

BAIRD

BHG Experts Unplugged: Tax Planning – The Why and How and Upcoming Tax Law Changes

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Discover the *Baird Difference*

Agenda

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- Why Tax Planning?
- What exactly is tax planning? 2 Case Studies.
- Discuss potential upcoming changes to tax law.

Why Tax Planning?

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- Most CPAs and Advisory Teams offer 2 types of tax planning – 1 year – or none at all.
- Lifetime Tax Planning to reduce taxes paid over lifetime, not just in 1 year.
- Annual reviews of tax returns can uncover planning opportunities
- Your lifetime tax plan should be reviewed every year, just like your financial plan!

What IS Tax Planning?

- Tax Planning is the process of legally reducing your tax burden paid over your lifetime by utilizing tax-advantaged opportunities specific to your current phase in life (I.E. Pre-tax retirement account contributions for working years, Roth Conversions for retirees, etc.)
- Let's look at 2 case studies to see the various things that we consider for our clients.
- Your tax plan is unique to you and based exclusively around your financial goals.

Case Study 1: Sterling and Goldie Banks

A young family in the peak of their working/earning years looking to save in the most tax efficient manner.

Banks – Financial Information



2025 Tax Report for Sterling Banks and Goldie Banks

Thomas Boh | tboh@rwbaird.com

Scenario: Tax Year 2025

KEY FIGURES

Total Income	\$464,000	Average Rate	22.5%
Adjusted Gross Income (AGI)	\$456,935	2025 Safe Harbor	\$93,963
Deductions	\$30,000	Qualified/Ordinary Dividends	\$8,000 / \$10,000
Taxable Income	\$414,358	ST/LT Capital Gains	\$0 / \$0
Total Tax	\$104,403	Carryforward Loss	\$0
Filing Status	Married Filing Jointly	Credits Claimed	\$1,150
Marginal Bracket	32.0%		

Potential Planning Opportunities

- Sterling has incentive stock options that will vest in 2025 – planning for “Alternative Minimum Tax” and potential capital gains impact.
- Are Sterling and Goldie maximizing their pre-tax benefits to reduce their tax liability?
- Planning to maximize the benefit of the child tax credit.
- Ensuring that Sterling and Goldie pay in enough tax throughout the year to avoid underpayment penalties (ensuring they hit their “safe harbor” payment amount).

Case Study 2: Rich and Penny Cash

A couple retired in their early 60s looking to fund their lifestyle with portfolio assets in a way that reduces their taxes and health insurance costs and purchase an energy efficient vehicle.

Cash – Financial Information



2025 Tax Report for Rich Cash and Penny Cash

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Scenario: Tax Year 2025

KEY FIGURES

Total Income	\$675,000	Average Rate	15.2%
Adjusted Gross Income (AGI)	\$675,000	2025 Safe Harbor	\$92,604
Deductions	\$31,600	Qualified/Ordinary Dividends	\$18,000 / \$20,000
Taxable Income	\$643,400	ST/LT Capital Gains	\$0 / \$600,000
Total Tax	\$102,894	Carryforward Loss	\$0
Filing Status	Married Filing Jointly	Credits Claimed	\$0
Marginal Bracket	12.0%		

Potential Planning Opportunities

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- When to file and the tax impact of filing for social security.
- Reducing Health Insurance Costs – Lower taxable income to ensure that Medicare Premium Adjustments and Marketplace Health Insurance costs are minimized.
- In contrast to the above - \$6MM in IRA assets to help fund spending. Considering when to distribute IRA dollars and how much each year. Potential Roth Conversions.
- Selling a home with a \$600,000 capital gain and moving to a new state. Consider the tax impact of capital gains with respect to other items above.
- Recommend purchasing electric vehicle in 2025 to take advantage of existing tax credits.

Upcoming Tax Law Changes

It isn't "If" – It's "When" and "How Much"

Key Aspects of House Tax Proposal – Keeping the Existing Changes

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- Make current tax rates/brackets permanent (Rather than increasing to pre-TCJA Levels)
- Make current elevated standard deduction permanent
- Make limits on itemized deductions permanent (removal of miscellaneous itemized deductions and limits on mortgage interest)
- Increase State and Local Tax (SALT) Deduction to \$40,000 (phased out based on income)
- Increase child tax credit to \$2,500 from \$2,000 rather than decreasing to pre 2017 law levels.
- Increase estate tax exemption to \$15MM rather than being cut in half.
- Maintain Higher Alternative Minimum Tax Exemptions
- Increase Qualified Business Income Deduction to 23% from 20%

Key Aspects of House Tax Proposal – Adding New Changes!

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- “Tax Free Tip and Overtime Income” - \$25,000 Deduction limited based on total wage income.
- Additional \$4,000 deduction for those 65+ (income phase out applies)
- \$10,000 auto interest deduction (income phase out applies)
- Gradually eliminate energy credits
- Qualified Opportunity Zone 2.0 – Starts in 2027
- Expand HSA Contribution Limits and Allowable Expenses
- Expand allowed expenses from 529 accounts
- “MAGA” Savings account for minors (\$1,000 matching contribution)
- Re-institute hard limit on Health Care Premium Tax Credit

Tying It All Together

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- Let us help you navigate the tax landscape so you don't have to worry about it.
- We can begin the review process with a copy of your federal and state tax return.
- Upcoming law changes will almost certainly impact you – Meet with your advisor to discuss how to tax-efficiently meet your financial goals amidst the changing tax landscape.

Questions?

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Thank You!

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