

# UNLOCK YOUR TAX SAVINGS

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HOW RECENT TAX LAW CHANGES MAY OPEN UP OPPORTUNITIES FOR RETIREMENT AND ESTATE PLANNING STRATEGIES



KEY PROVISIONS FOR RETIREMENT PLANNING, ESTATE PRESERVATION AND WEALTH OPTIMIZATION STRATEGIES.



It seems as if every few years tax laws change, and taxpayers have to figure out whether, and how, these changes affect their own situation. And the most recent changes are no different.

The One Big Beautiful Bill (OBBB) was signed into law on July 4, 2025, with most provisions taking effect on Jan. 1, 2026, and applying to 2026 tax returns. The legislation permanently extends key provisions from the 2017 Tax Cuts and Jobs Act (TCJA) that were set to expire, preventing substantial tax increases for most Americans while increasing after-tax income.<sup>1</sup>

Beyond preserving existing tax benefits, the bill introduced several new tax cuts for individuals and businesses. However, many individual tax benefits are temporary, applying only to tax years 2025 through 2028.<sup>2</sup> This creates planning challenges, as future congressional action will determine whether these provisions continue beyond President Donald Trump's current term

For a close-up view of how some of the permanent changes and temporary provisions may affect your tax return, check out the following changes and what each could mean to you.

# INDIVIDUAL TAX BRACKETS REMAIN UNCHANGED

The new law retains the same number of income tax brackets.

2026 INCOME TAX BRACKETS <sup>3</sup>		
RATE	INDIVIDUALS	MARRIED FILING JOINTLY
10%	Up to \$12,400	Up to \$24,800
12%	\$12,401 to \$50,400	\$24,801 to \$100,800
22%	\$50,401 to \$105,700	\$100,801 to \$211,400
24%	\$105,701 to \$201,775	\$211,401 to \$403,550
32%	\$201,776 to \$256,225	\$403,551 to \$512,450
35%	\$256,226 to \$640,600	\$512,451 to \$768,700
37%	\$640,601 or more	\$768,701 or more



## WHAT THIS MEANS FOR YOU?

The tax system is progressive, so the more you make, the higher the tax rate on each block of subsequently higher income. In other words, even if your total income falls in a higher tax bracket, you won't pay that rate on all of your income. For example, a single person earning \$260,000 in 2026 would pay the following rates (assuming there are no adjustments for deductions, credits, etc.):

10% on the first \$12,400	= \$1,240
12% on the next \$38,000 (\$12,401 – \$50,400)	= \$4,560
22% on the next \$55,300 (\$50,401 – \$105,700)	= \$12,166
24% on the next \$96,075 (\$105,701 – \$201,775)	= \$23,058
32% on the next \$54,450 (\$201,776 – \$256,225)	= \$17,424
35% on the next \$3,775 (\$256,226 – \$260,000)	= \$1,321
<b>TOTAL TAX (unadjusted)</b>	<b>= \$59,769</b>

While the updated law prevents tax rates from returning to the higher pre-2017 levels, it may not feel like a dramatic tax cut since it largely maintains the status quo. The additional benefit comes from several new tax reductions that could provide meaningful savings for many taxpayers.



## **STANDARD DEDUCTION<sup>4</sup>**

Beginning in 2026, the standard deduction increases to \$16,100 for single filers (and married individuals filing separately) and \$32,200 for married couples filing jointly. These updated amounts — now permanently higher under the law — will continue to be adjusted annually for inflation, providing additional tax savings for the majority of taxpayers who do not itemize.

## **“SENIOR BONUS” DEDUCTION**

Nearly half of Social Security recipients currently pay federal income tax on their benefits, a dramatic increase from less than 10% in the 1980s.<sup>5</sup>

To provide relief, the recent law grants seniors over 65 an additional \$6,000 bonus deduction from 2025 through 2028.<sup>6</sup> The full deduction is available to taxpayers age 65 and older with a modified gross adjusted income (MAGI) of up to \$75,000 for an individual filer and \$150,000 for a couple filing jointly. (Each spouse can take the deduction, for a total of \$12,000, if both are 65 — plus.) Importantly, this “senior bonus” applies whether taxpayers itemize or take the standard deduction, making it accessible to virtually all qualifying seniors.<sup>7</sup>



## **WHAT COULD THIS MEAN FOR YOU?**

A married couple, both age 65, earning \$100,000 taking the standard deduction, the existing 65+ deduction, and the “senior bonus” deduction will see their taxable income shrink to \$53,300.

Below are examples of how taxpayers age 65+ may fare in 2026 compared to 2024.

## 2024 VS 2026

<b>SINGLE</b>		
<b>MAGI* of \$75,000 or less</b>		
	2024 <sup>8</sup>	2026
STANDARD DEDUCTION	\$14,600	\$16,100
65+ ADDITIONAL DEDUCTION	\$1,950	\$2,050
NEW SENIOR BONUS DEDUCTION		\$6,000
	\$16,550	\$24,150
NET DIFFERENCE		+\$7,600

<b>MARRIED FILING JOINTLY</b>		
<b>MAGI* of \$150,000 or less</b>		
	2024 <sup>8</sup>	2026
STANDARD DEDUCTION	\$29,200	\$32,200
65+ ADDITIONAL DEDUCTION	\$3,100	\$3,300
NEW SENIOR BONUS DEDUCTION		\$12,000
	\$32,300	\$47,500
NET DIFFERENCE		+\$15,200

\* modified adjusted gross income

**THIS “SENIOR BONUS” APPLIES WHETHER TAXPAYERS ITEMIZE OR TAKE THE STANDARD DEDUCTION, MAKING IT ACCESSIBLE TO VIRTUALLY ALL QUALIFYING SENIORS.<sup>9</sup>**

### **PERMANENT BOOST TO CHILD TAX CREDIT<sup>10</sup>**

Parents with children under 17 receive enhanced tax relief under the recent law. The legislation increased the existing \$2,000-per-child credit, implemented by the Tax Cuts and Jobs Act in 2017, to \$2,200 and makes it permanent, preventing it from dropping back to \$1,000 in 2026 and beyond.

Starting in 2026, the credit will be adjusted annually for inflation.



# ITEMIZED DEDUCTIONS

The One Big Beautiful Bill (OBBB) also introduced several changes that reshaped how – and whether – taxpayers benefit from itemizing. While some deductions were expanded or reinstated, others were capped or eliminated entirely.

## STATE AND LOCAL TAXES: HIGHER SALT DEDUCTION

Tax law limits the deduction for state and local taxes (SALT), which includes property taxes, state income taxes and local sales taxes (applicable only to taxpayers who live in states with no income tax). Beginning in 2026, the SALT deduction is capped at \$40,400 for all but the highest-earning taxpayers. This cap increases by 1% each year, until it reverts to \$10,000 in 2030.<sup>12</sup>



### WHAT COULD THIS MEAN FOR YOU?

Taxpayers in states with high property taxes and/or high state income taxes - particularly those with incomes between \$200,000 and \$500,000 - may see a meaningful reduction in their federal tax burden. This is because they can deduct a larger portion of their state and local taxes than under previous limits.<sup>12</sup>

## PASS-THROUGH INCOME DEDUCTION

The qualified business income (QBI) deduction established under the 2017 Tax Cuts and Jobs Act has been made permanent, benefiting small business owners who report business income on their personal tax returns. The deduction, up to 20% of eligible revenue, applies to sole proprietorships, partnerships, S corporations and LLCs.<sup>13</sup>



### WHAT COULD THIS MEAN FOR YOU?

Let's say your spouse earns \$100,000 as an employee and you earn \$100,000 through your small business, so your combined income totals \$200,000. After the \$32,200 standard deduction, your adjusted gross income becomes \$167,800. Under the 20% QBI deduction, you can deduct \$20,000 from your \$100,000 business income, reducing your taxable income to \$147,800.



# OTHER CHANGES

## DEDUCTION ON TIPS AND WORKER OVERTIME

The law provides temporary deductions, available through 2028, that offer tax relief on worker tips and overtime earnings. The tip deduction allows taxpayers to deduct up to \$25,000 in tips annually, while the overtime deduction covers up to \$12,500 of additional overtime pay. These deductions are limited to taxpayers earning \$150,000 or less, with a reduced deduction available for those earning more.<sup>14</sup>



### WHAT COULD THIS MEAN FOR YOU?

If you were a server earning \$40,000 in regular wages plus \$20,000 in tips, you would only pay taxes on the \$40,000 base salary.<sup>15</sup>

For overtime, if you earn \$20 per hour regular pay and \$30 per hour for overtime, you can deduct the \$10 premium from your taxable income, effectively making that portion of your overtime pay tax-free, up to the annual limit of \$12,500.<sup>16</sup>

## NO TAX ON AUTO LOAN INTEREST

There is also a temporary auto loan interest deduction, available through 2028, for interest paid on new vehicles assembled in the United States. The deduction is capped at \$10,000 per year and phases out at a 20% rate for single filers earning above \$100,000 and married couples earning above \$200,000. This benefit applies whether you itemize or claim the standard deduction.<sup>17</sup>

## ALTERNATIVE MINIMUM TAX (AMT)

The law permanently extends the higher individual Alternative Minimum Tax (AMT) exemption amounts from the 2017 tax reform. The AMT exemption phaseout thresholds will revert back to the 2018 levels of \$500,000 for single filers and \$1 million for those filing jointly, indexed for inflation, and the phaseout rate is increased.<sup>18</sup>



## **“TRUMP ACCOUNT” TAX-ADVANTAGED SAVINGS FOR KIDS**

These accounts are available to children under the age of 18. Parents can contribute up to \$5,000 per child each year, while the government provides a one-time \$1,000 contribution for each eligible U.S. citizen born between January 1, 2025 and January 1, 2029. Employers could also contribute up to \$2,500 to an employee’s account without it counting as income for the employee.<sup>19</sup>

Children cannot access the funds until age 18, at which time the account becomes a traditional Individual Retirement Account (IRA). Money can be withdrawn from the account prior to retirement for certain expenses including education or to purchase a home. Investment gains are taxed at favorable long-term capital gains rates.<sup>20</sup>

## **CHARITABLE DEDUCTION FOR NON-ITEMIZERS**

The legislation created a permanent charitable deduction of \$1,000 for single filers and \$2,000 for married couples filing jointly that can be claimed regardless of whether the taxpayer takes the standard deduction or itemizes.<sup>21</sup>



## **WHAT COULD THIS MEAN FOR YOU?**

Just the \$1 million exemption increase in 2026 could save a family \$400,000 in estate taxes - money that stays with your heirs instead of going to the government.<sup>24</sup>

## **ESTATE TAXES**

The law locks in the dramatically higher estate tax exemption established under the 2017 tax reform, preventing it from reverting to prior, lower levels. Beginning in 2026, individuals can shield \$15 million from estate taxes, while married couples can protect \$30 million. These exemption amounts will continue to increase automatically each year with inflation.<sup>22</sup>



# TAKEAWAY: TAKE CHARGE OF YOUR TAX BILL WITH PROACTIVE PLANNING

The One Big Beautiful Bill made sweeping changes to tax legislation that promise to have far-reaching budgetary and economic impacts.

The legislation was estimated to have prevented tax increases for 62% of taxpayers who would have faced higher rates if the TCJA had expired as scheduled.<sup>25</sup> However, concerns remain that the tax cuts and spending provisions could increase the budget deficit, requiring additional government borrowing that may ultimately reduce American incomes as debt service costs rise.<sup>26</sup>

A future administration and Congress could decide to adjust or make wholesale changes by establishing new legislation.



## WHAT COULD THIS MEAN FOR YOU?

Recognize that taxes — much like stock prices, the direction of interest rates and how long we can expect to live - are variables that are largely out of our control. The one thing we can focus on is our individual financial goals.

**For many investors, the biggest threat to retirement success isn't market performance — it's the hidden drags caused by poor coordination across investments, taxes, income planning, healthcare decisions, and estate strategies. Even well-built portfolios can underperform their potential when the overall strategy lacks structure and alignment.**

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