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CAPITAL MANAGEMENT

INVESTMENT OUTLOOK – NOVEMBER 2025

The Best Way to Maximize Charitable Tax Deductions in 2026? Give in 2025.

*"We make a living by what we get, but we make a life by what we give." —
Winston Churchill*

☆ Giving is the secret
☆ of a healthy life. Not
☆ necessarily money, but
☆ whatever a man has
☆ of encouragement
☆ and sympathy and
☆ understanding. ☆

—John D. Rockefeller



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The below article on charitable giving was recently published in Barron's. I thought it made sense to pass this along to clients and friends who may be considering making charitable donations before year end.

The Best Way to Maximize Charitable Tax Deductions in 2026? Give in 2025.

By Brandon Smith, Director of Estate Planning at Laird Norton Wetherby
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The clock is ticking for philanthropic clients who want to maximize tax deductions on their charitable donations. New rules in the One Big Beautiful Bill Act (OBBBA) will fundamentally alter charitable tax deductions beginning Jan. 1, 2026—particularly for high-net-worth individuals and couples who itemize.

Essentially, there is now a “floor” and a “ceiling” for charitable giving deductions. The floor means gifts totaling less than 0.5% of adjusted gross income will no longer be deductible starting in January. That means in order to receive a charitable deduction, the 0.5% AGI threshold must be exceeded by charitable gifts. In other words, on an AGI of \$1 million, at least \$5,000 must be donated to charity to realize any charitable deduction at all.

As for the ceiling, taxpayers in the highest income tax bracket will find their charitable deduction benefit capped at 35% starting in 2026, rather than the 37% they currently enjoy. For example, a high earner in the highest tax bracket (in 2026, \$640,600 for individuals or \$768,700 for married couples filing jointly) making a \$10,000 charitable donation would receive a tax deduction benefit of \$3,500 in 2026, rather than the \$3,700 they would receive in 2025. So, if those taxpayers wait to make donations to charity until 2026, the tax deduction benefit will essentially be lowered by 5.4%.

Carry forward deductions. This makes it more important to introduce clients to the concept of charitable “carry forwards”—a mechanism by which the giver can carry forward excess charitable contributions over the AGI limit for up to five years. Those carry forward deductions will still be 100% deductible if done before the end of 2025. Wait until 2026 and those carry forward donations will be impacted by the new floor and ceiling mentioned above.

The upcoming restrictions on charitable tax deductions don't just impact individuals and couples: Corporate entities that give to charity will also face a new tax deduction floor of 1% of corporate net income starting next year. The ceiling of 10% remains unchanged.

The solution for wealthy clients seeking the greatest possible tax benefit on their charitable donations while avoiding the floor or ceiling deduction limitations starting in 2026 is really rather simple: Maximize charitable giving before the end of 2025. Again, those who itemize their tax deductions will receive a 100% deduction for 2025 charitable donations that are within the AGI limitations—60% for cash gifts and 30% for noncash gifts to public charities.

Fortunately, there are a variety of structures to make charitable gifts as tax-efficient as possible. Here are three of the most advantageous:

- **Gift appreciated securities.** This is more tax efficient than donating cash because it provides a double tax benefit: the ability to deduct the full fair-market value of the stock while avoiding the capital-gains tax incurred by selling it. The result can be greater tax savings for the client and a larger gift for the charity.
- **Use donor-advised funds.** DAFs allow charitable givers the flexibility to schedule a gift in the year that makes the most sense for tax purposes. Again, think 2025. Thereafter, the donor can distribute assets to the charity of the donor's choosing when the donor advisor sees fit—either in the current calendar year or long into the future. DAFs are often the charitable vehicle of choice when compared with private foundations, which come with less flexibility and more requirements.
- **Create a charitable remainder trust.** These are irrevocable trusts that allow a donor to contribute assets and receive an income stream for a set period or for life, after which the remaining assets are distributed to charity. By utilizing a charitable remainder trust in 2025, donors benefit from the current tax deduction rules while avoiding the immediate realization of all capital-gains taxes on the donated assets.

With the window of today's more favorable charitable deduction rules rapidly closing, advisors should work with charitably inclined clients—especially high earners—to create and execute a giving strategy that maximizes impact while minimizing tax liability. Whether through gifts of appreciated securities, donor advised funds, or charitable remainder trusts, acting before the end of 2025 is critical to accessing the full spectrum of deductions available before the OBBBA takes effect next year.

On financial markets I plan on holding the line into year-end – overweight various large capitalization technology names, mega banks, utilities, precious metals along with U.S. Treasury bonds (mainly as a hedge) across the yield curve. I do believe the economy is slowing down a bit; therefore, I may shift a modest amount of our equity allocation defensively to the health care sector but haven't pulled the trigger yet.

Both equities and bonds have traded lower over the past couple of weeks. This is okay as I believe the retracement to be a healthy correction in a market where most asset classes have put in solid performance year to date. Sometimes it is good to remember markets seldom go up in a straight line.

ASSET CLASS & SECTOR OPINIONS		
OVERWEIGHT	NEUTRAL	UNDERWEIGHT
Cash & Money Markets	International Developed Market Equities	Mortgage-Backed Securities
U.S. Treasury Notes & Bonds	Consumer Discretionary Sector	Investment Grade Corporate Bonds
Large Capitalization Technology	Communication Services Sector	Leverage Loans (Floating Rate Debt)
U.S. Real Estate & Related Equities	Materials Sector	Treasury Inflation Protection Securities
Utilities	Energy Related Equities	High Yield Corporate Bonds
Financial Services Sector	Aerospace & Defense	Local Currency EMG Bonds
Healthcare	Consumer Staples	Small Capitalization Stocks
Precious Metals		Emerging Markets Equities
		Leisure & Hospitality

Sincerely,
Justin Kobe, CFA
Founder, Portfolio Manager & Adviser
Pacificus Capital Management



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