who don't know me, my name is Marc Verdi. I'm the Director of Tax and Financial Planning here with Godsey & Gibb. I'm based out of our headquarters in Richmond, Virginia. I've been with the firm since August of 2013, and I focus primarily on individual tax return preparation, trust tax and planning, as well as personal financial planning.

This is our 2025 year-end tax update call. We'll spend about 45 minutes or so – maybe a few minutes more than that – discussing some of the most recent tax provisions that have been enacted with the One Big Beautiful Bill Act, along with some other income tax provisions that have been around for a while, for which we'll touch on the highlights. We'll cover the more recent provisions in greater detail.

You'll hear me say throughout the presentation that if you have questions after the call – if this spurs some thoughts around your individual tax situation, we're happy to speak with you offline about that. You can reach out to your wealth management advisor or to us directly, and we'll be happy to help you.

We have a team of CPAs and certified financial planners here in Richmond that focuses on providing tax return preparation services, tax planning and consulting, and financial planning for our clients that engage us to do so. Whether it's a one-off tax question, a tax projection, annual income tax return preparation, or even a full-blown comprehensive financial plan, we work with you and your wealth management advisor to provide those services.

If you are interested in us preparing your taxes, whether it's for 2025 or future years, we would welcome the opportunity to do that if we don't work with you already; we work with several hundred of our clients currently. We're getting near the end of 2025, hence the impetus for this call and any other tax and/or financial planning engagements in preparation for the year-end. If you're interested in tax return preparation, we ask that you get in touch with your wealth management advisor or our team before the end of this year so that we can talk with you about our tax preparation process. As part of our onboarding process for new tax clients, we assess scheduling and timing constraints to make sure we have resources available to have a successful tax season. There is a separate fee for that outside of the wealth management relationship, but we'd welcome the opportunity to work with you.

As stated, we're going to focus primarily on individual income tax and talk about some planning strategies related to the new tax provisions that have been enacted this year, as well as others that have been in effect for several years now. We'll also touch on estate and trust income taxation, because many of our clients have trusts that we prepare tax returns for or have potentially taxable estates. And we'll provide some planning strategies around estate tax and trust tax as well as gift taxes. That'll be more of a high level just in the interest of time and then a summary at the end if time permits.

On slide 7: The One Big Beautiful Bill Act (OBBBA) was signed into law on July 4th, 2025. For the purposes of this call, primarily, this made permanent many of the Tax Cuts and Jobs Act (TCJA) provisions that were set to expire at the end of this year. Over the last several years, we have prepared tax returns for clients and done tax planning projections and implemented strategies based not only on what the current tax law is, but in anticipation of these provisions expiring at the end of 2025. Now, many of those have been made permanent, keeping the TCJA-lowered tax rates where they are. In addition to making those lower tax brackets permanent, OBBBA also added some new provisions to lower taxes for many individual taxpayers and to increase investment by business taxpayers. Though it is not the focus of this call, there are provisions within the OBBBA that aim to spur some investment by corporate taxpayers.

The top individual tax rate is 37% — it was 39.6% back in 2017 and prior — but as stated, all the brackets remain the same as they have been for the past several years. The preferential qualified dividends and long-term capital gains tax rates at 0%, 15%, and 20% were made permanent. Any of these provisions that we consider "permanent" simply means that the current law dictates that there are no sunset provisions or expiration dates on them, which is to say that they are going to be in effect until Congress decides to act, since, as we're all well aware, nothing is permanent as it relates to the tax code. Finally, the 20% qualified business income (QBI) deduction, which is for those who are self-employed individuals, business owners, and those that have certain pass-through entities, S-corps, LLCs, etc. that generate business income that flows through to you on your individual tax return. This is to establish parity with C-Corps: the corporate taxpayers that enjoy a lower tax rate of 21% based on the TCJA.

The next couple of slides cover the ordinary income tax rates, which are being provided for reference. There is a lot of detail within them, and they were created to provide enough context and detail for future reference and to provide information that you can utilize for 2025 and 2026. If you have any questions related to any of these slides and need more detail, we're

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happy to discuss that with you individually.

The OBBBA adjusted the taxable income bracket amounts for inflation, with the 2025 and 2026 amounts included for your reference, so you can see the income ranges on the slide. This is based on your taxable income, which is your adjusted gross income minus your tax deductions. And that's something I'll point out now that we're talking about income. When you're looking at tax provisions and tax rates, and you'll see articles written in mainstream media or with, say, Kiplinger's, for example, they'll refer to income, income over a certain amount, income under a certain amount, etc. It's important to note that income can be a different amount depending on the definition of income for that particular provision. In this case, it's taxable income. Adjusted gross income (AGI) is essentially all of your income items on your tax return before you take your tax deductions. AGI affects a lot of deductions and phase-outs. And then there's something also called modified AGI (MAGI), which we'll see later, and that is yet another definition of income. So, in addition to knowing what the provisions are and what your income amounts need to be and what you're subject to as far as phase-outs, it's important to find out the definition of income for those particular provisions.

In the next slides, we'll cover the long-term capital gains tax rates, which can be 0% and 15% or 20%, including numbers 2025 and inflation adjusted numbers for 2026. They're based on your overall taxable income amounts, and the amounts are included on the slide for various filing statuses including single, married filing jointly, or heads of household. These numbers are for long-term capital gains being taxed at preferential rates, which are for gains that you realize when selling assets that you've held for more than one year. It's important to note that short-term capital gains, which are income related to gains on sales of assets that you've owned for less than one year, will be taxed at your ordinary income tax brackets.

The next slide goes over net investment income tax (NIIT), the 3.8% surtax that's on your net investment income. This includes your taxable interest, dividends, capital gains, net rental income on rental properties, royalties from oil and mineral rights, and other passive business activities. For example, you may be invested in a publicly traded partnership that has passive investment income associated with it that's included in your tax return. This surtax is incurred by folks who have MAGI that exceeds $200,000 if you're filing single, or $250,000 if you're a joint filer. MAGI is typically the same as your AGI, but it can be different. For the purposes of this surtax as well as some of the other deductions we'll get into, MAGI is essentially your AGI plus any foreign earned income that you have. For example, if you're in the military or you otherwise

work overseas and earn income, that constitutes foreign earned income which is excluded from U.S. income tax. To get MAGI, you must add that amount back to calculate your income for the purposes of these types of provisions. This is something to keep in mind when you are planning your tax return preparation and tax liability – you could be subject to this net investment income tax.

On this next slide, you can see the calculations related to NIIT. The net investment income tax is calculated on the lesser of your net investment income (your interest, dividends, cap gains, etc.) or the amount by which your income exceeds $200,000 (single) or $250,000 (joint). Again, be mindful of the fact that you could be subject to this tax. You might look at your long-term capital gains rates, as you saw on an earlier slide, and say, well, that's going to be 15%. Maybe... but if your income is over a certain amount, then it could be 18.8%. So, it is something to keep in mind.

The next slides cover the standard deduction amounts for 2025 and 2026, including inflation adjustment. The TCJA, when it was passed several years ago, doubled the standard deduction amount and eliminated the personal exemption – exemption being an amount that you were able to deduct based on the number of taxpayers or folks in your household if you had dependents and so forth. Those larger standard deductions were made permanent as part of OBBBA, and you can see the amounts on the slide for each of the filing statuses. There's a standard amount, and then there's a slightly larger amount if you're age 65 or older and/or blind or visually impaired. For example, for married filing jointly, if you're both over age 65, your standard deduction is going to be $31,500 plus $3,200 or $34,700 total. Because of that, there are a lot of folks who take the standard deduction instead of itemizing. But you'll see that based on changes with OBBBA, there are more opportunities to itemize than there have been in the last several years.

The next slide is the OBBBA senior bonus deduction. This is an additional temporary deduction for tax years 2025 through 2028. It provides an additional deduction for taxpayers that are age 65 and up, up to $6,000 per individual or up to $12,000 if you're married filing jointly and you're both 65 and over. As an aside, during the 2024 presidential campaign, President Trump mentioned no tax on tips, no tax on overtime, no tax on Social Security, etc. As it relates to no tax on Social Security, this senior bonus deduction was enacted to, I guess, kind of keep that promise, if you will. The tax laws related to taxable Social Security have not changed, but this deduction is in effect mitigating the tax impact of your Social Security income. However, there

can be situations where if you're 65 or older and you haven't started taking Social Security, you're still eligible for this senior bonus deduction. So, it's not tied specifically to Social Security. I hope that makes sense. But when you hear no tax on Social Security, this, as far as tax law is concerned, is what is being talked about. On the next slide, we continue into additional details regarding the senior bonus deduction. This deduction is available whether you itemize or take the standard deduction. And the phase-out begins if your MAGI is over $75,000 if you're single or $150,000 if you're married filing jointly.

At the bottom of the slide, there's an example of the calculation for the phase-out. In this example, you're married filing jointly and you're both age 65 or over. If your income is low enough and you meet the full eligibility for the deduction, you would get $12,000 as the senior bonus deduction on top of your deductions (itemized or standard). However, it's reduced by six cents for every dollar that you're over that MAGI threshold. In this example, your MAGI is $225,000 ($75,000 over the threshold), so there's a phase-out reduction to that $6,000 of $4,500 per person. So, your senior bonus deduction that would have been $12,000 would be $3,000 as a combined available deduction. This goes to show that if you have modified adjusted gross income that's above the threshold, you still may benefit from some portion of the senior bonus deduction.

The next slide covers other new deductions; I mentioned them briefly earlier. No tax on tips, no tax on overtime, no tax on car loan interest. I wanted to include those because you hear those a lot in the news and when President Trump is speaking, he brings this up often. I wanted to provide some bullet points just for reference for you. These additional deductions are effective 2025 through 2028. I think that the car loan interest one may apply to more of our clients than the others. There are other eligibility criteria, but essentially, If you purchase a vehicle (car, SUV, or truck under a gross vehicle weight threshold) this year for personal use, the maximum annual deduction is $10,000. That deduction phases out If your MAGI is over $100,000, if you're a single taxpayer or over $200,000 if married filing jointly. This may apply to folks if you have a car loan and you bought it this year or between now and the end of 2028. It's another deduction to keep in mind if you're itemizing your deductions. The website irs.gov provides additional details and guidance. There are certain reporting criteria, qualification requirements, and additional details that you would want to either talk with your CPA, reach out to your wealth management advisor, and/or meet with our tax and financial planning team to talk through your individual situation in more detail if you think one of these applies to you.

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The next slide, 19, is OBBBA - itemized deductions. Medical expenses are still deductible to the extent they exceed 7.5% of your AGI. The big change with OBBBA is the state and local tax (SALT) deduction. When the TCJA was enacted, it reduced the amount that you could deduct on your tax return to $10,000 of your state and local taxes. The combination of doubling the standard deduction and capping the SALT deduction to $10,000, again, resulted in a lot more taxpayers taking the standard deduction. A lot of folks that either are in high tax states or have high income in moderately taxed states were unable to take advantage of the taxes that they pay and deduct them on their income tax return. In this case, for most taxpayers, effective from the tax years 2025, so this year, through 2029, the increased SALT cap deduction is $40,000. And that relates to your income taxes, your state property taxes – if you have taxes on your vehicles, for example, based on the value of your vehicles – and real estate taxes based on the value of your real estate. All of those combined, including your income taxes. So if you're in a state that doesn't have an income tax, such as Florida or Texas or Tennessee, but there are other state and local taxes, you want to keep that in mind if you have amounts that are eligible to be deducted. The MAGI for this phase out is above $500,000 for any filing status, except for married filing separately. But if your income is over $600,000, then the cap is limited to $10,000 as it was prior. Now, the current sunset provision, or the expiration date, if you will, is 2030 on this increase in the SALT cap. Thus, it will return to the $10,000 limit in 2030, again, unless Congress passes new legislation.

The next slide is "additional allowable itemized deductions", including the mortgage interest deduction that is limited to mortgage balances of $750,000 (used to be $1 million before the TJCA). This mortgage deduction was made permanent. The limit on deducting mortgage interest is for balances up to $750,000. That also applies to home equity lines of credit and home equity loans if those additional loans and lines of credit were used to acquire your home or to substantially improve your home, put on an addition, etc. If you took out a home equity loan or a line of credit to consolidate credit card debt, for example, that would not be deductible on your tax return. Miscellaneous itemized deductions were permanently eliminated. There used to be a time where you could deduct tax prep fees, investment management fees, and unreimbursed employee expenses. As part of the TCJA, that was eliminated temporarily, but as part of OBBBA, that's now permanently eliminated. And at the bottom of the slide here, just to mention that there is a reduction, a slight haircut, if you will, for folks that are in the top tax bracket. If you're at the start of the 37% bracket and you're itemizing your deductions, keep in mind that there is a slight haircut of 2/37 of the lesser of the total amount of your itemized deduc-

tions or the amount by which your taxable income exceeds the start of the 37% tax bracket.

On the next slide, 21, are more allowable itemized deductions. Charitable contribution deduction limits were made permanent. These include deductions up to 60% of your AGI for cash contributions, 50% of AGI for non-cash (giving clothing, furniture or other household items to Goodwill or the Salvation Army, for example) contributions, and 30% of AGI for capital gain property, which would essentially be if you had an appreciated, low basis (which is one of our planning strategies) stock, and you're able to contribute stock to your favorite charity and get a deduction for the fair market value of that stock on the date that you gifted it, you avoid the taxable gain that you would have incurred and realized and the tax related to that as opposed to having sold the stock, raised the cash and given that cash to charity. But there is a limitation of 30% of your AGI that you can deduct in a given year. For any of these limitations, if you have charitable contributions that exceed these percentages of AGI limitations, you're able to carry those forward over the next five years or until they're used up within those five years. Beginning in 2026, there will be an opportunity for folks that do not itemize to deduct $1,000 in cash charitable contributions or up to $2,000 if you're married filing jointly on your tax return. Where the IRS and the internal revenue code giveth, they also taketh away, in some ways. Taxpayers who itemize their deductions beginning in 2026 will have a 0.5% floor applied to these deductions. I give an example at the bottom of slide 21. In 2026, let's say you've given charitable contributions of $5,000, and your AGI is $100,000, just for easy math. The floor would be $500, or half a percent of $100,000. So, your allowable deduction would be $4,500 and not the full $5,000. That's something to keep in mind. It may or may not be a significant dollar amount based on your AGI, but from a timing perspective, if you're planning on giving to charity, in 2025, if you're itemizing, you'll get a full benefit of that charitable contribution deduction, whereas you'll get a slight haircut if you contribute in 2026.

The next slide covers Trump accounts. This is something that I included in here because it's something you'll hear in the news. The formal legislative term for these Trump accounts are individual trust accounts. These are tax-advantaged savings and investment accounts for children under 18 that are going to be available for opening and funding after July 4th, 2026. There was some talk about these when OBBBA was passed, but it's been pretty quiet since. I have a feeling they'll be in the news a lot more once we get closer to our 250th birthday on July 4th, 2026. You'll very likely get more guidance and more information related to this as we get closer to the date when you can open and fund these. I wanted to at least include some bullet

points related to these, and particularly the second bullet point: children that are born from January 1st of this year, 2025, through December 31st of 2028, who have a valid Social Security number, will be eligible for a one-time $1,000 initial deposit from the federal government. We don't have any information around how this will work administratively, but I'm sure more guidance is to come. Again, I wanted to mention that because that $1,000 is certainly something to give newborns a head start on their retirement. Annual contributions are limited to $5,000, and these will grow tax-deferred. They're similar to an IRA in that they'll grow tax-deferred, but no withdrawals are permitted until the beneficiary reaches 18. After that point, based on the research we've done here, they'll essentially function like a traditional IRA. If you take money out, you'll be taxed on the earnings, and there may be some penalties that apply if you take the money out early. Again, a lot of other details that I'm sure will come and guidance from the IRS when these are actually available.

Next, we'll cover energy tax credits being eliminated. When the Inflation Reduction Act was passed a couple of years ago, that act increased and expanded the energy tax credits that were available to us. OBBBA eliminated most, if not all, of those tax credits. I'm going to touch on three of the more prevalent ones that I think apply to most. First is the Energy Efficient Home Improvement Credit. This credit terminates for property placed in service after December 31st, 2025. So if you're interested in purchasing exterior doors, exterior windows, etc. that are eligible for the home improvement credit, you'll want to do that in the next month and a half, because if you don't have those placed in service during 2025, they won't be eligible after the credit is eliminated. You can see some dollar amounts and limitations, but it's essentially a 30% credit on the costs related to these purchases, and that includes installation costs, parts, materials, labor, etc.

On the next slide is the residential clean energy property credit. This primarily relates to solar powered property, solar panels, solar water heaters, etc. Again, this terminates for property placed in service after December 31st, 2025. If this is something you're interested in pursuing, you would get a tax credit if it's placed in service by the end of this year. But once January 1, 2026, comes, the credit is no longer available.

On the next slide, the clean vehicle credit. This is actually a credit that's already been terminated. It terminated for property placed in service after September 30th of this year. If you purchased a new electric vehicle prior to October 1st of this year and it meets the criteria, then you will get a credit of up to $7,500. But if you purchased or are interested in purchasing one

after November 1st, that credit is not available.

That is a lot of information. I appreciate your patience in going through it all. The OBBBA has a lot of provisions in it. I want to also mention before we get into the other provisions that we'll cover, aside from the OBBBA provisions discussed, that we provided a supplement to our Wealth Management Dispatch, our quarterly newsletter, back in July 2025, with a lot of these OBBBA provisions, as well as some additional provisions included in that newsletter. We've included a link to that supplement PDF in the invite site for this call. I recommend that you, in addition to using these slides as a reference, utilize that supplement to have more detail around the different provisions of the OBBBA.

I'll touch briefly on some of the acts and provisions that have been around for a few years, the SECURE Act being one of them that was enacted back in 2019. I'm not going to read through all the slides in the interest of time, but I will touch on some more prevalent items that I think apply to the majority of us.

One of those is that, just as a reminder, the traditional IRA contribution used to have a 70 1/2 age limit. Once you were over that age, if you were still working, you could no longer contribute to your IRA. That is no longer the case, so if you are working, you're able to contribute to your IRA the lesser of the annual contribution limit amount and what your earned income is. Another provision is required minimum distributions (RMD), for which the age was bumped to age 72, and with the SECURE 2.0 Act, which we'll see later, was bumped to age 73 and age 75, depending on your birth date.

The most prevalent SECURE Act provision, I would say, that we deal with here for our clients is the "stretch IRA" distributions at the bottom of the slide. When you inherit an IRA, as many of you know, you have to take distributions from those IRAs because the IRS wants to tax that income, and then you put that income into a taxable account, and it earns taxable income – investment income – versus leaving it in the tax-deferred account. There used to be more opportunities to stretch those IRA distributions over your life expectancy. With the SECURE Act, that was limited largely. This is high level, and there are some exceptions, but if you're a spouse and you inherited an IRA from your spouse who has passed away – you're the surviving spouse – you have the opportunity to take the distributions from that IRA over your life expectancy, essentially treating it as your own IRA. But if you're a non-spouse, if you're a trust or an estate, there are different shorter periods of time. We'll focus on the 10-year rule for non-spouse ben-

eficiaries. Over the years between 2019 and 2024, there was a lot of confusion and a different interpretation around whether you needed to take distributions each year. As an example, let's you inherited an IRA and you're subject to the 10-year rule because you're not a spouse of the decedent. Do you need to take money out every year, or can you wait till the 10th year? If you have to take money out every year, how much does that have to be? Many of those questions have now been answered. In 2024, the IRS issued some final regulations stating that, although there are some exceptions, yes, you must take annual distributions and fully liquidate the inherited IRA by the end of the 10th year following the death of the IRA owner.

The next slide, 29, covers beneficiary distributions: final regulations. I just want to touch on this really quickly, and just as a point of clarification, this is for folks that inherited IRAs in 2020 or later. If you inherited an IRA before 2020, the SECURE Act provisions don't apply, and you would continue to take the RMDs as you have been taking them each year. However, if you inherited an IRA as of January 1st, 2020 or beyond, then you're subject to the 10-year rule. If someone passed away before they reached their required beginning date, which is if they had not been subject to RMDs yet, then the entire IRA must be liquidated by end of the 10th year after the owner's passing, but the annual RMDs are not required. From a planning perspective, we work with our clients to determine whether you should be taking RMDs in years one through nine, whether you're required to or not. It may make sense, based on your tax situation, to smooth out that taxable income over those 10 years versus waiting until the 10th year. Conversely, we've seen situations where someone is still working, and they have a high income, but they're nearing retirement and may retire within a couple of years. They inherit this IRA but have the option to defer those minimum distributions into later years. It may make sense to hold off on making annual distributions until year five or year six, for example, after you've retired. Let's say you're not on Social Security yet, so your income is relatively low, and you're in the lower tax brackets. It is imperative to talk with your wealth management advisor if you've inherited an IRA from a non-spouse to help determine how much you should take out of the inherited IRA, whether you're required to take anything at all, and to determine how much that should be. For folks that inherited an IRA on or after someone has already started taking their RMDs, then you do need to take on RMDs each year in years one through nine, and to have it fully distributed in the 10th year after the owner passed away. That RMD amount can be based on your life expectancy table or the life expectancy table of the decedent based on IRS tables that calculate that amount for you. Again, that's the minimum amount you need to take out, but there may be reasons for tax purposes and tax efficiencies to take more than the

RMD. And finally, inherited Roth IRAs are also subject to the 10-year rule. They must be fully liquidated by the end of the 10th year following the death of the IRA owner, but annual RMDs are not required for Roth IRAs.

On the next slide, the only thing I'll touch on is that children who have not reached the age of majority are also exempt from the 10-year rule. As I mentioned earlier, they may not have to take any distributions at all, or they may have to take minimum distributions based on their age. But once they reach age 21, it switches to the 10-year rule. I'm just really thankful that the IRS keeps these things very simple.

Moving on to SECURE 2.0. This was signed into law in 2022. Again, a lot of information here for your reference, but the things I'll touch on will be on the next slide. The RMD rules on slide 32 of 51. The SECURE 2.0 increased the RMD age to 73 beginning in 2023, and then age 75 in 2033. The next slide, retirement catch-up contributions. For those of us who are over age 50, we're able to contribute additional amounts to our retirement accounts, to our IRAs, to our 401ks. And traditionally, that amount for the IRA catch-up for your traditional and Roth IRA is $1,000, but it historically wasn't indexed for inflation. SECURE 2.0 provided for annual inflation adjustments going forward. For 2025, it's still $1,000, but has been updated for 2026 to $1,100. The annual catch-up contribution limit for most employer retirement plans (401ks, 403bs, etc.), for folks that are age 50 and older is $7,500. But starting in 2025, SECURE 2.0 provides for an increased retirement plan catch-up amount. In addition to the $7,500, if you're between ages 60 and 63, starting in 2025, you're able to contribute an additional amount equal to the greater of $10,000 or 150% of the standard catch-up contribution limit. So effectively in 2025, if you're between ages of 60 and 63, your catch-up will be $11,250 instead of $7,500 for a total of $34,750 that you could defer of your income. Now, on the next slide, SECURE 2.0 initially enacted a rule where this catch-up contribution would be subject to Roth treatment – it would be after-tax and not pre-tax. Prior to SECURE 2.0, you've been able to choose whether you want your entire deferral to be pre-tax, Roth, or a combination of both. SECURE 2.0 mandates that it needs to be a Roth contribution if your annual income is over $145,000. In 2026, it'll be $150,000. There was a lot of confusion around the language when it was initially enacted and, for retirement plan sponsors and third-party administrators, it was quite an administrative burden to get this set up in the systems. As a result, the IRS pushed this along and kicked it down the road a little bit. In September of this year, they issued final regulations to clarify certain provisions and to extend the effective date to January 1, 2027. So in January 1, 2027, these catch-up contribu-

tion amounts, if your income is over $145,000, again, indexed annually for inflation, it'll be at least $150,000, if not more by the time we reach 2027. They will be Roth treatment mandated for those catch-up contributions. There may be more on this in the future, if history serves, because it has been something that has been cumbersome to try to implement. But right now, that's where it stands.

Okay, so now we've got through all of the provisions. We only have a few minutes left. I hope you'll bear with me in going through some of the planning strategies in response to these provisions. On slide 36, maximizing your retirement plan and IRA contributions (401k, 403b, traditional IRAs, SEP IRAs if you're self-employed). As it relates to planning for these IRA contributions and 401k contributions, there are really two schools of thought related to this. Pre-tax is certainly valuable if you're still working, you're in a high income tax bracket, and you know that once you retire, you're going be in a lower tax bracket. When you start taking distributions from your 401k or your IRA, those distributions are going to be taxed at a lower rate. It makes sense to do a pre-tax contribution in that situation. Another thought is that, historically speaking, we are now in the lowest tax rate environment that we've ever been, and probably will ever be, in. So there's certainly an argument to be made, regardless of what tax bracket you're in, but certainly if you're in, say, the 22, 24, 32% bracket, to go ahead and make after-tax Roth IRA contributions. That way, those Roth IRA contributions grow tax-deferred. They come out tax-free later, regardless of what income tax brackets are at that time. And Roth IRAs, not counting inherited Roth IRAs, but your own Roth IRA is not subject to RMDs. So a lot of clients, for legacy planning, for estate planning, want their heirs to inherit a Roth IRA and enjoy tax-free distributions from those IRAs at that time. There's certainly a lot of value to Roth after-tax contributions as well. A lot of times, the balance of both is advantageous, so you have kind of a tax diversification around your investments, which can make sense as well.

We've consulted with our clients who are kind of on the fence in terms of being in the middle of the tax brackets, maybe somewhat on the upper end of the tax brackets and thinking about what their overall objectives are. Whether it's leaving money to their heirs or if they want to minimize their taxes now and are not worried about what the tax rates are later, doing pre-tax versus Roth, or a combination of the two.

On the next slide, Roth IRA conversions or traditional IRA distributions. We just covered slides related to contributions and whether they should be pre-tax or after-tax. Now we're referring to Roth IRA conversions – where you're incurring the tax now because you have rolled over

your 401k and it's always been pre-tax – and now when you take money out, you're going to have to pay taxes on it, and also to traditional IRA distributions that are going to be taxed. Maybe you're younger than age 73 (or 75) when you'll have to start taking RMDs, but you're in a tax bracket situation where it makes sense to go ahead and take some of those distributions or do some Roth conversions under the current tax rate environment. Some of the considerations on this slide are things to think about when making those types of decisions, whether you want to do a Roth conversion or distribute money from your traditional IRA, particularly if you have the cash outside of your IRA to pay the taxes so you can fully convert the Roth.

Another thing to think about as it relates to Roth conversions and taking IRA distributions is the impact on your overall income and your AGI. It may make sense and seem tax efficient based on the rates, but if it could make you subject to the NIIT, that 3.8% surtax I mentioned earlier, if it affects the senior bonus deduction, which is tied to AGI or other itemized deduction amounts that are tied to your AGI. Finally, and I mentioned at the bottom of the slide, impact on Medicare premiums – what's called your income-related monthly adjustment amount. A lot of our clients are subject to that because their income is over a certain amount so Medicare premiums are higher. If you convert to an IRA or take additional distributions from your traditional IRA, that's going to increase your income and could expose you to some of these, what we call tax triggers, things that weren't part of the regular tax brackets, but are tacked on and are additional costs to you that you just need to keep in mind. You want to look at the tax bracket you're in, but also some of these tax triggers and non-tax rate issues like the Medicare premiums that could sneak up on you and be an unpleasant surprise. They are also something that we keep in mind as we meet with our clients who are considering some of these strategies.

Next, long-term capital gains on slide 38. 0%, 15% tax rates, taking advantage of those rates when you have appreciated stock and harvest losses where appropriate. As a firm at Godsey & Gibb, we will look annually at program trades as to whether we want to take losses. We do not look at harvesting losses in a tax vacuum. As a CPA, if I'm trying to focus on the objective of lowering your current year taxes, sure, harvesting losses would make sense – it's going to lower your taxable income. However, as a wealth management firm and working closely with your wealth management advisor, our portfolio management team and our chief investment officer, we look at your overall situation, your overall investment objectives to determine if it makes sense to harvest some losses. We're not trying to time the market, but if it makes sense where it's appropriate, of course, it can be helpful to take advantage of that.

Itemized deductions versus standard deduction. As I mentioned earlier, historically, the standard deduction has been more prevalent because it was a larger amount, but now there may be opportunities to itemize with the SALT cap being increased, but also it may be worthwhile bunching your itemized deductions for additional tax benefit. And at the bottom of the slide, I mentioned bunching your charitable contributions. So essentially, if you are philanthropically minded, and you typically give money to your favorite charity each year, but it's not enough to warrant itemizing your deductions because the standard deduction is higher, but it If you were to combine several years of those contributions in one year it may make sense to itemize. Let's say you typically give $10,000 a year to your favorite charity, but it's not enough to itemize. If you were to give $50,000, just making up a number for easy math. then you would be able to itemize that in the current year versus making $10,000 a year for the next five years. One way that you're able to accomplish both objectives, and I mention it here at the bottom of the slide, is a donor-advised fund. And that is where you would contribute a larger amount in the current year to a donor-advised fund, get the tax deduction for the current and fair market value, whether it's cash or appreciated stock, which I mentioned earlier, you get the fair market value of the stock that you've contributed to this donor-advised fund, get the full charitable deduction in the current year, and then in future years, not only have you gotten that deduction, but you have control over the distributions that are made from that donor-advised fund to your favorite charities over future years. So that's kind of the best of both worlds. If you're interested in more about that, that's something that you would discuss with your wealth management advisor and they would know more about how those work, how those get set up, etc.

Next slide, bunching medical expenses. This works similar to the charitable contributions. You have that 7.5% of AGI threshold that needs to be cleared. Because of that hurdle, in most years, you're not able to take advantage of the amount that you're paying for medical expenses because the standard deduction is higher. It's great that you have a high standard deduction, but you're also making these medical expense payments that you would like to be able to deduct, but you're unable to. If there's a way to time those. I don't think this is as easy, unfortunately, as charitable contributions, but if you know that you're going to have an elective surgery or a procedure, or you're going to move into an independent living facility or a care center that has a large entrance fee, a portion of which can be considered medical expenses, being able to time those types of expenses in one year may get you over that AGI hurdle and allow you to itemize those deductions and take the standard deduction in alternating years.

The next slide, qualified charitable distribution (QCDs). This is something that we recommend if you are over age 70 and a half and you have an IRA, particularly if you're over age 72 or 73 and you are subject to RMDs, you are able to contribute funds directly to charity from your IRA and that will count towards your RMD. Taking those distributions from your IRA, typically, are taxable income to you. If it goes directly to the charity from your IRA, that is not included in your taxable income, which is helpful for two reasons. One, it is not included in your taxable income, lowering your tax liability, but it's also not included in your AGI, which I know I've talked about a lot today, affects the phase out of other deductions. So, there's a lot of value in contributing as a QCD to charity if you can do that. The amounts on the screen there for 2025 and 2026 are $108,000 and $115,000. I will note that the 1099-R that you receive at the end of the year, the form that reports your distributions from your IRA, will not show this QCD. As a result, you must let your tax preparer know to adjust for the QCD. For those of you who work with us, we have access to that information either through your account or if you've notified your wealth management advisor or the tax team directly that, for example, you took $100,000 out of your IRA, but $10,000 of that you sent directly to charity. We would make an adjustment to your tax return noting that you had a $10,000 QCD in that example. So, it's very important to make sure that your tax preparer is aware of the QCD that you made.

Investment management fees have been in play since the TCJA. We used to recommend deducting your wealth management fees from a taxable account because they used to be deductible on your tax return, but since they're no longer deductible and that's been made permanent because of the OBBBA, you want to have your IRA's management fees paid directly from your IRA. That's effectively a tax-free distribution from your IRA, but it's important to remember that only the fees related to that specific IRA can be deducted and can be paid from the IRA, not any other accounts. So, you want to make sure that the wealth management fees only related to that specific IRA are paid by that specific IRA. And finally, check in with your tax preparer or your CPA at this time of the year. As I mentioned earlier, it's tax planning season, and it's good to check in with your CPA, especially if your income has changed significantly from earlier in the year when we work with our tax clients and prepare tax returns. We also ask about current year income and help calculate estimated tax payments and what withholdings should be from their pay if they're still working or from their RMDs because we recommend if you are taking IRA distributions to have any estimated taxes withheld from your IRA versus making the quarterly estimated payments; administratively, it's much more convenient and you don't have to keep up with separate payments and separate deadlines. If your income has

changed significantly from what was previously estimated, it may be worthwhile to meet with your CPA and see if there need to be any adjustments to your withholdings or to making that fourth quarter estimated tax payment. I'll mention related to the quarterly estimated tax payments, that because of the SALT deduction I mentioned earlier being $40,000 now instead of $10,000, there may be more opportunities to itemize deductions. Also, there may be a benefit to making sure you pay that state tax payment if you're making Q4 payments by 12/31 instead of waiting until January 15th of the next year when it is typically due. This is because payments in the current year can be part of your SALT deduction if you itemize. In previous years, because of the SALT limit, that wasn't as beneficial of a strategy, but now that the limit is higher, I recommend that you look into that and see if it makes sense make your Q4 payment before the at the end of the year, at least for your state taxes, so that you can include that in your current year tax deductions.

I know we're pretty much out of time, but real quick on estate and trust tax law, because we do a lot of trust tax returns. The rates have stayed the same, and they're on the slide. For preferential qualified dividends and capital gains, the one thing I'll point out is that the taxable income amount is much lower. As far as the brackets, 37% is reached at almost $16,000. It will be $16,000 in 2026. So, to the extent that if your trust document allows for this, distributing income to your beneficiaries, your interest and dividends to your beneficiaries, then it will be taxed at the beneficiaries' individual income tax rates, which oftentimes is lower than being taxed to the trust itself. But again, that's something you'll want to investigate in detail with your tax advisor.

The next slide, 44, estate and trust tax law overview. The OBBBA has made permanent the TCJA's doubled estate and gift tax exemption amount. It is now almost $14 million in 2025. It'll be $15 million in 2026, or effectively $30 million per couple if you're married filing jointly. This was something a lot of folks were concerned about going back to about half of this amount after the TCJA was set to expire, but it has been made permanent, so less estates will be subject to taxation at 40%. Annual gift tax exclusion amounts are on the slide there.

The last thing I want to touch on is, and I think this is important – it's all important – but I think for purposes of this call, the last slide I'll talk about is slide 46: the deceased spouse's unused exemption amount and the portability of that amount. If you're a married couple and a spouse passes away, there is an opportunity to transfer the deceased spouse's unused estate exemption amount to the surviving spouse. And we have had that happen with one of our clients

where a spouse passed away, and there was not a taxable estate – there was no need to file a Form 706 estate tax return based on that estate. But, the surviving spouse, based on the assets that the surviving spouse had, including, obviously, the deceased spouse's assets now, and based on their age and life expectancy and projected appreciation of those assets, there was a concern that when the surviving spouse passes away, they will have a taxable estate. So, it was valuable to file a Form 706, and elect portability of the deceased spouse's unused exemption amount. Now that amount effectively tacks onto the surviving spouse's amount to avoid taxation at the estate level, which could effectively save literally millions of dollars in tax. That's something that's never a comfortable conversation to have around passing away. It's not a fun conversation, but it is a valuable conversation when it comes to tax savings, so I wanted to just mention that.

Finally, revisit your estate planning documents, your wills and trusts, with your estate attorney. There have been a lot of changes with the tax law. It's always good every few years to check in and make sure everything is up-to-date. But now more than ever, with all the proliferation of tax law changes over the last five years or so, it makes sense to meet with your attorney, make sure that your documents still reflect your intentions based on current law.

And I will stop there. There are summary slides, basically reiterating what we've already covered. I know we're out of time – well over. I appreciate those of you who've remained on the call, and I really appreciate your time today. We really value all of you as clients of Godsey & Gibb. I hope that you found this useful. If you have questions subsequent to this call, of course, as I mentioned earlier, reach out to your wealth management advisor or reach out to us in the tax team directly. We will have a transcript of this call online in the next couple of weeks. I wish you and your family the happiest of Thanksgivings this year, and happy holidays, and I hope that I get to see you all soon. Take care.

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