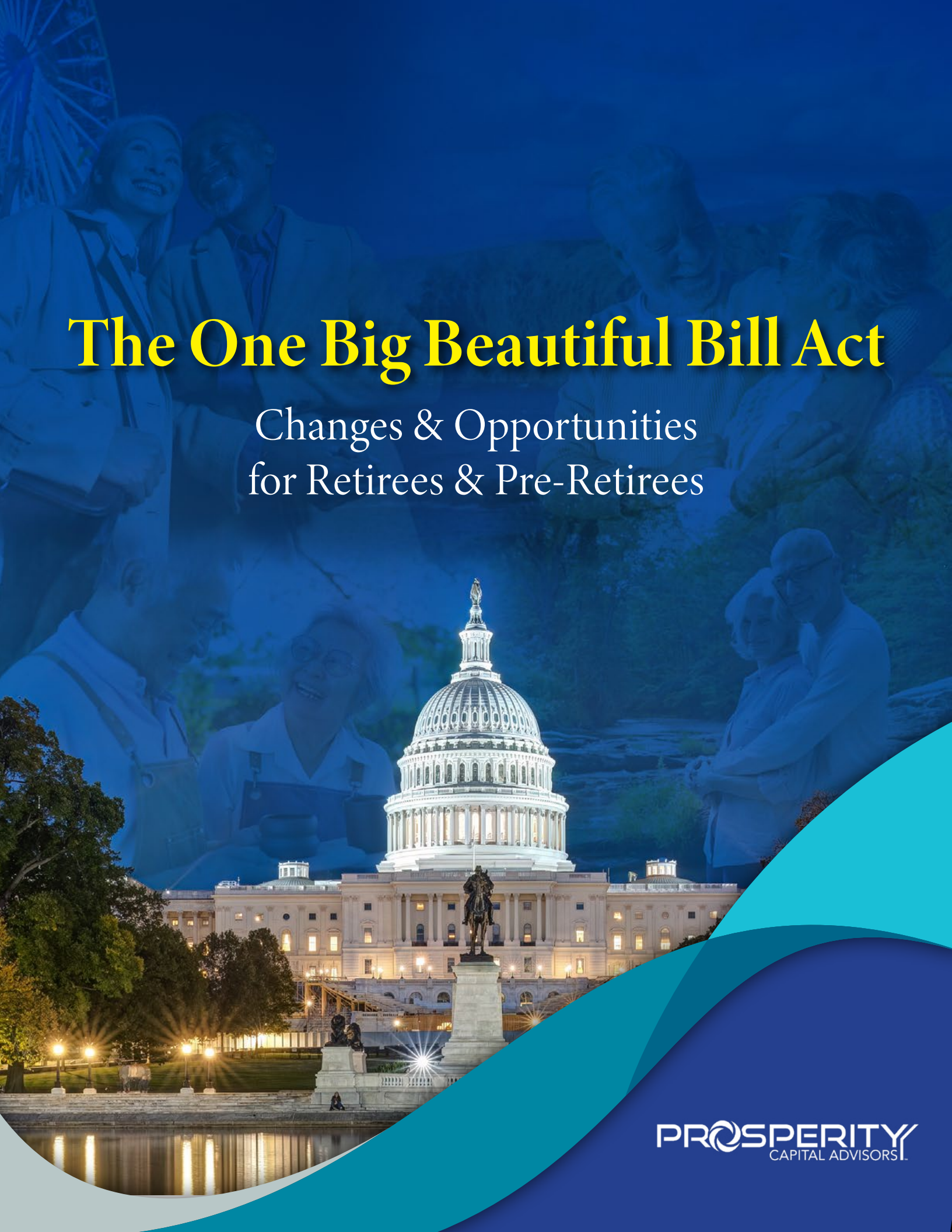




The One Big Beautiful Bill Act

Changes & Opportunities
for Retirees & Pre-Retirees

On Independence Day 2025, the One Big Beautiful Bill Act (OBBBA) became law. It's one of the most significant tax overhauls in recent memory, with direct effects on retirees, pre-retirees, and families. Here's a breakdown of the permanent changes you can count on, the temporary opportunities that require timely planning, and the brand-new tools designed to support families.

1. Permanent Changes You Can Count On

These are the lasting provisions of the new law that provide stability and allow you to plan your future and stay ahead. Lower tax rates, higher deductions, and expanded estate exemptions all create opportunities to reduce lifetime tax exposure and preserve more of your wealth.

Lower Tax Rates & Capital Gains Locked In

The lower income tax brackets created in 2017 are now permanent, meaning:

- A married couple can earn up to \$128,450 and **stay in the 12% bracket**
- **The top rate stays at 37%** instead of reverting to 39.6%
- Capital gains brackets are also locked in, making it easier to plan when and how to sell investments

What this means for you:

This creates one of the most favorable tax-

planning environments in decades. Roth conversions, capital gains harvesting, and the timing of trust distributions can all be done with more confidence.

What it could look like:

For a middle-income married couple

You're in a historic sweet spot. Married couples can have gross income up to \$128,450 (that's \$96,950 taxable income plus the \$31,500 standard deduction) and stay in just the 12% bracket. Consider converting as much as possible to Roth while you're in this low bracket. Paying 12% tax now to avoid 22-25% or higher in retirement is one of the best decisions you can make.

For a high-income individual:

Even at your income level, the 37% top rate is historically low. Consider accelerating income and maximizing deductions now, as rates this low may not last. The certainty of today's rates versus unknown future rates argues for proactive planning.

For a retiree:

Your lower income in retirement creates a perfect opportunity for Roth conversions and capital gain harvesting. You can potentially realize more in long-term gains at 0% federal tax each year; an opportunity that may never come again. If you qualify for the new senior bonus deduction, this amount could be even higher.

Higher Standard Deduction

The standard deduction is now permanently higher and indexed for inflation. Details include:





- **New amount: \$15,750 (single) / \$31,500 (married filing jointly)**
- Stacks with the age 65+ deduction, and for a few years, with the temporary Senior Deduction
- Makes year-to-year tax liability more predictable and filing simpler, since fewer people need to itemize deductions

What this means for you:

This “silent tax cut” reduces taxable income for most households automatically without requiring itemized deduction, which lowers your taxable income and gives you more flexibility in planning your retirement. It creates more space for strategic income planning like Roth conversions, retirement account withdrawals, and capital gains harvesting while staying in lower brackets.

Estate & Gift Tax Exemption Increased

- 2025: **\$13.99 million per person**
- 2026 and beyond: **\$15 million, inflation-adjusted**
- Couples can now transfer up to **\$30 million tax-free**

What this means for you:

This creates a valuable opportunity for high-

net-worth families to use trusts, gifts, and other estate planning strategies with confidence that the exemption won’t be cut in half in 2026.

What it could look like:

For the \$30 million–\$50 million family:

While the \$15 million exemption is now “permanent,” remember that “permanent” in tax law means “until Congress changes it.” But here’s the key: rushing to give away assets isn’t always the smartest move. If you hold investments or property that have grown a lot in value, passing them down later could actually mean less total tax for your family than transferring them today. Depending on your age and long-term goals, waiting can sometimes preserve more wealth.

For the \$50 million–\$100 million family:

Even with the enhanced exemptions, you’ll still have estate tax exposure. Maximizing the \$30 million transfer opportunity while implementing additional strategies, like trusts and charitable planning for assets above the exemption, could be a smart move.

For a business owner:

A business can represent both your largest

asset and biggest estate tax liability. With the unified \$15 million exemption for estate, gift, and generation-skipping taxes (GSTs), you can transfer non-voting interests now while retaining control, possibly using the exemption for a trust that can buy additional interests from you over time.

For a family seeking protection:

Beyond the tax benefits, irrevocable trusts can provide critical asset protection from lawsuits and creditors, complete privacy for your family's financial affairs, and multi-generational control over how assets are used. These non-tax benefits are worth as much or more than the tax savings. With the \$15 million exemption, you can achieve these protections without gift tax consequences.

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Qualified Business Income (QBI) Deduction Here to Stay

Originally set to expire, the 20% QBI deduction is now permanent, so business owners can benefit from this tax break knowing it won't disappear in a few years. For many entrepreneurs, this deduction can save tens of

thousands of dollars each year. However, the structure of the business and one's income level determines how much of the benefit is received. This deduction:

- Applies to sole proprietors, partnerships, S corporations, and certain trusts and estates
- Allows eligible owners to **deduct up to 20% of their qualified business income** from taxable income
- Is available in addition to the standard deduction or itemized deductions
- Is subject to income thresholds and phaseouts, especially for "specified service trades or businesses" like medical practices, law firms, and consulting
- **Does not apply to C corporations** — their income is taxed at the flat 21% corporate rate

What this means for you:

If you're a business owner, the QBI deduction is now a cornerstone of your tax strategy. But it's not as simple as "take the 20% and go." For service businesses above certain income levels, the deduction may phase out. And while some consider switching to a C corporation for the 21% flat rate, doing so can create other tax traps like the accumulated earnings tax that could



wipe out the savings. Choosing the right entity structure and income strategy is critical.

What it could look like:

For a service business owner considering a C Corp:

While the 21% C Corp rate looks attractive compared to 37% for your medical practice, and you could theoretically save \$160,000 annually, there's a crucial catch. The IRS can impose an additional 20% accumulated earnings tax on amounts retained beyond your documented business needs. For most service businesses, this limit is just \$250,000. So, that \$790,000 you planned to retain? You could face another \$108,000 in accumulated earnings tax, destroying the benefit. Unless you have documented capital-intensive expansion plans or are selling within 2-3 years, the S Corp structure remains superior despite losing the QBI deduction.

Charitable Giving Cap Increased

- Deduction cap for itemizers is now permanently set at **60% of Adjusted Gross Income (AGI)**
- The new 0.5% AGI floor means smaller donations may not produce a tax benefit
- Non-itemizers can deduct up to **\$1,000 (single)** or **\$2,000 (married)** beginning in 2026

What this means for you:

Charitable strategies like bunching gifts, Donor-Advised Funds (DAFs), and charitable trusts are more important than ever to maximize deductions.

What it could look like:

For a moderate donor (\$5,000–\$25,000 annually):

The new 0.5% floor means you need to be strategic about timing. Instead of giving \$5,000 annually, consider giving \$25,000 every five years to maximize your deduction. You can use a donor advised fund to smooth out your actual

charitable distributions. Note that donor DAF contributions don't qualify for the non-itemizer deduction.

For a business owner:

The new 1% corporate floor significantly impacts corporate giving strategies. Consider making charitable contributions personally rather than through your corporation, especially if your business income is under \$1 million. You can also explore the 5-year carryforward for contributions exceeding 10%.

For a major donor (\$100,000+ annually):

While the 0.5% floor will cost you some deduction, the impact is relatively small on larger gifts. The key is coordinating your giving methods; using Qualified Charitable Distributions (QCDs) for your required retirement account withdrawals, bunching taxable gifts, and considering the new scholarship credit for education-focused philanthropy. Also, remember that as a top-bracket taxpayer, your benefit is now capped at \$0.35 per dollar rather than \$0.37.



2. Temporary Opportunities and Phaseouts

These are short-term measures with set end dates or income thresholds, which makes timing especially important. Acting soon can unlock meaningful tax savings and prevent unnecessary loss as provisions begin to phase out.

Senior Deduction (2025–2028)

- **\$6,000 per person** age 65 and older
- Begins phasing out at **\$75,000 (single) / \$150,000 (married filing jointly)**
- Fully phased out at **\$175,000 (single) / \$250,000 (married filing jointly)**
- In addition to the existing senior standard deduction

What this means for you:

Carefully choosing when to take income, sell investments, or make charitable gifts can help keep your taxable income within the limits so you qualify for the full deduction.

State and Local Tax (SALT) Deduction (2025–2029)

The deduction for state and local taxes is expanding significantly compared to the old \$10,000 limit. The new law allows households to claim a larger share of what they actually pay and putting a key deduction strategy back on the table for many middle- and upper-income taxpayers.

- The maximum deduction rises to **\$40,000 per household** through 2029
- That cap increases slightly each year until 2030, when it is scheduled to **drop back to \$10,000** unless Congress acts
- Families with modified adjusted gross income (MAGI) above \$500,000 will gradually lose this benefit (this is the phaseout), with high-income households seeing it phased out completely

What this means for you:

If you live in a state with high property or income taxes, this change could put thousands of dollars back in your pocket. The challenge is that eligibility depends on your total income. If your income is close to the \$500,000 limit, strategies like adjusting retirement contributions, deferring income, or making use of trusts can help keep you under the threshold and preserve more of the deduction.

What it could look like:

For a \$400–\$500K income individual:

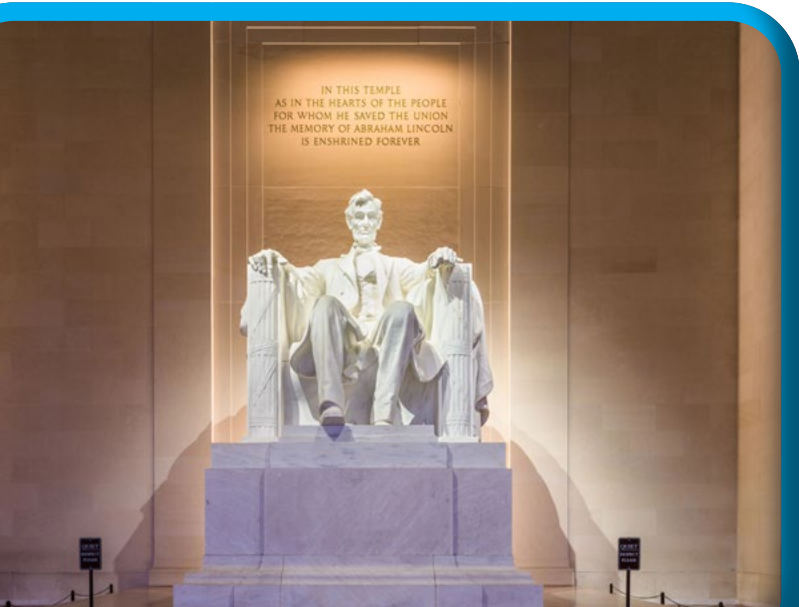
You're in a great place for SALT benefits. We need to carefully manage your income to stay under \$500,000. Every dollar over that threshold reduces your deduction by about 30 cents. By making the right retirement contributions or shifting the timing of income, it can help you keep the full \$40,000 deduction.

For a \$500–\$600K income individual:

You're in the SALT "danger zone" where your effective tax rate can climb above 45%. Since even tax-exempt interest counts toward this limit, we'll need to review all sources of income. Strategies like special state elections for business income or the use of trusts may help protect more of your deduction.

For a \$600K+ income individual:

Although the expanded SALT deduction phases out at your income level, there are still planning tools available. Business elections and multiple-trust structures may help you capture additional savings that would otherwise be lost.





Green Energy & Other Credits Expiring

The new law phases out these incentives, creating a limited window to act:

- **Electric vehicle credits** end after **September 30, 2025**
- **Home energy upgrade credits** (like insulation, windows, and HVAC) end after **December 31, 2025**
- **Residential solar and renewable credits** end after **December 31, 2025**
- **Commercial renewable energy projects** (such as wind, solar, and battery storage) **must begin construction before December 31, 2025** to qualify for federal production tax credits (PTCs) or investment tax credits (ITCs)

What this means for you:

If you’ve been thinking about an electric vehicle or home energy improvements, acting before these deadlines could save you money. For business owners or investors in large renewable projects, the stakes are even higher — missing the 2025 construction start date could mean walking away from millions in federal incentives.

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What it could look like:

For a family:

The increased adoption credit refundability means you'll get up to \$5,000 back even if you have no tax liability. Combined with enhanced dependent care benefits (\$7,500 exclusion), a family can benefit from significant tax savings.

For business owners considering renewable energy projects:

You’re evaluating whether to move forward with a wind turbine installation for your business. If construction begins before December 31, 2025, you may qualify for valuable federal production or investment tax credits that dramatically improve the project’s return on investment. Waiting until 2026, however, means those credits disappear entirely, leaving you to shoulder the full cost.

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New Temporary Income-Based Deductions

Many people earn a significant portion of their income through tips or overtime pay, especially in service and hourly-based professions.

Two new deductions have been created for these workers:

- 1) **Up to \$25,000** deduction for tip income
- 2) **Up to \$12,500 (single) / \$25,000 (married)** deduction for overtime pay

Details include:

- Both phase out once income exceeds **\$150,000 (single) or \$300,000 (married)**
- These provisions are set to **expire after 2028** unless extended by Congress

What this means for you:

For workers in restaurants, hospitality, healthcare, and other hourly professions, these deductions can directly reduce taxable income and lower your overall tax bill. Even if you are retired, your household may benefit if younger family members qualify, creating opportunities for multigenerational tax planning.

3. New Tools for Families

These are newly created benefits, credits, and accounts designed to strengthen support for children, grandchildren, and multigenerational wealth building.



- Growth is tax-deferred, allowing funds to compound for years without annual taxation
- Standard early withdrawal exceptions apply before retirement age, including higher education expenses, a first-time home purchase (up to \$10,000 lifetime), medical bills, adoption or birth expenses, disability, and certain emergencies.

What this means for you:

Trump Accounts are like Roth IRAs for children, but without the earned income requirement. They can be used for education, a first home, a vehicle, or even retirement, making them a powerful way for parents and grandparents to help the next generation build lasting financial security.

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What it could look like:

For grandparents contributing to a Trump Account

If your grandchild is born in 2025, the government automatically opens a Trump Account with a \$1,000 starter contribution, and you decide to add \$5,000 each year. By age 18, assuming 6% annual growth, the account could reach about \$165,000. Roughly 54.5% of that balance would be tax-free as a return of basis, while the remainder would be taxable under pro-rata rules. This creates a meaningful fund your grandchild can use for college, a first home, or even retirement decades later.

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Expanded Child Tax Credit

Raising children is expensive, and taxes can add to that burden. The law expands the Child Tax Credit in value and it is now permanently part of the tax code, providing families with reliable support they can count on year after year.

Key details:

- **Credit amount increased to \$2,200 per qualifying child** (up from \$2,000)
- **Refundable portion expanded to \$1,700**, so even families with little or no tax liability

Trump Accounts for Kids

The law creates a savings tool where accounts known as Trump Accounts are automatically opened by the government for eligible children born between 2025 and 2028. They receive a \$1,000 government starter contribution, and families can then add their own contributions to help the funds grow over time. They combine elements of traditional retirement accounts with new flexibility for families.

Details include:

- **Families can contribute up to \$5,000 per year per child**, indexed for inflation
- **Children born between 2025 and 2028 receive a \$1,000 government contribution**
- Contributions can come from **parents, grandparents, other relatives, or even employers** (employers can contribute up to \$2,500 per year)
- There are no income limits, so families at any income level can participate
- **No withdrawals are allowed before age 18.** After that, the account is treated like a traditional IRA: family contributions create a “basis” that comes out tax-free, while government and employer contributions are fully taxable when withdrawn



The Bottom Line

The One Big Beautiful Bill Act is over 900 pages of complex legislation. Inside, there are a mix of lasting provisions, time-sensitive opportunities, and new credits that are important for you to know and understand when planning for you and your loved ones' futures.

- **For retirees and pre-retirees:** Lower tax rates, higher deductions, and temporary senior tax breaks provide opportunities to manage income more efficiently and preserve retirement savings.
- **For families:** A stronger Child Tax Credit and the introduction of Trump Accounts offer reliable, long-term benefits that can ease today's costs while building wealth for children and grandchildren.
- **For business owners:** Permanent deductions like the QBI deduction, along with restored tools such as bonus depreciation and enhanced interest deductibility, create meaningful ways to strengthen cash flow and support growth.
- And much more.

But here's the key: **these benefits don't happen automatically.** Taking advantage of them requires thoughtful timing, tax-savvy guidance, coordination, and proactive, holistic planning.

If you'd like to understand how these changes could shape your retirement or legacy plan, connect with our trusted financial advisors to build a personalized strategy.

can still receive this amount back as a direct payment

- **Phaseouts remain unchanged:** \$200,000 for single filers / \$400,000 for married filing jointly
- **\$500 credit for other dependents** (such as older children or elderly parents) is also made permanent
- Unlike prior versions, this credit no longer expires or requires renewal by Congress, offering predictability and long-term planning value

What this means for you:

The Child Tax Credit now provides greater annual relief and long-term certainty. It lowers your tax bill dollar-for-dollar and ensures a portion is refundable, putting money directly into your household budget. When paired with savings tools like Trump Accounts or 529 education plans, this benefit can not only ease the cost of raising children today but also help build long-term financial security for the next generation.

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