

FERGUSON WELLMAN • OCTAVIA GROUP • WEST BEARING

Ferguson Wellman's

2025 Financial Planning Guide



Our 2025 Financial Planning Guide is designed to facilitate conversations regarding taxes, retirement, estate planning and charitable giving with our individual clients and their other professional partners. We also share this information with investment committees and employees associated with our institutional clients as a courtesy for their own personal financial planning.

The One Big Beautiful Bill Act (OBBBA) was a major overhaul of the U.S. tax system and extended many of the provision enacted by the Tax Cuts and Jobs Act of 2017. While most previous provisions will be extended, it is important to review your estate and income tax planning to understand how to plan for any upcoming changes.

In addition to this resource, we look forward to collaborating with you and your other professional advisors around opportunities to optimize your financial plans. If it has been several years since your last *Wealth Horizon*™ financial review, or if there have been significant changes in your financial circumstances, please contact your portfolio manager to discuss updating your *Wealth Horizon*™ in 2025.

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Ferguson Wellman creates customized investment portfolios and wealth management strategies with assets starting at \$4 million. Our division, West Bearing Investments, has a minimum of \$1 million for portfolio and wealth management. Our private family office solution, Octavia Group, provides personal financial services for Ferguson Wellman and West Bearing clients who have a minimum of \$10 million managed by our firm.

See important disclosures on the back cover.

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CHARITABLE TAX PLANNING

Supporting philanthropic causes not only allows us to positively impact our community, region or planet, but often results in a tax savings. **Due to the permanently higher standard deduction provided by the OBBBA, many taxpayers find their typical annual charitable giving does not provide an additional tax benefit.** It is important to work with your tax advisor to determine whether strategies, such as bunching multiple years of giving within a single calendar year, using a donor-advised fund (DAF), or making qualified charitable distributions (QCDs) from your traditional IRA would increase the tax savings associated with your charitable giving.

Limitations on Deductibility

Changes to itemized deductions in 2026 may limit the benefit of charitable donations due to a new 0.5% of AGI floor and possible caps on the value of deductions. Limitations range from 20% - 60% of AGI based on the type of gift and nature of the receiving organization.

Type of Property	Public Charity	Private Foundation
Cash	60% of AGI	30% of AGI
Appreciated Long-Term Securities	30% of AGI	20% of AGI

Carryover

Amounts in excess of these deduction limits may be carried over, with a limit of five subsequent tax years.

Timing Matters

Generally, a charitable donation is deductible in the year it is delivered to the charity.

While transfers of cash can be completed relatively quickly, it is often more tax-efficient to donate appreciated assets. Depending on the type of assets being donated, the method of delivery, and institutions involved, it is often necessary to organize and complete such gifts in November or early December, allowing ample time for processing and delivery to the charity.

Donations from Retirement Accounts

For individuals who are charitably inclined, donating funds directly from a pre-tax individual retirement account (IRA) can be a tax-efficient strategy. QCDs, which have a limit of \$108,000 per owner per year in 2025, are allowed for IRA owners who are 70 1/2 years of age or older. QCDs are treated as a tax-free withdrawal from the IRA, and count towards satisfying any remaining required minimum distributions (RMDs) for the account owner. Distributions must be made directly to a qualified 501(c)3. Limitations apply.



ESTATE PLANNING

It is good practice to review your estate plan annually, at least briefly. At a minimum, check to see if any major changes have occurred in your goals and the authorized decision makers in your plan. The federal estate-tax exemption is the cumulative amount we can give away during our life and/or at our death without incurring a 40% federal transfer tax. The Tax Cuts and Jobs Act of 2017 doubled the previous exemption of \$5 million, adjusted for inflation. Since then, we have seen the exemption rise to \$13.99 million per person in 2025. Effective January 1, 2026, the OBBBA will raise the estate tax exemption to \$15M for individuals and \$30M for married couples, indexed for inflation in future years, with no scheduled sunset.

Although the OBBBA provides continued protection for many individual and family estates from federal taxation, it remains wise to prepare for the possibility of a taxable estate at the federal level. Even those who are under this threshold should consider a detailed review of their projected net worth as a proactive planning measure. In addition to the federal estate tax, a number of states, including Oregon and Washington, have their own estate taxes with unique rates and exemptions that warrant consideration by those interested in minimizing taxes.

To ensure time for thoughtful planning that is consistent with your long-term goals, it is important to allow adequate time for any possible drafting by your attorney.

Lifetime gifts may be outright gifts to heirs with no restrictions or may be completed through various types of irrevocable trusts providing resources to beneficiaries over time or for specific purposes. These trusts may offer tax advantages in addition to possible protections but do take time to develop.

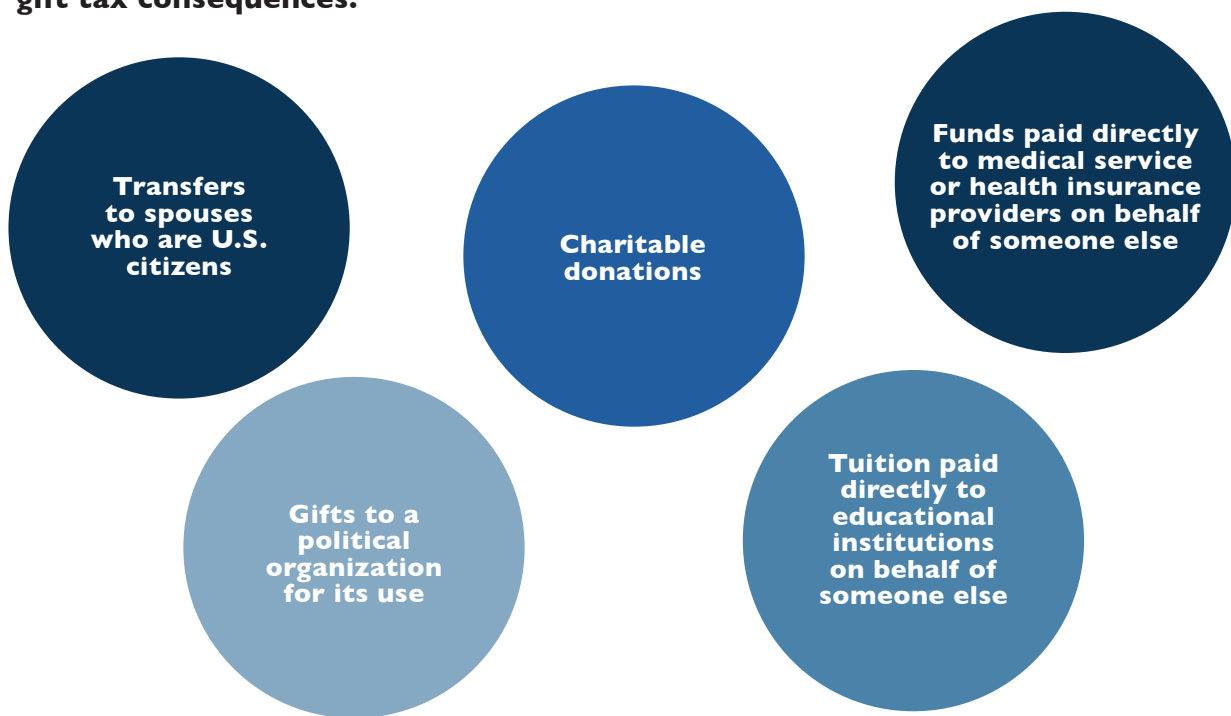
In addition to a brief annual review of your estate planning documents, you should also review your beneficiary designations. **Many assets, including retirement accounts and life insurance policies, are not governed by estate planning documents like wills or trusts.** Instead, these account types pass to named beneficiaries (designated by the account owner). Forgotten or overlooked beneficiary designations could result in assets passing to unintended heirs if not updated in accordance with your wishes. Charitable giving is another common strategy for minimizing estate taxes.



ANNUAL GIFT EXCLUSION

For 2025, individuals can give away \$19,000 per recipient without incurring federal gift taxes or using up any portion of their \$13.99 million (\$15 million in 2026) lifetime transfer-tax exemption. Spouses can give away a combined \$38,000 per recipient. **These gifts need to be received and deposited by the recipient by December 31 to qualify.** Annual gifting can be an effective way to reduce your taxable estate.

For those interested in funding 529 plans for education savings, there are special rules that allow “superfunding” 529 accounts with five years’ worth of annual gifts. More information can be found in the 529 plans for education savings section. There are several things the IRS does not consider a gift. **You may give an unlimited amount in these categories without gift tax consequences:**



MAXIMIZING CONTRIBUTIONS TO RETIREMENT PLANS

While contributions to traditional IRAs and Roth IRAs can be made up until April 15 of the following year, employee contributions to many employer-provided retirement plans, such as 401(k)s, 401(a)s, 403(b)s and SIMPLE IRAs, must be made by December 31. Review your year-to-date contributions, and if you are falling short of the maximum allowed contribution, consider increasing your deferral out of your final paycheck.

Plan Type	2025 Limits
401(k), 403(b), profit-sharing plans, etc.	\$23,500
<i>Catch-up contributions for those age 50 and older</i>	\$7,500
<i>Catch-up contributions for those aged 60, 61, 62 and 63.</i>	\$11,250
Combined employee + employer contribution 401(k), SEP IRA & Solo 401(k)	\$70,000
SIMPLE Plan*	\$16,500
<i>Catch-up contributions for those age 50 and older*</i>	\$3,500
<i>Catch-up contributions for those aged 60, 61, 62 and 63.*</i>	\$5,250
Traditional IRA and Roth IRA	\$7,000
<i>Catch-up contributions for those age 50 and older</i>	\$1,000

*Certain applicable SIMPLE Plans have slightly higher limits.



REQUIRED MINIMUM DISTRIBUTIONS

The age at which required minimum distributions (RMDs) start has been adjusted twice in the past five years based on new law. It was 70 1/2 prior to the passage of the SECURE Act in December 2019, which pushed the required age back to 72 for those who had not turned 70 1/2 prior to January 2020. **Following the SECURE Act 2.0, the age to begin taking RMDs depends on the year in which you were born.** For people born before 7/1/1949 the RMD applicable age is 70 1/2. Those born on or after July 1, 1949, or in 1950, have an RMD applicable age of 72. Those born between 1951 and 1959 have an RMD applicable age of 73. Those born in 1960 or later will not be subject to RMDs until age 75.

Birth Year	Age at Which RMDs Begin
1950 or earlier	72 (70 1/2 for those who turned 70 1/2 prior to 2020)
1951 - 1959	73
1960 or later	75

Starting in the year your RMDs begin, and every year thereafter, the Internal Revenue Service (IRS) mandates that a certain amount of funds be withdrawn. **These required distributions must be withdrawn by December 31 each year.** Your initial distribution may be deferred until April 1 of the year after you reach your required beginning age, but the following year's distribution will also be required, resulting in two RMDs in one tax year. While some individuals benefit by deferring their initial distribution (and resulting tax deferral) for one calendar year, other individuals are pushed into a higher tax bracket as a result of receiving two distributions in the subsequent year.

For those interested in supporting charitable organizations, especially those who do not itemize their deductions on their tax return, qualified charitable distributions (QCDs) made directly from an IRA to a charitable organization may be attractive as they are excluded from your adjusted gross income and therefore are not subject to income tax. Equally important, they're eligible to satisfy the RMD requirement. QCDs are allowed for individuals over age 70 1/2 and may not exceed \$108,000 in 2025.

The SECURE Act also replaced the lifetime "stretch" provision for certain beneficiaries of inherited IRAs and other retirement accounts after 2020 with a 10-year distribution requirement. The 10-year distribution requirement imposed by the SECURE Act for beneficiaries inheriting an IRA has caused many individuals to adjust their plans. Strategies for mitigating the future tax impact to heirs include increasing withdrawals above the required annual minimums, converting a portion or the full IRA balance to a Roth IRA and including charitable beneficiaries, which are not subject to income or estate taxes.

These required distributions must be **withdrawn by December 31** each year.

For high-income earners looking for ways to increase their tax-advantaged retirement savings, it may be worth exploring nonqualified compensation plans (e.g., deferred compensation plans) and the backdoor Roth. For tax year 2025, single taxpayers with a modified adjusted gross income (MAGI) more than \$165,000 and married taxpayers more than \$246,000 are completely phased out from directly contributing to a Roth IRA.

The backdoor Roth sidesteps the Roth contribution income limits by making a nondeductible IRA contribution with after-tax dollars. The contribution is then converted to a Roth with no additional tax due, assuming there was no growth between contribution and conversion. Additional limitations and considerations apply.



ROTH IRA CONVERSIONS

If you are in a low tax-rate year, and expect your rates to rise in the future, you should consider partial conversions of a tax-deferred retirement account to a Roth IRA.

Although the conversion will create taxable income in the year of conversion, it can result in long-term tax savings by paying tax at a lower rate in the conversion year than you would on distributions in future years. This strategy should also be considered any time you have a uniquely low tax year, such as when making a large charitable contribution, are between jobs, or recently retired and not yet claiming Social Security.

If you are in a low tax-rate year, and expect your rates to rise in the future, you should **consider partial conversions of a tax-deferred retirement account to a Roth IRA.**

Roth IRA conversions may also be advantageous over multiple generations. First, if your heirs may be in higher income tax brackets than you are, paying taxes at your lower rate now can save taxes later, including across generations. **Secondly, Roth conversions prior to death can reduce estate taxes by virtue of the income tax being paid during life, reducing the value of the taxable estate at death.**





529 PLANS FOR EDUCATION SAVINGS

If you are planning for the education of children or grandchildren, consider making an annual contribution to a 529 plan. Many states offer a tax benefit in the form of a deduction or credit for contributing to a 529 plan.

Contributions to 529 plans are considered gifts for tax purposes. In 2025, individuals can give up to \$19,000 per recipient without triggering a gift tax. However, a special rule allows you to “superfund” five years’ worth of “annual gifts” into a 529 in a single year without gift-tax consequences. For 2025, individuals can contribute up to \$95,000 per 529 plan beneficiary and treat the contribution as if it were made over five consecutive years. Married couples are allowed \$190,000 under this rule. This superfunding feature allows a donor to front-load a 529 plan and over time, removes assets from the donor’s estate. Review the rules for your state plan and consult with your tax advisor to confirm the state tax benefit available.

Contact your team if you’re interested in reviewing stand-alone education expense projections based on the current age of the student. These can be provided for different college tuition types, or for specific universities. Projections help to better understand future education costs under a variety of inflationary conditions. Recent expectations indicate that college costs are inflating around 6% annually.

Average annual cost	National Average	Oregon	Washington
Public in-state (four years)	\$9,214	\$12,787	\$6,776
Public out-of-state (four years)	\$19,553	\$30,860	\$13,937
Private (four years)	\$28,501	\$35,120	\$31,715

Source: collegetuitioncompare.com/state/

HEALTH SAVINGS ACCOUNT AND FLEXIBLE SPENDING ACCOUNT FUNDS

Contributions to health savings accounts (HSAs) must be made by April 15 of the following year. If you have a high-deductible healthcare plan, you may be eligible to open and fund an HSA even if your employer doesn’t sponsor one as a part of their benefit package. These accounts are unique in that they can be triple-tax free. Contributions are deductible (up to annual limits), the funds grow tax-free, and withdrawals are tax-free when used for eligible medical expenses. In 2025, an individual can contribute up to \$4,300 for the year to their HSA. An individual with family coverage can contribute up to \$8,550 for the year. Individuals age 55 or older may contribute an additional \$1,000 as a catch-up contribution to their HSA.

Flexible spending account funds

Unlike funds in HSAs, flexible spending account (FSA) funds do not roll over from year-to-year. In 2025, FSAs are limited to \$3,300 per employer. If you are married, your spouse can put up to \$3,300 in an FSA with their employer too. **Each plan is unique, but generally they are a “use-it-or-lose it” account, and qualified expenses often need to be incurred by December 31.** It is not uncommon to overlook funds set aside in FSAs, so take a moment to confirm the deadline for your FSA, review any outstanding balances and plan to use them up before year end.

Some plans may allow for a small balance, \$660 in 2025, to be rolled over to future years if done within a specific time frame. Another option that plans may allow is a “grace period” of up to 2 1/2 extra months. Check with your employer to verify the exact rules and deadlines applicable to your FSA.

Additional consideration

If you have already met your health insurance plan’s annual deductible, consider incurring any additional medical expenses before the end of the year, at which point your annual deductible will reset.





STRATEGIZING WITH YOUR TAX ADVISOR

Income-tax rates, capital-gains tax rates, the taxation of Social Security and Medicare premiums are all affected by levels of income. **Depending on your circumstances, you may benefit from harvesting capital losses or even accelerating capital gains as part of a multiyear tax and investment strategy.** The ability to influence your taxable income becomes even more meaningful if you live in a state or county that assesses additional taxes.

Most individuals will benefit from thinking strategically about how their income tax brackets and rates are likely to evolve over the course of their life. There are policy proposals from time to time that may impact the tax code. Partnering with your professional tax, legal and financial advisors to understand your current situation and how it may be impacted by future changes will enable you to respond if appropriate.

While common to believe we have little control over the timing of income or deductions, there are, in fact, numerous strategies that can be used to shift income or deductions between tax years.

Evaluating these options from a multiyear perspective may help you identify opportunities to shift income into lower tax-rate years or group deductions to offset income in higher-tax years. Consider reviewing the following with your tax advisor.

Grouping Deductions

- Charitable deductions, including the use of donor-advised funds, qualified charitable distributions, or charitable remainder trusts
- Healthcare expenses
- Business expenses for pass-through entities

Deferring Income

- Contributing to qualified retirement plans
- Nonqualified retirement savings such as a deferred compensation plan
- Harvesting losses
- Installment sales
- 1031 like-kind exchange

Accelerating Income

- Withdrawals from retirement accounts
- Partial Roth conversions
- Selling appreciated assets
- Taking bonuses or other compensation when you can control the timing
- Exercising stock options



REVIEW YOUR BUDGET

The start of a new year is a good time to compare actual income and expenses to your projected figures. During this review, revisit recurring expenses, such as subscriptions and memberships and eliminate those you are no longer using or enjoying. Confirm you have a comfortable amount of cash for your near-term needs, in addition to an appropriate emergency reserve. **A good practice is to have cash available to cover a minimum of three-to-six months' worth of expenses.**

Our clients and their families have access to our DollarSense education program, which includes basic budget and finance resources as well as fundamentals on investing. Contact dollarsense@fergwell.com for more information about enrollment.

Here are some other budget and expense tracking apps and resources to support you:

Budgeting: How to create a budget and stick with it
bit.ly/46IDEbj

Best of Buy Side Awards 2025: Budgeting Apps
bit.ly/3HYexel

You Need a Budget (YNAB)
ynab.com/guide/the-ultimate-get-started-guide

Simplifi by Quicken
bit.ly/4m0jpO8

Monarch
monarchmoney.com/

Ferguson Wellman is not affiliated with the resources provided in this section. Such resources are for informational purposes only and not an endorsement. Some tools may require a paid subscription. Users should conduct their own review before purchases.



INSURANCE REVIEW

Planning for the risk of unknown events is a key component of a solid financial plan. There are many details to consider when building a solid insurance plan. We recommend conducting an annual review with your insurance agent, particularly given the changes to real estate values and replacement costs in recent years. If you are looking for an agent specializing in coverage for high-net-worth individuals, we are happy to provide potential resources.

Annual insurance considerations include:

Homeowners

- Does your policy allow you to repair or rebuild your home at today's replacement costs?
- Is your property vulnerable to natural catastrophe (e.g., earthquake, wildfire, flood)?

Health/Long-Term Care/Life

- Do you have a plan for coverage throughout retirement?
- If retiring prior to age 65, will you have coverage prior to Medicare?
- Can you afford to self-insure your potential long-term care needs?
- Would your family need additional resources if you died prematurely?

Personal Liability

- Is your coverage appropriate to your risk factors and net worth?
- Common risk factors include pool, trampoline, dog, teenage drivers, public visibility, investment real estate, owning a business or employing staff.

Additional Considerations

- Are you a board member of a public, private or nonprofit company?
- Do you have coverage for personal or cybersecurity threats?
- Have you had any significant changes in personal status?



LIABILITY REVIEW

Credit card review

Assess whether you are effectively utilizing credit card benefits and rewards, ensuring you are getting real value from them. **Carefully review the annual fees associated with each card to determine if they are justified by the benefits they offer.** Additionally, consider how different types of rewards, such as cashback versus airline miles, align with your spending habits and financial goals.

Mortgage refinance

Before deciding to refinance your mortgage, consider the terms of your mortgage, particularly the interest rate and remaining term. Evaluate potential risks of variable rate mortgages in the current interest rate environment. Many lines of credit will also reset at least annually. **The impact of these interest rate changes can have a negative effect on your cash flow.**

Furthermore, the OBBBA extends the decreased limit on mortgage-interest deductions for new mortgages. Most itemizing homeowners can deduct mortgage interest paid on up to \$750,000 worth of acquisition debt, on their primary residence or vacation home if the debt was put in place after December 15, 2017 and up to \$1 million in principal if the debt was put in place on or before December 15, 2017. OBBBA also permanently restores the deductibility of mortgage insurance premiums starting in 2026. While the Act won't change the mortgage interest deduction limit for most taxpayers, it may offer relief to homeowners who owe more than 80% of their home's value in mortgage debt. Homeowners exceeding these limits may want to evaluate whether restructuring their debt would increase deductibility or rate savings.

Credit lines

Lower-cost credit lines can increase your financial flexibility. Review your options to use a margin line, pledged-asset line, or home-equity line of credit.* **Even in a higher rate environment, adding credit before it is needed can help to increase your financial flexibility.**

Credit report check

Monitor for fraud and ensure your file is accurate before you ask a prospective lender to review it during underwriting. You can access your free credit report at annualcreditreport.com, the official free credit report available from the three most prominent credit bureaus: Equifax, Experian and TransUnion. **By regularly monitoring your credit report, you can identify any errors or discrepancies and stay informed about your credit health.**

*Home equity lines of credit have different rules.



WEALTH HORIZON™

Wealth planning is a comprehensive process of understanding clients' financial, family and philanthropic goals in the context of their current resources and projected cash flow. Wealth planning at Ferguson Wellman and West Bearing leverages our Wealth Horizon™ planning process for clients and includes:

- **Wealth projections**
- **Asset allocation review**
- **Cash flow and spending analysis**
- **Goal-based planning**
- **Estate considerations**
- **Major purchases**
- **Gifting**
- **Philanthropic strategies**
- **Education planning**

The Wealth Horizon™ process can be especially helpful in forming a plan or evaluating your readiness for retirement, reviewing your asset allocation, prior to making large family or charitable gifts and in identifying many ongoing planning opportunities and risks. **If you have not completed a Wealth Horizon™ or changes have occurred in your life that warrant a refresh, please contact your portfolio manager to begin the process.**



ADDITIONAL RESOURCES

Wealth Management Spotlights

features a curated collection of articles, insights and commentary on wealth management topics, offering expert perspectives from our team.

It highlights thought leadership, with updates on financial planning and practical guidance for informed decision-making.



Wealth Horizon™

Social Security

Umbrella Insurance

Medicare

Roth IRA Conversions

LGBTQ+ Financial Planning

Backdoor Roth IRAs

Superfunding 529

Qualified Charitable Distributions

Excess 529 Funds

Ferguson Wellman, Octavia Group and West Bearing do not provide tax, legal, insurance or medical advice.

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