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The Big Beautiful Bill – Planning Insights

By Kristopher Woodcock

By now, you've likely come across news coverage about the 'Big Beautiful Bill'—a wide-ranging piece of legislation that's been the subject of intense political debate and public discussion. As financial planners, our role is to help you make sense of these changes, understand what they mean for your personal finances, and identify the opportunities they present. While the commentary around the bill has been highly polarized, our focus is on cutting through the noise and examining the real-world impacts—particularly those that affect taxes, retirement, estate planning, and saving strategies. Below, we've summarized a handful of the most relevant provisions, explained how they work, and outlined proactive planning steps we can take together to ensure you benefit.

1. Tax-Free Social Security Relief

The law adds an income-based deduction for seniors (age 65+)—not a full repeal of benefit taxation—but up to 88% of seniors now owe no federal tax on Social Security benefits.

Example A: Margaret, age 68, with modest pension income remains below thresholds; the new deduction ensures she pays no tax on Social Security.
Example B: Rafael and Maria, both 70, file jointly and have $30,000 in combined income. The new $12,000 senior deduction ($6,000 each) nearly eliminates their liability.
Example C: David, 66, with higher IRA withdrawals, still has part of his Social Security taxed—but less than before.

Planning Suggestion: We'll model your income with the new deduction and assess whether Roth conversions or charitable QCDs can further minimize taxable Social Security—with the assistance of your accountant for specific tax advice.

2. Standard Deduction & SALT Cap

The standard deduction increased by $2,000 for individuals and $4,000 for couples. The SALT deduction cap rose from $10,000 to $20,000 (indexed to inflation).

Example A: John and Lisa pay $18,000 in state and property taxes. Before, only $10,000 was deductible; now they can deduct the full amount.

Example B: A single filer with $12,000 in SALT and $9,000 in mortgage interest now benefits more from itemizing than the new standard deduction.

Planning Suggestion: We'll review your deductions to see whether itemizing or the standard deduction works best—with guidance from your accountant on the tax details.

3. Rothification Incentives

Taxpayers with income under $150,000 may receive a $1,000 credit for converting IRA or 401(k) funds to a Roth. Roth SEP and SIMPLE IRAs are also permitted.

Example A: A self-employed client earning $100,000 converts $10,000 to a Roth IRA and receives a $1,000 credit.

Example B: A teacher making $70,000 rolls over part of her 403(b) into a Roth, offsetting conversion taxes with the credit.

Planning Suggestion: We'll evaluate annual conversion amounts that keep you within credit-eligible ranges—with the assistance of your accountant to calculate exact tax impact.

4. 529-to-Roth IRA Transfers

Up to $75,000 can now be moved from a 529 plan into a Roth IRA, with a shortened 5-year account aging requirement (down from 15).

Example A: A parent rolls over $20,000 in unused education funds into a child's Roth IRA.

Example B: A grandparent with leftover 529 assets transitions them into a Roth for estate efficiency.

Planning Suggestion: We'll identify unused 529 balances and set strategies for retirement conversions—confirming with your accountant how transfers should be reported.

5. Long Term Care Credit

A $4,000 tax credit is available for paying LTC insurance premiums or providing at-home care for qualifying relatives.

Example A: Sally pays $3,500 in LTC premiums and claims the full credit.

Example B: Tom supports his mother's in-home care and claims the credit to offset costs.

Planning Suggestion: If you're paying for coverage or caregiving, we'll ensure you capture this credit—with your accountant confirming eligibility and filing requirements.

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6.Child & Dependent Credits

The Child Tax Credit increased to $2,500 per child, and the Dependent Care FSA cap doubled to $10,000 per family.

Example A: A family with two kids under 17 receives $5,000 in credits and uses a $10,000 FSA for daycare.

Example B: A single parent uses both the credit and dependent FSA for after-school care, significantly reducing tax liability.

Planning Suggestion: We'll *help you* maximize credits and optimize pre-tax FSA contributions—with the assistance of your accountant to verify eligibility and benefits.

7.Estate Planning Changes

The estate tax exemption remains ~$13.6M per person through 2035, but new grantor trust rules mean certain trust assets may be included in estates.

Example A: A family using an ILIT may see estate inclusion unless restructured.

Example B: A grantor trust with appreciated assets may require adjustments to maintain estate exclusion.

Planning Suggestion: We'll review and, if needed, work in coordination with your estate attorney and accountant to amend trust documents ensuring compliance with new rules.

8.Penalty-Free Retirement Withdrawals

Up to $15,000 per year can be withdrawn penalty-free before age 59½ for caregiving, retraining, or accessibility upgrades. Income tax still applies.

Example A: Dave, 60, uses $12,000 from his IRA to renovate a bathroom for mobility needs—no penalty, but income tax applies.

Example B: Sarah, 55, uses $10,000 for retraining courses after a career change, penalty-free.

Planning Suggestion: We'll time withdrawals strategically to avoid unnecessary tax burden—with your accountant ensuring compliance with IRS rules.

9.Saver's Match

The Saver's Credit has been replaced with a government match of up to $1,000/year, deposited into retirement accounts.

Example A: A 30-year-old earning $35,000 contributes $2,000 and receives a $1,000 match.

Example B: A married couple, both contributing, qualify for two separate matches. **Planning Suggestion: We'll *advise* eligible family members *to* contribute enough to capture the full match—confirming with your accountant how the match is reflected on tax filings.**

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10.Emergency Savings Sidecar

Employees can save up to $2,500 in a liquid emergency fund linked to a 401(k).

Example A: Brian’s employer auto-enrolls him at $50/month, building $1,200 in one year.

Example B: An employee contributes the max $2,500 for extra liquidity while investing in the main plan.

Planning Suggestion: We’ll review if and how to allocate to this sidecar based on your emergency reserve needs.

11.Small Business Retirement Credit

The startup tax credit for new retirement plans is now $7,500/year for up to three years.

Example A: A small business owner sets up a SIMPLE IRA, using the credit to cover fees.

Example B: A startup offering a 401(k) plan leverages the credit to reduce early costs.

Planning Suggestion: We’ll design tax-efficient retirement strategies for business owners to maximize credits—working with your accountant to apply the credit properly.

12.Roth IRA Home Purchase Rule

First-time homebuyers can withdraw up to $25,000 from a Roth IRA (contributions + earnings) without penalty or tax.

Example A: Sarah withdraws $20,000 in contributions and $5,000 in earnings for a down payment penalty-free.

Example B: A newly married couple both use their Roths for a combined $50,000 withdrawal.

Planning Suggestion: We’ll evaluate whether this option fits within long-term retirement goals—with your accountant confirming eligibility and reporting.

13.Self-Employed Family Leave Credit

Self-employed individuals can claim up to $3,000/year in refundable credits for family leave.

Example A: An independent consultant takes 6 weeks off for maternity leave and receives $2,800.

Example B: A freelancer caring for an elderly parent claims the maximum $3,000 credit.

Planning Suggestion: We’ll incorporate this credit into financial planning projections, while your accountant ensures proper filing.

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14.Charitable QCD Enhancements

The Qualified Charitable Distribution (QCD) limit is now $125,000/year, eligibility age lowered to 70, and Roth funds permitted.

Example A: A retiree donates $100,000 from her IRA directly to charity, lowering RMD income.

Example B: Another uses post-tax Roth funds for QCDs to achieve philanthropic goals tax-efficiently.

Planning Suggestion: We'll align QCD strategies with your charitable and tax goals—with coordination from your accountant for reporting requirements.

As always, we're here to help you navigate how these legislative updates may impact your financial plan. Whether you're thinking about taxes, retirement income, charitable giving, or your estate strategy—let's talk through the changes and make sure you're positioned to take full advantage. Please don't hesitate to reach out with questions, or to schedule a review so we can integrate these new planning opportunities into your overall strategy. Note: We do not provide tax or legal advice. Please consult with your accountant and/or attorney for guidance specific to your situation.