

# 2025

## Year-End Financial Checklist

As we approach the end of the year, it may be an opportune time to review your investments and year-end tax situation with your Davenport Financial Advisor. It is also an excellent time to begin a broader discussion of your financial goals for 2026 and beyond. The following is a checklist to help you focus on important strategies and opportunities.

### **INCOME TAX WITHHOLDING**

Now is a good time to review if you may be over or under withholding taxes from your paycheck. With the help of this calculator from the IRS (<https://www.irs.gov/individuals/tax-withholding-estimator>), you can estimate how much should be withheld from your paycheck to be on track.

### **HEALTH SAVINGS ACCOUNTS & FLEXIBLE SPENDING ACCOUNTS**

The maximum contribution limit for a Health Savings Account (HSA) in 2025 is \$4,300 for self-only coverage and \$8,550 for family coverage. For a Flexible Spending Account (FSA), the limit is \$3,300. Generally, FSAs operate on a “use it or lose it” basis meaning whatever amount is not spent throughout the year is forfeited. In the case that your plan does permit any rollover of unused funds to 2026, the limit is \$660.

### **MEDICARE ADVANTAGE AND MEDICARE PRESCRIPTION DRUG OPEN ENROLLMENT**

The open enrollment period to join a Medicare Prescription Drug Plan, change Medicare Prescription Drug Plans, switch from original Medicare to a Medicare Advantage Plan, or switch from one Medicare Advantage Plan to a different Medicare Advantage Plan runs from October 15 to December 7, 2025. It is important to review your prescription drug plan annually to ensure that you have the plan that best fits your needs at the most reasonable cost.

### **RETIREMENT PLAN CONTRIBUTIONS**

The maximum salary elective deferral limit for 401(k), 403(b), and 457 plans in 2025 is \$23,500. Individuals aged 50-59 and 64+ may contribute an additional \$7,500 per year as a “catch-up contribution.” Individuals aged 60-63 are eligible for a higher “catch-up” contribution of \$11,250 (as a result of the SECURE Act 2.0).

### ☐ **IRA CONTRIBUTIONS**

The maximum contribution amount for both Traditional IRAs and Roth IRAs is \$7,000 for 2025 (subject to eligibility requirements). Contributions may be made until April 15, 2026 and still be counted for the 2025 tax year. Please note that individuals age 50 and over are eligible to make an additional \$1,000 “catch-up” contribution.

### ☐ **REQUIRED MINIMUM DISTRIBUTIONS (RMDs) ON TRADITIONAL IRAS**

Born 1951 or earlier: Annual RMD due by December 31, 2025

Born 1952: First RMD due by December 31, 2025 (this initial RMD can be delayed until April 1, 2026 but will result in having two RMDs in 2026)

Born 1953-1959: No RMD due in 2025; first distribution due in the year individual reaches age 73

Seek guidance from your Financial Advisor regarding RMDs on inherited IRAs.

### ☐ **EDUCATIONAL PLANNING**

Contributions made by December 31, 2025 to 529 Plans sponsored by the donor’s state of residence may be eligible for a state income tax deduction or credit for 2025. 529 Savings Plans have limits set by individual states, and federal gift rules apply to contributions.

Please consult the applicable plan sponsor to confirm processing timelines and the deadline for making contributions for the 2025 tax year.

### ☐ **NEW QUALIFIED EDUCATIONAL EXPENSES AVAILABLE FOR 529 SAVINGS PLANS**

The following have been added to the list of qualified expenses as a result of the One Big Beautiful Bill Act (OBBBA):

K-12 Expenses (up to \$10,000 for 2025):

- Curriculum materials, books or other instructional materials, and tutoring outside of the home (with limitations)

Postsecondary Expenses:

- Tuition, fees, books, supplies, and equipment required for the enrollment or attendance in a recognized postsecondary credential program
- Fees for testing if required to obtain or maintain a recognized postsecondary credential
- Fees for continuing education if required to maintain a recognized postsecondary credential

### ☐ **CAPITAL GAINS/LOSSES**

Because capital gains and losses during the tax year are netted against one another for income tax purposes, it may be beneficial to adjust a portfolio by December 31, 2025. The 3.8% Medicare surtax on unearned income, including investment income, for high-income taxpayers may increase the tax rate. Consult with a tax professional if considering realizing long-term capital gains for this year.

### ☐ WASH SALES

Securities sold at a loss before the end of the year may be subject to wash sale rules. The IRS states that taxpayers may not take a deduction for a loss if they purchased the same security (or a “substantially identical” security) 30 days before or 30 days after the sale.

**Note:** If a loss is incurred on December 31, 2025, then November 28, 2025 would be the last day to “double up” on the security to avoid a wash sale, and February 2, 2026 would be the first day to repurchase the same security after the sale.

### ☐ MUTUAL FUNDS

Exercise caution when buying mutual fund shares in a taxable account near the end of the year. Many funds distribute taxable gains for the year in December. It is important to avoid creating a tax liability for a year’s worth of gains on an investment held for only a few days. Please consult your Financial Advisor regarding the capital gains distribution status on any mutual fund considered for purchase between now and December 31, 2025.

### ☐ CHARITABLE GIVING

Donations to charities generally must be received by the charity by year-end in order to secure a 2025 deduction.

**Note:** IRA account owners over age 70½ may make direct transfers of up to \$108,000 to qualified charities (often called Qualified Charitable Distributions or QCDs) from their IRA accounts tax-free. These transfers can satisfy Required Minimum Distributions (RMDs) and the annual limit is indexed for inflation.

### ☐ CHARITABLE GIVING STRATEGIES

As a result of OBBBA, the following two provisions go into effect in 2026:

- For taxpayers who itemize their deductions, there will be a 0.5% Adjusted Gross Income (AGI) floor on the deductibility of charitable contributions. This means that charitable contributions may not be deducted until the amount gifted exceeds 0.5% of AGI.
- For non-itemizers, there will be a charitable deduction up to \$1,000 for single filers or \$2,000 for joint filers. This deduction is not subject to the new 0.5% AGI floor when the standard deduction is taken.

Speak with your tax professional to see how this might affect your charitable giving strategies for the remainder of 2025.

### ☐ BENEFICIARY DESIGNATIONS

Now is an excellent time to review beneficiary designations for IRAs, qualified plans, annuities, and life insurance policies. It should be noted that the distribution of these accounts is determined by the beneficiary form, not by the individual’s will or trust.

### ☐ ESTATE PLANNING DOCUMENTS

Review your advanced medical directive, power of attorney, will, and any trusts to confirm they reflect your wishes.

### **GIFT AND ESTATE TAXES**

Up to \$19,000 in cash or securities can be given to any other individual free of federal gift tax this year; however, the gift must be completed (i.e., deposited) by December 31, 2025 in order to count for the 2025 tax year. Direct payments of tuition or medical expenses are not included in the \$19,000 limit.

### **ROTH IRA CONVERSIONS**

Consult your tax professional to determine if a Roth IRA conversion is appropriate for your financial and estate planning goals.

### **IMPACT OF ONE TIME OR “EXTRAORDINARY” TRANSACTIONS**

Certain large transactions that may occur infrequently can have unexpected tax impacts in the year of the transaction or in subsequent years. These transactions include gains from the sale of securities, property, or businesses, income recognized on Roth IRA conversions, distributions from non-qualified deferred compensation plans, etc.

The gain or income recognized on these transactions can result in the loss of itemized deductions, the application of higher income tax or capital gains tax rates, triggering the additional 3.8% tax on unearned income, additional Social Security benefits to become taxable, and/or higher part B Medicare premiums. These issues should be addressed with a professional tax advisor.

### **CLEAN ENERGY CREDITS EXPIRING 12/31/2025**

Energy Efficient Home Improvement Credit:

The credit of up to \$1,200 toward expenses related to energy efficiency home improvements will expire on 12/31/2025.

Residential Clean Energy Credit:

The credit of up to 30% of the cost of purchasing/installing solar panels, wind power, geothermal heat pumps, or fuel cell equipment will expire for any expenses incurred after 12/31/2025.

## OCTOBER 2025

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