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FINANCIAL IDEAS FOR TODAY AND TOMORROW

Footnotes

Time to Create Your 2026 Tax Plan

Income sources are key.

Tax planning combines how much you think you will make, with the source (or how you make it), generating a tax effective result. This could make two clients with the exact same taxable income have entirely different looking tax bills. That's the hard news. The good news – now is the perfect time to review your situation. Here's a simple, but effective approach:

Step 1: Take inventory of your income sources

Most income falls into a few core categories – wages from an employer, self-employment, freelance work, investment earnings and any side income you pick up along the way. Other types of income you may have include:

- Retirement income (pensions, Social Security, IRA or 401(k) withdrawals)
- Rental income from real estate
- Business distributions (for S corporation or partnership owners)
- Interest from savings accounts or bonds

If you aren't sure, take a moment and look at last year's tax return. It's a great place to start. Then consider any changes you have had or expect during the year.

Step 2: Get familiar with the different types of taxes

Not all income is taxed the same way, and these differences can add up quickly.

Wages are subject to a progressive income tax from 0% to 37%. Know the rate your next dollar of tax will pay. Also, don't forget wages are subject to payroll taxes like Social Security and Medicare (7.65%).

Self-employment and freelance income is subject to the same tax rates as wages except most don't automatically withhold taxes and it is also subject to self-employment tax (15.3%). Planning here needs to consider quarterly estimated tax payments.

Investment earnings can be subject to **a variety of tax rates** such as interest and short-term capital gains (up to 37%), qualified dividends (0% to 20%), long-term capital gains (0% to 20% depending on the holding period and income type) and net investment income taxes (3.8%).

Retirement income may be fully taxable (up to 37%), partially taxable (varies) or tax free (0% for certain Roth distributions).

Rental income is generally taxed at ordinary income rates (up to 37%), though deductions decrease your total taxable income.

Business distributions vary by entity and may be taxed at ordinary income rates (up to 37%) or pass through with no additional tax at the distribution level.

Step 3: Tips to manage your tax burden

Align your tax payments with how you actually earn. If a growing portion of your income is coming from somewhere outside a traditional job, withholding alone may not cover your tax liability. W-2 income is handled automatically; however, freelance, investment or rental income often requires quarterly estimated payments to avoid penalties.

Use withholding and estimates together. Adjust paycheck withholding to pair it with estimated payments when income is uneven or comes from multiple sources.

Pay attention when your income changes. These income shifts can catch people off guard with a higher tax bill if they don't adjust their plan early in the year.

Be intentional about when income and expenses hit. Sometimes you have control over when you earn income or pay expenses. Used correctly, adjusting your timing can help smooth out your tax bill, especially if you're self-employed or have investment income.

Check your plan throughout the year. Your income mix can change quickly, and small updates can make a big difference. A quick review during the year can help you stay on track and avoid surprises later.

By understanding your income sources, how each is taxed and how to align your payments and timing strategies, you can take a more proactive approach to managing this year's tax bill.

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FROM THE PEN OF A PARTNER

Financial Tips That Sound Like Common Sense

When it comes to personal finance, guidance is often delivered in quick, confident soundbites: *Open a high-yield savings account! Sign up for a rewards credit card! Buy your food in bulk to save money!* On the surface, these suggestions sound like common sense. But managing your money is rarely this simple, as what works brilliantly for one person might not be the best move for someone else. Here's a closer look at a few common financial tips and how the hype holds up in practice.

1 High-yield savings accounts: A favorite low-risk move

Why they sound great: High-yield savings accounts (HYSAs) are often promoted as a simple way to make your cash work harder. While a standard savings account may pay just 0.01% interest, many HYSAs offer more than 4% APY, a major boost if you're building an emergency fund or saving for short-term goals.

The reality check: Everyone should consider better yields for their everyday funds. To not do so is simply giving this money away to the bank. But you need to be smart. Putting this money in CD's often includes a hefty early withdrawal penalty. So find accounts with reasonable rates and then know how to transfer the money penalty free to transaction accounts when you need it. Remember, a 4% yield on $5,000 provides approximately $200 every year. Would you be willing to take $200 and throw it on the street?

Worth the hype? *Yes, for the savvy consumer. While it won't change your financial situation, it helps establish best practices and encourages active management of your financial life.*

2 Credit card rewards: Free money or clever marketing?

Why they sound great: The pitch is to earn cash back, travel points or perks for spending money you were going to spend anyway. Some cards even have generous sign-up bonuses worth hundreds of dollars.

The reality check: Credit card rewards can be lucrative, but only if you pay your balance in full every month. The second you start carrying a balance and paying interest, these rewards vanish into the void – lost in never-ending interest charges. Many cards also have annual fees, category restrictions or minimum spend requirements that can lead you to overspend for the sake of earning points.

Worth the hype? *Yes, but only for those who DO NOT carry a balance from month to month. If you're debt averse and organized, rewards cards are a tool, not a trap.*

3 Buying in bulk: The Costco/Sam's Club effect

Why it sounds great: The logic is simple: buying in bulk means paying less per unit. Warehouse clubs and bulk shopping apps promise you'll save a fortune on everything from cereal to toilet paper.

The reality check: Bulk buying can indeed slash your cost per item, but only if you use it and have the space to store it. So be careful with perishables you can't consume in time. And know your storage limits, especially for bulky items like paper towels.

Worth the hype? *If you have a large family, the savings are easy to obtain. If not, you simply need to be a smart shopper or shop with a friend or two to share the bulk purchase and the savings.*

Financial tips are great, but only if you understand how they work and make them work for you and your situation.

Higher Student Loan Payments on the Near Horizon

The Department of Education recently announced that student loan borrowers who were awaiting loan forgiveness decisions will soon need to select a new repayment plan due to final determinations by the Supreme Court.

The SAVE Plan was a federal student loan repayment program introduced in 2023 to lower borrowers' monthly payments and expand pathways to loan forgiveness before being struck down by a federal court.

According to the Department of Education, federal loan servicers will start issuing notices to borrowers on July 1 with instructions on how to transfer their loan balance from the SAVE Plan to one of the newly approved repayment options. Borrowers will have a 90-day deadline to enroll in a new repayment option. (Servicers will notify borrowers of their specific 90-day deadline.)

Tips to manage the change

Get familiar with your options. Borrowers currently enrolled in the SAVE Plan have approximately six months until their first payment under a revised repayment plan is due. Consider taking the next several weeks to learn about the different repayment options and which one fits best with your current financial situation.

Compare income-driven options carefully. Not all plans calculate payments the same way, and small differences in how income is defined can lead to big changes in your monthly bill. Look closely at how each plan treats discretionary income, family size and forgiveness timelines before deciding.

Update your income and household information. Make sure your loan servicer has your most recent financial details. If your income has dropped or your family size has changed, you may qualify for a lower payment under a new plan.

Don't wait until the deadline. You'll have a limited window to choose a new repayment plan once notices go out. Submitting your application early can help you avoid processing delays, missed payments or being automatically placed into a plan that may not be the best fit.

Consider making interest-saving moves now. While your loans may still be in forbearance, any voluntary payments you make can go directly toward your principal. Even small amounts paid now can dramatically reduce the total interest you'll pay once regular repayments resume.

Explore forgiveness and employer benefits. Some borrowers may qualify for programs like Public Service Loan Forgiveness or can receive help through employer student loan repayment benefits. It's worth checking eligibility now so you can align your repayment plan with any long-term forgiveness or assistance opportunities.

Act like a banker. Remember, more money is made by the lenders when they get you to delay and lower your payment as much as possible. In fact, most interest earned on these loans happens in the first half of repayment. A good strategy might be to lower your monthly payment and then use the payment savings to front load principal payments.

Find the loan crossover point. This is the point where more of your monthly payment goes toward principal rather than interest. If you haven't reached yours, get there with a sense of urgency. A tremendous amount of interest expense can be saved for every dollar you pay down on the loan prior to this point.

Finally, remember to run a monthly amortization schedule based on your planned repayment to understand how much interest you'll pay over the life of the loan AND on each payment. This will allow you to move from a defensive posture to one of managing your loan to your advantage.

529 Education Savings Plan

529 education savings plans are a great way to kick off your child's savings for future educational costs. These plans offer investments that grow tax-free as long as the funds are used to pay for eligible education expenses (including elementary and secondary tuition). If you are an Iowa taxpayer, you may be eligible for a tax deduction up to $6,100 per account in 2026. Starting to save early maximizes the amount of tax-free compound interest you can earn in the 18+ years you have before kids go to college.

Bonus tip for family and friends. Anyone can contribute up to $19,000 to the plan in 2026 for each child. In addition, there is a special provision for 529 plans that allows five years' worth of gifts to be contributed at once — a great estate-planning strategy for grandparents.

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NOTABLE QUOTES

What good is the warmth of summer without the cold of winter to give it sweetness.

- JOHN STEINBECK

Nothing but harmony, honesty, industry and frugality are necessary to make us a great and happy people.

- GEORGE WASHINGTON

Working with your hands is the best therapy.

- UNKNOWN

Requisites for a STRONG CHARACTER: bold design, constant practice, frequent mistakes.

- ELBERT HUBBARD

Summer afternoon – to me those have always been the two most beautiful words in the English language.

- NORMAN VINCENT PEALE

Vacation is the time when you wish you had something to do while doing nothing.

- FRANK TYGER

This newsletter is issued quarterly to provide you with an informative summary of current business, financial and tax planning news and opportunities. Do not apply this general information to your specific situation without additional details and/or professional assistance.

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