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PEAPACK PRIVATE

Welcome to the Fall 2026 issue of Peapack Private's Planning Quarterly. As year-end approaches, financial planning and tax considerations come into greater focus, making this a good time to review whether any adjustments may be appropriate. In this issue, we discuss family charitable giving, Trump Accounts, Roth IRA conversions and vacation homes:

- What charitable giving strategy is best for your family?
- It's time to review Roth IRA Conversions and note some key dates.
- Is it a vacation home or an investment property? The answer depends upon tax treatment.
- Trump Accounts went live this summer and there is a wealth of new information on them.

We hope these articles offer helpful perspective. If you have any questions, one of our Relationship Managers would be happy to assist you.

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Creating a Culture of Charitable Giving Across Generations

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In 2025, charitable giving in the United States reached an estimated record of over $600 billion dollars. With hundreds of billions of dollars being given to charitable causes each year, philanthropy has become such an important part of family legacies.

Teaching future generations how and why to give can be one of the most important gifts a family leaves behind. A thoughtful charitable giving strategy can ensure that family values endure for generations to come. So, how can a family create a culture of giving that spans multiple generations? Let's explore several strategies that can make it possible.

"The most successful charitable plans do more than transfer wealth—they pass along values, purpose and a commitment to making a lasting difference."

1. Donor-Advised Funds (DAFs)

A donor-advised fund is an easy and relatively inexpensive way to create a charitable legacy for your family. A DAF is similar to a charitable investment account. Individuals can contribute cash, stock, or other assets to a DAF. When the assets are donated, you receive an immediate tax deduction for your contribution.

One popular strategy is to contribute highly appreciated securities to a DAF. Donors get the charitable deduction based on the full market value of the securities while avoiding the recognition of capital gains that would otherwise result from a sale.

Another advantage of a DAF is flexibility. Funds can be distributed to charities immediately, over time, or even designated for charitable causes after a donor's passing. Additionally, many DAF sponsors allow donors to name one or multiple successor advisors who can recommend grants after a donor's passing.

By involving children and grandchildren as successor advisors, families can create a lasting tradition of charitable giving. Your wealth advisor can assist with establishing and managing a donor-advised fund. There is no need to involve an attorney and no annual tax filings are required.

2. Charitable Remainder Unitrusts (CRUTs)

A Charitable Remainder Unitrust (CRUT) can be a powerful planning tool for charitably inclined individuals. A CRUT is an irrevocable trust that provides an income stream to the donor or other beneficiaries for a specified period, often for life, with the remaining assets ultimately passing to charity. When a CRUT is funded, the donor may receive a charitable income tax deduction based on the present value of the charity's future remainder interest. A CRUT can be funded with a variety of assets, including highly appreciated securities, real estate, company stock, or a closely held business interest. This makes it very attractive for individuals seeking to diversify concentrated positions for charitable causes.

A CRUT can make income payments not only to the donor but also to children or other family members. Parents can involve children in selecting charitable organizations, evaluating charitable impact, and participating in philanthropic discussions. Children may also serve in administrative or successor trustee roles, depending on the structure of the trust. One disadvantage is that a CRUT requires legal drafting by an attorney and ongoing administration, which includes annual tax filings.

3. Charitable Lead Trusts (CLTs)

A Charitable Lead Trust (CLT) is often used by affluent families who wish to support charitable organizations today while transferring wealth to children or grandchildren in a tax-efficient manner.

Assets are transferred to a CLT, and the trust makes annual payments to designated charities for a specified period. At the end of the term of the trust, the remaining assets pass to the family heirs.

If the trust assets grow at a rate exceeding the IRS Section 7520 rate used to value the charitable interest, the excess appreciation may pass to the heirs with significantly reduced estate tax consequences. A CLT can be either a grantor or non-grantor trust.

With a grantor CLT, the donor receives an upfront income tax deduction when the trust is funded based on the present value of the payments expected to be made to the charity over the trust term and not the amount that was contributed to the trust. With a non-grantor CLT, the donor usually does not receive an upfront income tax deduction when funding the trust. The trust itself can deduct charitable payments against its income. The non-grantor CLT is primarily used for estate and gift tax planning rather than income tax savings.

CLTs can be funded with highly appreciated securities, closely held business interests, real estate, private investment funds, or cash. Assets that offer strong growth potential and sufficient cash flow are ideal candidates because they can support the charitable payments while maximizing the value ultimately transferred to heirs.

Like a CRUT, a CLT requires legal drafting and annual income tax filings.

4. Family Foundations

A family foundation is a private charitable organization which is established and funded by an individual or family to support charitable causes over multiple generations.

A family foundation allows a family to establish a long-term philanthropic mission that can continue well beyond the founder's lifetime. It also creates opportunities for children and grandchildren to participate in grant-making decisions, governance, and charitable leadership. When contributing assets to a private family foundation, the donor generally receives an income tax deduction. If highly appreciated stock, real estate, or other assets are donated to the foundation, the gain is usually not recognized. Private foundations are typically required to distribute 5% of their assets annually for charitable purposes.

Family foundations involve greater administrative responsibilities and costs than do donor-advised funds, including legal setup, annual tax returns, accounting, and ongoing compliance requirements. As a result, family foundations are often more appropriate for families making substantial charitable commitments and seeking a high degree of control over charitable activities.

Building a Lasting Legacy

The most successful multigenerational charitable plans do more than just transfer wealth. They transfer not only values but also purpose and a commitment to make a positive impact on the world.

Whether through a donor-advised fund, charitable remainder unitrust, charitable lead trust or family foundation, families have a variety of options for creating a lasting charitable legacy. By involving children and grandchildren in philanthropic decisions today, families can ensure that the spirit of charitable giving continues for generations to come.

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Roth IRA Conversions: Why Timing Matters

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A Roth IRA conversion allows an investor to move assets from a traditional IRA into a Roth IRA. While the conversion amount is generally taxable as ordinary income in the year of the conversion, future qualified withdrawals from the Roth IRA can be tax-free. As a result, a **well-timed Roth conversion** can be a powerful tool for long-term tax planning, retirement income management, and wealth transfer strategies.

One of the primary timing considerations is the **taxpayer's current and expected future tax bracket.** A conversion is often most attractive when an individual expects to be in a higher tax bracket later in life. For example, retirees who have not yet begun receiving required minimum distributions (RMDs) may have a temporary period of lower taxable income between retirement and age 73. This **golden window** can present a strategic opportunity to convert assets at relatively favorable tax rates before RMDs begin increasing taxable income.

Taxpayers should pay close attention to **tax bracket management.** Many individuals implement a multiyear conversion strategy by "filling up" an identified tax bracket without spilling into the next higher bracket. Key timing considerations for tax bracket management include:

- **Current income tax rates** are low by historical standards and due to the growing federal deficit, it is possible that the federal tax rates and/or brackets will be adjusted resulting in higher personal taxes in future years.
- **The Senior Bonus Deduction** is a temporary benefit that expires in 2028. This deduction of up to $6,000 per person ($12,000 for married couples if both qualify) allows the taxpayer to convert an additional $6,000 or $12,000 while remaining within their current tax bracket.

An important consideration when timing and sizing conversions for retirees who are enrolled in Medicare (or approaching Medicare age) is the **Income-Related Monthly Adjustment Amount (IRMAA).** It is an extra charge added to a retiree's monthly Medicare Part B and Part D premiums if modified adjusted gross income (MAGI) exceeds a certain threshold. A taxpayer's 2026 IRMAA is based on their 2024 tax return. When executing Roth conversions and thus increasing MAGI, the taxpayer should size the conversion with an eye to the IRMAA thresholds.

The **five-year rules associated with Roth conversions** are another key timing factor. Each conversion has its own five-year holding period that generally applies to withdrawals of converted amounts before age 59½. Additionally, a separate five-year rule governs whether Roth IRA earnings may be withdrawn tax-free. Investors who anticipate needing access to converted funds in the near term should carefully assess these requirements.

> *"A well-timed Roth conversion can support long-term tax planning, retirement income management and wealth-transfer strategies."*

Tax payment planning is equally important. Ideally, the taxes generated by the conversion should be paid using assets outside the IRA. Using IRA assets to pay the tax can reduce the amount that remains invested in the Roth and may diminish the long-term benefit of the strategy.

Finally, Roth conversions can play a significant role in **estate planning.** Although beneficiaries generally must distribute inherited Roth IRA assets within required time frames, qualified Roth distributions remain tax-free. Converting during the owner's lifetime may therefore reduce future tax burdens for heirs, particularly if the owner expects tax rates to rise or has substantial tax-deferred retirement assets.

When executed thoughtfully, Roth IRA conversions can enhance tax efficiency and provide greater flexibility in retirement. However, because the tax consequences can be significant, investors should evaluate conversions within the context of their broader financial, tax, and estate planning objectives and work closely with their tax accountants when timing and sizing Roth IRA conversions.

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Vacation Home or Investment Property? Understanding the Tax Implications

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Many taxpayers own a second home that they rent out part of the year while also enjoying it personally. While that may seem straightforward, the tax treatment can vary significantly depending on how much personal use the property receives.

The key question is whether the IRS considers the property a **vacation home** or an **investment rental property.**

A property is generally treated as a vacation home if your personal use exceeds the greater of the following:

- 14 days during the year, or
- 10% of the days the property is rented at fair rental value.

If you exceed that threshold, the home is considered a personal residence with rental use. In this case, expenses such as mortgage interest, property taxes, insurance, utilities, and maintenance must be allocated between personal and rental use. The rental deductions are generally limited to the amount of rental income, meaning you cannot create a tax loss from the property.

On the other hand, if your personal use does **not** exceed the threshold, the property is generally treated as a rental property. Expenses must still be allocated between rental and personal use, but the deductions attributable to the rental portion are not limited to rental income. This means the property may generate a rental loss, although the amount currently deductible may be subject to other limitations. For example, assume a beach house is rented for 120 days and used personally for only 10 days. Because the home was used personally for only 10 days, which is less than both 14 days and 12 days, or 10% of the rental days, the property is treated primarily as a rental property. If annual expenses are $24,000, approximately 92% of those expenses would be allocated to the rental activity, potentially resulting in a deductible loss if expenses exceed rental income.

However, taxpayers should remember that rental losses may still be limited by the passive activity loss rules. Depending on income levels and participation in managing the property, some or all of a rental loss may be suspended and carried forward to future years.

With the growing popularity of short-term rentals through platforms such as Airbnb and Vrbo, many owners unintentionally cross the line between a vacation home and an investment property from year to year. Maintaining an accurate log of rental days and personal-use days is essential to determining the correct tax treatment and maximizing available deductions.

The difference between a vacation home and an investment property can mean thousands of dollars in deductible expenses, so careful recordkeeping is well worth the effort.

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Planning for the Future with a Trump Account: Key Questions Answered

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When we first covered Trump Accounts in September 2025, many important details had not yet been determined. The program is now operational, and subsequent IRS and Treasury guidance has provided greater clarity about eligibility, account opening, contributions, investments and taxation.

Below, we answer some of the most common questions families may have.

At a Glance

$1,000

Federal pilot contribution for eligible U.S. citizen children born between 2025-2028, if an election is made.

$5,000

Annual limit for combined individual and qualifying employer contributions in both 2026 and 2027 during the growth period.

Year the Child Turns 18

Beginning January 1 of the year the beneficiary turns 18, most traditional IRA rules apply.

The Basics

What is a Trump Account?

Traditional IRA: A Trump Account is a traditional IRA established for and owned by a child. It is designed to provide a long-term savings and investment foundation, but special rules apply during the account's "growth period," which ends December 31 of the year before the child turns 18.

Note:

- Earned income is not required.
- Investments are restricted to eligible low-cost index funds during the growth period.
- Withdrawals are prohibited during the growth period except in limited circumstances specified by law.
- Beginning January 1 of the year the child turns 18, most special restrictions end and traditional IRA rules largely apply.

Is the account intended only for retirement savings?

Not necessarily. Its IRA structure favors long-term saving, but after the growth period the beneficiary may use the funds under traditional IRA distribution rules.

Note: The taxable portion is subject to ordinary income tax, and a 10% additional tax may apply before age 59½ unless an exception is available, such as for qualified higher-education expenses or a qualified first-time home purchase (subject to a $10,000 lifetime limit).

Who is eligible for a Trump Account?

An election may be made for a child who:

- Is **under age 18** at the end of the year the election is made;
- Has a **valid Social Security number** issued before the election; and
- **Does not already have a Trump Account election on file.**

Note: Earned income is not required. U.S. citizenship is not required to open an account, but it is required for the separate $1,000 federal pilot contribution.

Who is eligible for the $1,000 federal pilot contribution?

The election may be made for a child who:

- Is a U.S. citizen child born from January 1, 2025, through December 31, 2028;
- Has a valid Social Security number;
- Meets the qualifying-child requirements applicable to the person making the election; and
- Has not previously had a pilot contribution election processed.

Note: The $1,000 contribution is not automatic and an election must be made.

Opening and Managing the Account

Who can open the account for a child?

When opening an account without requesting the pilot contribution, an authorized adult may act in this **order of priority:**

- The child's **legal guardian;**
- If none, **either parent;**
- If neither is available, an **adult sibling;** or
- If none of the above is available, a **grandparent.**

Note: This priority order matters. A grandparent cannot open the account simply because they prefer to do so if a parent or guardian is available. Different eligibility rules apply when the adult also elects the $1,000 pilot contribution: that person must anticipate that the child will be their qualifying child for the election year.

Whose IRS Online Account is used?

IRS website: If Form 4547 is filed through the IRS website, the parent, guardian or other authorized adult uses their own IRS Online Account, not the child's.

TrumpAccount.com: Form 4547 may also be filed through the Trump Accounts app or TrumpAccount.com, with an electronically filed federal income tax return, or on paper.

Note: The child owns the Trump Account; the adult who makes the election becomes the responsible party and manages the account while the child is a minor.

How is the account opened?

The process has three main steps:

- **Elect the account.** Submit Form 4547 through the Trump Accounts app or TrumpAccount.com, through the IRS website, with an electronically filed federal income tax return, or on paper.
- **Request the $1,000 contribution, if eligible.** Complete the pilot-contribution election on Form 4547.
- **Activate the account.** After the election is processed, follow Treasury's instructions to authenticate and activate the account.

Can a child have multiple Trump Accounts opened by different family members?

No. Only one Trump Account may be maintained for a child at a time. Parents, grandparents and others may contribute to that account. During the growth period, a rollover Trump Account may replace the existing account only through a full trustee-to-trustee transfer of the entire balance, so the child continues to have only one funded Trump Account.

Note: This differs from ordinary IRAs, which an individual may hold with multiple custodians. The annual contribution limit still applies in the aggregate, not separately by contributor.

Contributions and Investments

Who can contribute, and how much?

Who: Parents, grandparents, other family members, children and other individuals may contribute. Employers may also contribute.

How much: For 2026 and 2027, individual and qualifying employer contributions are subject to a combined $5,000 annual limit during the growth period. The limit is indexed for inflation after 2027.

Note:

- Employer contributions are excludable from an employee's income up to an aggregate $2,500 for 2026 and 2027. The limit applies per employee, not per employer or per child, and is indexed for inflation after 2027.
- The $1,000 federal pilot contribution, qualified general contributions from eligible governments and charities, and qualified rollovers do not count toward the $5,000 limit.
- Families should coordinate contributions from all sources to avoid exceeding the annual limit.

Are contributions tax-deductible or pre-tax?

After-tax contributions: Direct contributions from parents, family members and others are after-tax and create basis in the account.

The federal pilot contribution, qualifying employer contributions and qualified general contributions from eligible governments and charities do not create basis.

Pre-tax contributions: Under proposed regulations, which taxpayers may currently rely on before final regulations are issued, an employer's Section 125 cafeteria plan may permit an employee to make pre-tax salary-reduction contributions to a dependent's Trump Account, but not to the employee's own Trump Account. These amounts are treated as qualifying employer contributions and do not create basis. Additional operational details may continue to develop.

How can the account be invested?

Investments: During the growth period, investments are limited to qualifying low-cost mutual funds or ETFs that track an index composed primarily of U.S. companies and meet other statutory requirements. At launch, contributions are invested in the State Street SPDR Portfolio S&P 500 ETF (SPYM).

Note: Treasury has selected four additional low-cost index ETFs and expects to make them available as the program develops.

Withdrawals, Taxes and Planning

When can money be withdrawn?

Timing: During the growth period, distributions are limited to a full transfer to another Trump Account, a qualified ABLE rollover at age 17, a return of excess contributions, or a distribution after the beneficiary's death.

Note: Beginning January 1 of the year the child turns 18, most traditional IRA distribution rules apply.

How are distributions taxed after the growth period?

Nontaxable portion: Direct after-tax contributions from parents, family members and others are after-tax and create basis in the account. They are not taxable.

Taxable portion: The $1,000 federal pilot contribution, qualifying employer contributions, qualified general contributions, and investment earnings are taxable at ordinary income tax rates when distributed. Before age 59½, a 10% additional tax may also apply unless an exception is available.

Note: Each distribution is divided proportionately between taxable and nontaxable amounts using the Trump Account's own basis. A Trump Account is not aggregated with the beneficiary's other IRAs when allocating basis.

How does a Trump Account compare with other planning tools?

The best fit depends on the family's goal:

Goal	Planning Tool That May Fit
Education funding	529 plan
Child has earned income	Custodial Roth IRA
Long-term foundation	Trump Account - especially when outside contributions are available
Control beyond age 18	Trust or other estate-planning arrangement

Note: Beginning January 1 of the year the beneficiary turns 18, most traditional IRA rules largely apply. A distribution for qualified higher-education expenses may avoid the 10% additional tax, however, the taxable portion remains subject to ordinary income tax. Because qualified 529 plan withdrawals are federally income tax-free, a 529 plan may be more tax-efficient when education is the primary goal.

What records should families keep?

All contributions: Keep complete records of all contributions - especially direct after-tax contributions that create basis—and coordinate contributions from family members, employers and other sources.

Good records will be important when the beneficiary eventually takes distributions.

Bottom Line

A Trump Account can **complement other planning tools.** Consider available outside contributions, understand the restrictions, maintain basis records and coordinate the account with the family's broader plan. Reach out to your Relationship Manager or Financial Planner with questions or to discuss how a Trump Account could fit within your broader goals.

Home

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