

Market Snapshot & Planning Ahead for the Year-End

Q3 has been anything but calm in the financial markets. The Federal Reserve's recent interest rate moves are affecting mortgages, bonds, and retirement accounts. Meanwhile, equity markets continue pushing toward new highs, even as volatility rises with global uncertainty and fluctuations in oil prices. In this newsletter, we'll recap where the markets stand year-to-date and highlight ten smart year-end money moves to consider before the calendar flips. The goal: help you approach the end of 2025 with a thoughtful, proactive financial strategy.

Market Snapshot: Where We're At So Far

As of the end of the trading day on August 29th:

- **S&P 500:** +9.84% YTD

The S&P 500 is up roughly 10% year-to-date, reflecting a recovery following earlier market swings. Strong earnings from tech and AI leaders—such as Nvidia, Microsoft, and Meta—have supported the index, though volatility remains and concerns over tariffs and valuations persist.

- **DJIA:** +7.05% YTD

The Dow has posted steady, moderate gains this year, driven by industrials and blue-chip stocks. While it hasn't surged at the same pace as the Nasdaq or S&P 500, it has benefited from investor rotation into value and dividend-paying companies.

- **Nasdaq:** +11.11% YTD

The Nasdaq has led the major indexes, supported by growth in technology and AI-related sectors. Momentum remains strong, though the index has also experienced sharper swings compared with the Dow and S&P 500.

- **Gold:** +35.36% YTD

What a performance from Gold this year, climbing more than 35% since January, likely driven by persistent inflation concerns, the central bank, and investor demand for safe-haven assets amid global uncertainty. With interest rate cuts on the horizon and volatility in both equities and currencies, gold has remained a top performer in 2025.

Year-End Money Moves: 10 Planning Opportunities

Strengthen your finances before year-end. While this may be familiar advice, completing these steps now can help you reduce taxes, review your portfolio, and align your financial strategy with long-term goals.

If properly planned, year-end planning can help you:

- Reduce your tax bill
- Strengthen your financial position
- Align your strategy with long-term goals

Here are 10 valuable moves to consider:

1. Manage Your Tax Bracket

- High-income years: Accelerate deductions (charity, etc.) and defer income (bonuses, stock options)
- Low-income years: Consider deferring deductions while accelerating income, Roth conversions, or bonus payouts

When evaluating year-end planning, it's helpful to compare your current tax situation with prior years. Doing so can reveal opportunities—or “levers”—to reduce your tax burden.

In years when income is higher than usual, one strategy is to accelerate itemized deductions, particularly charitable contributions, while postponing certain income items. This could include deferring a bonus, delaying the sale of investments or a business, or timing stock option exercises. For those who give to charity, a donor-advised fund (DAF) can be especially effective, allowing a larger deduction in the current year while giving you the flexibility to distribute grants over time.

In contrast, during lower-income years, it may make sense to defer deductions and accelerate income items instead. This could include taking a bonus, selling investments, exercising stock options, or completing Roth conversions.

For individuals approaching retirement who anticipate a drop in taxable income, accelerating charitable giving before retiring can be a smart move. Whether giving directly to a charity or funding a DAF, making contributions while still in a higher tax bracket can help maximize current-year itemized deductions and potentially reduce future tax liability.

2. Donate Appreciated Securities

- Tax deduction for full market value
- Avoid capital gains taxes
- Rebalance your portfolio

December is a crucial month for charitable giving, with roughly one-quarter of annual nonprofit revenue coming in during this period. While many donors reach for the convenience of a check or credit card, there's another strategy that can be even more tax-efficient for those who own long-term appreciated securities in taxable accounts.

By donating stocks, mutual funds, or other appreciated assets, you can provide the charity with the same financial support as a cash gift while also receiving a deduction for the full market value of the asset. Even better, this approach allows you to avoid capital gains taxes that would be due if the asset were sold.

Gifting appreciated securities can also be a smart way to rebalance your portfolio. It lets you reduce exposure to a specific stock or sector without triggering a tax bill, helping you align your investments with your goals.

Limits: The tax deduction for gifts of long-term appreciated securities to qualified public charities—including donor-advised funds—is generally capped at 30% of your adjusted gross income (AGI). Gifts to private foundations are limited to 20% of AGI. Any excess contributions can be carried forward for up to five years.

3. Use a Qualified Charitable Distribution (QCD) to Satisfy Required Minimum Distributions (RMDs)

- Age 70½+ can donate up to \$108,000 (2025) from an IRA directly to charity
 - Married couples can contribute up to \$216,000
- QCDs count toward RMDs and benefit standard deduction users

Under the SECURE Act 2.0, the age for required minimum distributions (RMDs) has increased to 73, but the age to make a Qualified Charitable Distribution (QCD) remains at 70½. Through a QCD, individuals 70½ or older can transfer up to \$108,000 in 2025 directly from their IRA to eligible 501(c)(3) charities. Note that donor-advised funds, private foundations, and supporting organizations are not eligible.

A QCD can be especially useful for donors who benefit more from the standard deduction than from itemizing, allowing them to support charitable causes while reducing taxable income in a tax-efficient way.

4. Harvest Investment Losses

- Realized losses offset realized gains and up to \$3,000 of ordinary income
- Excess losses carry forward
- Caution: Avoid “wash sales” (repurchasing the same security within 30 days)

Tax-loss harvesting offers a bright spot for investors in taxable accounts during market downturns. By realizing losses, you can offset gains from other investments and, if losses exceed gains, deduct up to \$3,000 against ordinary income in the current year. Any remaining losses can be carried forward indefinitely to offset future gains. One key rule to keep in mind is the “wash sale” rule: you cannot claim a loss if you purchase a substantially identical security within 30 days before or after the sale.

Example: Imagine Bob and Sue, who hold three positions in a joint brokerage account, together showing \$250,000 in unrealized losses. They decide to sell these funds and reinvest the proceeds into something else. By doing so, the couple realizes a \$250,000 loss, which can offset current or future realized gains.

5. Review Mutual Fund Year-End Capital Gains

- Mutual funds distribute gains even if you didn’t sell
- Compare year-end dividend estimates against unrealized gains to reduce taxes
- Caution when buying actively managed funds just before distribution

Mutual funds are required to distribute capital gains to shareholders, even if the individual investor didn’t personally benefit from the fund’s sale of underlying securities. If you own a fund on the dividend record date, you’ll receive any capital gain distributions, which are typically announced in October or November and paid out in December.

These distributions can be short-term or long-term. Short-term capital gain dividends are taxed as ordinary income and cannot be offset by realized losses, while long-term capital gain dividends are treated as capital gains and can be used to offset losses in your portfolio.

To manage potential tax consequences, it’s wise to compare a fund’s estimated year-end distribution with its unrealized gains or losses. Selling a fund before the record date can sometimes generate significant tax savings.

Investors should also exercise caution with late-year purchases of actively managed mutual funds in taxable accounts. Buying a fund just before it pays a capital gain dividend can trigger an unexpected tax bill. One strategy is to temporarily invest in a passive index fund and switch to the actively managed fund in the following tax year, helping to maintain market exposure while avoiding an immediate tax hit.

6. Estate Planning Review & Lifetime Gift Tax Exemption

- Lifetime gift tax exemption: \$13.99M/person (2025)

The Tax Cuts and Jobs Act (TCJA) significantly increased the lifetime gift and estate tax exemptions, creating a valuable planning opportunity for high-net-worth individuals. For 2025, the lifetime gift tax exemption is \$13.99 million per person, with a top federal estate tax rate of 40%.

High-net-worth individuals should review how much of their assets are needed during their lifetime and consider gifting “excess” assets to family or other beneficiaries. For larger gifts, incorporating trusts into an estate plan can provide structure, safeguards, and guidance for how those assets are managed and distributed.

It’s also important to note that IRS regulations confirm you won’t lose any of the benefits if the lifetime gift and estate tax exemptions decrease in the future. Planning now allows you to take advantage of today’s higher limits while securing lasting benefits.

7. Make Annual Exclusion Gifts

- 2025: \$19,000 per recipient
- Special 529 rules allow front-loading 5 years of gifts for college
- Direct tuition and medical payments are not taxable gifts

Individuals can make annual exclusion gifts each year without triggering gift tax. For high-net-worth individuals or those likely to have a taxable estate, annual exclusion gifts provide a simple and effective way to gradually reduce estate size while supporting family or loved ones.

Example: Imagine a wealthy couple, John and Mary, with two married children and five grandchildren. In 2025, the Carters could gift \$38,000 to each of the nine family members without affecting their lifetime gift tax exemption, for a total of \$342,000. Making annual exclusion gifts year after year steadily decreases the portion of their estate that may be subject to estate taxes.

For those saving for college, there’s a special rule for 529 plans that allows you to “front-load” five years’ worth of annual exclusion gifts. In 2025, this means a single taxpayer could contribute up to \$95,000, or a married couple up to \$190,000, to a 529 plan at one time without gift tax consequences. Note: once you make a superfunded contribution, you cannot make additional gifts to the same beneficiary within the five-year period without applying against your lifetime exemption.

Payments made directly to cover tuition or medical expenses are not considered taxable gifts. Tuition must be paid directly to the educational institution and only covers enrollment

costs—not books, supplies, or room and board. Similarly, medical payments made straight to a healthcare provider are excluded from gift taxation.

8. Revisit Your Portfolio Allocation

- Stick to a plan based on risk tolerance and goals
- Adjust allocations among cash, fixed income, equities, real assets, and alternatives

Global equities, particularly U.S. large-cap stocks, have delivered strong performance over the past few years. For example, the S&P 500 Index has climbed roughly +79% from this same time in 2020 until early September 2025. While this kind of extended rally can be exciting, it can also lead investors to underestimate portfolio risk—or worse, to chase recent returns at a time that may not align with their long-term plan.

The key to navigating volatile markets is having an investment strategy rooted in your risk tolerance, time horizon, and long-term financial goals. A clear plan helps prevent emotional or reactive decisions based on short-term market movements.

As your goals evolve over time, your portfolio allocation should remain flexible. Changes in the market may also make investments that were previously less appealing more attractive at different times. Conducting regular reviews of your portfolio across cash, fixed income, global equities, real assets, and, where applicable, alternative investments ensures your strategy remains aligned with your objectives and risk tolerance.

9. Assess Portfolio Tax-Efficiency

- Three Categories: After-Tax, Pre-Tax, and Roth

When thinking about your portfolio, it can be helpful to view it in terms of three “buckets”: after-tax (taxable investment accounts), pre-tax (traditional retirement accounts), and no-tax (Roth retirement accounts). Rather than simply duplicating the same investments across all accounts, investors should consider asset location—placing investments in the account type that can minimize taxes and maximize long-term growth.

For example, high-growth investments, like global equities, are often best suited for Roth accounts. Because qualified withdrawals from Roth accounts are tax-free, these accounts are ideal for investments expected to appreciate significantly over time. Actively managed mutual funds may also make sense in a Roth, as any capital gain distributions generated inside the account will not trigger a tax liability.

Traditional retirement accounts, such as IRAs or 401(k)/403(b)s, are generally better for less tax-efficient investments. This includes taxable bond funds and REITs, which produce income taxed at ordinary income rates if held elsewhere.

Finally, taxable accounts can be used to “round out” your portfolio and achieve your target allocation. These accounts work well for tax-efficient investments, like equities generating qualified dividends, or bonds chosen strategically based on your tax bracket. Properly considering where each investment is held can reduce your overall tax burden and help your portfolio grow more efficiently over time.

10. Maximize Retirement Contributions

- 401(k)/403(b)/457 (2025): \$23,500; catch-up 50+ = \$7,500
- SECURE Act 2.0 (2025): enhanced catch-up \$11,250 for ages 60–63
- IRA contribution (2025): \$7,000; catch-up 50+ = \$1,000
- Review pre-tax vs. Roth contributions and adjust for next year

For those who are still working, now is a great time to review your year-to-date retirement contributions and determine whether you can boost your savings before year-end.

In 2025, the standard employee contribution limit for 401(k), 403(b), and 457 plans is \$23,500. Employees age 50 and older can make catch-up contributions of \$7,500. Under SECURE Act 2.0, employees aged 60–63 may be eligible to contribute up to \$11,250 as a catch-up contribution, depending on their employer’s plan.

For IRAs, the contribution limit remains \$7,000 in 2025, with catch-up contributions still allowed for those 50 and older.

Looking ahead to the new year, employees should also consider adjusting their contribution percentage for their employer retirement plan. Evaluate whether contributions should be pre-tax (traditional), after-tax (Roth), or a combination of both. Thoughtful decisions now can help maximize tax advantages and long-term growth for your retirement savings.

Interesting Data

Historically, September has been the weakest month for stocks. Analysts point to factors like portfolio rebalancing by institutional investors, the end of the fiscal year for some mutual funds, and seasonal shifts in investor behavior as contributing to the downturn. Despite this historical trend, stocks often rebound in the fourth quarter, with October through December generally among the stronger months for equity markets.

For long-term investors, this underscores a key principle: staying invested matters more than trying to time the market. Attempting to avoid September's dips by selling or waiting on the sidelines can lead to missed gains when the market rebounds in Q4. Patient investors who stick to their plan often benefit from the market's historical seasonality, capturing growth while avoiding emotional, reactive decisions.

Closing / Call to Action

Q3 has reminded us that markets don't move in a straight line, but taking a step back and reviewing your plan can make all the difference. From tax strategies to charitable giving, portfolio allocation, and retirement contributions, now is a great time to make sure your year-end moves align with your long-term goals.

If you want a hand reviewing your portfolio, checking your retirement contributions, or exploring any of the strategies we covered, we're here to help!

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