Mesirow

Seven year-end planning tips

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With so much happening in the world today and the usual end-of-year craziness of the holiday season, it's not always easy to remember critical financial deadlines.

A well-maintained financial plan is always important, but with so many changes happening, it's more important today than ever.

Depending on your unique situation, some tips listed below make sense for you and your family. We hope these helpful tips are an essential reminder that some planning strategies cannot wait until next year.

1 Maximize your tax-deferred annual contributions

Are you maximizing the contributions allowed for your particular plan (401k, 403b, etc.)? One way to reduce taxable income is by maximizing contributions to your tax-deferred retirement plan(s). The 2025 contribution limits are $23,500 for a defined contribution plan, with a $7,500 catch-up contribution available if you are over 50.[1] Remember that your 401k and 403b contributions must be deferred from current pay, so check with your employer before year end.

Don’t forget about IRAs! You can contribute $7,000 to your IRA in 2025, or $8,000 if you are 50 or older. Please note that IRAs do allow for prior-year contributions through April 15th of the following year. Starting in 2025, workers that turn 60, 61, 62 or 63 by calendar year end can make Super Catch-Up Contributions of $11,250. For everyone else over age 50, it’s $7,500.

2 Maximize your annual gifting

Have you made your annual exclusion gifts yet? During 2025, you may gift up to $19,000 to any individual free of gift or estate tax. A married couple may gift up to $38,000 per beneficiary during the calendar year.[2]

In addition, you may pay directly for qualified educational and medical expenses in any amount without gift tax consequences. This is a great way to gift additional money to support the people you love indirectly.

3 Make 529 contributions by year end

One way to make good use of your annual gift tax exclusion is to contribute to a 529 plan for your children, grandchildren or other loved ones. The cost of college education continues to rise every year. Using [529 plans] is a great way to help save for future college expenses and potentially receive a state tax benefit on your current-year contributions. Growth in 529 plans is tax-deferred and can be withdrawn tax-free if used for qualified education purposes.

Most states offer a current-year deduction on state income tax based on how much you contribute to that state's 529 plan(s). For most states, your contributions must be made by the end of the calendar year to maximize any state tax breaks associated with those contributions. Georgia, Iowa, Mississippi, Oklahoma, South Carolina and Wisconsin are the exception states allowing prior-year contributions.

It's essential to read your state's rules on 529 deductions and consult with your Wealth Advisor and Accountant on whether it makes sense for you and your family.

4 Make charity contributions from your IRA

Did you know that you can make Qualified Charitable Distributions from your IRA? Anyone age 70 ½ or older can still distribute up to $108,000 (per taxpayer) from their IRA account directly to a qualified charity.[3] This allows you to satisfy your charitable obligations entirely with pre-tax dollars, as these QCDs are excluded from your adjusted gross income. This also allows standard deduction taxpayers to receive the full tax benefit of their charitable gift — itemizing your deductions is unnecessary.

It is important to note that charitable commitments may also be satisfied by donating low-basis stock held for more than one year from a taxable account (which allows you and the charity to avoid taxable gains on the stock completely). We recommend discussing these alternatives with your Mesirow Wealth Advisor or Accountant.

5 Bunch your charitable contributions

To maximize the tax benefit of itemized deductions for charitable giving, you may consider "bunching" your charitable deductions this year using a Donor Advised Fund (DAF).

When you contribute to a DAF, you receive an income tax deduction for the entire contribution the year it was made (regardless of whether the funds are used for charitable purposes in the same year).

Be careful; there are limitations to the amount of charitable deductions one can deduct in any given year, so discuss this with your Wealth Advisor and Accountant to determine what might be appropriate for you.

Starting in 2026, itemizers will face a new 0.5% AGI floor on charitable deductions — for example, with $200,000 of AGI, the first $1,000 of giving won't be deductible — so consider front-loading charitable gifts into 2025 to maximize deductions.

6 Convert your traditional IRA to Roth IRA

With the combination of low marginal tax rates and recent volatile market conditions, now may be an advantageous time to convert some pre-tax Traditional IRA money into a Roth IRA. While this would require paying income taxes on that pre-tax amount, it results in a tax-free account going forward.

In addition, those who cannot make deductible IRA contributions should consider making a nondeductible contribution to their Traditional pre-tax IRA and converting it to a Roth IRA ("Back Door" Roth IRA).

Be careful, though, if you have an existing IRA, you should consult your Wealth Advisor and Accountant to determine if a Back-Door Roth conversion is appropriate. If you have multiple IRA accounts, they are treated as one IRA for tax purposes. Therefore, the conversion would be considered a partial conversion of all IRA assets, not just the newly contributed funds, leading to a partially taxable conversion.

7 Minimize the tax impact on investment gains

Although periods of market volatility can often create anxiety, the gains and losses incurred during up and down markets can be leveraged to work together to minimize the taxes you pay on capital gains. Through a practice called "tax loss harvesting," it's possible to strategically reduce federal tax liabilities without impacting long-term investment plans.

When utilizing this strategy, it is imperative that you are aware of the "wash sale rule," which prevents you from selling one security to recognize the loss and then buying back the same security within 31 days.

Conclusion

Life is constantly changing. We adapt to job changes, upsize and downsize our homes, have children or grandchildren, become involved with new charitable organizations, adopt healthier lifestyles or struggle with illness, refocus from childcare to parent care, and so many more events that contribute to — and sometimes challenge — our lives. Discussing these changes with your Mesirow Wealth Advisor allows you to revisit your goals, redefine your desired outcome and ensure that we take the necessary steps to achieve your vision.

Published December 2025

1. Deductibility of IRA contributions is subject to IRS income limitations.
https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-401k-and-profit-sharing-plan-contribution-limits

2. https://www.irs.gov/businesses/small-businesses-self-employed/frequently-asked-questions-on-gift-taxes

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https://www.fidelitycharitable.org/articles/secure-act-2-0-retirement-provisions.html#:~:text=Increase%20in%20QCD%20limit%3A%20In,be%20annually%20indexed%20for%20inflation.