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YOUR YEAR-END BUSINESS PLAN

If you own a small business, reducing your 2025 tax bill and planning for a successful new year should be on your radar as the current year draws to a close.

CHECK YOUR RECORDS

Start by making sure your books are accurate and up to date. Consult your tax professional to resolve any questions you have before tax season arrives, so you're not left trying to sort things out at the last minute. Reviewing both your income statement to get a handle on profits and losses and your cash flow statement to see how money was spent can help you plan for next year.

DEFER INCOME

One way to lower this year's tax bill is by deferring income to the beginning of 2026. This tactic makes sense, especially if you expect your income to be less next year.

INCREASE DEDUCTIONS

Purchasing supplies in advance and upgrading equipment before the end of the year may help you maximize deductions on your 2025 return, assuming you pay for them before year's end.

CONTRIBUTE TO A RETIREMENT PLAN

You can reduce your 2025 income by making contributions to your retirement plan. Contribution limits vary, depending on the type of plan. Your financial professional can let you know how much you can contribute.

CONSIDER YOUR WORKSPACE

If you're self-employed or you work from home and have a dedicated room or space for conducting business, you may be eligible to take the home office deduction. Rules for claiming the deduction are specific, so consult your tax advisor.

DEDUCT BAD DEBT

On occasion, your business may have customers who have not paid you for goods or services within a reasonable period. If you have unpaid invoices and no reasonable expectation of payment, you may be able to deduct the debt on your tax return.

REVISIT YOUR GOALS

Year's end is an appropriate time to look at the goals you set for the year and assess whether you achieved them. If your goals fell short of your expectations, determine the reasons. Then think about the steps you can take in the new year to position your company to thrive.

YEAR-END FOR INDIVIDUALS

As the year draws to a close, taxpayers should review their finances to optimize tax efficiency. One key strategy is maximizing retirement contributions, such as contributing to an IRA or 401(k), which can lower taxable income. Charitable donations also offer tax deductions; making donations before year-end can reduce your tax liability.

Reviewing capital gains and losses allows taxpayers to offset gains with losses, minimizing taxes on investments. Consider bunching deductible expenses, like medical costs or property taxes, to surpass the standard deduction threshold.

Tax-loss harvesting involves selling underperforming assets to realize losses, offsetting gains elsewhere.

Consult with your tax professional to ensure these strategies align with your individual circumstances before year-end for potential tax savings.

CLIENT PROFILE

Nicholas owns a small tech startup and has invested in various stocks through his personal investment account. Over the past year, his portfolio included shares of Company A, which he bought at $10,000, and Company B, purchased at $8,000. Recently, Company A's stock has declined to $6,000, and Company B's stock has dropped to $5,000. Nicholas decides to implement tax-loss harvesting to reduce his tax liability.

He sells his shares of Company A at a loss of $4,000 and his shares of Company B at a loss of $3,000. These realized losses can offset his $7,000 capital gains from other investments or, if he has no gains, he can use up to $3,000 of the losses to reduce his ordinary income, carrying the remaining losses forward to future years.

By doing this, Nicholas effectively lowers his taxable income, saving money on taxes. To maintain his portfolio's desired asset allocation, he then re-invests the proceeds into similar stocks or funds, avoiding the wash-sale rule. This strategic move helps Nicholas optimize his tax situation while keeping his investment strategy on track.

Client Profile is based on a hypothetical situation. The solutions discussed may or may not be appropriate for you.

A TIME FOR GIVING

Year-end is a time for giving, not only to family and friends but also to charity. If you're among our readers who are passionate about philanthropy, year-end giving can offer the satisfaction of making a difference as well as significant financial advantages.

THE IMPACT

Data from the Indiana University Lilly Family School of Philanthropy shows that charitable donations typically increase during the year-end giving season. This surge is partly driven by holiday spirit and the motivation to leverage tax advantages before the calendar year ends. Many people find that giving strategically can maximize their contributions while minimizing their taxable income. Charitable contributions have a profound impact, and exploring innovative options can elevate your giving strategy.

CONSIDER A GIFT OF LIFE INSURANCE

While traditional methods of donating, such as cash or grants, are well-known, using life insurance in charitable giving is an option that's often overlooked. One of the most innovative ways to contribute is through life insurance policies. If you have a life insurance policy that you no longer need, or if you're looking to give a substantial gift to a charity, you can transfer ownership of the policy to a nonprofit organization. This not only delivers a significant future benefit to the charity, but it also provides you with some notable tax advantages today.

When you make a charity the owner and the beneficiary of your life insurance policy, you may be able to deduct the policy's cash surrender value on your federal income tax return for the year you gift the policy. Further, if you continue to pay the premiums on the policy, those payments can also be deductible as contributions to charity.

NON-TAX BENEFITS

By naming a charity as the beneficiary of your life insurance, you're effectively building a legacy. This can be particularly appealing if you're enthusiastic about a cause and want to ensure lasting support for it beyond your lifetime. Life insurance gifts also may be simpler and more flexible insurance than other asset transfers, such as real estate or stocks, which can involve complexities associated with valuation and appreciation. You don't have to give away your entire policy. You can choose to gift a portion of the policy or maintain partial ownership while designating a charity as the beneficiary.

FINAL THOUGHTS

As you contemplate your year-end giving strategy, remember that the essence of giving lies not just in the act of donating but in how creatively and effectively you can align your philanthropy with your financial goals. Contact your trusted advisors as they can provide additional insights tailored to your financial situation, ensuring you are making the most of your generosity.

Keeping with the trends of the past decade, 34% of all giving in 2024 occurred in the last three months of the year.

Source: 2024 Trends in Giving, Blackbaud Institute, 2025

MAKING INFORMED BENEFITS SELECTIONS

Open enrollment is a crucial time for employees to review and update their benefits for the upcoming year. To make the most of this period, it's important to consider several key factors.

WHAT ARE YOUR NEEDS?

Evaluate your current healthcare needs—are your medical, dental, or vision plans still suitable? Review your provider networks, coverage options, and costs. Next, assess your financial situation; consider premiums, deductibles, copayments, and out-of-pocket maximums to choose plans that balance coverage with affordability.

WHAT ARE YOUR LOVED ONES NEEDS?

Examine your dependents' needs, such as whether their coverage has changed or if new plans offer better benefits.

Don't forget to review your retirement savings options, like 401(k) contributions, and any supplemental insurance policies available. It's also wise to compare flexible spending accounts (FSAs) or health savings accounts (HSAs) to maximize tax benefits.

BE INFORMED

Take the time to read all plan materials carefully and ask questions if needed. Making informed decisions during open enrollment ensures you select benefits that best support your health, financial stability, and long-term goals.

Q

What is tax-loss harvesting, and how is it used as a strategy by investors?

A

Tax-loss harvesting is a strategy used by investors to reduce their taxable income by selling investments that have declined in value. By realizing losses, investors can offset capital gains from other investments, lowering their overall tax bill.

The losses can also be used to offset up to $3,000 of ordinary income annually, with any remaining losses carried forward to future years. This technique helps investors optimize after-tax returns, especially in volatile markets, by strategically managing their investment portfolios to minimize tax liabilities while maintaining their investment goals.

CONSIDERATIONS FOR EMPLOYERS

Open enrollment is an opportunity for business owners to review and communicate their benefit offerings, ensuring employees can make informed decisions. To ensure a smooth process, employers should start by reviewing plan options, costs, and compliance requirements, including updates to healthcare laws or regulations. Clear, transparent communication is essential—provide detailed plan summaries, FAQs, and enrollment guides to help employees understand their choices.

USE TECHNOLOGY

Employers should also consider leveraging technology, such as online enrollment platforms, to streamline the process and reduce administrative burdens. Offering educational sessions or webinars can increase employee engagement and understanding of their benefits. It's important to set deadlines and send reminders to ensure timely enrollments by employers.

FEEDBACK

Collect feedback from employees post-enrollment to identify areas for improvement. As a business owner you should review your budget allocations and negotiate with providers if needed to offer competitive and comprehensive benefits. Proper planning and communication during open enrollment can enhance employee satisfaction, improve benefits utilization, and ensure compliance with legal requirements.

HOLIDAY TIPPING GUIDE: A REFRESHER

Tipping during the holidays is a nice way to show your appreciation to service providers for all they do for you during the year. Here are some general guidelines.

Trash Collector $10-$30

Parking $10 - $50

Garage Attendant $10 - $50

Mail Carrier $20

Mechanic $20

Hairstylist Cost of One Session

Manicurist Cost of One Session

Housekeeper Cost of One Session

Massage Therapist Cost of One Session

Personal Trainer Cost of One Session

Babysitter One-to-Two Night's Pay

Dog Walker One Week's Pay

Caregiver One Week's to One Month's Salary

Daycare Staff $20-$70 Per Person

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