Olivehurst Advisors

Newsletter | Vol. 1 | April 2025

Purpose: Highlight 5 strategic planning considerations for this year.

Wealth can be created by an event (e.g., sale of a business). It can also be created by consistent investment of savings over time paired with the power of compounding. Are you in either camp this year? Here are 5 strategic planning considerations for 2025.

I'm excited to share my first newsletter which features 5 personal finance strategies for 2025.

I started Olivehurst Advisors to offer financial planning and investment management services to others to help make a positive difference in their financial lives - sharing what I've learned through my career in financial services as well as through navigating my own finances across corporate roles, as an entrepreneur running my own business and while starting a family.

In my experience, I've seen wealth created by an event (e.g., sale of a business). I've also seen it created through consistent investment of savings over time paired with the power of compounding. Are you in either camp this year? At the start of April with finances likely on your mind ahead of Tax Day on April 15, I wanted to share these 5 strategic planning considerations for both paths for the year ahead.

As always, if there is anything specific you have questions on or would like to discuss, please reach out to me!

Best regards,
Neil

Neil Portus, CFA, CMA, CFP ®

Managing Partner

Olivehurst Advisors LLC

LET'S CONNECT:

Call: 917-994-0360

Email: neil@olivehurstadvisors.com

Visit: www.OlivehurstAdvisors.com

Book a Free Consultation

In This Issue:

1. THE TAX CUTS AND JOBS ACT (TCJA)

The TCJA is currently set to expire on December 31st. How would it impact you if none, part or all of the TCJA expired?

- **Consider Timing for the Transfer of Wealth.**
  - If the TCJA expires, the estate tax exemption might cut in half from $13.99 million this year to around $7 million next year. Though applicable to fewer, this is a significant change. If you're planning to transfer wealth of this size, gifting this year should be explored pending clarity on the TCJA.
- **Shifting Income or Deductions to Minimize Taxes** - if the TCJA expires and:
  - Individual tax rates increase next year - are you able to shift income forward to this year to be taxed at a lower rate?
  - The QBI (20% pass through) deduction expires - are you able to shift income forward to this year to capture the QBI deduction? This is applicable to business owners with pass through entities.
  - The standard deduction decreases next year, rather than making charitable contributions this year and next, are you able to bunch both charitable contributions into next year to increase your potential deduction?

2. 1031 EXCHANGES

Many people have investment properties. For anticipated sales, have you explored the tax deferral potential of a 1031 exchange? Here, investors can defer capital gains taxes by reinvesting proceeds from the sale of one investment property into another "like-kind" property. 1031 exchanges are powerful but complex and warrant detailed analysis.

3. PLAN FOR EQUITY AWARDS TO AVOID SURPRISE TAX BILLS

If you've received equity awards, having a plan can help avoid surprise tax bills. The timing of when taxes are due can help drive planning.

TAXES DUE AT SALE:

- **Incentive Stock Options (ISOs).** ISOs are options often awarded to executives and key employees (Directors/consultants are not eligible) as they offer the potential for favorable tax treatment. If it's a qualifying disposition, taxes are not due at grant, vesting or exercise - but upon sale. As with other things mentioned herein, ISOs are powerful but complex and warrant detailed analysis.

TAXES DUE AT EXERCISE:

- **Non-Qualified Stock Options (NQSOs).** When NQSOs are exercised, the difference between the exercise price and the fair market value is considered ordinary income. Exercise starts the holding period clock for determining short-term (< 1 yr) vs long-term capital gains (>1 yr). Strategies on exercise include exercising in low-income years or exercising in anticipation of share price growth.

3. Planning for Tax Bills from Equity Awards cont'd

TAXES DUE AT VESTING:

- **Restricted Stock Awards (RSAs).** Restricted stock is actual shares of stock awarded to an employee but with restrictions such as time or performance vesting. When vested, the fair market value (less any amount paid to acquire it) is taxed at ordinary income rates and treated as supplemental income - unless you made an 83b election. Vesting also starts the holding period clock for determining short-term (< 1 yr) vs long-term capital gains (>1 yr).
    - **83b Election.** This allows you to accelerate taxation to the date the RSA is awarded rather than waiting until the stock vests which could potentially convert ordinary income into more favorable long-term capital gains. This must be done within 30 days of grant and is powerful but complex and there are scenarios where you want to avoid using an 83b election - so this warrants detailed analysis.
- **Restricted Stock Units (RSUs).** Different than RSAs, RSUs are promises to deliver shares at a future date contingent on certain conditions such as time vesting. Here, the fair market value at the time of vesting and delivery is taxed as ordinary income. Delivery also starts the holding period clock for determining short-term (< 1 yr) vs long-term capital gains (>1 yr).

PLANNING TO LEAVE AN EMPLOYER? If so, consider exercising valuable options as exercise windows may be limited after departure.

4. SUCCESS THROUGH A SERIES OF SMALL VICTORIES

I mentioned I've seen wealth created by consistent investment of savings over time paired with the power of compounding. So, it can be attention to the small details that, over time, add up. Here, it's worth regularly reviewing if you are:

- **Maximizing company benefits -** e.g., a company match in your 401k.
- **Maximizing the tax advantaged ways you are saving -** e.g., does your work plan permit a mega backdoor Roth? Or does your healthcare plan make you eligible for a Health Savings Account (HSA) whose triple tax benefits (tax deductible contributions, tax free growth and tax-free qualified withdrawals) make it one of the most advantageous savings vehicles?
- **Minimizing leakage -** e.g., have you considered your asset location? This refers to which accounts hold your investments - taxable, tax deferred or tax free - to minimize taxes and maximize after-tax returns.
- **Planning for your estate -** Keeping your estate planning (e.g., will, account beneficiaries, trust documentation) up-to-date.

2025 IRA & ROTH IRA LIMITS & PHASEOUTS

- Base Contribution: $7,000
- Catch-Up (Age 50+): $1,000

IRA Deduction Phase Out
(When Covered by Workplace Plan)

- Filing Single: $79,000 - $89,000
- Married Filing Jointly $126,000-$146,000
- (One Spouse Covered) $236,000-$246,000

Roth IRA Phase-Out

- Filing Single $150,000-$165,000
- Married Filing Jointly $236,000-$246,000

2025 HSA LIMITS

Individual Coverage
$4,300

Family Coverage
$8,550

Catch-Up (Age 55+)
$1,000

2025 RETIREMENT PLAN LIMITS

401k / 403b Limit: $23,500
Total Contribution Limit: $70,000
(Employee + Employer + After-tax Combined)

Catch-Up (Age 50+): $7,750

5. DETERMINE THE OPTIMAL RETIREMENT PLAN FOR YOUR BUSINESS

Retirement plans provide valuable, tax advantaged ways for business owners and employees to save. Even though there isn't a one-size-fits-all solution to choosing the right retirement plan, a review can help you hone in on an optimal plan for your business. Factors to consider include your business size, legal structure, number of employees, your (as the owner) savings goal and the complexity of and cost to maintain the plan.

For an owner seeking to provide employees with a retirement plan, plans that allow for salary deferrals are attractive including:

- **SIMPLE IRA –** easier to manage but have mandatory employer contributions which can add up if you have a lot of employees.
- **401k –** slightly more complex to administer but feature higher contribution limits and more flexibility regarding who is covered and employers can choose to offer matching contributions.
    - **401k with Profit Sharing –** adding a profit sharing to a 401k can increase contribution limits and ideal for a business with steady profits seeking to provide additional incentives to employees.

For many businesses, the primary goal is to maximize an owner's retirement contributions. Here, plans to consider include:

- **SEP –** easy to set up and feature high contribution limits; however, one consideration is that contributions must be made equally for all employees.
- **Solo 401k –** ideal for owners with no employees (or only a spouse as an employee) because they can contribute both as an employee and employer which allows for higher total contributions.
- **Defined Benefit Plans –** for highly profitable businesses or owners seeking to accelerate their retirement savings, these plans feature the highest contribution limits but are more complex to administer.

About

Neil Portus, CFA, CMA, CFP®

Olivehurst Advisors LLC

917-994-0360

neil@olivehurstadvisors.com

OlivehurstAdvisors.com

Book a free consultation

I started Olivehurst Advisors to share what I've learned through my career in financial services as well as from my personal experience navigating my own finances across corporate roles, as an entrepreneur running my own business and while starting a family.

One thing I've discovered is that, over time, the importance of my goals has grown. However, I've also found that, with increasing responsibilities, the demands on my time have grown just as much, if not more.

This prospect of decreasing time available to tackle increasingly valuable goals is a key reason why I've become a financial advisor. Given many goals have a financial component, this is why I believe there may not be a more impactful role that I can play than to help someone navigate their personal financial journey. I know my journey would have benefited from the partnership of a financial advisor.

So, I'm excited to be a partner to entrepreneurs, professionals and families and apply what I've learned to help them pursue their goals and feel more secure and confident on their financial journey.