IMA Private Wealth

Midyear Investment Tax Planning: **Strategies for 2025**

Why Midyear Matters for Investment Decisions

Midyear investment reviews offer a valuable opportunity to revisit your investment strategy with a clear, forward-looking perspective. Taking stock at this point in the year provides the flexibility to fine-tune your portfolio, make informed adjustments, and explore planning strategies that align with your long-term financial goals. This proactive approach can position you more effectively for the year ahead and support more confident decision-making.[1]

Capital Gains Tax Planning

Capital gains are taxed differently depending on how long you hold an asset. Long-term capital gains (on assets held over one year) are taxed at preferential rates of 0%, 15%, or 20%, depending on your taxable income.[1] In contrast, short-term gains are taxed at ordinary income rates, which can be as high as 37%.[1]

Midyear Strategy Tip: If you are nearing the one-year holding period on an appreciated asset, it may be worth waiting to qualify for long-term capital gains treatment. However, if you expect your income to rise, realizing gains while your taxable income may be lower, could provide a more favorable tax outcome.

Tax-Loss Harvesting

Tax-loss harvesting is a strategy that involves selling investments at a loss to help offset taxable gains realized elsewhere in your portfolio. When used thoughtfully, it can play a valuable role in overall tax planning, particularly during periods of market volatility.

Midyear Strategy Tip: Review your portfolio for underperforming assets. Selling them now can offset gains you've already realized or anticipate later in the year. You can deduct up to $3,000 in net capital losses against ordinary income annually, with excess losses carried forward indefinitely.[2]

Midyear Investment Tax Planning: Strategies for 2025

Income Shifting and Gifting

As part of your midyear financial review, you might consider whether transferring certain income-generating or appreciated assets to family members aligns with your broader estate and financial goals. Strategic gifting can support intergenerational wealth planning and may offer long-term benefits for both you and your recipients.

Midyear Strategy Tip: Use the annual gift tax exclusion (currently $19,000 per recipient in 2025) to transfer appreciated or income-producing assets to children or grandchildren. If they're in a lower tax bracket, they may pay less in taxes on the income or sale of the asset.[3]

Retirement Account Optimization

Midyear is also a good time to evaluate contributions to tax-advantaged accounts like IRAs and 401(k)s. For 2025, individuals aged 60–63 can make enhanced catch-up contributions to 401(k)s- up to $11,250 in addition to the standard $23,500 limit.[4]

Midyear Strategy Tip: If you haven't maxed out your contributions, increase them now to spread the impact over the rest of the year. In certain situations, particularly in years when income is expected to be lower, it may also be appropriate to consider a Roth conversion, allowing you to pay taxes at a reduced rate now while enjoying tax-free withdrawals later.[2]

Sources:

1. Boyte-White, C. (2024, October 23). Comparing long-term vs. short-term capital gain tax rates. Investopedia. https://www.investopedia.com/articles/personal-finance/101515/comparing-longterm-vs-shortterm-capital-gain-tax-rates.asp

2. Straut, N. (2024, November 14). 9 savvy investment tax saving moves to make before 2025. Forbes. https://www.forbes.com/sites/investor-hub/article/savvy-investment-tax-saving-moves-to-make/

3. Taylor, K. R. (2025, April 28). Gift tax 2025: How it works, limits and who pays. Kiplinger. https://www.kiplinger.com/taxes/gift-tax-exclusion\

4. Taylor, K. R. (2025, May 6). New for 2025: 'Super' 401(k) catch-up limits for ages 60-63. Kiplinger. https://www.kiplinger.com/taxes/super-catch-up-contribution-for-age-60-63

Investment advice provided by IMA Advisory Services, Inc. (IMAAS), a federally registered investment adviser under the Investment Advisers Act of 1940. Registration as an investment adviser does not imply a certain level of skill or training. IMAAS is also a registered insurance agency. The Message is for informational purposes only; it is not intended as an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any securities transaction.

California License: IMA Advisory Services, Inc., dba IMA Wealth & Insurance Services #OG17811

© IMA Financial Group, Inc. 2025
CT-S-IMA-AV-072224