



Things You Control

Year End Investment & Tax Opportunities

Year-end is a good time to do tax planning; you have time to act and take advantage of 2025 opportunities. And, it's a best-practice to review your financial matters regularly.

Here is a short checklist of actions that are relevant for accredited investors (HNW). I offer them with the disclaimer that they are not intended as professional advice and may not even apply to you. But you may want to scan these topics and evaluate if you need to take action on them before year-end. Do check with your tax-advisor before taking action. (A more detailed checklist is available upon request).

- **Investing:** Re-balance portfolios (401k, IRA, Deferred Compensation etc).
- **Investing:** Insure you have & keep the cost-basis for your non-covered holdings.
- **Investing:** evaluate potential in your taxable portfolio for harvesting both Gains and losses.
- **Saving:** Plan your saving-waterfall for 2023: (First fund tax-advantaged accounts, then taxable accounts).
- **Saving:** Maximize contributions into your retirement accounts (401k, IRA's etc.), so that your portfolio grows tax-deferred and to get some "free money" in the process if your employer does a contribution match.
- **Saving:** Contribute to your Healthcare Savings accounts (HSA), if you are entitled to have one.
- **Tax rules changes:** Recently with OBBB, Tax brackets have changed, Standard deduction is higher, AMT exemption amounts are higher, and estate exemptions are higher. Etc.
- **Tax-Planning:** Be aware of your tax brackets and marginal tax rates for this year and next. Evaluate your exposure to the 3.8% "investment" tax and look for opportunities to reduce it.
- **Tax-Planning:** Evaluate dividends, realized & unrealized gains, and any carry forwards, and evaluate the potential to offset them.
- **Tax-Planning:** Evaluate converting traditional IRAs to a Roth IRA to take advantage of "tax-rate diversification".
- **Tax-Planning:** Donate assets that have appreciated to qualified charities.
- **Tax-Planning:** Make charitable donations ("QCD") to reduce your RMD's and hence taxes.
- **Estate Planning:** Make gifts to take advantage of annual gift tax exemptions.
- **Retired?** - Take Required Minimum Distributions (if this applies to your situation).
- **Employed?** - Maximize contributions into your retirement accounts (401k, IRA's etc.).
- **Executive?** - Harvest stock options and RSA's.

Much of the work we do as investment advisors has tax implications—especially for the clients we typically serve: people with substantial portfolios who are near or already in retirement. For these clients, investment income and portfolio activity represent a significant portion of what ultimately appears on their tax returns.

Portfolio-related information flows into many of the key tax forms and schedules, including Form 1040 (pensions and Social Security), Schedule A (investment-related deductions), Schedule B (interest and

dividends), Schedule D (capital gains and losses), Schedule E (partnerships and alternative investments), Form 8606 (certain retirement contributions), Form 1116 (foreign taxes), and alternative minimum tax (AMT) calculations, among others.

While we are not licensed tax professionals and do not provide tax advice, we are deeply familiar with how investment activity affects taxes. In many cases, we also have early visibility into the investment-related data that will eventually be reported to your CPA.

For example, we can help estimate portfolio income such as dividends and capital gains, identify “uncovered” securities that may require cost-basis documentation, and assess whether capital-loss carryforwards can be used effectively. We can also help clients monitor the 3.8% net investment income tax, plan timely contributions to tax-deferred accounts, and coordinate investment decisions with broader tax considerations.

In some situations, this insight allows us to work proactively with clients—before year-end—to help manage their overall tax bill. For retirees, this often includes planning around required minimum distributions (RMDs) and the timing of Social Security benefits.

Why Things You Control are Important

In Investing (as in Life) we can: hope, worry or plan.

I believe that when we hope or worry, we are largely looking at the future and are focused on things we do not control. We hope the markets will get higher and we will make money. Or we worry that markets will collapse and we may lose all our money. And yet, deep down in our hearts, we know that whether our thoughts are optimistic or pessimistic they simply do not influence future outcomes.

We can also look at the future plan-fully. When we do this we tend to focus on the things that we do control. And, by picking activities that are in our control and that are important to our future we have a far better chance of achieving our goals. Of course, life holds few guarantees! So, for example, while we all hope that our favorite stock pick will be a high performing stock, not implementing a properly diversified portfolio is plainly irresponsible to our financial well-being.

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Dushyant Pandit

Founder and Investment Advisor

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DorchesterAdvisors is a Registered Investment Advisor in NJ, NY and MI.

Our Financial Planning Principles

Without a Purpose, accumulating money can become a soul-less task. A financial plan gives your savings a purpose.

It's OK to be broke when you are young - not so when you are old: Studies show that people typically tolerate risk and uncertainty better when they are younger.

Getting down from Mount Everest is as important as getting up: Pay as much attention to accumulating money before you retire as you do to consuming it after you retire.

Planning is life-stage dependent: The principles of saving and investing money in your early years are very different from the techniques that you use in retirement to generate a reliable income stream.

Financial confidence comes from being on top of your taxes, protecting yourself from risks, having a clear picture of your investments and debt, and specific targets for saving and spending.

Achieving financial independence requires a careful balancing of Income, expenses, taxes, and savings. This balancing act (planning) is not intuitive, nor can it be done well on the back of an envelope, but effective plans do give more peace of mind.

Identify your true risks (in contrast to investment volatility, labelled as risk, or uncertainty) and take action to manage them using the correct risk management tools. Pick the right tools for the job - investments won't manage the risks you face, risk products (insurance) won't deliver the growth and flexibility you need.

Taxes remain important even after you retire. However, in retirement your investments become the principal source of your income and hence drive your taxes.

In matters of health: it's your body but your doctor knows better how your body works. So it is with your money: A partnership with an advisor will help you to reach your financial goals - you save, they help your savings grow. Together you can get there faster.