FIDUCIARY™ TRUST

2026 Key Year-End Planning Considerations

Wealth Planning Insights

The power of being intentional is clear. Being proactive will help you and your family maximize your financial resources and impact. As year-end approaches, in addition to the usual advice that includes harvesting investment losses, fully funding your retirement plan, and reviewing your open enrollment elections, here are six items you should consider:

1. Charitable Contributions

Charitable deduction rules changed in 2026, with the implementation of a 0.5% adjusted gross income (AGI) floor on itemized charitable deductions. This translates into the charitable itemized deductions being decreased by 0.5% of AGI. Also new is an itemized deduction limitation which essentially limits itemized deduction benefits to a 35% rate for those in the 37% tax bracket. The use of a Qualified Charitable Deduction (QCD) for those over age 70 ½ has become even more attractive with these changes. The QCD can lower AGI by fulfilling required minimum distributions (RMDs) from traditional IRAs, and is not impacted by the 35% limitation or the 0.5% floor noted above. QCDs are limited to $111,000 in 2026, must be paid directly from the traditional IRA to the public charity, and cannot be made to a Donor-Advised Fund (DAF).

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Also new this year is the non-itemizers opportunity to reduce their taxable income by $1,000 per individual, or $2,000 for married filing jointly (MFJ), for cash gifts to qualified public charities. This also does not include gifts to DAFs.

For the past few years, Massachusetts filers have received a state charitable deduction as well for charitable gifts. Taking advantage of this is particularly attractive for those with charitable intent that have 2026 taxable income over $1,107,750 and can use charitable gifts to therefore lower their income that would otherwise be subject to the 4% surtax that is commonly referred to as the Mass Millionaire's Tax.

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2. Roth Conversions

Roth IRA assets are arguably the best assets for your heirs (or trusts for their benefit) to inherit. When most non-spousal beneficiaries inherit a Roth IRA, the assets can remain in the Roth IRA until December 31st of the tenth year following your date of death. Until then, there is tax-free growth on the assets, and when the assets are withdrawn from the Roth IRA, there is no income tax due. Although this may sound too good to be true, it is true. The "toll" charge to funding a Roth IRA is paying income taxes as the assets go into the Roth vehicle. From then on, you and your heirs can benefit from income tax-free growth. Roth funding is particularly compelling for younger investors with long-term horizons and older individuals with a federal or state taxable estate or with irrevocable or other trust beneficiaries projected to be in a high-income tax bracket. Roth conversions are often done over a number of years in order to take advantage of incremental tax brackets or in years when income is lower, especially between retirement and the beginning of RMDs.

3. Gifting and Wealth Transfer

As of January 1, 2026, the federal estate and gift tax exemption rose to $15 million per person, and will be further indexed up for 2027 and beyond. Currently, this results in each person being able to transfer up to $15 million, either during their lifetime or at their death, to non-charitable beneficiaries without incurring a federal estate or gift tax. If you are in a position to make significant gifts, and doing so aligns with your wealth transfer goals, you should consider initiating the planning that should proceed a significant gift, including establishing any irrevocable trusts that may be appropriate. Whether you are able to gift at this level or something lower, if you are comfortable doing so you should consider making 2026 annual exclusion gifts. For 2026, annual exclusions gifts are limited to $19,000 per donee but are expected to increase to $20,000 in 2027. If you are married, you and your spouse can each make annual exclusion gifts to an individual, if desired. Utilizing annual exclusion gifts or your $15 million estate and gift tax exemption is in addition to paying medical expenses and tuition costs directly to the provider which do not count as gifts for calculation purposes.

4. State and Local Tax (SALT) Deductions

For 2026, the SALT deduction is increased to $40,400, with 1% annual increases continuing through 2029, after which it reverts back to $10,000 in 2030. For higher-income taxpayers with modified adjusted gross income (MAGI) over $500,000, the maximum deduction will decrease by 30% of MAGI over $500,000, which translates to the deduction being the $10,000 minimum for taxpayers with MAGI over $600,000. If you are married filing separately, the maximum deduction is $20,000. Timing of both income recognition and payment of state and local taxes should be considered in light of this.

5. Three Points on Risk Mitigation

Insurance: When is the last time you reviewed your umbrella and homeowner's insurance coverages? Given increases in litigation, property values, and replacement costs, many individuals find they are underinsured when they take a close look at their coverages.

Freeze your Credit: If you have not taken the time to review your credit report and freeze your credit with the three credit reporting agencies, doing so before year-end is recommended. Identity theft is rampant, and in addition to using strong, unique passwords and two-factor authentication, your best defenses include freezing your credit. If you have a minor child, you should also freeze their credit.

Review Your Estate Plan: Make sure your estate plan reflects your current wishes when you consider changes to your wealth, birth or maturation of children, as well as who you may have named as fiduciaries in your existing documents. If you do not have an estate plan, especially if you have minor children, do not delay in working with a trust and estate attorney to help protect your family. It is also recommended that you review your beneficiary designations for life insurance policies, IRA, 401(k), and similar assets, as well as transfer-on-death (TOD) or payable-on-death (POD) account designations.



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6. Financial Conversations with Family

When is the right time to talk to family members about your wishes as you age, your wealth and wealth transfer plans? This can vary by family, but delaying is typically not the best answer. Managing conversations so that only information you are ready to share is presented is the preferred approach. Conversations can be uncomfortable, but handled properly can leave all parties with greater peace of mind. Children should understand whether it is your intention to treat them each equitably with their siblings and if not have the opportunity to understand why not. Understanding planning vehicles, such as irrevocable trusts, including why they are being utilized in your plan, is appreciated by most heirs. Not everything needs to be shared in the first conversation, and numbers may not be fully shared for many conversations. But remembering the potential negative impact of "sudden" wealth without adequate education and preparation can be a powerful reason to take what may be an uncomfortable step of beginning the conversation. Also, if you expect your children to consider a prenuptial agreement, this should be discussed with them, ideally before they meet their partner.

Being intentional at year-end by reviewing all aspects of your wealth plan, including making sure your estate plan and beneficiary designations reflect your wishes, is a good way to plan for the new year. If you would like to discuss your particular situation, please reach out to your Fiduciary Trust officer or to Sid Queler at queler@fiduciary-trust.com. ■

Sources: Internal Revenue Service

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