

Q1 2026

# Tax trends and tactics



## Tax season is open!

The IRS officially opened the 2026 tax filing season on January 26 and is now accepting and processing federal individual income tax returns for tax year 2025. The agency expects roughly 164 million individual returns to be filed by the April 15 deadline. This filing season marks the 40th anniversary of electronic filing, and the IRS is encouraging e-filing combined with direct deposit as the fastest way to receive refunds. Most refunds are issued within 21 days.

As of early March, the IRS has processed over 60 million returns with the average refund at \$3,676, up from \$3,324 for the same period last year. Early filers tend to be those who expect a refund and with less complicated returns.

## Important tax dates for individual filers

Date	Tax
January 16, 2026	4th quarter 2025 estimated tax payments due
April 1, 2026	Deadline to take first Required Minimum Distribution (RMD) if you turned 73 in 2025
April 15, 2026	Deadline to file individual taxes for 2025 (without extension)
April 15, 2026	Deadline to contribute to traditional and Roth IRAs for 2025
April 15, 2026	1st quarter 2026 estimated tax payments due
June 15, 2026	2nd quarter 2026 estimated tax payments due
September 15, 2026	3rd quarter 2026 estimated tax payments due
October 15, 2026	Final deadline to file individual taxes for 2025 (with extension)

Source: IRS; Natixis Investment Managers Solutions

“By selling appreciated investments and reinvesting the proceeds in the market, investors can reset their cost basis higher, potentially reducing future capital gains tax.”



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

### Early-year planning: Gain harvesting

The beginning of the year is a good time to be proactive about tax planning. While many investors associate tax strategies like tax loss harvesting with year-end, the first quarter lends itself to seek tax gain harvesting, a strategy that involves intentionally realizing long-term capital gains to take advantage of low tax rates. By selling appreciated investments and reinvesting the proceeds in the market, investors can reset their cost basis higher, potentially reducing future capital gains tax.

Gain harvesting is particularly valuable in low-income years – when between jobs, after retiring, and before taking required minimum distributions (RMDs) – potentially taking advantage of the 0% federal long-term capital gains (taxable income up to \$98,900 for married filing jointly).

We see gain harvesting requests early in the year for direct indexing portfolios that hold concentrated stock positions. By establishing a “capital gains budget,” investors can de-risk and diversify in a disciplined way. Proceeds from the gain harvesting sale are often the proceeds into a diversified portfolio – like direct indexing or tax-aware long-short – which can systematically harvest losses in the new positions throughout the year to chip away at the earlier gains.

### Tax loss harvesting vs. tax gain harvesting

	Tax loss harvesting	Tax gain harvesting
Purpose	Realize losses to offset gains	Realize gains at lower tax rates
Timing	Systematically throughout the year and at year-end	Case specific, but typically early and late in the year
Repurchase rules	Repurchasing the same or “substantially identical” security within 30 days violates the wash sale rule, disallowing the loss	Can repurchase the same security immediately, the wash sale rule doesn’t apply
Cost basis	Decreases cost basis	Increases cost basis
Future tax impact	May increase future tax burden	May reduce future tax burden

Source: Natixis Investment Managers Solutions

### Estimated tax payments

Above we listed the due dates for estimated tax payments. Estimated tax payments are due to avoid underpayment penalties, and formulas help taxpayers calculate if they’ll need to pay estimates and how much they should pay quarterly.

They tend to apply when a taxpayer has substantial income that isn’t subject to withholding. For example, investors, retirees, and sole proprietors generally don’t have taxes withheld, which can put them behind on tax payments, resulting in a penalty. The statutory interest rate applicable to tax underpayments is currently 7%.

Investors who gain harvest early in the calendar year will want to make estimated payments or, if they are working, increase tax withholding from their paycheck. While reinvesting proceeds into a tax loss harvesting strategy may help reduce the net capital gain by year-end, at a 7% rate, a refund is preferable to a penalty.

### 2026 retirement plan contribution limits

Following last November’s government shutdown, the IRS released 2026 401(k) contribution limits. Compared to 2025, the regular contribution limit increased by \$1,000, the catch-up limit increased by \$500, and the super catch-up remained at \$11,250.

2026 401(k) contribution limits			
Age	Regular	Catch-up	Total
Under 50	\$24,500	\$0	\$24,500
50–59	\$24,500	\$8,000	\$32,500
60–63	\$24,500	\$11,250	\$35,750
64+	\$24,500	\$8,000	\$32,500

Source: IRS; Natixis Investment Managers Solutions

### The “rothification” of the 401(k)

A new rule governing 401(k) catch-up contributions from SECURE 2.0 Act took effect in 2026. If you’re 50 or older, earned more than \$150,000 in Federal Insurance Contributions Act (FICA) wages in 2025, and are making catch-up contributions to your retirement plan: 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.

Note that your 2025 income (from the sponsoring employer) determines if your catch-up contributions have to go into the Roth. That’s already known since 2025 is in the books. Your employer will automatically put your catch-up contributions into the Roth account if you meet the criteria. If your employer doesn’t offer a Roth as part of the 401(k), you can’t make catch-up contributions.

### Trump accounts: Retirement savings from birth

Trump accounts are a new type of retirement account, similar to an IRA, but with features designed to promote early savings for children. They can be opened from birth through the year before the child turns 18.

Beginning July 5, eligible children born between January 1, 2025, and December 31, 2028, who open a Trump account and opt in will receive a onetime \$1,000 government deposit to help them get started. Annually, parents can contribute up to \$5,000, and employers can add \$2,500 more. Contributions are made with after-tax dollars, investment growth is tax-deferred, and distributions are taxable starting at age 59½.

The biggest attraction of these accounts may be the onetime \$1,000 government contribution. In addition, a growing number of companies have adopted a similar approach by offering a matching \$1,000 contribution for their employees, including JP Morgan, Charles Schwab, Bank of America, BlackRock, Uber, Comcast, Nvidia, IBM, Intel, and Chipotle.

For higher-income families already maximizing retirement and education savings, the incremental benefit may be limited. The lack of liquidity (no money can come out before 18), limited investment options (domestic index funds only), and relatively low contribution limits without deductibility have some questioning whether the juice is worth the squeeze.

Still, a renewed focus on retirement savings is welcome. Developing good saving and investing habits early, paired with a longtime horizon for compounding growth can benefit many young investors.

Pros	Cons
<b>No earned-income requirement</b> – can be funded from birth with contributions from individuals up to \$5,000 per year (indexed for inflation), including up to \$2,500 from an employer	<b>Contributions are not tax-deductible</b> – unlike a contribution to a traditional IRA, contributions are made with after-tax dollars
<b>Government seed funding</b> – onetime \$1,000 government contribution for American children born between January 1, 2025, and December 31, 2028; must proactively elect to receive the \$1,000 pilot program contribution on IRS Form 4547, Line 7	<b>Limited investment options</b> – investments are limited to S&P 500® and US-indexed mutual funds and exchange-traded funds with an annual expense no higher than 0.10%
<b>Tax-deferred growth</b> – account grows tax-deferred like an IRA	<b>No immediate liquidity</b> – deposits cannot be withdrawn prior to age 18, and participants must wait until 59½ to make penalty-free withdrawals

Source: Natixis Investment Managers Solutions

### Winners and losers: S&P 500® performance

The S&P 500® returned 17.9% for the year with all 11 sectors posting positive returns, driven by information technology, communication services, and financials. Interestingly, just 27% of index names outperformed the index’s 17.9% return for the year.

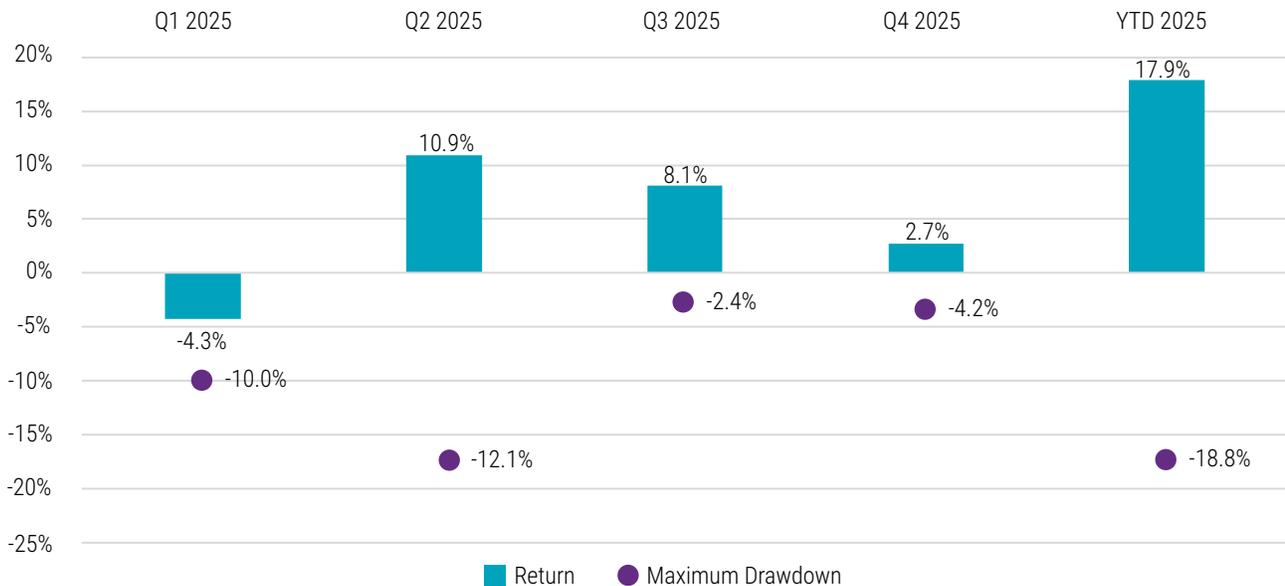
As we like to say, tax loss harvesting opportunities exist in all market environments. So even in a solid year like 2025, 36% of index names were down. Tariff-related volatility in March and April provided most of the year’s loss harvesting opportunities. Especially hard hit in 2025 were real estate, consumer staples, and materials stocks, which saw more losers than winners.

During the fourth quarter, the S&P rose 2.7%, driven by healthcare and communication services. Real estate and utilities finished down for the quarter. Half of the index names were down in Q4 with 165 of them falling by 5% or more – levels typically considered attractive for tax loss harvesting. Among the biggest movers, Fiserv, Inc. posted the steepest loss at -46.7%, while Albemarle Corp. led the winners with an impressive +67.9% gain. Some of the larger contributors with quarterly losses included Oracle Corp. (-32.4%), Netflix Inc. (-19.9%), Home Depot (-12.7%), and Uber Technologies (-15.4%).

Full year 2025	Average weight %	Total return %	Contribution to return %	Stocks up %	Stocks down %
Information Technology	32.8	24.0	8.1	62	38
Financials	13.8	15.0	2.1	68	32
Consumer discretionary	10.5	6.0	0.6	62	38
Communication services	9.8	33.6	3.2	67	33
Healthcare	9.8	14.6	1.0	70	30
Industrials	8.4	19.4	1.7	66	34
Consumer staples	5.4	3.9	0.2	40	60
Energy	3.1	8.6	0.2	74	26
Utilities	2.4	16.0	0.4	90	10
Real estate	2.0	3.2	0.1	31	69
Materials	1.9	10.5	0.2	47	53
S&P 500®	100.0	17.9	17.9	64	36

Source: FactSet; Natixis Investment Managers Solutions

**S&P 500® returns and maximum drawdown**



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

Source: FactSet; Natixis Investment Managers Solutions

➤ To learn more about direct indexing separate account strategies, please contact your financial professional.

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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.

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