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Abstract: Tax planning at the end of the year can be done as late as November or even December. This article looks at five tips that can help taxpayers improve their outcome when tax filing time rolls around.

5 smart tips for individual year-end tax planning

Even during the last two months of the year, you can take steps to reduce your 2025 tax liability. Here are five practical strategies to consider.

1. Use bunching to maximize deductions

If your itemized deductions are close to the standard deduction, consider a "bunching" strategy. This means timing certain payments (such as mortgage interest, state and local taxes, charitable gifts and medical expenses), so that they push you above the standard deduction in one year. The following year, you can take the standard deduction and, to the extent possible, defer paying deductible expenses to the following year. This alternating approach helps you capture deductions that might otherwise be lost.

2. Balance gains and losses

If you have investments in taxable accounts, keep an eye on both realized and unrealized gains and losses. Selling appreciated securities held for more than a year ensures they're taxed at your lower long-term capital gains rate (typically 15% or 20%, plus the 3.8% net investment income tax at higher income levels) rather than your higher, ordinary-income rate (which may be as much as 37%). But selling investments at a loss can offset gains. If losses exceed gains, up to $3,000 can offset ordinary income, with the remainder carried forward. This flexibility can reduce taxes this year and in future years.

3. Gift appreciated assets to loved ones

If you want to support family members while cutting your tax bill, consider giving appreciated investments to adult children or other relatives in lower tax brackets. They can sell the assets at a lower capital gains rate — possibly even 0%. Just be cautious about the "kiddie tax," which generally applies to children under age 19 (24 if they're a full-time student), and potential gift tax implications.

4. Give wisely to charities

Instead of donating cash, consider giving highly appreciated stock or mutual fund shares. You avoid paying capital gains tax and can deduct the full fair market value if you itemize. Alternatively, selling investments at a loss and donating the proceeds allows you to claim both the capital loss and the charitable deduction. With some tax rules set to tighten in 2026, making larger gifts before year-end could be especially advantageous. (But if you don't itemize, you can look forward to the limited charitable deduction that will be available to nonitemizers beginning in 2026.)

5. Use your IRA for donations

For those age 70½ or older, making charitable donations directly from an IRA — called qualified charitable distributions (QCDs) — offers unique advantages. You can donate up to $108,000 in 2025 directly to qualified charities, keeping those amounts out of your taxable income. This strategy reduces adjusted gross income, which may help preserve eligibility for other tax breaks.

Final thought

The best tax strategies depend on your personal situation. Timing, income level, and future expectations all matter. Before taking action, consult your tax advisor to tailor these approaches to your needs.