NATIXIS INVESTMENT MANAGERS | SOLUTIONS

Q3 2025

Tax management update

2026 tax brackets announced

The One Big Beautiful Bill Act (OBBBA), passed in July, made permanent the current seven tax brackets – ranging from 10% to 37%. The brackets are adjusted annually for inflation. Below are the 2025 and 2026 brackets for single and joint filers. The standard deduction saw a modest increase over 2025. More taxpayers are expected to itemize in 2025 and beyond, since the State and Local Tax (SALT) deduction was raised from $10,000 to $40,000.

2025 Tax Brackets		Single	Married Filing Jointly
10%	bracket begins at	$0	$0
12%	bracket begins at	$11,925	$23,850
22%	bracket begins at	$48,475	$96,950
24%	bracket begins at	$103,350	$206,700
32%	bracket begins at	$197,300	$394,600
35%	bracket begins at	$250,525	$501,050
37%	bracket begins at	$626,350	$751,600

2026 Tax Brackets		Single	Married Filing Jointly
10%	bracket begins at	$0	$0
12%	bracket begins at	$12,400	$24,800
22%	bracket begins at	$50,400	$100,800
24%	bracket begins at	$105,700	$211,400
32%	bracket begins at	$201,775	$403,550
35%	bracket begins at	$256,225	$512,450
37%	bracket begins at	$640,600	$768,700

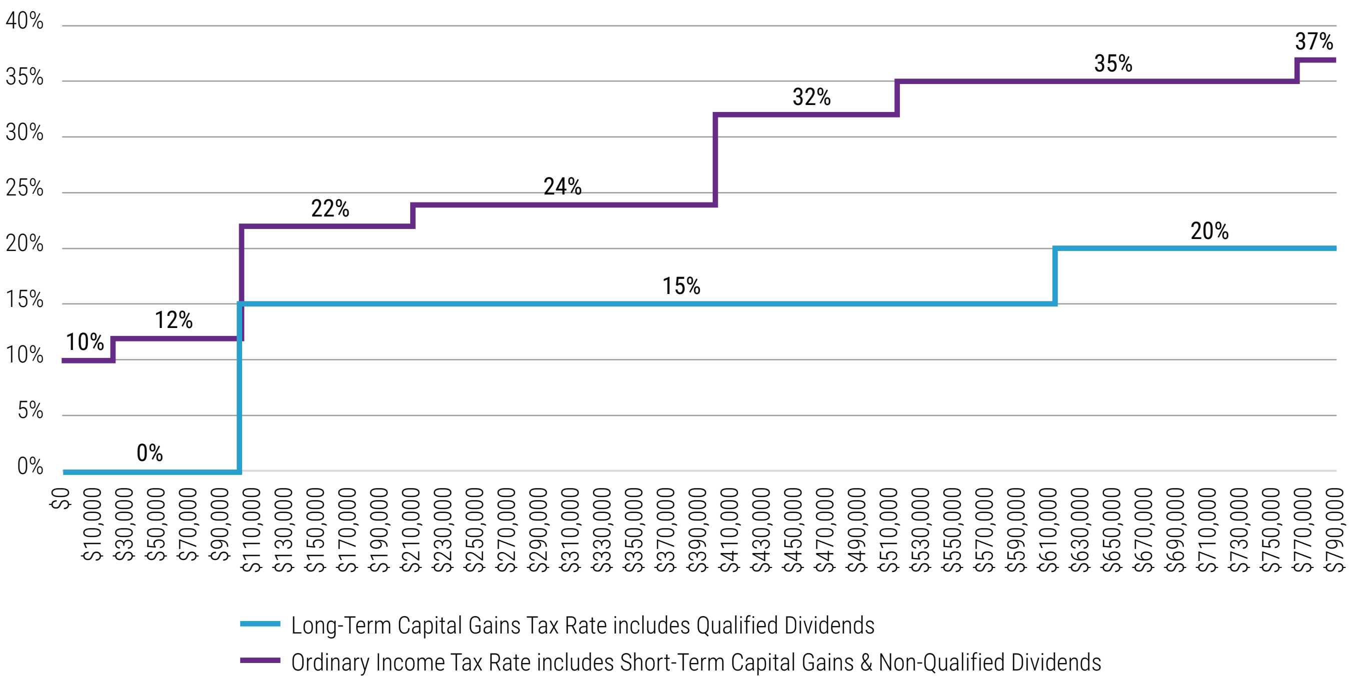
Source: IRS; Natixis Investment Managers Solutions

"More taxpayers are expected to itemize in 2025 and beyond, since the State and Local Tax (SALT) deduction was raised from $10,000 to $40,000."

Gregory V. Kanarian, CFA®
Direct Indexing Strategist, Natixis Investment Managers Solutions

2026 Capital Gains Tax Brackets			
Rate	Single, Taxable Income Over	Married Filing Jointly, Taxable Income Over	Heads of Household, Taxable Income Over
0%	$0	$0	$0
15%	$49,450	$98,900	$66,200
20%	$545,500	$613,700	$579,600

Figure 1: 2026 Tax Rates across Taxable Income Levels – Married Filing Jointly (MFJ)



Standard Deduction			
Tax Year	Single	Married Filing Jointly	Heads of Household
2025	$15,750	$31,500	$23,625
2026	$16,100	$32,200	$24,150

Source: IRS; Natixis Investment Managers Solutions

Inflation-adjusted items for 2026

Health Flexible Spending Accounts (FSAs)

For 2026, the voluntary employee contribution limit for FSAs increases by $100 to $3,400. FSAs can be used to pay for eligible medical, dental, and vision care expenses not covered by health insurance. Remember, FSAs are designed for spending (think: use it or lose it), with just $680 allowed to be carried over to the next tax year if the employer's plan allows.

Health Savings Accounts (HSAs)

For 2026, the contribution limit for HSAs is $4,400 for individuals and $8,750 for family coverage. A $1,000 catch-up contribution is available for those age 55 or older. HSAs are designed for saving, and contributions can and should be invested for growth to cover future medical expenses. HSAs are available to participants in high-deductible health plans and offer a triple tax advantage: Contributions are tax-deductible, investment growth is tax-exempt, and withdrawals for qualified medical expenses are tax-exempt.

Estate and gift taxes

Estate tax credits

The unified estate and gift tax exemption increases to $15,000,000 per individual, up from $13,990,000 in 2025.

Annual gift tax exclusion

For 2026, the annual gift tax exclusion remains $19,000. Individuals can give up to $19,000 tax-free to as many people as they'd like during 2025 and again in 2026, without reducing their lifetime gift tax exemption.

IRS refunds going paperless

As of September 30, 2025, the IRS began phasing out paper checks for tax refunds. The transition to direct deposit aims to improve security, speed, and cost-efficiency. The IRS is encouraging "unbanked" individuals to open a bank account, but if they don't have one, they can receive their refund in the form of a prepaid debit card. In 2025, 93% of tax refunds were issued electronically.

New Roth 401(k) rules for catch-up contributions

If you're 50 or older, earned more than $145,000 in Federal Insurance Contributions Act (FICA) wages last year, and are making catch-up contributions to your retirement plan, a new rule applies: Those contributions must be made as Roth (after-tax) contributions. This means you pay taxes now, but any future growth and withdrawals from those contributions will be tax-free.

This also means taxes are paid up front, but future growth and withdrawals are tax-free like a regular Roth IRA. Regular retirement contributions can still be made pretax.

The new rule comes from SECURE Act 2.0, passed in 2022, and goes into effect in 2027, but some plans may implement it in 2026 "using a reasonable, good faith interpretation of statutory provisions."

Retirement plan contribution limits for 2026 will be announced before December, and we'll include them in our Q4 update. Below are the current 2025 401(k) contribution limits. Expect inflation adjustments to increase the regular and catch-up contribution limits across the board.

2025 401(k) Contribution Limits			
Age	Regular	Catch-up	Total
Under 50	$23,500	$0	$23,500
50–59	$23,500	$7,500	$31,000
60–63	$23,500	$11,250	$34,750
64+	$23,500	$7,500	$31,000

Source: IRS; Natixis Investment Managers Solutions

Year-end charitable planning

OBBBA introduces new rules for charitable deductions, creating planning opportunities for 2025:

• For itemizers, a new 0.5% adjusted gross income (AGI) floor will apply starting in 2026. Gifts to charity must exceed this floor to be deductible. If a taxpayer's AGI is $400,000, for example, and they donate $6,000, they can deduct only $4,000, the amount that exceeds the $2,000 floor (0.5% x $400,000). OBBBA also caps the benefit of itemized deductions at 35% for those in the 37% marginal tax bracket.

• Charitable deductions don't benefit taxpayers taking the standard deduction in 2025. But next year joint filers can deduct up to $2,000 in cash donations in addition to the standard deduction. To qualify, the donation must be a cash contribution to public charity. Gifts of appreciated stock, gifts to donor-advised funds (DAFs), and donated household items won't count.

Putting it all together, 2025 presents a strategic opportunity for itemizers to accelerate charitable giving to maximize the charitable deduction before the 0.5% floor takes effect. By leveraging a DAF, individuals can bunch future donations into the 2025 tax year, securing an up-front deduction while retaining the flexibility to distribute gifts over time.

Bunching charitable donations can be further optimized by donating appreciated stock. Donors should consider using long-term capital gains property (held for a year and a day or longer) and selecting tax lots with the highest percentage of unrealized gains. This allows them to deduct the market value of the stock and avoid having to pay capital gains tax on the unrealized appreciation.

Itemized Deductions	2025	2026
Deductable amount	Statust quo: dollar-for-dollar deduction	• New: can deduct only amounts that exceed 0.5% of AGI floor • New: deduction is capped at 35% for taxpayers in the 37% tax bracket
Limits	Subject to AGI limits for cash (60%) and capital gains property using fair market value (FMV) (30%)	Subject to AGI limits for cash (60%) and capital gains property using FMV (30%)

Standard Deductions	2025	2026
Deductable amount	Statust quo: $31,500 standard deduction, no benefit from charitable contributions	• $32,200 standard deduction • New: can deduct an additional $2,000 below the line for charitable contributions (MFJ)
Limits	Not applicable	Contributions must be in cash (no household goods, securities, or contributions to DAFs)

Source: IRS; Natixis Investment Managers Solutions

Winners and losers: S&P 500® performance

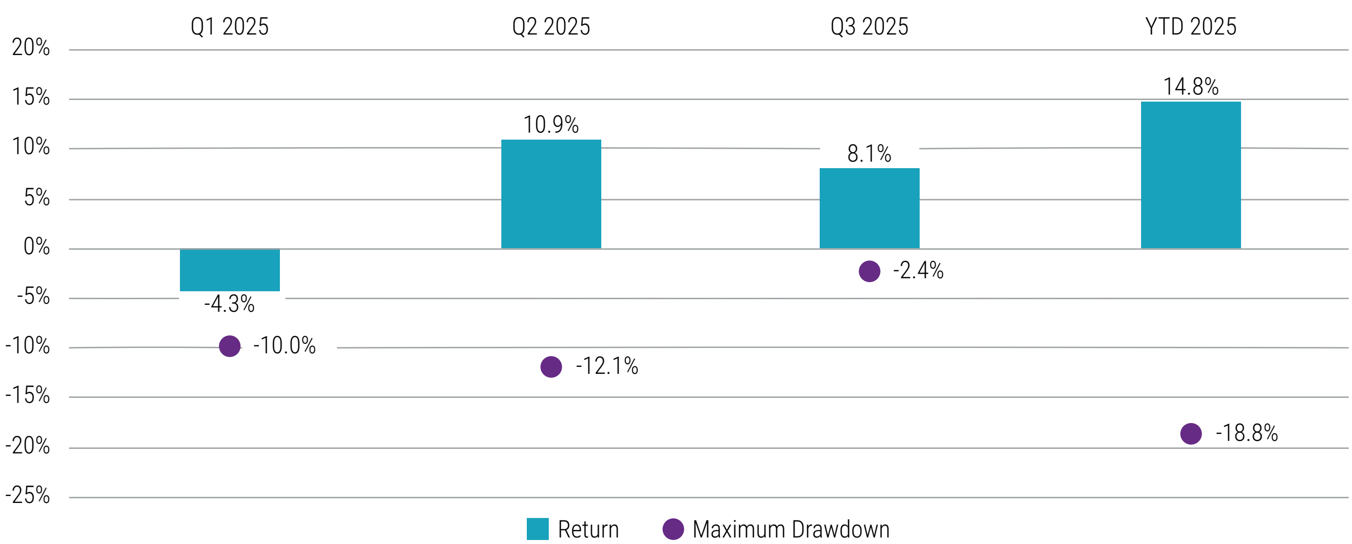
The S&P 500® returned 8.1% for the quarter, bringing the year-to-date return to 14.8%. Consumer staples was the only sector to post a loss in the third quarter, reflecting a continuation of the broad-based rally following April's tariff-related sell-off. Interestingly, just 37% of the S&P 500® stocks have outperformed the index's 14.8% return.

During the quarter, 193 stocks in the S&P 500® declined, with 124 of them falling by 5% or more – levels typically considered attractive for tax loss harvesting. Among the biggest movers, Trade Desk posted the steepest loss at -39.8%, while Western Digital led the winners with an impressive +87.8% gain. Meta Platforms was the only top 10 index holding that ended the quarter in negative territory, albeit marginally at -0.4%. Some of the larger index names with quarterly losses included Visa Inc. Class A (-3.7%), Eli Lilly and Company (-1.9%), Netflix, Inc. (-10.5%), Costco Wholesale Corporation (-6.4%), and Procter & Gamble Company (-2.9%).

Q3 2025	Average Weight %	Total Return %
Information Technology	33.81	13.18
Communication Services	9.98	12.04
Consumer Discretionary	10.49	9.54
Utilities	2.38	7.57
Energy	2.96	6.11
Industrials	8.49	5.02
Healthcare	9.00	3.76
Financials	13.76	3.22
Materials	1.86	3.10
Real Estate	1.99	2.59
Consumer Staples	5.26	-2.36
S&P 500®	**100.00**	**8.12**

Performance data shown represents past performance and is no guarantee of future results.
Source: FactSet; Natixis Investment Managers Solutions

Figure 2: S&P 500® Returns and Maximum Drawdown



Performance data shown represents past performance and is no guarantee of future results.
Source: FactSet

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The S&P 500® Index is a widely recognized measure of US stock market performance. It is an unmanaged index of 500 common stocks chosen for market size, liquidity, and industry group representation, among other factors. It also measures the performance of the large-cap segment of the US equities market.

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Beta measures the volatility of a security or a portfolio in comparison to the market as a whole.

A tax liability is the total amount of tax debt owed by an individual, corporation or other entity to a taxing authority.

Tax loss harvesting is a strategy for selling securities that have lost value in order to offset taxes on capital gains.

Capital gain is a rise in the value of a capital asset (investment or real estate) that gives it a higher worth than the purchase price.

Investing involves risk, including risk of loss. Investment risk exists with equity, fixed income, and alternative investments. There is no assurance that any investment will meet its performance objectives or that losses will be avoided.

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