CALLAN

FAMILY OFFICE

2025 Year-End Planning Guide

Checklist and Thoughts for the New Year

Throughout history, there have been years that pass quietly and years that mark a turning point. Think of 1914, when the world slid into conflict, or 1929, when markets collapsed and fortunes were rewritten overnight, or 1989, when the Berlin Wall fell and global systems shifted within weeks. Each of those years required adaptation to new realities.

In a different but equally important way, 2025 is such a year. The year 2025 doesn't mark the outbreak of war or the collapse of markets, but it is a moment when the rules that govern tax, planning, and legacy are being reset. The One Big Beautiful Bill Act of 2025 (OBBBA) is not background noise; it represents a redesign of estate, income, partnership, and philanthropic planning. Because most provisions take effect in 2026, this year offers the final clean window to act before the scaffolding of the new system locks into place.

That means 2025 year-end planning is not business as usual. The familiar strategies remain essential: charitable giving, retirement funding, and gain and loss harvesting should be considered in every plan. But this year, those moves must be viewed through the lens of OBBBA and integrated into a larger architectural design. The goal is not simply to finish the year with gifts made and deductions captured: rather, to treat 2025 as a hinge year in tax planning so that the choices made now continue to work when the rules change on Jan. 1, 2026.

As always, Callan Family Office is here to recommend important considerations for you and your family as we approach the end of 2025 and move into 2026.

Year-End Planning Checklist

This is the final year to complete many high-impact strategies under the current rules and with the greatest efficiency. Yet, success still begins with the fundamentals. When executed correctly, these core steps amplify everything else. While some items may feel familiar from prior years, they remain essential, and in many cases, they take on even greater importance considering the coming rule changes. Once these foundations are in place, 2025 is also the moment for decisive structural moves that will become more difficult or less efficient in 2026.

Charitable Giving

- ✓ Be intentional with philanthropy this year. Bunching several years of gifts into 2025 can maximize deductions while maintaining flexibility in timing. Donor-advised funds (DAFs) make this approach simple, offering an immediate deduction and the ability to grant over time.
- ✓ For more advanced strategies, consider charitable lead or remainder trusts. These vehicles combine giving with tax leverage, and with deduction thresholds tightening in 2026, gifts made before year-end may provide outsized benefits.
- ✓ Individuals age 70½ or older can donate up to $108,000 (indexed) directly from an IRA to a qualified charity. These qualified charitable distributions (QCDs) exclude the amount from taxable income and can satisfy required minimum distributions (RMDs). QCDs cannot go to DAFs, private foundations, or most supporting organizations.

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Personal Gifting

- ✓ The annual exclusion for 2025 allows gifts up to $19,000 per recipient ($38,000 for married couples). Regular annual gifts help establish discipline, support trust funding, and facilitate tax-efficient wealth transfer.
- ✓ Families can also make unlimited tax-free payments directly to educational or medical institutions, an efficient way to provide support without using lifetime exemption amounts.

Retirement and Savings

- ✓ Maximize retirement contributions. Deferral limits have increased for 2025 (401(k)/403(b)/457 employee limit $23,500; IRA limit $7,000), and catch-up contributions remain available for individuals over 50 at $1,000, with expanded opportunities for those ages 60–63 in certain plans (up to $11,250).
- ✓ Take RMDs on time to avoid penalties of up to 25%, reduced to 10% if timely corrected.
- ✓ Leverage health savings accounts (HSAs). One of the most tax-efficient tools available. Contributions are deductible, growth is tax-deferred, and qualified withdrawals are tax-free. Contribution limits have again increased for 2025 (self-only $4,300; family $8,550), and individuals over 55 can make additional catch-up contributions up to $1,000.

Investments

- ✓ Tax-aware investing can meaningfully improve after-tax returns. Harvest losses to offset gains, reset basis strategically, and avoid wash-sale violations.
- ✓ When paired with charitable gifts of appreciated stock, families can reduce tax exposure while advancing philanthropic goals.

Education Funding

- ✓ Consider front-loading 529 plan contributions up to five times the annual exclusion amount ($95,000 per donor; $190,000 per married couple).
- ✓ 529 plan assets grow tax-free and appreciation escapes taxation when used for qualified education expenses. The ability to roll unused funds into a Roth IRA for the beneficiary makes overfunding less of a concern and turns education savings into potential retirement capital for the next generation.

Cash Flow and Timing

- ✓ Review cash flow and deduction timing before year-end. Prepay property taxes, accelerate charitable gifts, and coordinate state pass-through entity tax elections where appropriate.

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- ✓ For 2025, these steps interact directly with the new AMT thresholds and SALT cap relief scheduled under the OBBBA.

Estate Planning

- ✓ Review estate planning documents to ensure they reflect current circumstances. Life events, such as relocations, births, deaths, marriages, or divorces, often necessitate updates.
- ✓ Revaluate fiduciary appointments to confirm that those designated for key roles, such as executors, trustees, or agents, remain the most appropriate choices.
- ✓ Update beneficiary designations on retirement accounts, life insurance policies, and similar assets to ensure they align with current intentions and estate planning goals.

Business Advisory

As 2025 draws to a close, business owners face one of the most consequential year-end planning seasons in recent memory. The OBBBA reshaped the tax landscape across entity structures, capital formation, and long-term investment incentives. Combined with higher interest rates and uneven credit markets, the new law creates both opportunity and complexity. The most successful outcomes this year will come from integrating planning across legal, tax, and financial dimensions rather than treating each decision in isolation.

One of the most significant changes under the OBBBA involves Qualified Small Business Stock (QSBS) under section 1202. The new law preserves the long-standing five-year exclusion but introduces a tiered framework that rewards earlier exits, allowing a partial exclusion after three and four years for newly issued stock. The gross asset limit for an eligible corporation was also raised from $50 million to $75 million, and the lifetime gain exclusion cap was increased from $10 million to $15 million per issuer, indexed beginning in 2027. These adjustments modernize the QSBS regime, expanding its reach to more growth-stage businesses while providing greater flexibility for investors. For owners contemplating new issuances, conversions, or reorganizations, it is essential to review whether these transactions will qualify as original issuance and to document active business use before year-end to preserve eligibility under the enhanced provisions.

Summary of QSBS Changes		
	Prior to OBBBA	After OBBBA
Gain Exclusion	100% only after 5+ year hold	**Tiered:** 50% after 3 years; 75% after 4 years; 100% after 5+ years of holding
Per - Taxpayer Cap	**$10 million** or 10x basis (whichever is greater)	**$15 Million** or 10x basis (whichever is greater), adjusted for inflation in 2027.
Corporate Gross Asset Limit	Max **$50 million** immediately before and after stock issuance	Max **$75 million** immediately before and after stock issuance, adjusted for inflation starting in 2027.

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The OBBBA also made permanent the section 199A qualified business income deduction for pass-through entities. While the structure of the deduction remains similar, income thresholds and wage-limit calculations were adjusted to smooth phase-outs for service businesses. Managing year-end compensation, expense timing, and entity aggregation remains critical to securing the full 20% benefit. The permanence of section 199A changes planning dynamics going forward, but this year still offers opportunities to align income recognition and deductions before the new thresholds fully apply.

Another notable shift involves the treatment of research and experimental expenditures under section 174. The law reverses the prior capitalization requirement, allowing immediate expensing of domestic research costs once again. This change restores an important cash flow advantage for technology, manufacturing, and life science companies. Businesses that have previously adopted capitalization methods should coordinate with their tax preparers to determine whether method changes or amended elections are appropriate for 2025 filings.

Clean energy and environmental incentives were also expanded. The direct pay and transferable credit regime were refined to simplify the sale of credits and broaden eligibility for operating companies that invest in renewable power, energy-efficient facilities, or electric vehicle fleets. These credits can reduce current tax or generate liquidity through credit transfers, making them relevant even for companies without large tax liabilities.

Traditional year-end tools remain central to effective planning. Section 179 expensing and bonus depreciation continue to provide immediate deductions for equipment and qualified improvements, though bonus percentages will gradually decline. Accelerating deductible payments, accrued bonuses, or pension contributions can meaningfully reduce 2025 income if cash flow allows. At the same time, the Internal Revenue Service has intensified its focus on partnership and S corporation compliance, emphasizing basis reporting, capital accounts, and reasonable compensation. A careful year-end review of these items can prevent exposure under the expanded enforcement environment.

For business owners contemplating a transition, sale, or recapitalization, the tax environment remains both fluid and opportunistic. The new law's provisions, when coordinated with long-standing strategies, can create significant flexibility in structuring transactions and managing gain recognition. Timing, documentation, and entity design now play a decisive role in determining overall efficiency. Engaging advisors early to model various transaction structures, analyze liquidity needs, and align ownership objectives with the updated rules will help preserve enterprise value and ensure that available elections are not lost through inaction.

Aris and the 1 Percent Rule

In *Atomic Habits,* James Clear popularized the "1 Percent Rule," the idea that small, consistent improvements compound into substantial results over time. Whether it's arriving at the gym a few minutes earlier or carving out extra time to learn a new skill, steady effort builds momentum, even when progress feels negligible at first. The same principle applies to finance. Too often, investment decisions are viewed narrowly, overlooking the subtle forces that erode results, from inflation to taxes.

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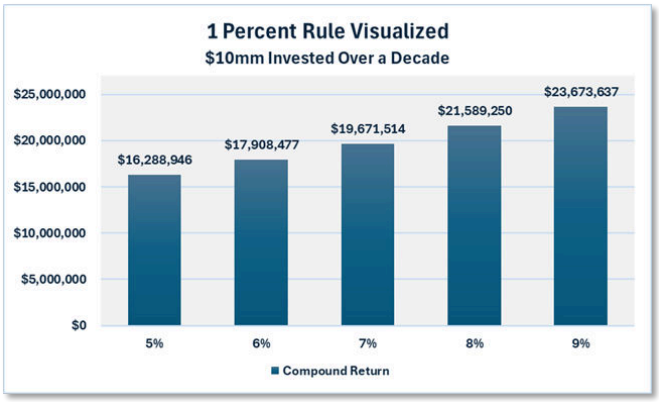
At Callan Family Office, we adopt the mindset of the 1 Percent Rule, recognizing that today's decisions shape tomorrow's outcomes. This philosophy also drives our strategic partnership with Aris Investments LLC.

The core discipline at Callan Family Office is maintaining a rigorous focus on the impact of taxes on long-term wealth. We continually pursue strategies and technology that enhance after-tax results, and Aris Investments strengthens both efforts. Through our partnership, we launched the Tax Overlay Management Program, which leverages Aris' technology to support tax-aware, real-time trading across client portfolios. This platform empowers our investment partners to implement personalized strategies with greater precision. By managing investments directly rather than outsourcing portfolio implementation to third-party managers with a limited visibility into client assets, we give clients greater control over the timing and magnitude of capital gains taxes. This blend of disciplined process, advanced technology, and intimate client understanding forms our approach to consistently capturing tax advantages across complex ownership structures. We view wealth preservation as the foundation of wealth creation, and thoughtful tax management is central to both. Capturing even an incremental improvement in after-tax return can be transformative. For example, a $10 million portfolio growing at 5% annually reaches $16.3 million in ten years, but at 6% it grows to $17.9 million, an illustration of how modest enhancements can meaningfully influence long-term outcomes.

Execution speed also matters, particularly in volatile markets. The turbulence earlier this year underscored that point. Many stocks that declined sharply during the spring correction rebounded just as quickly. Nvidia, for instance, closed at $94 on April 2 and reached $174 by the end of August. Enabled by Aris technology, we were able to act swiftly and deliberately during that period, capturing opportunities others missed.



Our commitment to the 1 Percent Rule reflects a persistent focus on improving after-tax outcomes for our clients. The objective is simple: optimize long-term results by recognizing the compounding power of small, well-timed decisions. This principle was central to our 2025 WealthManagement.com "Wealthie" Award for the Tax Overlay Management Program. Over time, that same discipline reinforces our belief that substantial results come from steady, incremental progress—1 percent at a time.

Real Estate

Building more value from existing real estate can be one of the most powerful and most overlooked ways to strengthen long-term wealth. Many people see real estate primarily as something stable that produces income. But for families who own multiple properties or businesses, it can play a much larger role. With the right structure and management, those properties can become the foundation of an active business that supports family operations, creates new sources of income, and brings more structure and accountability to how family wealth is managed.

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Two examples show how this works in practice. First, families can use their real estate and the companies that hold it to demonstrate that their family office operates as a real business, not just an investment account. Second, they can use a captive insurance company to manage property-related risks in house, turning what would normally be a cost into an opportunity to keep more value within the family.

Real Estate and Family Office Legitimacy after Lender Bagel

The *Lender Bagel* case offered a clear roadmap for families seeking to establish a single-family office that qualifies as an active trade or business under section 162. The decision emphasized substance over form; a family office cannot simply be a shell through which investment decisions are made but must show a profit motive, genuine operational activity, and a clear distinction between personal and professional functions.

Real estate entities are particularly well suited to meet this standard. Families that already own commercial, agricultural, or multifamily property through LLCs can position those entities as the backbone of their family office platform. The ongoing leasing, management, and maintenance of those properties involve recurring operational decisions, vendor negotiations, tenant relations, and capital improvements that establish operational depth and economic substance. Compared with other investment operations, real estate provides a visible, regulator-recognized form of business activity that naturally supports this legitimacy.

Centralizing these functions through a management company further strengthens the family office's credibility as a genuine enterprise. Rental income and management fees provide a clear profit stream, while payroll, administrative costs, and professional fees become deductible business expenses. Just as importantly, this structure promotes sound governance, which clarifies decision-making authority, formalizes intercompany relationships, and establishes a durable framework for liability management, succession, and intergenerational participation.

Captive Insurance as a Profit Center for Real Estate Owners

Once the family's real estate operations are properly organized, the next opportunity centers on addressing the risks that accompany them. Property damage, tenant claims, business interruption, environmental exposure, and reputational risk all represent costs that are typically insured through commercial carriers. Yet, large property portfolios often find that standard policies either provide incomplete coverage or charge significant premiums for risks that could be managed internally.

A captive insurance company gives the family more control. Instead of paying premiums to outside insurers, the family's real estate LLCs pay premiums to their own insurance company. The captive then issues policies that cover the specific risks the family chooses. If the captive satisfies regulatory standards for risk distribution and capitalization, those premiums are deductible to the paying entities, while the captive accumulates reserves and investment income that can be used to pay future claims or distributed later as dividends. In short, what used to be an expense becomes a way to keep value within the family enterprise.

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The captive also adds real substance to the family office; it formalizes risk management, creates documentation, and conducts regular transactions that demonstrate real operating activity. Over time, the captive can expand to cover deductibles, business continuity, and niche risks that the commercial market excludes or overprices. Managed properly, it becomes a financial tool that both protects and profits from risk.

Bringing It Together

Bringing real estate management and captive insurance under one roof shows a bigger truth about modern family offices: legitimacy comes from active operations. Families that treat their assets like real businesses, supported by employees, contracts, and good governance, gain both tax and strategic benefits.

Real estate provides the operating backbone and the captive adds a financial layer that turns risk into retained value. By organizing what is already owned with structure and purpose, families can transform static holdings into a living business platform that supports the family office, builds long-term continuity, and creates lasting value across generations.

Cultivating Leadership in the Next Generation

At some point, every enterprising family begins to look to the next generation for leadership, whether in a business, a family office, or a foundation. For many, that transition can feel both exciting and overwhelming. Stepping into a leadership role means carrying on a legacy while finding one's own way forward.

Rising family leaders often want to build confidence, earn trust, and understand how to balance tradition with fresh ideas. Leadership isn't something we're born with; it develops through experience, observation, and a willingness to learn. Asking the right questions helps: *What does success look like in this role? How can I communicate effectively? Which decisions are mine to make, and where should collaboration come in? What skills or knowledge do I need to effectively lead?*

Mentorship is key. The older generation offers valuable insight into what has worked in the past, while modern leadership coaching helps younger family members build the skills needed for today's challenges. Trusted advisors can add further perspective by working together across areas such as governance, investments, philanthropy, and family dynamics, each connecting to the others as part of a cohesive process.

At Callan Family Office, we believe leadership development is one of the most meaningful forms of wealth transfer. When families invest in communication, confidence, and competence, they strengthen not just their enterprises but their legacy for generations to come.

Why Cash Flow Planning Matters

Now is the ideal time to review your financial position and prepare for the year ahead. A well-structured cash flow budget helps you anticipate expenses, identify potential shortfalls, and make strategic decisions with confidence. Consider the following:

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Look for patterns in your 2025 performance:

- Were there months with consistent surpluses or deficits?
- Did income and expense projections align with actual results?
- What unexpected costs affected liquidity?

This review highlights where assumptions fell short and reveals opportunities for improvement.

Forecast the year ahead by projecting expected inflows and outflows:

- Anticipated revenue or salary changes
- Seasonal or cyclical trends
- Fixed and variable expenses
- Planned investments or one-time costs

Break the forecast into monthly periods to monitor cash-flow patterns over time:

- Identify potential liquidity gaps early
- Plan for financing or spending adjustments
- Encourage discipline in saving and spending

Prepare for infrequent expenses:

- Insurance premiums
- Taxes
- Equipment or technology upgrades

Build a financial roadmap:

A year-end cash flow budget provides a clear financial roadmap for the new year. By taking the time to review, forecast, and plan, you position yourself for stronger cash control, better decision-making, and greater long-term success.

The Reverse Wish List

As the year closes, many families focus on what to give or receive. The Reverse Wish List reframes that tradition by inviting families to focus on what they hope to give rather than what they want to get. This simple yet powerful exercise transforms generosity into a shared act of intention.

Begin by identifying three to five focus areas such as local impact, environmental stewardship, education, or global relief. Invite each family member to choose one cause that resonates with them and record those choices in a shared document, digital board, or physical display. The list becomes both an accountability tool and a celebration of generosity.

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Families can track progress throughout the year including donations, volunteer time, or advocacy, and reflect together at year-end gatherings. The result is a Reverse Wish List Portfolio; a tangible record of giving that turns individual intentions into a shared family legacy of impact. By making generosity visible and participatory, families help younger generations understand that wealth carries purpose beyond accumulation. The Reverse Wish List becomes more than a seasonal exercise; it's a way to build gratitude, connection, and continuity across generations.

Closing Thoughts

What happens in 2025 will shape the financial landscape for 2026 and beyond. The choices made now, from routine gifts and retirement contributions to advanced transactions and entity restructuring, will determine whether families enter the next era prepared or reactive. Year-end planning has always mattered, but in 2025 it defines trajectory.

History's hinge years—1914, 1929, 1989—each forced profound adaptation, and 2025 is proving no different. The difference is this time the transformation is not driven by conflict or crisis but by a fundamental redesign of the tax code. Families who use this year with intention, combining discipline in the familiar with foresight in the transformative, will cross into 2026 not scrambling to react but standing on structures designed to endure across generations.

If you would like to discuss your family's priorities or explore specific year-end opportunities, please contact your Callan Family Office Relationship Manager. Our team is ready to help you prepare, adapt, and thrive in this new era of planning.

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