

# 2025 Blueprint

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*Must-Know Changes and Key Insights for a Successful New Year*

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**BLUESKY**

WEALTH ADVISORS

# Topics We'll Cover



**Election and Tax Policy**



**2025 Contribution Limits & Age Milestones**



**RMDs and Inherited IRA Rules**



**Tax Brackets and Tax Law Changes**



**Business Ownership Interest (BOI) Reporting**

# Tax Policy Implications of the 2024 Election

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- The 2024 election results will influence tax policy, with Donald Trump as the 47th president and Republican control of the House and Senate.
- Key TCJA (Tax Cut and Jobs Act 2017) provisions (e.g., individual tax rates, standard deduction, child tax credit) are set to sunset by the end of 2025.
- **Trump's tax plan proposes to extend TCJA provisions while restoring the unlimited SALT deduction.**
- Corporate tax rates may decrease for manufacturers, and new relief measures for lower-income taxpayers are being discussed.
- Taxpayers must evaluate, model, and plan for these changes proactively.



# TCJA Provisions Overview

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- Lower individual tax rates and a 20% passthrough deduction for qualified business income are set to sunset in 2025.
- SALT deduction remains capped at \$10,000, though many states offer PET regimes as alternatives.
- Bonus depreciation phases out after 2026, and limits on NOL carrybacks have changed under the TCJA.
- Standard deduction and personal exemption changes will revert to pre-TCJA amounts after 2025.



# Key Income Tax Strategies - “No Action” by Congress

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- ➔ • Accelerate income before 2025 to benefit from lower rates.
- ➔ • Consider delaying charitable contributions to offset higher future rates.
- ➔ • Plan for large asset purchases strategically to maximize bonus depreciation.
- ➔ • Evaluate passthrough entity structures for optimal tax outcomes.

# Wealth Transfer Considerations - “No Action” by Congress

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- The enhanced Basic Exclusion Amount (BEA) for estate and gift taxes increases to \$13.99M in 2025 but reverts to \$5M (adjusted for inflation estimated to be \$7.5M) in 2026.
- Utilize the enhanced BEA for tax-efficient wealth transfers before the sunset.
- Leverage trusts and dynasty trusts to enhance generational wealth.
- Review intrafamily loans and potential late allocations of GST exemptions.



# IRS Enforcement

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- IRS enforcement has intensified with increased budgets and advanced technology.
- Focus areas include passthrough entities, high-net-worth individuals, and global high-wealth audits.
- Audit rates for taxpayers with income over \$10M are set to increase by 50%.
- Proactive planning and risk assessments are essential for navigating this landscape.
- Funding may be withdrawn by new administration



# IRS Enforcement: Areas of Focus

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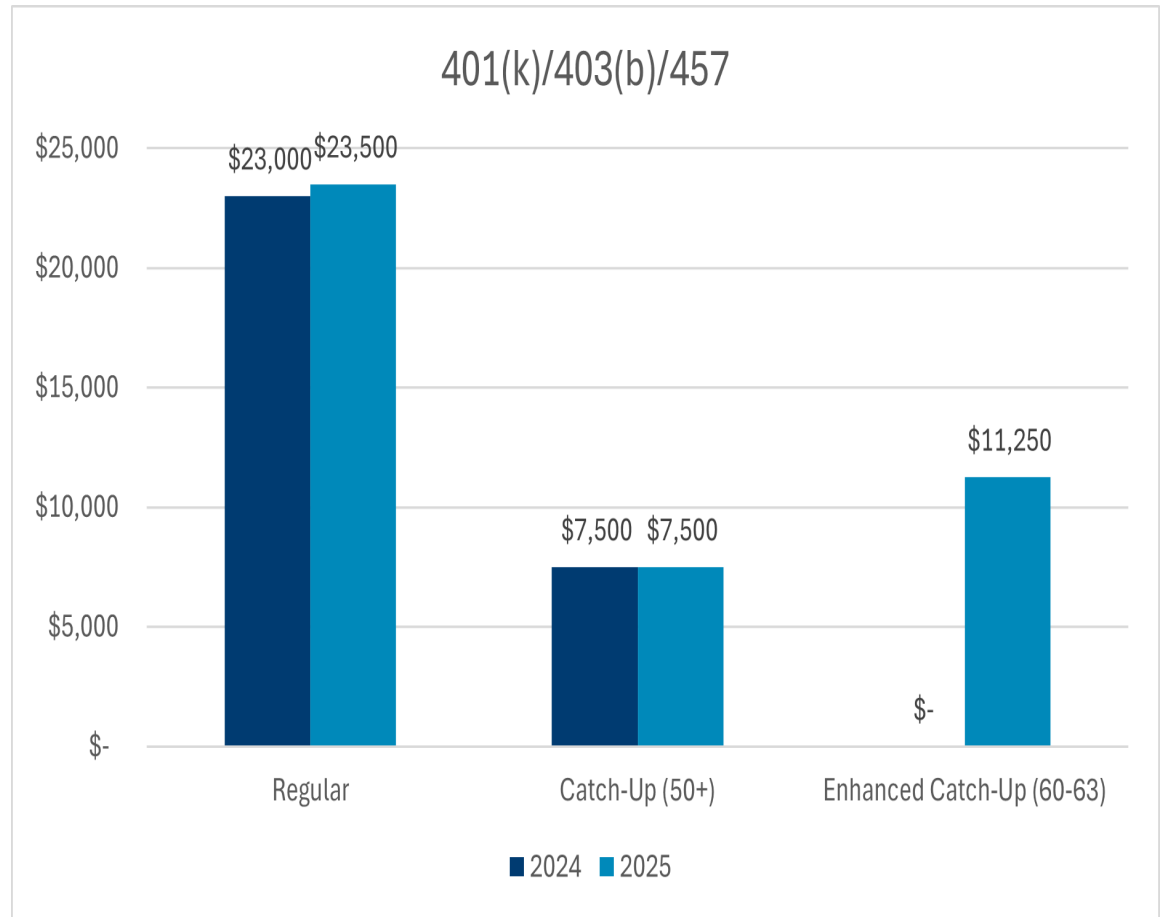
- **IRS campaigns** target passthrough entities, syndicated conservation easements, and real estate professionals.
- Specific issues include partnership interest sales, hobby loss rules, and basis calculations.
- **Maintain thorough documentation** to substantiate positions during audits.
- Key preparation steps include maintaining proof of mailing, monitoring tax accounts, and using electronic filing.
- Address **potential audit risks** proactively by conducting periodic risk assessments.
- Leading practices include detailed records for basis, investment interest, and residency changes.



# 2025 Retirement Plan Contribution Limits

## 401(k)/403(b)/457

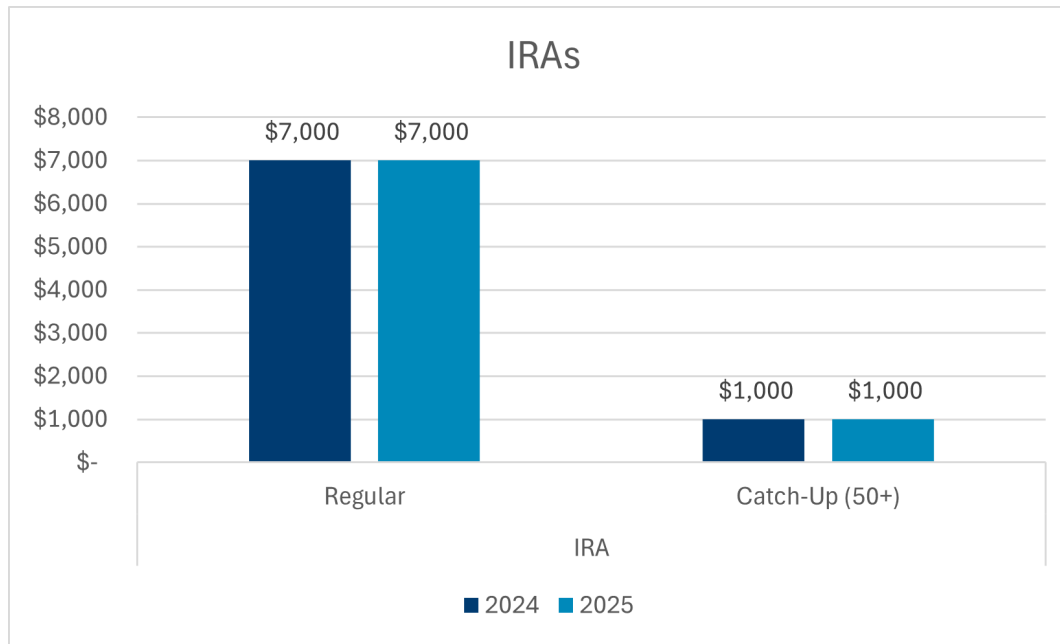
- \$23,500 (up from \$23,000 in 2024)
- Catch-up contribution (age 50+): \$7,500
- **NEW** Enhanced catch-up contribution (ages 60-63): \$11,250 (\$3,750 more than regular)
- Defined Contribution Plan Limit: \$70,000 (up from \$69,000 in 2024)
- Compensation Limit: \$350,000 up from \$345,000
- Don't max contribution too early (unless plan has a true up provision)
- Update contribution amounts before year-end for 2025 paychecks



# 2025 IRA/HSA Contribution Limits

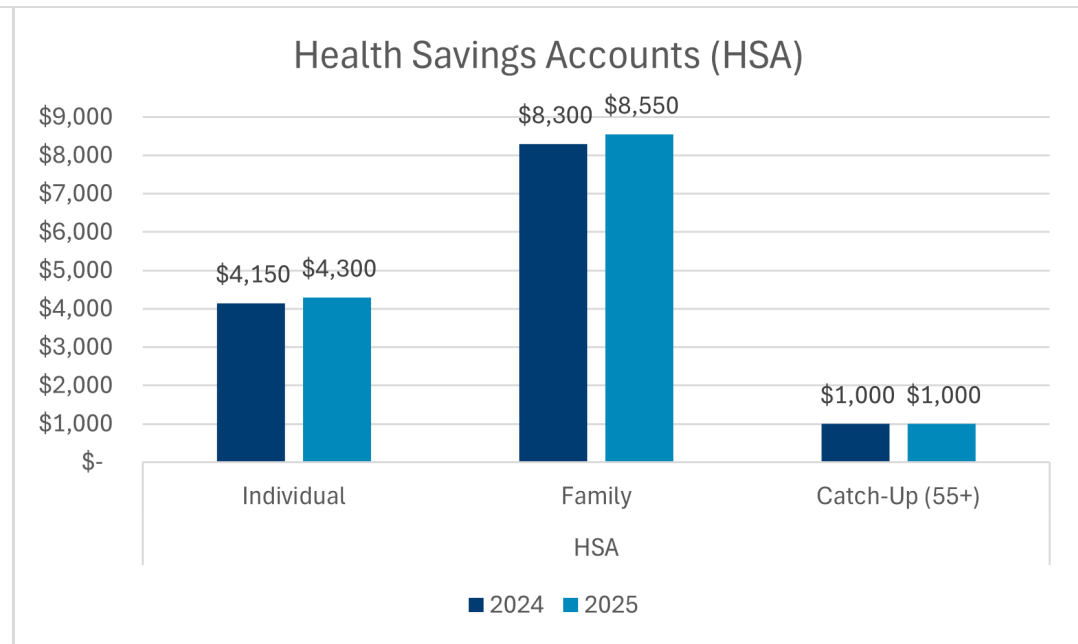
## IRA

- \$7,000 (unchanged from 2024)
- Catch-up contribution (age 50+): \$1,000



## HSA:

- Individual: \$4,300 (up from \$4,150 in 2024)
- Family: \$8,550 (up from \$8,300 in 2024)
- Catch-up contribution (age 55+): \$1,000



# Age 50: Retirement Plan Catch-Up Contributions

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Individuals aged 50 or older can make additional 'catch-up' contributions to retirement accounts.

- 401(k), 403(b), most 457 plans, and TSP: **\$7,500 (2025)**

- Traditional and Roth IRAs: **\$1,000 (2025)**

# Age 55: HSA Catch-Up Contributions

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- HSA Catch-Up: Individuals aged 55+ can contribute an additional \$1,000 annually to HSAs.

# Age 59½: *Penalty-Free Withdrawals*

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At this age, penalty-free withdrawals are allowed from IRAs and qualified retirement accounts.



Regular income taxes still apply to distributions.

# Age 60-63: Enhanced Catch-Up Contributions

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Starting in 2025:



- For ages 60-63: Catch-up contribution limit for 401(k), 403(b), and 457 plans increases to \$11,250.

# Age 62-70: Social Security Benefits

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- Eligible to claim Social Security at age **62** (reduced benefits).
- Full benefits at full retirement age (FRA)  
(born 1960 or later, age 67 FRA).
- Delaying until 70 increases benefits; no further increases after **70**.

# Born in 1959\* Reaching FRA in 2025-2026

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*In 2025, individuals born in 1959 will reach their Full Retirement Age (FRA) of 66 years and 10 months.*

Date of Birth (DOB): January 1, 1959 – Full Retirement Age reached on November 1, 2025.

Date of Birth (DOB): December 31, 1959 – Full Retirement Age reached on October 31, 2026.

**Fun Fact:** This creates a gap where no one reaches FRA between November 1, 2026, and January 2, 2027, because those born January 1 are treated as if they were born December 31 of the prior year.



# Age 65: Medicare & Standard Deduction

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- Medicare eligibility begins at age 65, ending HSA contributions. (unless you're still working exception)

- Additional standard deduction for age 65+: \$1,950 (single) or \$1,550 (married filing jointly) in 2025.

# Age 70½: Qualified Charitable Distributions (QCDs)

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- At age 70½, make tax-free distributions (up to \$108,000/year in 2025) from Traditional IRA to charities.

- QCDs satisfy required minimum distributions and reduce taxable income.

# Age 73: Required Minimum Distributions (RMDs)

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- RMDs start at age **73** (75 starting in 2033).



- RMDs are **mandatory withdrawals** included in taxable income.

# Required Minimum Distributions (RMDs)

## Who Needs to Start Taking RMDs in 2025?

- **Individuals Born in 1952:** If you were born in 1952, you will turn 73 in 2025 and must begin taking RMDs.
- **First RMD Deadline:** Your first RMD must be taken by April 1, 2026.
- **Subsequent RMDs:** After the first RMD, you must take RMDs annually by December 31 of each year.

## Key Points to Remember

- **Account Types:** RMDs apply to traditional IRAs, SEP IRAs, SIMPLE IRAs, and most employer-sponsored retirement plans such as 401(k), 403(b), and 457(b) plans.
- **Calculation:** RMD amounts are calculated based on your account balance as of December 31 of the previous year and your life expectancy factor from the IRS's Uniform Lifetime Table.

# Inherited IRAs

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## 10-Year Rule

- **General Rule:** Most non-spousal beneficiaries must fully distribute the inherited IRA within 10 years of the original account owner's death
- **Annual RMDs:** If the original account owner had already started taking Required Minimum Distributions (RMDs), the beneficiary must continue taking annual RMDs during the 10-year period

## Eligible Designated Beneficiaries (EDBs)

- **Exceptions:** Certain beneficiaries, known as Eligible Designated Beneficiaries (EDBs), can still stretch distributions over their life expectancy. EDBs include:
  - Surviving spouses
  - Minor children of the account owner (until they reach the age of majority)
  - Disabled or chronically ill individuals
  - Individuals not more than 10 years younger than the deceased account owner

## Roth IRAs

- **Roth IRA Beneficiaries:** While Roth IRA owners are not subject to RMDs during their lifetime, beneficiaries must adhere to the 10-year rule. However, they do not need to take annual RMDs but must fully distribute the account by the end of the 10th year

# Tax Bracket Updates - Taxable Income

Tax Rate	For Single Filers	For Married Individuals Filing Joint Returns	For Heads of Households
10%	\$0 to \$11,925	\$0 to \$23,850	\$0 to \$17,000
12%	\$11,925 to \$48,475	\$23,850 to \$96,950	\$17,000 to \$64,850
22%	\$48,475 to \$103,350	\$96,950 to \$206,700	\$64,850 to \$103,350
24%	\$103,350 to \$197,300	\$206,700 to \$394,600	\$103,350 to \$197,300
32%	\$197,300 to \$250,525	\$394,600 to \$501,050	\$197,300 to \$250,500
35%	\$250,525 to \$626,350	\$501,050 to \$751,600	\$250,500 to \$626,350
37%	\$626,350 or more	\$751,600 or more	\$626,350 or more

# Social Security and Medicare

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## Social Security Benefits (COLA increase):

- 2024: 3.2% → 2025: 2.5%

## Maximum earnings subject to Social Security tax:

- 2024: \$168,600 → 2025: \$176,100

## Maximum Social Security monthly benefits at full retirement age:

- 2024: \$3,822 → 2025: \$4,018



# *Standard Deduction*

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## Standard Deduction:

- Married Filing Jointly/Qualifying Surviving Spouse:  
2024: \$29,200 → 2025: \$30,000
- Single/Married Filing Separately:  
2024: \$14,600 → 2025: \$15,000
- Head of Household:  
2024: \$21,900 → 2025: \$22,500



# *Estate and Gift Tax*

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## Estate Basic Exclusion Amount:

- 2024: \$13,610,000 → 2025: \$13,990,000

## Annual Exclusion for Gifts:

- 2024: \$18,000 → 2025: \$19,000



# Eye on 2026

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## Pre-Tax Catch-Up Contributions:

- Important changes to catch-up contributions starting in 2026.
- High earners (greater than \$145,000 wages) must make these contributions on a Roth basis.

# BOI reporting

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## •Who does it apply to:

- ALL Businesses unless one of the 23 exceptions applies.
- Includes LLCs that own rental property and small single member LLCs

## •Deadline:

- For existing businesses established prior to 1/1/2024 its → 12/31/2024.
- For businesses established in 2024 → within 90 days of setting up the new business

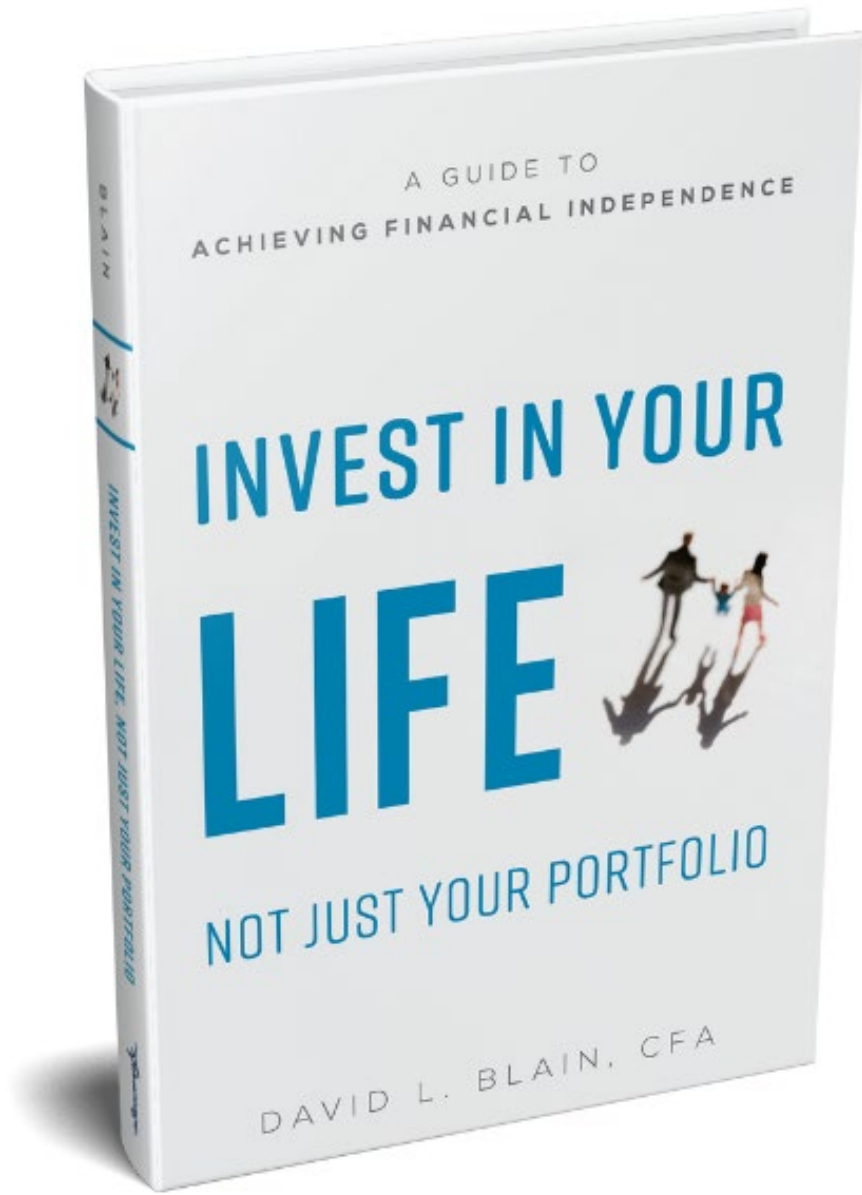
## • Website:

- <https://www.fincen.gov/boi>

# *Questions?*

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