

TIME WELL SPENT



January 2026

Before You File: SMART TAX MOVES (and traps) to know now

As we head into the federal income tax filing season this year, there are several planning opportunities—and a few traps—that investors should know. Many of the most valuable tax benefits are determined before you file, not when you sit down with your tax professional. Below are key considerations to keep in mind as you prepare for filing your 2025 federal income return and looking ahead to 2026 planning.

1. Retirement Account Contributions Still Matter—Even Late! If you are eligible, retirement account contributions for tax year 2025 can generally be made up until the April 2026 filing deadline. This includes:

- Traditional IRA contributions (potentially deductible, depending on income and coverage)
- Roth IRA contributions (subject to income limits)
- Spousal IRAs for non-working spouses
- Catch-up contributions remain available for individuals age 50 and older.

These contributions can reduce current taxes or enhance long-term tax-deferred or tax-free growth, depending on your situation.

2. Health Savings Accounts: Triple Tax Benefits—If Used Correctly. If you are eligible with a high-deductible health insurance plan (HDHP), health savings account contributions for tax year 2025 can be made up until the filing deadline. HSAs continue to offer one of the most favorable tax treatments available:

- Contributions are tax-deductible (or pre-tax through payroll).
- Growth is tax-deferred.
- Qualified medical withdrawals are tax-free (including reimbursement for Medicare premiums in retirement).

Be careful: non-qualified withdrawals are taxable and may trigger penalties, especially before age 65. Documentation matters.

3. Roth Conversions: Timing and Tax Brackets Are Everything. Roth conversions continue to be one of the most powerful long-term tax strategies—but only when executed deliberately for 2026 and beyond. Converting tax-deferred accounts to tax-free accounts in this lower tax-rate environment is the best hedge for the future.

- Conversions increase current taxable income.
- Partial conversions can be used to “fill up” lower marginal brackets when cash (like a larger refund) is available to cover the present taxes.
- Conversions may also affect Medicare premiums (IRMAA) and certain deductions or credits.

For many investors, the optimal strategy is not an all-or-nothing conversion, but a multi-year plan coordinated with income levels and future Required Minimum Distributions (RMDs).

4. Required Minimum Distributions: Fewer Surprises, Better Outcomes. If you are subject to RMDs:

- Confirm that distributions were taken from all applicable retirement accounts.
- Missed or incorrect RMDs still carry penalties, though relief is sometimes available.

Proper RMD coordination often reduces downstream tax issues, including higher Medicare premiums and taxation of Social Security benefits.

5. Capital Gains: Control What You Can. While markets can't be controlled, taxable gains often can:

- Long-term capital gains are taxed more favorably than short-term gains.
- Tax-loss harvesting can offset realized gains and up to \$3,000 of ordinary income annually.
- Carry-forward losses remain a valuable asset and should not be overlooked.

Portfolio re-balancing, fund changes, and one-time liquidity events should always be reviewed through a tax lens before trades are executed.

6. Charitable Giving: Structure Beats Generosity Alone For charitably inclined investors:

- Donating appreciated securities can avoid capital gains while generating a charitable deduction for 2026.
- Donor-advised funds allow for deduction timing flexibility while spreading gifts over multiple years.

Bunching deductions will help overcome the standard deduction threshold, so smart structuring often allows clients to give more while paying less in taxes.

Tax planning is not a once-a-year activity. The most effective strategies are coordinated across investments, retirement planning, and long-term goals—before returns are filed. If you have experienced income changes, retirement transitions, liquidity events, or are simply unsure how these rules apply to your situation, now is the right time to review your plan. As always, we encourage coordination between your investment strategy and your tax professional to ensure nothing is missed.



Robert Ingram
GENERAL COUNSEL | TAX ADVISOR
AFI Advisors

AFIADVISORS.COM



We ♥ Referrals

GENERAL COUNSEL | TAX ADVISOR
AFI Advisors

THE AFI IMPACT

COMMUNITY - CONNECTION - COMMITMENT



Strong financial planning goes hand-in-hand with strong communities. We're proud to stay engaged year-round—and we look forward to sharing more with you as the year unfolds.



Chamber Business Breakfast sponsored by ETSU Research Corp. and Syncspace

We attended the recent Chamber Business Breakfast, sponsored by ETSU Research Corporation and Syncspace, where an exciting major project coming to our region was announced. It was encouraging to hear how this initiative could drive innovation and growth locally, and AFI was glad to be part of the conversation.



AFI Attends Your Kingsport Chambers 79th Annual Dinner

AFI enjoyed attending the Kingsport Chambers 79th Annual Dinner, a signature event celebrating the strength and momentum of our local business community. It was a great evening of connection, collaboration, and shared vision with fellow community leaders and partners.

Client Question of the Month

"If things are going well, why do I still feel uneasy?"

That feeling is more common than people realize. Money is emotional, even when the numbers look good. Confidence doesn't always arrive at the same pace as progress—and that's okay. A good plan isn't just about outcomes; it's about helping you feel secure along the way.

Question For the Newsletter?

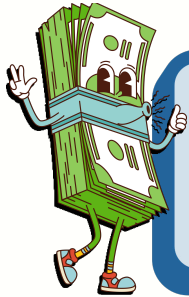
Email Now >>>



DID YOU KNOW?

Many people haven't reviewed their beneficiary designations in years. Life changes such as marriage, children, career shifts, or even the loss of a loved one, can make those "small details" far more important than they seem. Outdated beneficiaries can lead to unintended outcomes, unnecessary delays, or assets going to the wrong place altogether.

If it's been **more than a year** since you last reviewed your beneficiaries—or you're not sure who's listed—it may be time for a quick check-in. Reach out to our team to make sure your plan still reflects your life today, not the one you had years ago.



Money, In Plain English: Volatility

What it is: Volatility simply means markets move up and down.

Why it matters: How people react during those swings often has a bigger impact than the swings themselves.

When it usually comes up: When headlines get loud or uncertainty starts to feel personal.

January is often a quieter month for community events, but it's also when we spend time planning, preparing, and setting the tone for the year ahead. While our calendar will continue to fill with opportunities to serve, connect, and give back, there are several easy ways to stay in the loop right now.

FACEBOOK – for event updates, photos, and community involvement

YOUTUBE – where we share educational videos and conversations

OUR PODCAST – offering perspective on money, life, and the topics clients ask about most

EMAIL – for insights, updates, and invitations delivered directly to you

