



First Citizens Wealth®



2026 WEALTH PLANNING GUIDE

for Individuals & Families

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Introduction

The start of a new year offers a natural opportunity to pause, reassess and ensure your financial strategy is aligned with the environment ahead. Unlike year-end checklists that focus on final tasks, this outlook takes a broader perspective—examining economic conditions, understanding recent tax changes and evaluating how well your financial plan aligns with expected conditions.

Recent insights from **First Citizens Wealth's Making Sense: 2026 Market Outlook** point to an economy that has remained surprisingly resilient despite policy shocks and market volatility. After weathering a tumultuous start to the year, the U.S. economy and financial markets are ending 2025 close to the consensus expectations from one year ago.

Yet resilience doesn't mean uniform stability. Many households continue to navigate real financial pressures. Inflation remains above the Federal Reserve's 2% target, and while interest rates have begun to ease, elevated prices continue to weigh on household budgets.

Against this backdrop, four areas deserve particular focus as you plan for the year ahead:

- 1 Growing signs of consumer strain beneath continued spending
- 2 A housing market normalizing after years of rapid appreciation
- 3 A labor market cooling from historically tight conditions
- 4 A meaningful shift in the tax landscape following recent legislation

In the pages that follow, we examine how these developments may influence your financial world—from investments and liquidity to career decisions, real estate and estate planning. We outline strategies for a range of households, including affluent, high-net-worth and ultra-high-net-worth families, highlighting approaches that are particularly relevant in today's environment.

This guide doesn't attempt to cover every planning technique. Instead, it focuses on strategies that are timely, effective and often underutilized—those that can help you make informed decisions and position your plan to remain resilient under a variety of conditions.

Above all, it's designed for individuals and families who want to approach the year ahead with clarity and intention.

Headwinds to watch in 2026

- Cooling hiring demand
- Increases in layoffs
- Soft consumer sentiment
- A top-heavy consumer profile
- Inflation holding near 3%
- Ongoing tariff-related uncertainty
- Elevated consumer prices

Source: First Citizens Wealth's Making Sense: 2026 Market Outlook

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The economy endures—but consumers are feeling strain

Growth has remained stable, but elevated costs and growing reliance on credit are affecting many households.

In 2025, the economy was shaped by a variety of forces. Inflation, a softening job market and ongoing shifts in government policy contributed to a sense of uncertainty for many Americans. Yet despite these pressures, the recession many experts predicted at the start of the year never materialized. Instead, economic resilience has remained intact, with overall growth holding near trend and financial markets performing well.

Many economists view the risk of recession in 2026 as modest. Markets, in particular, have shown durability in the face of legislative changes and geopolitical tensions. And while consumer prices rose roughly 3% last year, overall spending has remained surprisingly steady—supported in part by ultra-high-net-worth households, who have been less affected by rising costs. Their confidence reflects this stability—63% report feeling confident about their personal wealth planning in 2025, according to the most recent **First Citizens Beyond Wealth survey**.

Disparities in household financial strength

Beneath the surface, however, signs of strain are becoming more evident. Financial stress remains elevated even among wealthier Americans. In our 2025 Beyond Wealth survey, more than half of wealthy Americans report feeling somewhat or very stressed about their finances, with many cutting back on luxury spending while prioritizing long-term savings and investment goals.

Meanwhile, economic strength remains uneven. Gains from rising equity markets and home values have largely accrued to higher-income households, while wage growth has slowed for middle- and lower-income earners—those most exposed to higher everyday costs. Price increases from the past several years have accumulated, leaving households paying meaningfully more for essential goods and services such as insurance and utilities. These elevated price levels are weighing on consumer sentiment and could limit the pace of spending growth in 2026, particularly if inflation and tariff-related uncertainty persist.

Wealthy Americans who report financial stress

7%
Very stressed

48%
Somewhat stressed

Source: 2025 Beyond Wealth Report for Wealthy Americans, First Citizens Wealth.

Debt and delinquencies signal emerging risk

At the same time, rising consumer debt suggests that some consumers are increasingly relying on credit to manage higher costs. According to the **Federal Reserve Bank of New York**, U.S. household debt reached \$18.59 trillion in Q3 2025—up \$4.44 trillion since late 2019. Household delinquency rates are also rising as more Americans struggle to keep up with credit card and auto loan payments. According to a November 2025 **Federal Reserve report**, delinquencies in both categories have approached levels not seen since the Great Recession—raising concerns about the long-term health of household balance sheets.

If this trend persists into 2026, higher debt burdens and elevated price levels could begin to weigh more meaningfully on consumer spending. Households with limited financial flexibility may become more vulnerable to economic shocks, leaving them more sensitive to changes in interest rates, employment conditions or inflation.

Dive deeper

The 2025 Beyond Wealth Report for Wealthy Americans offers insight into the economic pressures affluent and high-net-worth individuals faced in 2025—and how it's reshaping their approach to money, business and future planning in the coming year.



Read the report

Planning priorities for 2026

This economic climate makes thoughtful, proactive planning more important than ever. While markets have remained resilient, financial pressures are building for many households—reinforcing the importance of liquidity, flexibility and a disciplined, long-term approach. Whether your priority is protecting what you’ve built or positioning for future growth, this is an ideal moment to revisit how well your financial strategy aligns with today’s conditions. Building resilience means ensuring you can absorb disruption without being forced into short-term decisions that compromise long-term goals.

Keep the long-term in focus

Stay invested

Attempting to time the market is notoriously difficult. Predicting both when a downturn will begin and when a recovery will take hold is nearly impossible, and missing even a handful of the market’s best days can significantly reduce long-term performance. Anchoring your strategy to a long-term plan that reflects your time horizon and risk tolerance generally leads to better outcomes than reacting to short-term volatility.

Know your retirement number

Knowing your target retirement number can help contextualize market volatility. A clearly defined target creates focus and confidence—particularly during periods of economic stress. Several quick frameworks can help you gauge whether your retirement plan remains on track:

- **Multiple of income:** A common starting point is to target roughly 10–12 times annual income. For someone earning \$200,000, that implies at least \$2 million in retirement savings.
- **Income-replacement method:** Many retirees need 70–80% of pre-retirement income to sustain their lifestyle. At 70%, someone earning \$200,000 would need about \$140,000 annually, or roughly \$2.8 million over a 20-year retirement.
- **The 4% rule:** For a more tailored estimate, work backward from expected spending. If you need \$140,000 annually and expect \$20,000 from Social Security, the remaining \$120,000 would require a portfolio of roughly \$3 million to support a sustainable 4% withdrawal rate.

Your actual target may be higher or lower depending on your expenses, lifestyle or philanthropic objectives, which is why working with an advisor to build a comprehensive plan offers the most accurate projection.

Give your child a meaningful head start with a Roth IRA

Rising living costs make the path to independence more complex for younger generations. One way to help your children build a strong foundation is through a custodial Roth IRA.



If your child has earned income, whether from part-time work, babysitting, tutoring or other self-employment, they're eligible to contribute. A custodial Roth IRA allows after-tax contributions to grow tax-free, and parents can strengthen the impact by matching their child's contributions, up to the child's total earned income or the annual limit—\$7,500 for 2026.

Parents retain control of the account until the child reaches the age of majority, and Roth contributions—though not earnings—can be withdrawn at any time without tax or penalty. Establishing this early savings habit provides a practical learning experience while giving your child a meaningful head start on long-term financial security.

Consider life insurance

Permanent life insurance can serve as a powerful complement to traditional investment and estate strategies. Beyond providing protection, it functions as a versatile planning tool. Cash value grows tax-deferred, can be accessed under favorable tax rules, and may help smooth income needs during periods of market volatility or unexpected expenses.

When structured properly, the death benefit can also enhance the efficiency of your estate—by passing the benefit to your heirs outside of probate and free of income tax. And unlike qualified retirement accounts, permanent insurance policies have no annual contribution limits, giving high-net-worth households a more flexible way to transfer tax-advantaged assets as part of a broader estate plan.





CASE STUDY

Life insurance as an asset class

In his 40s, John was a high-income earner who received an annual bonus of \$50,000. He regularly maxed out his 401(k) but wanted to save more for retirement. John already had term life insurance in place to provide income replacement through his youngest child's early adulthood and help ensure his mortgage could be paid off if something unexpected occurred. His advisor showed him how cash value life insurance could also provide tax-efficient income as part of his retirement plan.

Working with his advisor, John decided to place his full annual bonus into a permanent life insurance policy for 20 years, designed to support both his family protection goals and long-term retirement strategy.

Now 65 and preparing for retirement, John no longer needs the policy's death benefit—his children are financially independent, his home is paid off and his financial picture is strong. What remains is a significant asset—\$1,788,238 in accumulated cash value.

Through carefully structured withdrawals, John may be able to take approximately \$148,300 per year from age 65 to 85 income-tax-free, which reduces pressure on his investment accounts—especially in years when markets are down. And although these

withdrawals will decrease the death benefit, that need has already diminished.

Originally intended to complement term coverage for family protection, the permanent policy has ultimately become an adaptable financial tool—one that strengthens John's retirement strategy, adds liquidity to his plan and offers stability in a shifting economic environment.

Planning takeaway

Life insurance strategies can evolve as your needs change. Your First Citizens wealth consultant works with an integrated financial team, offering access to insurance specialists to help evaluate whether existing insurance coverage could be repositioned as part of a broader retirement plan.

Category	Amount
Bonus contributions	\$50,000/year for 20 years
Total contributions	\$1,000,000
Accumulated cash value (age 65)	\$1,788,238
Annual tax-free withdrawals (age 65-85)	~ \$148,300/year for 20 years

Review your estate plan

The start of a new year is an ideal time to review certain aspects of your estate plan and ensure that all necessary planning documents are in place. A basic plan typically includes:

- **A will or revocable trust** to direct how your assets should be distributed and your choice of guardian for any minor children. A revocable trust can also ensure management of your financial assets should you become incapacitated and can help your family avoid the court-supervised probate process.
- **Beneficiary designations and property titling**, which can transfer many assets—such as retirement accounts or your home—directly to loved ones without going through the court process.
- **A health care advance directive** to name someone to make medical decisions if you cannot.
- **A durable power of attorney** to authorize a trusted person to handle financial matters not governed by your trust.

Stay resilient in the near-term

Bolster your liquidity

Holding 3–6 months of essential spending in highly liquid, low-risk vehicles—such as money market funds or high-yield savings—can help buffer against volatility. Single-income households, those with dependents or individuals working in niche, competitive or vulnerable industries may benefit from an even more substantial liquidity reserve.

Develop a more intentional spending plan

During periods of uncertainty, it can help to clearly separate short-term spending needs from long-term savings. This becomes especially important near and during early retirement, when withdrawals begin and savings are more sensitive to timing risk.

One way financial advisors may approach this is by organizing savings into time-based buckets:

- Short-term bucket: 0–2 years
- Mid-term bucket: 2–10 years
- Long-term bucket: 10+ years

Your advisor can help you choose the type of savings that align with each timeframe—supporting liquidity needs while also protecting long-term allocations.

Manage debt strategically

Even high-net-worth households can feel the impact of high interest rates and tighter credit conditions—particularly when leverage is used strategically in a broader wealth plan. If you hold multiple loans or revolving balances, prioritizing repayment of high-interest balances by structuring repayment intentionally can bring clarity.



Two common approaches include the avalanche method and snowball method.

- **Avalanche method:** Focus on paying down the highest-interest debt first to minimize total interest paid.
- **Snowball method:** Eliminate the smallest balances first to create early progress and reinforce discipline.

For some, thoughtfully restructuring debt through consolidation, refinancing or extended terms may be appropriate. Utilizing a personal loan, home-equity solution or securities-based line of credit can streamline debt management and, in some cases, reduce borrowing costs. This approach is best suited when the revised loan or line of credit:

- Improves pricing relative to existing obligations
- Introduces rate certainty to manage interest-rate risk
- Aligns repayment terms with broader cash-flow and liquidity planning objectives



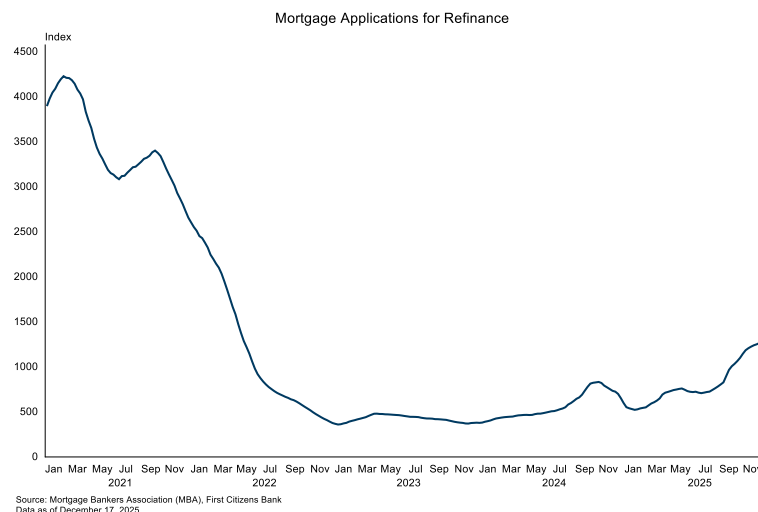
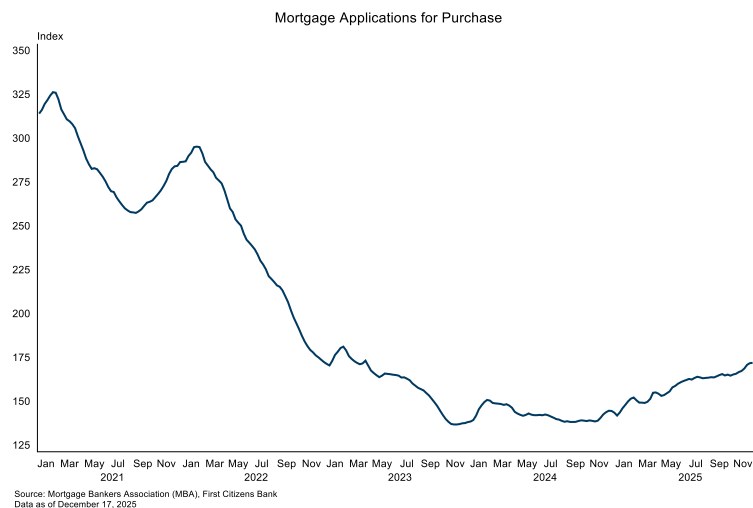
A cooling in the hot housing market

After years of rapid appreciation, housing activity is softening in some regions, creating a flatter market where neither buyers nor sellers hold a clear advantage.

After several years of rapid, post-pandemic growth, the housing market is showing signs of cooling. New housing starts remain subdued, and applications for both new mortgages and refinancing are well below levels seen just a few years ago—reflecting affordability constraints and reduced turnover.

While multiple factors are contributing to this shift, the implications are meaningful for both buyers and sellers. In a flatter market, buyers may face fewer competing offers, while sellers may encounter longer listing periods and modest downward pressure on prices in certain locations.

Mortgage applications remain comparatively low



A mixed national outlook

Pressure is already visible across parts of the country. Although many major metropolitan areas continue to see relatively strong home values, the national median sales price has declined—from a high of \$442,600 at the start of 2023 to \$410,800 midway through 2025. In other words, local strength in some housing markets is likely being offset by softer conditions elsewhere, creating a mixed national outlook in 2026.

Despite three cuts to the federal funds rate in 2025, mortgage rates remain elevated compared with pre-pandemic norms and are unlikely to decline rapidly. If mortgage rates remain elevated, it may reinforce so-called lock-in behavior among homeowners reluctant to give up ultra-low mortgage rates. This could continue to restrict housing supply for first-time homebuyers and households considering a move for work or lifestyle reasons.

What this means for planning

Although conditions vary widely by region, slower price growth and reduced activity in some markets may introduce important planning considerations. Understanding how a softer housing market affects pricing, inventory, financing options and personal liquidity can help buyers, sellers and investors make more informed decisions in the months ahead.

The sections ahead offer practical considerations for a range of financial situations—from affluent households preparing to buy or sell, to high-net-worth families seeking to manage liquidity and balance real estate exposure within a broader investment strategy.



Buying and selling real estate in 2026

A flat housing market can offer some advantages. With neither buyers nor sellers in control, both parties generally have more time to make decisions, negotiate terms and conduct due diligence.

Considerations for affluent buyers

For affluent and high-net-worth households, buying real estate—whether it's a primary residence, second home or investment property—is a decision with far-reaching implications. The good news is that in a less-competitive housing market, buyers have more time to consider how the purchase fits into their larger financial strategy.

Evaluate long-term value, not just today's rates

While mortgage rates remain elevated, purchase decisions are best viewed through a long-term lens. Equity growth, income potential and future refinancing flexibility may outweigh short-term rate concerns—especially for buyers able to contribute more equity or source alternative financing to reduce interest-rate sensitivity.

Broaden your financial focus

In addition to price and financing, affluent buyers should also assess the impact of the deal on cash flow, taxes and portfolio diversification—particularly for investment properties. State tax treatment is just one example of how planning considerations can differ.

Most states tax capital gains at the same rate as ordinary income, and that can affect the after-tax return when an investment property is sold. Missouri, for instance, eliminated its state capital gains tax for individuals effective January 1, 2025, while seven other states impose no capital gains tax because they do not levy a state income tax at all. By contrast, Washington and Maryland expanded their capital gains taxes in 2025.

Because state rules can vary widely—and change over time—working with a wealth consultant and tax professional can help you factor location, holding period and exit strategy into real estate decisions before you buy.

Preserve post-sale liquidity

Buying a home often strains liquidity, so try to hold back some cash from your down payment or rebuild your emergency fund quickly after the purchase if possible. Even with a solid inspection, unexpected repairs—from water heaters to storm damage—can arise. Maintaining accessible cash or credit capacity after closing can help you avoid the need to sell portfolio assets.



Top strategies for sellers

Selling a home in a flat market may require a more flexible approach. With fewer active buyers and longer sales cycles, buyers often have more negotiating power, making outcomes more dependent on pricing, presentation and deal structure. Recent changes to how real estate commissions are handled have added another variable for sellers to factor into negotiations.

Set pricing with precision

Just a few years ago, it was common for buyers to compete with above-list offers, inspection waivers and automatic escalations. Power shifts from sellers back to buyers in a flatter market, and pricing accuracy becomes more important. Relying on nominal price reductions can weaken momentum and signal misalignment with buyer expectations.

Instead, position the property competitively from the beginning. Start with a comparative market analysis, pre-list inspection and professional staging or photography. Then consider offering to cover some closing costs, providing a longer home warranty or covering some of the buyer's realtor fee.

Prepare for expanded negotiations

Industry changes in 2024 mean sellers are no longer automatically expected to cover buyer-agent commissions as part of a bundled fee. Instead, commission structures are increasingly negotiable and often vary based on the competitiveness of local markets.

While many sellers still choose to offer some form of buyer-agent compensation to boost demand—especially in slower markets—evaluating commission structure alongside price and incentives can help attract more buyers while maintaining overall value.

Plan your buy–sell timing

Selling and buying at the same time can require careful coordination. To avoid overlapping mortgages, consider selling first and renting temporarily, or negotiating a short-term rent-back with the buyer—also called a sale-leaseback. If conditions make selling difficult, renting your current home for a period can buy you time while allowing equity to grow.



How sellers can access short-term liquidity

If your current home hasn't sold before you need funds for a new down payment, consider these short-term liquidity options. A financial advisor can help you evaluate if either fits your situation.

- **Securities-backed lending.** A line of credit secured by your investment portfolio can provide liquidity without selling assets or realizing capital gains. Once your home sells, you can pay down the line.
- **Cash-out refinance.** You can take out a new mortgage and tap up to roughly 80% of your equity. While this provides short-term liquidity, it also adds extra closing costs, so factor that into your decision.

Tips for wealthier households in a flat housing market

When it comes to buying and selling real estate, higher-net-worth families face many of the same considerations as other households. However, you may have access to additional strategies that can help boost flexibility in a flat market. Talk with your wealth consultant to see if one of these strategies is right for you.

Make all-cash or high-equity offers

If you have the ability, consider making an all-cash purchase or contributing significantly more equity. Both approaches can facilitate sales by strengthening the offer, shortening the closing timeline and insulating buyers from the impact of higher rates.

Note that it's important to discuss the impact of reducing liquidity on your overall financial situation with a financial advisor—especially if you're a business owner operating in certain industries.

Help adult children purchase homes

For younger buyers facing the combination of student debt, high home prices and elevated borrowing costs, securing a traditional mortgage may be a challenge. For families with means, an intrafamily loan can be an attractive alternative. By lending the funds directly, parents can keep the transaction private while avoiding underwriting and closing costs.

What's more, intrafamily loans can often be set up with a much lower interest rate. While the loan must include a rate that at least matches the applicable federal rate, or AFR, this is typically far lower than what's available through traditional financial institutions.

As with any loan, documentation is essential. Payments should follow a set schedule, and the agreement should include standard provisions such as interest terms, a repayment or amortization schedule, and what happens in the event of default.

Parents can also forgive some or all of the payments each year using the annual gift exclusion—\$19,000 per recipient in 2026—or apply a portion of their lifetime estate tax exemption, which would require filing a gift tax return.





CASE STUDY

An intrafamily loan

Meredith, a high earning parent, wants to support her adult children financially without diminishing their independence. Her daughter, Theresa, hopes to buy her first home but is balancing student loan payments and facing high housing costs.

An intrafamily loan allows Meredith to help Theresa purchase a home that might otherwise be out of reach. Meredith provides the funds and receives a promissory note in return. Because the loan carries a lower interest rate than a traditional mortgage and avoids closing costs, Theresa's monthly payments are significantly reduced. At the same time, making regular payments allows Theresa to maintain a sense of financial responsibility and ownership.

In addition, Meredith may choose to forgive \$19,000 or more of Theresa's mortgage payments each year as a gift, not subject to gift taxes.

Intrafamily loan comparison

Home value: \$750,000

Loan type: 30-year fixed rate

	Traditional loan	Intrafamily loan
	6.18% interest	*4.46% interest
Monthly payment	\$4,227	\$3,586
Monthly savings	n/a	\$641
Annual savings	n/a	\$7,692

*Reflects AFR as of December 2025; rates change monthly.

Leverage rental properties for income and tax efficiency

For wealthy individuals with secondary homes or investment properties, a flat housing market can be an opportunity to maximize returns. Rental demand has risen alongside home prices, and converting a vacation home, condo or other property into a short- or long-term rental can generate steady income and improve diversification.

Some investors may also choose to acquire undervalued properties during slower market periods, using rental income as the primary return while waiting for appreciation. Rental real estate also offers several meaningful tax advantages including:

- **Deductions:** Landlords may deduct a range of operating expenses—including mortgage interest, property taxes, insurance, repairs, maintenance, utilities, professional management fees and eligible travel costs—helping reduce taxable rental income.
- **Depreciation:** Owners may deduct a portion of a rental property's value—excluding land—each year over its useful life. And because depreciation is a noncash expense, it can offset rental income on paper even when the property generates positive cash flow.
- **Section 199A deduction:** Landlords operating as a sole proprietor, LLC or S corporation may deduct up to 20% of qualified business income, subject to specific requirements.
- **Section 1031 exchanges:** Sellers can defer capital gains and depreciation recapture taxes by reinvesting rental property sale proceeds into another qualifying, like-kind real estate investment within 180 days. In addition, if the property is held until death—either directly or through successive 1031 exchanges—heirs receive a step-up in basis, which may eliminate the recognition of prior unrealized gains for income tax purposes.

This combination of income potential, flexibility and tax treatment can make rental real estate a valuable long-term tool for higher-net-worth families—especially during periods of slow or uneven housing market growth. Consult a tax professional or wealth advisor for personalized guidance applicable to your situation.



A labor market losing momentum

Slower hiring, selective layoffs and uneven data is making income planning and career decisions more complex for many Americans.

In the second half of 2025, the labor market began to cool from historically tight conditions. Hiring continued, but the unemployment rate edged higher, layoffs increased in certain sectors and jobless claims moved upward. Recent Federal Reserve rate cuts reflect growing concern about labor-market conditions, even as inflation remains above the Fed's long-term target.

According to the December 2025 Challenger Report, which tracks announced corporate layoffs and hiring plans, hiring declined to its lowest level in 15 years. U.S. employers announced more than 1.17 million job cuts through November 2025—the highest level since the first year of the COVID-19 pandemic and a 54% increase from the same period in 2024. Employers cited restructuring, the adoption of AI and broader market conditions—particularly tariff uncertainty and the downstream effects of federal cuts—as the top reasons for initiating layoffs.

As with the housing market, it remains unclear whether conditions will weaken further in 2026 or simply plateau. Complicating the outlook, recent labor data has been uneven, making it harder for policymakers and economists to assess the trajectory of the labor market with confidence.

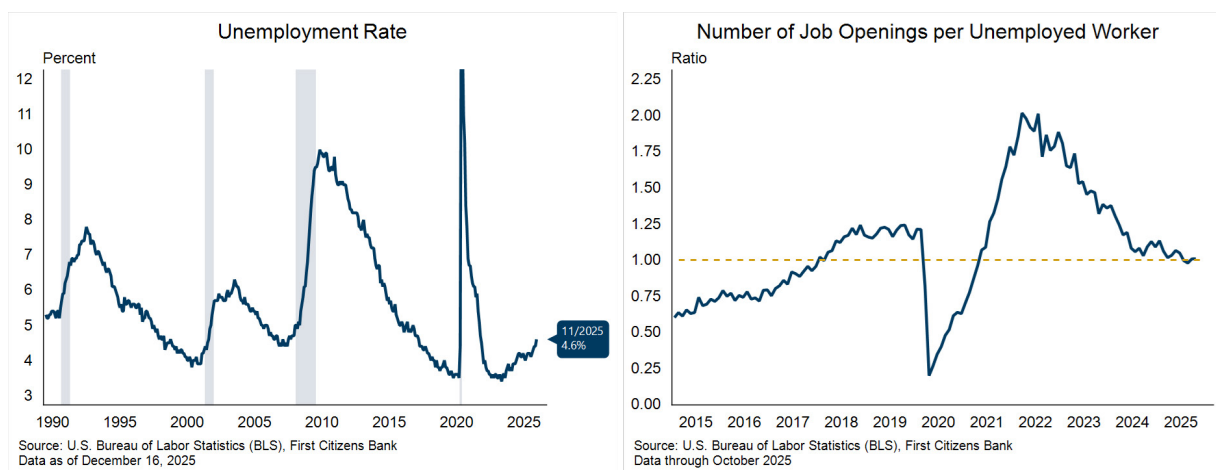
Stress at the household level

Earned income remains a critical pillar of financial security for most households. In our 2025 Beyond Wealth survey, 75% of wealthy individuals identified income from working as a primary source of wealth, while 15% cited the job market as a top source of financial stress.

Even modest shifts in labor conditions can increase anxiety across income levels. While higher-income households may appear insulated, our findings suggest otherwise. Ultra-wealthy respondents reported plans to retire four years later than other Americans—age 69 versus 65 for full retirement and age 66 versus 61 for partial retirement, according to our 2025 Beyond Wealth report—reflecting how labor market uncertainty is influencing planning decisions even at the top end of the wealth spectrum.

In a less dynamic labor market, individuals who might otherwise consider a career move may stay put for the sake of security—even when their current role is no longer a good fit. This phenomenon, often referred to as job hugging, can limit career growth over time, reduce workforce mobility and contribute to lower engagement when caution outweighs opportunity.

The U.S. labor market is no longer tight



Adapting to a changing job market

Building flexibility into income, savings and career strategies—and focusing on steps that reinforce financial stability—can help you navigate job market uncertainty in the year ahead.

Prepare for gaps

For those still building wealth, a softer labor market makes proactive planning especially important. As competition for open roles increases, job searches may take longer and career transitions may require more planning. If you work with an advisor, consider scheduling a review. They can stress-test scenarios, recommend adjustments and confirm whether your plan can withstand a temporary disruption in income.

Maximize employer benefits

Make sure you're maximizing the workplace benefits available to you now. If your retirement plan offers an employer match, contribute enough to receive the full amount. Take advantage of tax-advantaged accounts such as HSAs or FSAs when possible to capture pre-tax savings.

If you're pursuing a new role, stay flexible in negotiations. In a softer labor market, total compensation may matter more than base pay alone. Benefits such as additional paid time off, flexible work arrangements, employer matching for student loan payments or professional development support can meaningfully improve your package—even if base pay is constrained.

Strategically expand your network

Today's job search process is highly automated, and applicant pools can surge when hiring slows. Visibility often requires extra legwork, and a strong professional network remains one of the most effective tools. Personal referrals can significantly increase your chances of securing an interview.

For highly compensated individuals, board service can be a powerful way to expand connections and increase visibility with key decision-makers—such as senior leaders, partners and clients. Choose board roles thoughtfully so you're building relationships with individuals who are well-positioned to influence future career options.

Consider entrepreneurship—with a plan

If you've been contemplating starting a business, a cooling job market paired with relatively strong capital markets may present an opening. Periods of uncertainty can surface unmet needs, and investors are often receptive to well-positioned ideas.

While getting a business off the ground is only the first step—and profitability is the true hurdle—soft-launching your concept can help you test demand, refine your offering and work through early challenges before fully committing. And before leaving your current role, consider meeting with a financial advisor to assess timing, funding options and the potential impact of a career transition on your long-term financial strategy.

Optimize taxes on employer stock

If you're anticipating a job change and hold a significant concentration of company stock, it may be a good time to explore net unrealized appreciation, or NUA. This strategy can convert the growth in company stock held in a 401(k) from ordinary income treatment to long-term capital gains.

With NUA, ordinary income tax applies only to the stock's original cost basis—which may be minimal if shares were received through employer matching. The remaining appreciation is taxed at long-term capital gain rates when the stock is sold.

For long-tenured employees with substantial embedded gains, NUA can produce meaningful savings. However, NUA is subject to strict rules, so consulting a financial or tax advisor before taking action is essential.





CASE STUDY

Net unrealized appreciation

Bob has spent 23 years accumulating employer stock in his 401(k). As he approaches retirement, he must decide whether to roll everything into an IRA, where all future withdrawals are taxed as ordinary income, or use the net unrealized appreciation, or NUA, strategy to access lower capital gains treatment on any appreciation.

By taking an in-kind distribution of the employer stock and rolling the rest into an IRA, Bob pays ordinary income tax only on his cost basis. At distribution, the stock's growth is taxed at long-term capital gains instead of higher ordinary income tax rates.

Given the stock's substantial appreciation, NUA allows Bob to convert part of his retirement balance into more tax-efficient capital gains treatment—creating meaningful lifetime savings, as shown in the accompanying chart.

NUA comparison

Value of employer stock: \$300,000

Scenario	Considerations	Taxes due
Direct rollover from 401(k) to an IRA	Taxes and penalties owed at time of eligible rollover	\$0
	Taxes due if IRA assets are withdrawn in cash*	\$90,000
In-kind distribution of employer stock + rollover of remainder to IRA	Taxes due on the cost basis of distributed employer stock	\$0*
	Taxes due when stock is sold**	\$45,000

Illustrative example. Actual tax outcomes will vary based on individual circumstances.

*Assumes taxation at a 30% ordinary income rate; employer stock cost basis assumed minimal or \$0 for illustration.

**Assumes taxation at a 15% long-term capital gains rate and no additional appreciation beyond current embedded gain.

A major shift in the tax landscape

With new tax rules now in effect, key rules around deductions, business income and estate planning are shifting in ways that may warrant a fresh review.

The passage of the One Big Beautiful Bill Act, or OBBBA, marks one of the most sweeping legislative updates in recent years. By making key provisions of the Tax Cuts and Jobs Act, or TCJA, permanent and introducing many new incentives, the law will significantly alter how individuals, families and business owners approach tax planning.

And unlike other economic trends, these changes aren't speculative—they're in effect for 2026. That makes it especially important to understand how the new rules could affect you. As always, we recommend consulting a qualified tax professional before making tax-related decisions.

Top 5 financial concerns among wealthy Americans



1

Reducing tax liability



2

Sustaining lifestyle in retirement



3

Retiring on time



4

Transferring wealth to heirs



5

Managing personal investment portfolio

Source: 2025 Beyond Wealth Report for Wealthy Americans, First Citizens Wealth.

What has changed for affluent taxpayers—and why it matters

While OBBBA includes dozens of tax changes, several stand out for higher-income and high-net-worth households. Some create new near-term opportunities, while others update thresholds that may affect future planning. Taken together, they create a tax environment that is both more favorable in some areas and more complex in others.

Two temporary changes that are already influencing individual planning conversations include:

- **Higher SALT deduction cap:** The cap on state and local tax, or SALT, deductions rises to \$40,000 per household, with inflation adjustments through 2029 and a gradual phase-out starting at \$500,000 of income. In 2030, the cap reverts to \$10,000. For taxpayers in high-tax states, this creates a meaningful but temporary window for relief.
- **New deduction for car loan interest:** Individuals and businesses may now deduct up to \$10,000 in interest on new vehicle loans, provided the vehicle is purchased in 2025-2028 and undergoes final assembly in the U.S. For buyers planning a major purchase, this may tilt the timing or structure of the decision.

Several provisions also matter for business owners and investors:

- **SALT workaround preserved:** Owners of pass-through entities can continue deducting state and local taxes at the business level where allowed by state law. For many, this remains a valuable planning tool.
- **Qualified business income updates:** The 20% deduction for qualified business income, or QBI, no longer has a sunset date, and expanded eligibility allows more pass-through business owners to benefit.
- **New QSBS gains exclusion schedule:** For qualified small business stock, or QSBS, acquired after July 4, 2025, OBBBA introduces a tiered exclusion—50% after 3 years, 75% after 4 years and 100% after 5 years. The act also increases the exclusion cap to \$15 million or 10 times the shareholder's basis, whichever is greater, and will be indexed for inflation beginning in 2027. Higher gross-asset limits also expand access for founders, early employees and investors.

How wealthier households can navigate shifting tax rules

With several tax rules resetting at once, 2026 is an important year to revisit your planning assumptions. The strategies below are not one-size-fits-all solutions. Instead, they highlight areas where proactive planning can help reduce surprises and preserve flexibility as the new rules take hold.

Prepare for renewed exposure to the AMT

Many higher-income taxpayers have avoided the alternative minimum tax, or AMT, since 2018. That may change in 2026.

While OBBBA preserves the higher AMT exemption amounts introduced under the TCJA, it lowers the income thresholds at which those exemptions begin to phase out. As a result, more filers may again find themselves subject to AMT.

The AMT is designed to ensure higher earners pay a minimum level of tax by limiting common deductions, including state and local taxes, accelerated depreciation and certain income from exercising incentive stock options, or ISOs. These add-backs increase alternative minimum taxable income, or AMTI.

AMT exemption and thresholds in 2026

	Exemption amount	Income threshold for phase-outs
Single filers	\$90,000	\$500,000
Married filing jointly	\$140,200	\$1,000,000
Married filing separately	\$70,100	\$500,000

Even if your regular taxable income falls below the phase-out thresholds, AMT can apply if add-backs push AMTI higher. A single filer with \$250,000 of taxable income, for example, may still trigger AMT by exercising ISOs or claiming significant SALT deductions.

Reviewing your income sources, timing and deductions with a tax professional now can help you minimize AMT exposure as the new rules take effect.

Gift more efficiently via a donor advised fund

OBBA introduces new considerations for charitable giving. While taxpayers who take the standard deduction may now claim an above-the-line deduction of up to \$1,000—or \$2,000 for joint filers—those who itemize will face new limitations.

For itemizers, charitable gifts must now exceed 0.5% of adjusted gross income to qualify. In addition, if you're in the highest tax bracket, the value of itemized deductions is limited to 35 cents per dollar.

In this environment, it may be advantageous to bunch several years of donations into a single tax year. Setting up a donor advised fund, or DAF, can help preserve flexibility. You'll contribute to the DAF and receive the deduction in the year of the contribution, while retaining the ability to recommend grants to charities over time. DAFs are simple to establish, support long-term charitable planning and may be named as beneficiaries in estate documents.

Make a plan for embedded gains

Strong market performance over the past several years means many long-term investors now hold positions with substantial unrealized capital gains. These embedded gains can complicate rebalancing or diversification decisions, as selling appreciated assets may trigger sizable tax liabilities.

Work with your advisor to evaluate your options. Potential approaches include:

- Realizing gains over multiple tax years
- Donating highly appreciated positions to a DAF—and repurchasing similar assets with cash
- Transitioning into a more tax-efficient portfolio over time

The right strategy depends on your goals, time horizon and liquidity needs.



Consider a Delaware trust

Trusts are an established vehicle for transferring wealth to your loved ones. They're private, often avoid probate and can include creditor protection features. However, where you establish the trust can meaningfully affect tax outcomes. Delaware, for example, offers several tax advantages.

The state doesn't impose income tax on required trust distributions made to beneficiaries who reside outside the state. It also permits trusts to avoid state income tax on accumulated income and realized capital gains if all beneficiaries are nonresidents. Additionally, Delaware doesn't tax intangible personal property held in trust—such as securities, bonds, intellectual property, life insurance or annuity contracts.

The state also permits dynasty-style provisions that allow a trust to hold personal property indefinitely and real property for up to 110 years, potentially avoiding transfer taxes across multiple generations.

For families with complex estates or multigenerational goals, a Delaware trust can serve as a powerful foundation for managing income and supporting legacy planning over time. This is especially true when the trust is coordinated with experienced legal and wealth advisors.

Monitor your estate value

By making the \$15 million per-person federal estate tax exemption permanent and inflation-adjusted, OBBBA ensures that most families will never owe federal estate tax. That said, sizable growth in real estate, business interests and investment portfolios can push estate values higher than expected over time.

Tracking your net worth regularly, refreshing valuations and modeling future growth scenarios can help you spot issues early. For households near the exemption threshold, proactive planning may help preserve some tax-efficient options.

Estate freeze techniques to consider

Estate freeze strategies can help ultra-high-net-worth families shift appreciating assets out of their taxable estate while retaining control or income. Common tools include:

- **Grantor trusts:** Allow assets to grow outside the estate while the grantor pays income taxes, effectively increasing the value of the trust without additional gifting.
- **Qualified Personal Residence Trusts:** Transfer a primary or secondary residence at a reduced gift value while allowing continued use for a set term.
- **Installment sales or sales to an intentionally defective grantor trust:** Freeze the value of an asset by selling it in exchange for a note, moving future appreciation outside the estate.

These approaches require careful planning but can meaningfully reduce long-term estate tax exposure—especially for families with rapidly appreciating businesses or investment portfolios.



CASE STUDY

Planning now to avoid estate taxes later

Tom and Cindy are married and have owned a successful logistics company for 20 years. As they approach retirement and consider an eventual sale, they're evaluating how best to transfer wealth to their children. The company is valued at \$40 million today, but growth is expected to accelerate in the coming years.

After meeting with their wealth consultant and estate planning attorney, they decide to establish two grantor trusts. At the start of 2026, they use their combined \$30 million lifetime estate and gift tax exemption to transfer 45% of nonvoting company stock into each trust at a

discounted value. They each retain 5% and continue running the business and drawing salaries as usual.

By moving \$30 million of nonvoting shares into the trust today, they remove that value—and its future appreciation—from their estate. If the company later sells for \$55 million, they'll have effectively excluded \$49.5 million from estate taxation, yielding an estimated \$19.8 million in estate tax savings. The proceeds can remain invested within the trusts and continue to grow estate-tax-free.

Moving forward with resilience

As the saying goes, the only constant is change. In the years ahead, the economy, tax landscape and global environment will continue to evolve—sometimes gradually, sometimes unexpectedly. While none of us can control these shifts, we can control how prepared we are for them and how confidently we respond.

The strategies in this guide are designed to help strengthen that resilience. They reflect the planning considerations most relevant today, highlighting areas where thoughtful action may have the greatest impact.

They don't represent every strategy available, nor are they rigid action items. Instead, they serve as practical starting points—meant to help you ask better questions, identify opportunities and stay focused on what matters most to you and your family.

Because planning is deeply personal, the most meaningful step you can take is translating these ideas into actions that fit your life, your goals and your financial picture.

By working closely with your First Citizens wealth consultant—alongside your tax and legal advisors—you gain partners who can help you determine which developments call for action today, which should be monitored over time and which can simply inform future planning. Our approach ensures each consideration is addressed with intention, integrated into your broader strategy, and revisited as your life and the economic landscape shift.

We appreciate the opportunity to support you as you navigate 2026 and beyond.

Get additional perspective

Connect with your First Citizens wealth consultant to gain personalized guidance and ensure your financial plan continues to evolve with clarity, resilience and confidence.





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