
“IT’S YOUR MONEY”

A FINANCIAL PLANNING WORKSHOP

SPRING 2025

Week 1: Overview and Tax Law Changes

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WHAT WE WILL COVER

- Week 1 – Overview & Tax Law Changes
- Week 2 – Financial Planning I
- Week 3 – Medical Care Planning
- Week 4 – Investment World
- Week 5 – Equity and Fixed Income Investing
- Week 6 – Financial Planning II

TODAY'S TOPICS

- Regulation of the investment industry
- The financial planning process
- Taxes: 2025 updates and tried-and-true basics

FINANCIAL PLANNERS, ADVISORS, AND SALESPERSONS

- Regulators
 - Securities and Exchange Commission
 - Registered Investment Advisor (“RIA”)
 - Investment Advisor Representative (“IAR”)
 - Financial Industry Regulatory Authority (“FINRA”)
 - Self-regulatory body (i.e., self-police)
 - Primary Purpose: to regulate **sales** activities, not planning or advice
 - Series 6 and 7 licenses are licenses **to sell you** financial products

FINANCIAL PLANNERS, ADVISORS, AND SALESPERSONS

- Compensation models
 - Commission
 - Fee and commission
 - Fee-offset
 - Fee-based
 - *Fee-only (pure fiduciary model)*

FINANCIAL PLANNERS, ADVISORS, AND SALESPERSONS

- Credentials
 - Registered investment advisor (RIA) or
 - Investment advisory representative (IAR)
 - Registered representative (for sales, under FINRA)
 - Certified Financial Planner™ (CFP®)
 - Chartered Financial Analyst (CFA charterholder)
 - Too many others; some good, most bad
 - FINRA lists over 240 designations (www.FINRA.org/investors/professional-designations)

THESE TERMS ARE INTERCHANGEABLE AND MEAN NOTHING IN THEMSELVES

- Financial Advisor
- Financial Planner
- Financial Consultant
- Wealth Management / Advisor
- Investment Advisor
- Investment Consultant
- Financial Analyst

ASK FIRST!

- Education
- Credentials/licenses
- What services do you provide?
- Are you a fiduciary – all the time? Will you put our interests first?
- How do you get paid?

How to Choose an Advisor

- Fee-only, fiduciary
- CFP®
- FINRA/SEC check / Form ADV (adviserinfo.sec.gov)
- Ask First
- Who owns your firm? (shareholders, private equity or employees?)
- Interview two or three potential advisors

Components of Financial Planning

Work with your advisor to evaluate:

- Cash flow planning
- Risk management (insurance)
- Tax planning
- Investments
- Retirement & employee benefits
- Estate & charitable planning

Clarify Goals

For example:

- Get help investing retirement funds
- Make sure money will last
- Minimize taxes
- Decide on best Social Security claiming strategy
- Buy a vacation home
- Help out family members
- Evaluate insurance needs
- Get estate in order
- Gift to favorite charities

Gather Information

- Create a balance sheet
 - Assets / Liabilities
 - Cost Basis
 - Titling
- Review cash flow: income and spending
 - Wages / Social Security / pension / investment and rental income
 - Expenses and taxes
- Review insurance policies
- Review tax return

Laura's #1 Investment Recommendation

Just say “NO” to annuities!

(High expenses, tax- *inefficient*, illiquid, no step-up in cost basis at death, guarantees are not what they look like, etc.)

A Few Other Investment Recommendations

Other investments most people should avoid:

- Cryptocurrencies
- Insurance products masquerading as investments
- Non-traded REITs
- Structured products
- Gold and other precious metals
- Private limited partnerships
- Individual stocks

SOME TYPES OF TAXES

- Income taxes
- Capital gains taxes
- Social Security taxes
- Property taxes
- Estate taxes

TAXES MATTER!

- Tax brackets matter
- Timing of taxable income matters
- Ordinary income vs. capital gain tax matters
- Adjusted gross income (“AGI”) matters
- Maximize *charitable gifting* strategies
- Power of “step-up in basis”

2025 TAX UPDATE – INCOME TAX TABLES

2025 Tax Rate Schedule - Married filing joint

TAXABLE INCOME					
OVER	NOT OVER	BASE AMOUNT OF TAX	+	MARGINAL TAX RATE	OF THE AMOUNT OVER
\$0	\$23,850	\$0	+	10%	
\$23,850	\$96,950	\$2,320	+	12%	\$23,850
\$96,950	\$206,700	\$11,157	+	22%	\$96,950
\$206,700	\$394,600	\$35,302	+	24%	\$206,700
\$394,600	\$501,050	\$80,398	+	32%	\$394,600
\$501,050	\$751,600	\$114,462	+	35%	\$501,050
\$751,600		\$202,154.50	+	37%	\$751,600

Source: Internal Revenue Service,
2025

2025 TAX UPDATE – LONG-TERM CAPITAL GAINS

Tax Rates on Long-Term Cap Gains & Qualified Dividends

TAXABLE INCOME			
LTCG tax rate	SINGLE	MARRIED FILING JOINT	ESTATES & TRUSTS
0%	\$0 to \$48,350	\$0 to \$96,700	\$0 to \$3,250
15%	\$48,351 to \$533,400	\$96,701 to \$600,051	\$3,251 to \$15,900
20%	\$533,401 or more	\$600,051 or more	\$15,901 or more

Source: Internal Revenue Service,
2025

INCOME TAX CONSIDERATIONS

- Distributions from a standard IRA, 401k, 403(b), 457 account is fully taxed as ordinary income
 - Include required minimum distributions (“RMD”)
 - A Qualified Charitable Distribution (QCD) will avoid taxes on some or all of your RMD.
- Distributions from a Roth IRA or similar accounts are not taxable
 - Because you contributed “after-tax” dollars
- Social Security benefits can be taxable to some extent (from 0% to 85% taxable).

ESTATE & GIFT TAX

2025 Gift and Estate Tax Exclusions & Rates

Gift tax annual exclusion (per donor, per donee) ¹	\$19,000
Estate, gift & generation skipping transfer tax exclusion (per taxpayer/spouse) ¹	\$13,990,000
Exclusion on gifts to non-citizen spouse ¹	\$190,000
Estate, gift & generation skipping transfer tax rate ²	40%

1. www.irs.gov/newsroom/irs-provides-tax-inflation-adjustments-for-tax-year-2025

2. www.irs.gov/instructions/i706

STEP UP IN VALUE/BASIS

- At death, assets receive “step-up” in basis to current value
 - Reduces or eliminates Capital Gains for heirs
 - Marketable securities, real estate, business holdings
 - Does not apply to retirement assets (IRA), annuities, installment notes, and some other specific assets
- Step-up depends on how the asset is titled
 - Community Property rules
 - Separate property rules
 - Title/registration matters

CALIFORNIA REAL PROPERTY ASSESSED VALUES – PROP 19

- General Rule – real property reassessed at death (“good-bye” Prop 13)
 - Exception 1: transfer to a spouse
 - Exception 2: transfer of personal residence to a child and the child uses it as his/her personal residence. Limited to tax base at transfer + \$1 million.
 - Consult a professional when trying to navigate the rules to avoid reassessment during your lifetime (e.g., gifting)
 - Adding a child to title while alive (e.g., JTWROS) will likely result in 50% reassessment
 - Commercial real estate held in LLC – 50% change in ownership rules

ROTH CONVERSIONS-1

- Take part or all of a Traditional IRA
 - Transfer to a Roth IRA
 - Pay tax this year on the value transferred
 - Future growth income tax-free
 - Future distributions income tax-free
 - For yourself and/or spouse
 - For your heirs

Source: www.investopedia.com "Roth IRA Conversion Rules"

ROTH CONVERSIONS-2

- Not appropriate if IRA going to a charity
- Good for:
 - Higher tax bracket later
 - Married couple: when one dies, Survivor likely in higher tax bracket
 - Compressed tax rate schedule
 - Smaller standard deduction
 - Heirs/kids likely in a higher tax bracket (avoid 10-year payout)
 - Benefit of Roth 10-year deferral period

2017 TCJA INCOME TAX CUTS EXPIRE

- In 2026 we revert to pre-2018 tax provisions
- Individual taxpayers
 - Lower standard deduction
 - Personal exemptions come back
 - Remove cap on State/Local taxes at \$10,000
 - Miscellaneous itemized deductions return
 - Tax prep, investment advisory fees, employee business expenses, union dues, and many others (all subject to 2% of AGI)
 - AMT exemption drops
 - QBI deduction goes away

2017 TCJA INCOME TAX CUTS EXPIRE

- In 2026 we revert to pre-2018 tax provisions
- Gift, estate, gen-skip transfer exclusion gets cut in half
 - 2025 exclusion is \$13,990,000
 - 2026 exclusion likely around \$7 million
- *For both Income Tax and Estate Tax, will Congress extend the current tax rates and exemptions, let them revert to 2017 law, or something else?*

10 Recommendations for Financial Success

1. Work only with fiduciary advisors
2. Focus on asset allocation, not stock picking (index!)
3. Don't time the market
4. Invest tax-efficiently (index, tax "location", munis)
5. Maximize contributions to retirement plans
6. Don't buy annuities
7. Do not borrow to spend
8. Save for college in a 529 plan
9. Have a will or trust and keep it current
10. Don't worry about the "wrong" risks

Thank you for coming!

Thank you to our sponsors!

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Newport Beach Public Library Foundation
Providence Mission Hospital Foundation
Ronald McDonald House Orange County
Segerstrom Center for the Arts
Susan G. Komen
The Blue Bell Foundation for Cats*

ABOUT LAURA TARBOX

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2024 marks Laura's fourth decade in financial planning. A UCLA graduate, Laura received her CFP in 1984 and founded her firm in 1985. Tarbox Family Office, Inc. is located in Newport Beach, CA and employs a team approach in offering comprehensive wealth management services to a small group of families with \$5 million or more of investable assets.

Laura has served on both the Charles Schwab and TD Ameritrade Institutional Advisory Boards, the CFP Board of Examiners, the National Board of the Institute of Certified Financial Planners and is a past President of the Orange County Society of the ICFP. She has been part of the adjunct faculty of the College for Financial Planning, USC and California Lutheran University, and taught financial planning classes in the certificate program at UC Irvine for 20 years, where she was the Program Director. Laura was chosen from over 800 UCI Extension instructors to receive the Distinguished Instructor Award and is the founding Dean of the UCI ICFP Residency Program, a week-long case study program for new CFPs.

Frequently featured in the local and national media as an expert on financial planning and investments, Laura has been retained as an expert witness in insurance and investment cases. She is a California Licensed Professional Fiduciary and a private trustee on several trusts.

Laura has volunteered her leadership and financial skills for organizations including Foundation for Financial Planning, Laguna Beach Community Foundation, Laguna Canyon Foundation, Laguna Beach Schoolpower Endowment, and Child Aid.

Laura Tarbox has been recognized as one of the "Best Financial Advisors" in the country by Worth magazine and was named one of the country's "100 Great Financial Planners" by Mutual Funds magazine.



ABOUT TARBOX FAMILY OFFICE

Tarbox Family Office is a fee-only wealth management firm managing \$1 billion in assets and is registered as an Investment Advisor with the SEC. Fee-only means that we do not take any commissions, trails, referral fees, or "kickbacks" from any sources. Unlike most firms our size, we have not accepted any money from private equity or other outside investors. We work for, and are paid by, only our clients. We have offices in Newport Beach and Scottsdale.

We work with a small number of families and maintain a client-to-staff ratio of ten to one. Our multi-credentialed team works together to provide comprehensive wealth, investment management, tax compliance, and family office services.

Because each of our clients has a unique situation, fees are quoted on an individual basis, after an initial meeting. Generally, comprehensive fees will range from 0.30% to 0.85%, and will be based on investable assets or total net worth, depending upon services required. Tax preparation services are quoted separately.

Typically, we accept clients with a minimum account size of \$5 million. We normally do not offer services on an hourly or project basis to non-wealth management clients.