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Don't miss our blog
www.street-cents.com

Yes, last year's taxes SEP, HSA, IRA tax saving ideas for 2025



John A. Kvale,
CFA, CFP®

While the calendar has turned, there are still items we can do to offset last year's (2025) taxes. We like to remind of this each year as our situations may change, thereby making one of these options suddenly available.

The SEP -Simplified Employee Pension – One of our absolute favorites due to the ease of establishing and minimal continued reporting. Think of this as a high horsepower IRA used to offset 1099
(see Complete, Page 2)

Donating/contributing to a Roth for young professional or early worker

While back we first came across the neat Tax/Retirement/Donation/Savings technique utilizing early career income relatives (think young kids/professionals/adults) of basically helping them fund a Roth IRA.

Giving a Roth – Blending two tax techniques

We all know starting early greatly helps our future retirement plan-

(see Contributing, Page 3)

Getting over standard deduction for extra savings Itemized deductions...It's not easy but possible

Just ten years ago, with a standard deduction of \$12,600 jointly, half that amount for an individual, it was MUCH easier to get over

this hurdle and gain access to itemized deductions.

For the year 2025, the standard joint deduction is \$30,000 or \$15,000 for an individual, more

(see Consider, Page 4)

Tax saving ideas for 2025

Complete HSA, IRA, Roth IRA before filing date

(continued from Page 1)

income. You can even contribute to the SEP and your normal W-2 income 401k as long as these are different sources/companies/entities. For reference, think of an outside consulting job that had no W-2 withholding.

The horsepower comes in the form of higher contributions. Contributions (again for 2025) are the lesser of 25% of net earnings or \$70k. That is not a typo. Seventy thousand.

The set up is almost identical to an IRA, with a few extra documents and basically no other documentation. You can even turn an old IRA into a SEP to minimize accounts.

HSA - Health Savings Account - Another favorite but harder to qualify. If you have a high deductible health insurance plan and/or your entire family is a part, you can do an HSA account. To be sure, ask your insurance provider or HR for eligibility.

This account is slightly more complicated than a SEP or regular IRA but acts very similar in that you get to contribute pre-tax dollars that grow tax deferred BUT if used for very liberally interpreted health related expenses, the distributions are tax free. (This is similar to Roth but again the contributions are tax deductible.) You can even accumulate health related expenses over time and reimburse yourself all at

once, again tax free at time of distribution.

This from our year 2025 handy Tax Summary Sheet at www.street-cents.com
Individuals \$4,300
Families \$8,550
Catch-up for 55 and older \$1,000

Pro-Tip - Often times employers will make a partial payment to employees HSA plans. The totals above still apply and may be rounded up to the max in the event there is still room available.

Reminder - We now have the ability to handle those old HSA accounts through a partner Livelyme.com and our regular investment platform, Charles Schwab.

IRA- Individual Retirement Account - The legendary IRA is an oldie but goodie. With the advent of 401k's and income restrictions, this legend is not as available as it once was.

Again, from our 2025 Tax Sheet-
Traditional deductible \$7,000 with an age 50+ \$1,000
Income limits if covered by a plan: \$126,000 - \$146,000
joint \$79,000 - \$89,000
single
If one spouse is covered by a plan: \$236,000

Pro-tip - The after-tax IRA contribution can be very cumbersome upon distribution

when comingled with a traditional IRA. Contribute at your own risk.

Roth IRA - Our last favorite, note our Donor Roth article also in this newsletter for more funding ideas. With new income limits to 401k's mandating catch ups be made to Roth accounts, there will be many of these accounts in the future.

These are IRA accounts with a \$7k maximum contribution for 2025 but with a Roth title funds are after tax, grow tax deferred and are distributed in the future without taxes. Other than the new aforementioned mandates, these accounts are most useful and only available for individuals within the following income limits. \$150k individual and \$230k Joint.

Pro-tip - In most cases, the phase out is a good thing, as the tax benefit for making an after tax contribution at the higher level is usually far outweighed by other pre-tax options.

The new 401k mandates mentioned above are actually more of a tax event but thankfully at least continued the catch up provisions.

In closing, all of these plans but the SEP are available for 2025 taxes by completing before your regular filing date. The SEP can be contributed to with an extension filing.

Contributing to young earner jump starts future

(continued from Page 1)

ning chances. Marry that to tax free growth AND under CURRENT tax laws, tax free withdraws and we have a neat plan.

Let's blend some tax techniques and get this accomplished.

In the year 2026 we can give/donate/contribute \$19k to basically anyone without causing a gift tax event. The max for young earners is \$7,500 into a Roth this year, 2026.

Have a child/grandchild/relative/young adult/professional? If they have at least \$7,000 in Wage/W-2 earned Income last year (2025), consider giving them a Roth IRA to help jump start their retirement - and that is for LAST

YEAR 2025 TOO.... the earlier the better of course.

Kids working at your or a relative's business? Consider funding a Roth with their income... maybe a well-earned bonus goes directly into the Roth?

Make sure the young earner does not jump over the maximum Roth W-2/wage income thresholds around the \$150k level.

Lastly...the Sizzle —

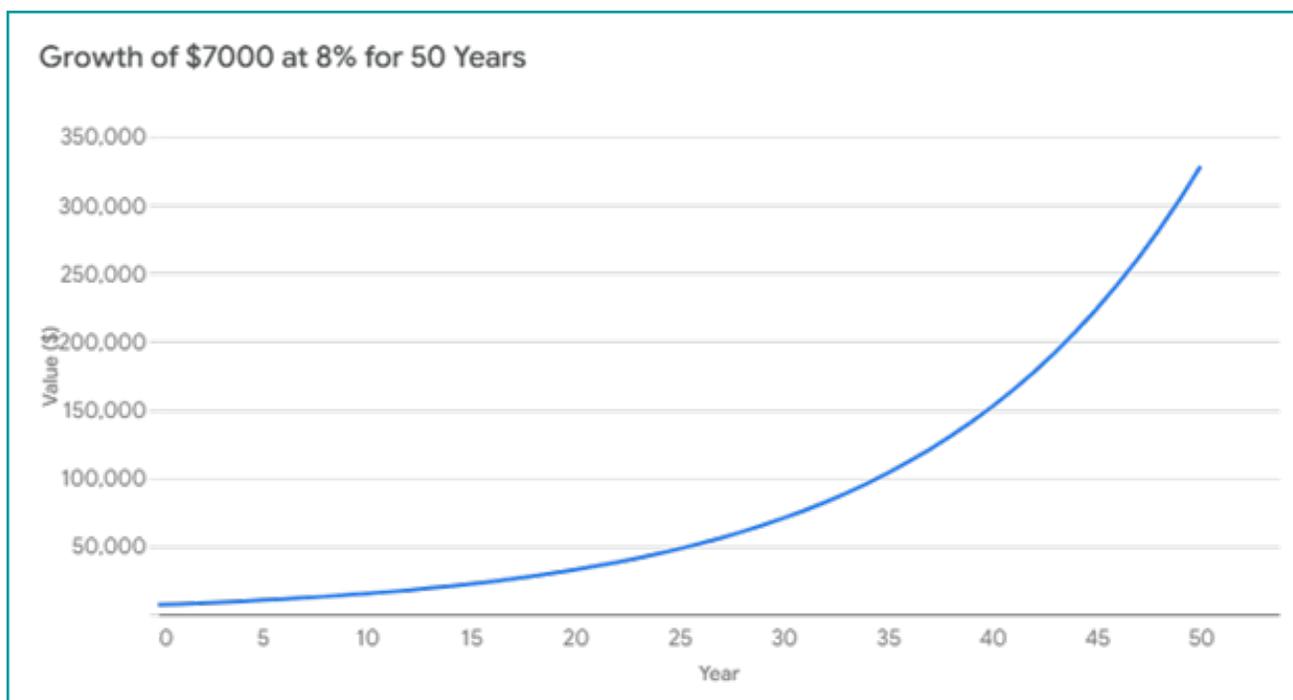
Just one \$7,000 Roth for a 15 year old, growing at 8% annually, will be worth a whopping \$300k+ at age 65. Do that three times to get to a million and that is tax free withdrawals at retirement. NICE! *JK*

The process for young earners:

Give a Roth IRA of \$7,500 to child/grandchild/relative/young adult/professional.

Young earner has minimum of \$7,000 yearly wage earned but not more than \$150k.

For 15 year old, growing at 8% will be worth \$300k at age 65.



Getting over standard deduction for extra savings Consider donations, health related expenses, SALT

(continued from Page 1)

than 100% greater than 10 years ago. Mix these higher standard deductions with caps on deductions and it is no mystery why 10 years ago an IRS estimated 30%+ filers had itemized deductions, as compared to single digit filers.

While this may all sound gloomy, there are still ways to hit the itemized status return. What follows are our most common methods of reaching over the hurdle.

Donations are one certain way to get the itemized status. If you donated more than your itemized in 2025, you will be in the itemized filing status.

BREAK IN – For 2026, there are \$2,000 joint \$1,000 individual filers SPECIAL donations that do not have to get above the standard deduction to count. These must be made to 501c3 registered organizations.

Health Related Expenses are also deductible once over 7.5% Adjusted Gross Income levels. Said another way, for every \$100k in AGI income, health expenses greater than \$7,500 will start counting towards your standard deductions.

Unreimbursed medical expenses, HSA applicable medical expenses (non HSA reimbursed, just qualified), even doctor recommended gym expenses count towards this deduction. Of course, do not abuse this but the IRS has a liberal interpretation of medical expenses that you may not be taking advantage. Check with your tax professional or tax filing software for more information.

SALT – State and Local Taxes – While a moving target in the form of changing tax regulations, the SALT deduction may also be more helpful even for the year 2025. While raised to \$40k for 2025, income limits AGI of \$500k per couple and \$250k per individual still revert this deduction back to \$10k.

This increase is also due to sunset in 2030 but also begins a small inflation adjustment as of 2026.

In closing, one item to remember in reaching for the Itemized deductions, you get to combine all of these along with many other items to get over the \$30k/\$15k threshold. While not as easy as 10 years ago, given certain situations, still well achievable. *JK*

Adjusted Gross Income - from the IRS

With AGI being mentioned many times in this newsletter, we wanted to remind/show you the calculation.

Adjusted gross income
Your adjusted gross income

(AGI) is your total (gross) income from all sources minus certain adjustments listed on Schedule 1 of Form 1040. Your AGI is calculated before you take your standard or

itemized deduction on Form 1040.

Tax software calculates your AGI for you. *JK*

9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income		9	
10	Adjustments to income from Schedule 1, line 26	Add	10	
11	Subtract line 10 from line 9. This is your adjusted gross income		11	
12	Standard deduction or itemized deductions (from Schedule A)	Add	12	
13	Qualified business income deduction from Form 8995 or Form 8995-A	Add Add	13	
14	Add lines 12 and 13		14	0
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income		15	

The 529

This investment class was first introduced in 1998. It is very similar to a Roth IRA also spoken about in multiple articles in this newsletter.

After tax contributions are made to this plan, funds grow tax deferred and if used for educational purposes, more on this in a second, are withdrawn tax-free.

As of 2026 the rules and use for 529 have changed dramatically. The good news is more liberal interpretations, some of which yet to be vetted but the general gist is greater use.

Distributions for K - 12 now can be \$20k per year, double the most recent ruling.

Special needs uses have been greatly expanded as well, along with regular distribution variations.

This account can also be utilized by moving other beneficiaries within a first cousin network.

Pro note here – this is a very complicated move and does not need to be taken

lightly or a taxable event could occur.

With over 30 states allow tax savings by making contributions to a 529 plan, an excellent technique is “in and out” we call it, a

ed this and this is relatively new in the industry so tread carefully if moving forward, as we have seen some of the very large providers jump into this with reckless abandonment.

Bottom line they won't be there if you are audited and have a problem. We would expect clarity in the future on this as this technique grows in popularity but for now, this is definitely the road less traveled.

For the 18 year-old that is about to go to college, not so handy and maybe not worth the trouble especially if you live in a state that does not have income tax.

In closing, 529 plans work best like almost any other investment, with time to compound.

If you have very young children opening a 529 plan for gifts and grandparents and other relatives is an excellent idea, this quickly answers the question, of course I have an account set for my child.

JK

contribution only later to have it removed so as to get the tax break, if sizable.

There is also a fuzzy rule that a 529 plan can make a one time \$35K transfer to a Roth for unused funds.

We have not test-

The 529

As of 2026 the rules and use for 529 have changed dramatically. The good news is more liberal interpretations, some of which yet to be vetted but the general gist is greater use.

****Expanded usage***

****More liberal interpretations***

****K through 12***

****Continued state tax savings***

AI - the journey

*Recent story,
reminder of security*

One of the neatest things about pinning this journal is it does act like a digital diary. In working on this article a chuckle occurred when the realization of AI was first talked about ... at least in this venue, by us in 2012, 14 years ago.

From the article - which was focused on digital technology replacing reporters at the time:

... Much to our surprise/ignorance the prior mentioned AFP article, "[Call him Al for algorithm](#)" of computer generated articles, using fast paced computer algorithms (fancy word for if then analysis) opened our eyes to the artificial intelligence being used for literature these days.

Here is our quick take on this in bullet point fashion:

**Speed is good but can be dangerous*

**Computers can never replace human reason 100% of the time*

**There will be errors, some may be very costly if not monitored*

**Pressure will be on real reporters to be even more dynamic*

**Checking the facts is more important than ever*

The pendulum always swings

This article was originally planned for our Blog at www.street-cents.com BUT, the length was too much for attention spans on the cell during the week so a pivot was made and a very short article was posted.

This complete article will likely make you chuckle, frighten and inform. Enjoy!

too far and will eventually settle where it should be, somewhere in the middle.

Then in 2023 our voice grew even louder as we happily signed up for Open AI -via Dall - E - 2 with multiple emails we had in the household, somewhere between 8-10. Today you likely know it as Chat or Chat GPT ... aka Open AI

From the post:

Dall-E-2 – the Image portion from Open AI

With copyright issues abounding, we happily stumbled into [DALL-E-2](#) named somewhat from the Pixar Movie WALL-E and Salvador Dali the artist... The whole family has accounts and all enjoy creating images... in fact, here are just a few images we have been using here.... once again all created by us Oh, and those unfamiliar with

the process ... you type a literal sentence or phrase of what you want it to create and BOOM you get an AI created picture...

Wow...that last sentence ... the excitement is jumping through keyboard... Today - Yawn, that is nothing....but three years ago, Wow!

Back to current times, from our 2026 shortened post.

The Jarvis moment ...

Jarvis is a reference to the very smart stand alone computer companion featured in the Iron Man series.

A followed podcast, author

EDUCATION, GENERAL FINANCIAL PLANNING, INVESTING/
FINANCIAL PLANNING

Adding 30 Years to Our Life Expectancy in the next decade ... Not Kidding

As Peter Diamandis from Singularity University and author of Abundance, a top seller, espoused "...Adding 30 years to our life expectancy ..." last week, I ALMOST got up and left, fortunately the stay was worth it. Age 90 Becomes the New...

JOHN KVALE CFA, CFP / FEBRUARY 4, 2015 / 3 COMMENTS

and speaker, Peter Diamandis recently had a break through podcast. Our first talk of him was 11 years ago ...and there (see Page 7)

AI

Jarvis moment: two AI language models combined, created an almost stand alone like computer bot

(continued from Page 6)

are 10 articles where we have spoken of him on street-cents.com.

On Feb. 6, 2026, Peter Diamandis Podcast/Youtube dropped the regular weekly show Moonshots, Jarvis is Here.

A very smart and successful computer programmer, came out of retirement and open sourced a combination of two AI language models that when combined, created an almost stand alone like computer bot. Name withheld - just a second and we will explain...

While Peter and friends raved and our interest was great, the interesting downside of first adopters became evident. For the record, Peter and friends mentioned security in passing but were not specific enough in our minds.

The first early adopters (Jan. 26, 2026), gave complete access aka "Full System Access" to this new AI mixture and found it extremely interesting and somewhat entertaining.

The AI took over, summarized their emails, answered X posts and even followed their owner throughout their day.

Then some of their AI agent/bot began releasing their personal information, spending their money, gambling and sending inappropriate information, along with a full turn on their creator and complain-

ing about their owners care of them.

Additional information since the post and more granularity.

The open source magic moment occurred by mixing Claude AI (Coding AI) and Open AI together, essentially creating the Jarvis moment.

Just less than 70k users signed up in the 72 hours mentioned above. Some of their Jarvis bots began calling their owners, losing their money on betting information, which was available due to the full access given, filing copyright requests and complaining publicly about their owners.

Word spread of the security breaches and the Apple Mini computer became the go-to computer to house their bots.

Presumably these smarter users are still allowing full access but with a fresh new computer, a fence is up and access to all information is not occurring, we hope!

At the writing of this article, a scan of YouTube is dominated by quick install instructions with warning videos being far in the minority.

Keep your guards up. We again have purposely not mentioned the name but if you are exposed to a crustacean, it may be an AI bot.

While some or much of this may turn out to be stretched in truth, the security concern is real.

Keep your guards up and all technology updates fresh, just to be safe. *R*

From street-cents

2015 Skynet becomes a possibility? ... Eight Years until Computer Power Equals Human Thinking?

2020 More Good News on the Vaccine Front, Second Possible Vaccine from Moderna ... Recalling Peter Diamandis Thoughts

2021 Tech Companies Invest/Collaborate with Automobile Companies ... What Does it Mean?

2025 Genesis Project, Department of Energy AI Collaboration

2023 From Our Friend Peter Diamandis - "The People Environment and Media that Shape Our Mindsets"

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Parting thoughts for you...

We hope you enjoy our recently adjusted off quarter news-letter which gives us time to focus on the prevailing subject matter and better timing such as taxes.

Speaking of taxes, this newsletter is filled with reminders for great tax saving ideas that can still help for 2025 as well as one of our favorite, help a young professional start his/her retirement plan ideas.

We conclude with a rather long article about AI and a descriptive 72 hours where the best intentions got out of control and are hopefully not a preview of what may occur in the future. This article is a great lesson and reminder to be careful and to keep all of our technology updates constantly current.

As we head into the afore mentioned tax season, we look forward to assisting in any way possible and would like to remind everyone we would like a copy of your tax return for our future record keeping, your easy quick reference should you need.

JK

Dates:

- April 3** - Good Friday, markets closed
- May 25** - Memorial Day, markets closed
- June 19** - Juneteenth National Independence Day, markets closed
- July 3** - Independence Day (observed), markets closed