



Key Retirement and Tax Numbers for 2026

Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans and various tax deduction, exclusion, exemption, and threshold amounts. Here are some of the key adjustments for 2026.

Estate, gift, and generation-skipping transfer tax

- The annual gift tax exclusion (and annual generation-skipping transfer tax exclusion) for 2026 is \$19,000, unchanged from 2025.
- The gift and estate tax basic exclusion amount (and generation-skipping transfer tax exemption) for 2026 is \$15,000,000, up from \$13,990,000 in 2025.

Standard deduction

A taxpayer can generally choose to itemize certain deductions or claim a standard deduction on the federal income tax return. In 2026, the standard deduction is:

- \$16,100 (up from \$15,750 in 2025) for single filers or married individuals filing separate returns
- \$32,200 (up from \$31,500 in 2025) for married joint filers
- \$24,150 (up from \$23,625 in 2025) for heads of households

The additional standard deduction amount for the blind and those age 65 or older in 2026 is:

- \$2,050 (up from \$2,000 in 2025) for single filers and heads of households
- \$1,650 (up from \$1,600 in 2025) for all other filing statuses

Special rules apply for an individual who can be claimed as a dependent by another taxpayer.

The One Big Beautiful Bill Act, signed into law in July 2025, introduced a new senior deduction of \$6,000 for taxpayers filing individually who are age 65 or older for tax year 2026. A deduction of up to \$12,000 may be claimed by married couples filing jointly if they are both age 65 or older.

This deduction is stacked on top of the standard deduction and additional deduction for the blind and those age 65 or older or on top of itemized deductions.

IRAs

The combined annual limit on contributions to traditional and Roth IRAs is \$7,500 in 2026 (up from \$7,000 in 2025), with individuals age 50 or older able to contribute an additional \$1,000 in 2026 (up from \$1,000 in 2025). The limit on contributions to a Roth IRA phases out for certain modified adjusted gross income (MAGI) ranges (*see table*). For individuals who are active participants in an employer-sponsored retirement plan, the deduction for contributions to a traditional IRA also phases out for certain MAGI ranges (*see table*). The limit on nondeductible contributions to a traditional IRA is not subject to phaseout based on MAGI.

MAGI Ranges: Contributions to a Roth IRA

	2025	2026
Single/Head of household	\$150,000 - \$165,000	\$153,000 - \$168,000
Married filing jointly	\$236,000 - \$246,000	\$242,000 - \$252,000
Married filing separately	\$0 - \$10,000	\$0 - \$10,000

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MAGI Ranges: Deductible Contributions to a Traditional IRA

	2025	2026
Single/Head of household	\$79,000 - \$89,000	\$81,000 - \$91,000
Married filing jointly	\$126,000 - \$146,000	\$129,000 - \$149,000

Note: The 2026 phaseout range is \$242,000-\$252,000 (up from \$236,000-\$246,000 in 2025) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered. The phaseout range is \$0-\$10,000 when the individual is married filing separately and either spouse is covered by a workplace plan.

Employer-sponsored retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to \$24,500 in compensation in 2026 (up from \$23,500 in 2025); employees age 50 or older can defer up to an additional \$8,000 in 2026 (up from \$7,500 in 2025). For employees ages 60 to 63, the additional deferral limit is \$11,250 for 2026 (unchanged from 2025).
- Employees participating in a SIMPLE retirement plan can defer up to \$17,000 in 2026 (up from \$16,500 in 2025), and employees age 50 or older can defer up to an additional \$4,000 in 2026 (up from \$3,500 in 2025), with an increase to \$5,250 in 2026 (unchanged from 2025) for ages 60 to 63.

Kiddie tax: child's unearned income

Under the kiddie tax, a child's unearned income above \$2,700 in 2026 (unchanged from 2025) is taxed using the parents' tax rates.

Taxing Social Security Benefits: Clearing the Confusion

When the One Big Beautiful Bill Act (OBBBA) was passed in the summer of 2025, there was some confusion in messaging from the Social Security Administration about taxation of benefits.^{1,2} Here is an overview that may help clarify any questions you have about the new law and taxing Social Security benefits.

What does OBBBA do and not do for seniors?

First and foremost, OBBBA does *not* change the rules for taxing Social Security benefits. The process used to pass OBBBA in the Senate — called budget reconciliation — prohibits any changes to the Social Security program.

OBBBA *does* provide an additional \$6,000 deduction for taxpayers 65 and older (\$12,000 for a married couple) for tax years 2025–2028. However, this deduction has no direct relationship with Social Security benefits. It is available regardless of whether the taxpayer age 65 and older is receiving benefits. And it is not available to taxpayers who are receiving benefits if they are under age 65. The deduction phases out at higher income levels: \$75,000–\$175,000 for single filers, \$150,000–\$250,000 for joint filers.

Taxation of Social Security benefits is based on income. That means the additional senior deduction should reduce the number of people who have to pay taxes on their Social Security benefits by reducing their taxable income. And many of those who do pay taxes will pay less.

According to the White House, 64% of Social Security beneficiaries did not pay taxes on their benefits before OBBBA, and the new senior deduction will increase that to 88%.³ Other analysts indicate that both figures are too high, because they assume that all deductions are applied directly to Social Security income, whereas many seniors receive other taxable income. The nonpartisan Urban-Brookings Tax Policy Center estimates that about half of beneficiaries will still pay some taxes on their Social Security benefits.⁴

How are Social Security benefits taxed?

The tax liability for Social Security benefits is based on your *combined income*, defined by the IRS as your adjusted gross income plus tax-exempt interest plus one-half of your Social Security benefits.

If your combined income exceeds a base amount of \$25,000 for single filers or \$32,000 for joint filers, you may owe federal income taxes on up to 50% of your Social Security benefits. If your combined income exceeds a higher base amount of \$34,000 for single filers or \$44,000 for joint filers, you may owe federal income taxes on up to 85% of your benefits.

Considering these rules, the only taxpayers for whom taxation of benefits will be completely eliminated by the new law are those whose combined income drops below the \$25,000/\$32,000 base amount.

Whether or not your Social Security benefits are taxed, the new senior deduction should reduce your tax burden to some extent.

Unfortunately, it comes with a long-term effect on the Social Security and Medicare programs, which are funded in part by taxes on Social Security benefits. One estimate suggests that the new deduction will move the expiration date of the trust funds that help fund Social Security and Medicare up from 2033 to 2032, unless Congress takes action to strengthen the programs.⁵

Estimates are based on current conditions, are subject to change, and may not come to pass.

1) Social Security Administration, July 3, 2025

2) MarketWatch, July 25, 2025

3) The White House, July 1, 2025

4) Urban-Brookings Tax Policy Center, July 9, 2025

5) Committee for a Responsible Federal Budget, June 27, 2025

Three Deductions

The new senior deduction is available regardless of whether a taxpayer takes the standard deduction or itemizes. For those who take the standard deduction, it is in addition to the standard deduction (which applies to all taxpayers) and the already existing additional standard deduction for taxpayers age 65 and older. The combination of all three deductions could result in a substantial reduction of taxable income. These are the deductions for tax year 2025, with deductions for tax year 2026 in parentheses.

Deduction	Filing status			
	Single	Joint	Head of household	Married filing separately
Standard	\$15,750 (\$16,100)	\$31,550 (\$32,200)	\$23,625 (\$24,150)	\$15,750 (\$16,100)
Additional standard 65+	\$2,000 (\$2,050)	\$1,600 each \$3,200 total (\$1,650/\$3,300)	\$2,000 (\$2,050)	\$1,600 (\$1,650)
OBBBA 65+ 2025-2028	\$6,000	\$6,000 each \$12,000 total	\$6,000	Not available
Total	\$23,750 (\$24,150)	\$46,700 (\$47,500)	\$31,625 (\$32,200)	\$17,350 (\$17,750)



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Foreign Stocks Outperformed in 2025

Over the 20-year period ending in 2025, the stocks of large and mid-sized U.S. companies — represented by the Russell 1000 Index — produced an impressive average annual return of 10.94%. By contrast, the stocks of similar-sized companies in foreign countries returned just 6.22%.¹

A large part of this performance disparity was due to the stronger U.S. economic recoveries after the Great Recession and the pandemic, along with the rise of massive technology companies that provided a large percentage of U.S. market returns. Even so, foreign stocks outperformed U.S. stocks in seven out of the last 20 years, most notably in 2025, with a return of 32.55%, almost double the 17.37% return of U.S. stocks.²

One year or a trend?

The dominance of foreign stocks in 2025 was likely due to a combination of factors, including restrictive U.S. tariff policies, a weaker U.S. dollar, and because foreign central banks were more aggressive than the Federal Reserve in lowering interest rates. It's too early to know whether this marks a fundamental shift, but some analysts believe foreign stocks — which remain significantly less expensive than U.S. stocks based on their price/earnings (P/E) ratios — still have plenty of room to grow and could experience strong performance over the next decade.³⁻⁴

On the other hand, those who remain skeptical of foreign stocks point out that large multinational U.S. companies provide global exposure, U.S. companies typically have higher profit margins than foreign companies, and U.S. technology juggernauts are unparalleled in foreign markets (although there are some large foreign technology companies).⁵

Holding foreign stocks is a standard diversification strategy, but some investors have backed away from it in recent years due to poor performance. If you are interested in adding a global dimension to your portfolio or expanding your current international holdings, here are some considerations.

A world of choices

One way to participate in global markets is by investing in mutual funds or exchange-traded funds (ETFs). In late 2025, about 1,280 mutual funds and almost 900 ETFs focused on global equities.⁶

International funds range from broad global funds that attempt to capture worldwide economic activity to regional funds and those that focus on a single country. Some funds are limited to developed nations, whereas others focus on nations with emerging economies, which may have greater growth potential but could be substantially more volatile, risky, and less liquid than the stocks of companies located in more developed foreign markets.

The terms "ex US" or "ex USA" typically mean that the fund does not include domestic stocks. On the other hand, "global" or "world" funds may include a mix of U.S. and international stocks, with some offering a fairly equal balance between the two. For any international stock fund, it's important to understand the mix of countries and types of businesses represented by the securities in the fund.

Additional risks

All investments are subject to market volatility, risk, and loss of principal. However, investing internationally carries additional risks such as differences in financial reporting, currency exchange risk, and economic and political risk unique to a specific country.

Diversification is a method to help manage risk; it does not guarantee a profit or protect against loss. The return and principal value of all stocks, mutual funds, and ETFs fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

Funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1-2) London Stock Exchange Group, 2026, Russell 1000 Index and MSCI World ex USA Index for the period 12/31/2005 to 12/31/2025

3) Morningstar, August 20, 2025

4) CNN Business, January 4, 2026

5) Forbes, October 11, 2025

6) Investment Company Institute, December 30, 2025

Stock performance, annual total returns



Source: London Stock Exchange Group, 2026, for the period 12/31/2005 to 12/31/2025. U.S. stocks are represented by the Russell 1000 Index, and foreign stocks are represented by the MSCI World ex USA Index. The performance of an unmanaged index is not indicative of the performance of any specific investment.

Individuals cannot invest directly in an index. Rates of return vary over time, especially for long-term investments. Past performance is not a guarantee of future results. Actual results will vary.

The One Big Beautiful Bill Act Extends Tax Breaks for Small Businesses

The National Federation of Independent Business called the One Big Beautiful Bill Act (OBABA), signed into law on July 4, 2025, a historic victory for small business owners.¹

The Act provides certainty and stability by making permanent a host of tax provisions that would otherwise have expired at the end of 2025. Here are three specific changes to pay close attention to.

Qualified business income deduction

Owners of sole proprietorships, partnerships, S corporations, and certain LLCs may be eligible for a qualified business income (QBI) deduction — also called the Section 199A deduction. The deduction, equal to 20% of qualified business income, was scheduled to expire in 2025, but the new legislation makes it permanent and expands eligibility.

The deduction may be limited or eliminated if taxable income exceeds certain thresholds. A married couple filing jointly in 2025 would generally be able to claim the full QBI deduction if their taxable income was less than \$394,600; if the couple's taxable income was between \$394,600 and \$494,600, the deduction would be phased out. (The 2025 phaseout range for all other filing statuses is \$197,300 to \$247,300.)

Starting in 2026, the income range over which the deduction is phased out is expanded from \$100,000

to \$150,000 for married joint filers and from \$50,000 to \$75,000 for all other filers. As a result, the phaseout range for joint filers is \$394,600 to \$544,600 in 2026 (\$197,300 to \$272,300 for other filing statuses).

Also, there is a new minimum \$400 QBI deduction for those with at least \$1,000 of income from businesses in which they materially participate. These QBI amounts will be indexed for inflation after 2026.

Enhanced Section 179 expensing

Section 179 of the Internal Revenue Code (IRC) allows businesses to elect to deduct the full cost of depreciable tangible personal property, computer software, and specific improvements to nonresidential buildings (including roofs, HVAC systems, and security systems) in the year of purchase. For property placed in service in 2025, the maximum deduction for expensing doubles to \$2.5 million. The maximum deduction is reduced when the cost of Section 179 property placed in service during the year exceeds an established phaseout threshold. OBABA increases this threshold in 2025 from \$3.13 million to \$4 million.

100% bonus depreciation

The legislation permanently re-establishes the additional first-year depreciation deduction at 100% for qualifying property acquired after January 19, 2025. This allows businesses to immediately deduct the full

cost of new or used equipment, machinery, and other qualifying property rather than depreciate the cost over several years.

¹) National Federation of Independent Business, 2025



New Auto Loan Interest Deduction Explained

With the enactment of the One Big Beautiful Bill Act (OBABA) in 2025, taxpayers may now benefit from a new annual deduction of up to \$10,000 for interest paid on qualifying new auto loans, effective for tax years 2025 through 2028.

Vehicle requirements

- "Qualified vehicles" include cars, SUVs, vans, pickup trucks, minivans, and motorcycles with a gross vehicle weight of 14,000 pounds or less, provided final assembly occurred in the United States.
- The vehicle must be new; used vehicles are not eligible.

To verify domestic assembly, taxpayers may consult the Vehicle Identification Number (VIN) Decoder at nhtsa.gov/vin-decoder to identify the vehicle's manufacturing plant.

To claim the deduction, taxpayers must report the VIN of the qualifying vehicle on their federal tax return.

Loan requirements

Interest paid qualifies for the deduction only if the loan meets all the following requirements:

- The loan originates after December 31, 2024.
- It is secured by a lien on the purchased vehicle.
- It finances a vehicle intended for personal use, not business or commercial activity.
- It is used to purchase a new vehicle, and the buyer is the original owner; leased vehicles are not eligible.

Lenders must issue annual statements summarizing the total interest paid by the taxpayer.

For a refinanced qualifying loan, the interest is deductible only up to the original loan's amount and term.

Eligibility and income phaseouts

The deduction is available to taxpayers who itemize or claim the standard deduction and begins to phase out for individuals with modified adjusted gross income above \$100,000, or \$200,000 for married couples filing jointly.

The temporary auto loan interest deduction offers taxpayers a potential pathway to offset the cost of buying a new car. If you are planning to purchase a new vehicle, consider consulting a tax professional to confirm the vehicle's eligibility for the deduction.



Taxpayers may now deduct up to \$10,000 annually in interest paid on qualifying new auto loans.



Mega Backdoor Roth: A Tax-Friendly Retirement Strategy for Serious Savers

Contributing to a traditional 401(k) or IRA can help reduce your current tax bill, but you may run into some drawbacks in retirement. Withdrawals are taxed as ordinary income, and you must take required minimum distributions (RMDs) once you reach age 73 (age 75, for those born in 1960 or later). On the other hand, qualified Roth distributions are tax-free after age 59½, as long as you've held the account for at least five years.* Plus, Roth accounts are not subject to RMDs during your lifetime.

Roth IRA contribution limits are somewhat low (\$7,500 in 2026, or \$8,600 if you are age 50 or older), and you can't contribute at all if your income exceeds certain annual limits (\$168,000 for single filers and \$252,000 for joint filers in 2026). You can make larger contributions to a Roth 401(k) regardless of your income.

If you have a sizeable income and would like to shelter as much as possible in a Roth account for the future, find out if your employer's 401(k) plan allows both after-tax contributions and in-service withdrawals. If so, you could also make special after-tax contributions to your traditional 401(k) and then move (or convert) the funds to a Roth IRA or a Roth 401(k). This strategy — called the mega backdoor Roth — is only an option for some people under limited circumstances.

Saving to the max

The employee contribution limit for 401(k), 403(b), and government 457(b) plans is \$24,500 in 2026, with an additional \$8,000 catch-up contribution for those

age 50 to 59, and 64 and older, for a total of \$32,500. Workers age 60 to 63 can make a larger "super catch-up" contribution of \$11,250 in 2026 for a total of \$35,750. Like all catch-up contributions, the age limit is based on age at the end of the year, so you are eligible to make the full \$11,250 contribution if you will turn 60 to 63 any time during 2026 (but not if you will turn 64). However, there is one important change that takes effect in 2026: high earners with incomes exceeding \$150,000 (based on the previous year's W-2 wages) must direct all of their catch-up contributions to a Roth account.

The combined total for salary deferrals in 2026 (not including catch-up contributions), employer contributions, and employee after-tax contributions is \$72,000 or 100% of compensation, whichever is less. You generally must max out salary deferrals before you can make additional after-tax contributions. For example, if you are age 60, and you contribute the maximum \$35,750 to your 401(k), and your employer contributes another \$18,000, you may be able to make an after-tax contribution of \$29,500 for a grand total of \$83,250.

Fast track your Roth conversion

Your after-tax contributions are not taxable upon withdrawal, but any converted earnings would be taxed as ordinary income. Thus, if in-service withdrawals are permitted, it may make sense to transfer your after-tax contributions to a Roth account as soon as possible to help reduce the amount of investment growth and the resulting tax burden.

Bear in mind that 401(k) distributions are subject to the pro-rata rule, which requires you to withdraw proportional amounts of pre-tax and after-tax amounts if your account balance contains both types of contributions. So if your 401(k) balance is \$100,000 (\$80,000 in pre-tax money and \$20,000 in after-tax

money), any distribution, including a conversion, must also consist of 80% pre-tax dollars and 20% after-tax dollars. In this case, you might avoid triggering taxes on the distribution by moving your pre-tax dollars to a traditional IRA at the same time your after-tax dollars are transferred to a Roth account.

If your employer accounts for pre-tax and post-tax contribution amounts and associated earnings separately, you might be able to withdraw your entire after-tax balance (including the taxable earnings) and leave your pre-tax account balance in the 401(k). Again, the tax bill may be minimal if the conversion is completed soon after making the after-tax contribution (or you roll the earnings portion into a traditional IRA).

You might consider yourself lucky if your plan allows after-tax contributions; it's not very common, especially at smaller companies. If your workplace plan allows after-tax contributions but doesn't permit in-service withdrawals, this strategy might still be worthwhile if you expect to retire or leave your employer in the near future.

401K Rules

If you have a sizeable income and would like to shelter as much as possible in a Roth account for the future, find out if your employer's 401(k) plan allows both after-tax contributions and in-service withdrawals.

*Distributions from traditional or Roth accounts taken prior to age 59½ may be subject to a 10% federal tax penalty, with certain exceptions, as well as ordinary income tax.



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The World's Happiest Countries, 2025

March 20 is the United Nations (U.N.) International Day of Happiness. Each year, the U.N., the University of Oxford, and Gallup release the World Happiness Report, a ranking of more than 140 countries according to the perceived happiness of their citizens.

The ranking is based on one question: "Please imagine a ladder with steps numbered from 0 at the bottom to 10 at the top. The top of the ladder represents the best possible life for you and the bottom of the ladder represents the worst possible life for you. On which step of the ladder would you say you personally feel you stand at this time?" Each country's ranking is then based on a three-year average of participant answers to this question. Following are results from last year's ranking.

Rank	Country	Average score
1	Finland	7.736
2	Denmark	7.521
3	Iceland	7.515
4	Sweden	7.345
5	Netherlands	7.306
6	Costa Rica	7.274
7	Norway	7.262
8	Israel	7.234
9	Luxembourg	7.122
10	Mexico	6.979
24	United States	6.724
147	Afghanistan	1.364



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