

UNDERSTANDING THE ONE BIG BEAUTIFUL BILL ACT:
KEY TAX CHANGES

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On July 4, 2025, President Trump signed into law H.R.1, commonly known as the “One Big Beautiful Bill Act” (OBBBA). This sweeping legislation addressed the scheduled expiration of tax provisions from the 2017 Tax Cuts and Jobs Act (TCJA) while introducing new tax measures and tweaking existing rules. Here’s what you need to know.

Income Tax Brackets Stay the Same

The seven ordinary income marginal tax brackets established in 2017 by the TCJA—10%, 12%, 22%, 24%, 32%, 35%, and 37%—are now permanent. The income thresholds for each tax bracket will continue adjusting annually for inflation. Starting in 2026, the thresholds for the 10% and 12% brackets will get an extra year of inflation adjustment.

Takeaway: More income will be taxed at the two lowest rates. The IRS will release the 2026 tax inflation adjustments later this year, but we expect the savings to be minimal.

Higher Standard Deduction

Starting with the current 2025 tax year, the higher standard deduction amounts from the TCJA

2025 Standard Deduction Amounts:

Filing Status	Standard Deduction
Single	\$15,750
Head of household	\$23,625
Married filing jointly	\$31,500
Married filing separately	\$15,750
Qualifying surviving spouse	\$31,500

increase permanently and will adjust for inflation each year.

Takeaway: The standard deduction was already high, so this further raises the hurdle rate for itemizing deductions over taking the standard deduction. Consider

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“bunching” itemized deductions such as charitable contributions into alternating years to maximize tax savings.

Enhanced Senior Deduction

From 2025 through 2028, taxpayers age 65 and older can claim an additional deduction—whether

they claim the standard deduction or itemize—of \$6,000 (single) or \$12,000 (married filing jointly). This benefit phases out based on modified adjusted gross income (MAGI):

Income Phase-Out Ranges:

- Married filing jointly: \$150,000 to \$250,000
- All other filers: \$75,000 to \$175,000

This new deduction is in addition to both the standard deduction mentioned previously and the existing senior deduction (\$2,000 for single filers and \$1,600 per spouse for married couples filing jointly). The graph on the next page shows the potential total deductions for different filing categories.

Important note: This new deduction reduces taxable income for seniors, therefore reducing taxes owed. Despite early interpretations of the bill suggesting otherwise,

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normal Social Security taxation rules still apply.

Takeaway: Seniors should not assume Social Security is suddenly tax-free and then attempt to recognize more income. Have a discussion with your Investment Counselor and tax advisor to understand how this affects your overall tax situation.

SALT Deduction Increase

The cap on state and local taxes (SALT) deductions increases from \$10,000 to \$40,000 for most filers (married filing separately: \$20,000) beginning this 2025 tax year. This limit will increase by 1% annually through 2029, then revert to \$10,000 in 2030.

The deduction phases out for high earners exceeding the following modified adjusted gross income levels:

- Married filing separately: MAGI of \$250,000
- All other filers: \$500,000

For those with pass-through entities, such as partnerships and S-Corporations, the OBBBA preserves the pass-through entity tax (PTET) deduction, allowing these businesses to pay state tax at the entity level—a fully deductible

“Consider ‘bunching’ deductions in 2025, 2027, and 2029 to maximize this temporary benefit before it expires in 2030.”

business expense—instead of at the individual taxpayer level, making it subject to the SALT deduction cap.

Takeaway: Households in these phase-out ranges should be cognizant of how recognizing additional income and capital gains affects their SALT deduction. There will be a certain point where taking the standard deduction becomes more optimal as the SALT deduction

decreases. Consider “bunching” deductions in 2025, 2027, and 2029 to maximize this temporary benefit before it expires in 2030. Households may also consider deferring income to later years or accelerating deductions to reduce MAGI.

Charitable Deduction Changes

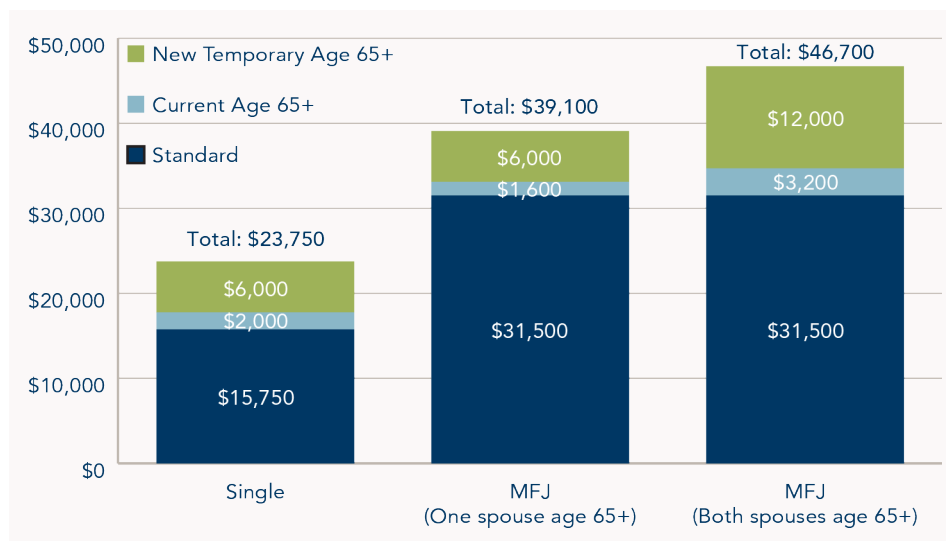
Starting in 2026, cash donations to public charities are now permanently deductible up to 60% of adjusted gross income (AGI). There’s also a new 0.5% floor on charitable contribution deductions, meaning households can only deduct charitable gifts that exceed 0.5% of AGI.

Beginning in 2026, those who take the standard deduction can also take a separate charitable contribution deduction, \$1,000 for single filers and \$2,000 for married couples filing jointly.

Takeaway: Itemizers should consider front loading their charitable contributions in 2025 to avoid the 0.5% floor next year. In 2026, those who take the standard deduction should keep records of their donations to claim the new \$1k/\$2k charitable contribution deduction.

DEDUCTIONS AVAILABLE TO SENIORS

DEDUCTIONS FOR SENIORS AGE 65+ UNDER OBBBA



Source: Kitces.com, LLC
For illustrative purposes only.

Itemized Deduction Limit for High Earners

Beginning in 2026, taxpayers in the highest tax bracket (37%) will see their itemized deductions capped at 35 cents per dollar of income, reducing the tax benefit from 37% to 35%. In other words, the maximum tax savings from itemized deductions will be 35%.

Takeaway: Taxpayers in this top bracket may consider bunching deductions into 2025 to capture

the full 37% tax benefit. This includes accelerating charitable contributions in 2025 to avoid the 0.5% floor mentioned earlier.

Qualified Business Income Deduction Made Permanent

Originally set to expire, the 20% deduction for qualified business income (QBI) is now permanent. The income phase-in thresholds have also been expanded:

- Single filers: \$50,000 to \$75,000 (indexed for inflation)
- Married filing jointly: \$100,000 to \$150,000 (indexed for inflation)
- Minimum \$400 deduction if there is at least \$1,000 in qualified income

Takeaway: More business owners may now qualify for this deduction. Work with your Investment Counselor and tax advisor to manage your income to stay within these expanded ranges.

Alternative Minimum Tax Changes

The alternative minimum tax (AMT) exemption amounts are now permanent. For 2025 these are:

- Married filing jointly: \$137,000
- Married filing separately: \$68,500
- All other filers: \$88,100
- Trusts and estates: \$30,700

Starting in 2026, the income threshold for the phase-out starts earlier at \$1 million for married couples filing jointly and \$500,000 for married couples filing separately, extended for inflation. Additionally, for those who exceed these thresholds, the phase-out exemption increases from 25% to 50%. The SALT deduction will also be added back to taxable income for the AMT.

Takeaway: These changes mean the phaseout will happen more rapidly, causing more households to be subject to the AMT. High earners may consider accelerating AMT-related items in 2025.

Estate Tax Exemption Increases

The estate tax exemption for 2025 is \$13.99 million per person, or \$27.98 million per couple. This amount was set to sunset at the end of the year, reverting to \$5 million per person (adjusted for inflation) in 2026. However, the OBBBA raised the exemption to \$15 million per person (\$30 million per couple), made it permanent,

“These changes mean the phaseout will happen more rapidly, causing more households to be subject to the alternative minimum tax.”

and ensured it will be adjusted for inflation going forward.

Takeaway: Please have your Investment Counselor and your attorney periodically review your estate plan documents to confirm they still reflect your wishes and needs. If you do not currently have estate plan documents in place, we encourage you to contact your Investment Counselor.

Expanded 529 Plan Uses

Starting July 5, 2025, funds from 529 savings plans can be used tax-free for more K-12 expenses (beyond tuition), including curriculum materials, books and other instructional items, online educational content, and exam fees. The annual limit

for K-12 expenses increases from \$10,000 to \$20,000 in 2026.

Important Note: State tax treatment may differ for these withdrawals. Some states, like California, do not conform to federal law and impose state income tax and a 2.5% penalty on the earnings portion of 529 distributions used for K-12 tuition.

New Auto Loan Interest Deduction

For auto loans taken after December 31, 2024, interest is deductible up to \$10,000 annually through 2028, subject to income phaseouts and the following requirements:

- The vehicle is for personal use
- It's new (not pre-owned)
- It's assembled in the United States

The Bottom Line

The One Big Beautiful Bill Act creates both opportunities and challenges. We'll continue monitoring IRS guidance as more details emerge. Our wealth management approach combines investment management, tax planning, and estate strategies into comprehensive financial plans. Your Investment Counselor can work with your tax advisor and attorneys to develop strategies tailored to your specific situation. |||||

The information presented in this article is based on our best understanding of the provisions found in H.R.1. These interpretations may change over time with additional information and further guidance from the IRS. Tax law affects everyone differently. Clifford Swan Investment Counselors are not tax advisors. We suggest you consult your tax advisor to understand how these changes impact your personal financial situation.

WHAT DIVORCE CAN TEACH US ABOUT FINANCIAL RESILIENCE (EVEN IF YOU'RE HAPPILY MARRIED)



Carlota B. Venegas, CFP®, CDFA®
Investment Counselor

You don't have to be going through a divorce to learn from one.

Some of the most powerful financial lessons we've encountered do not come from market swings or tax law changes; they come from the experience of watching wealth unravel during a divorce. Divorce is emotionally disorienting, legally complex, and financially revealing. It forces individuals, many of whom consider themselves financially savvy, to look closely at their true level of control, understanding, and preparedness.

But those lessons don't just apply during a crisis. They're essential for anyone who wants to build a financially resilient life. Whether you're happily married, remarried, partnered, single, or somewhere in between, the principles that

"...the principles that protect wealth during divorce are the same ones that strengthen families through illness, loss, transition, or succession."

protect wealth during divorce are the same ones that strengthen families through illness, loss, transition, or succession.

In working with clients whose balance sheets range from \$1 million

to over \$50 million, what we've learned is this: resilience isn't about asset size, it's about clarity, structure, and adaptability. The most financially confident clients are those who proactively prepare, not just for opportunity, but for disruption.

If you value stewardship, generational continuity, and personal agen-

"...resilience isn't about asset size, it's about clarity, structure, and adaptability."

cy, these divorce-inspired lessons can help you preserve both your wealth and your peace of mind.

Plan for Contingencies (Not Just Possibilities)

You don't need to expect divorce to prepare for the possibility of change. Wealth preservation is ultimately about optionality: the ability to adapt quickly when life takes an unexpected turn.

That could be:

- A sudden health event that affects decision-making
- A child's unexpected financial need
- A shift in the marital relationship
- A market or tax law change that disrupts long-held plans

Financial resilience means having:

- A clear estate and incapacity plan (including powers of attorney and successor trustee appointments)
- Up-to-date beneficiary designations

- Clear ownership of digital assets and passwords
- Thoughtfully structured prenuptial or postnuptial agreements
- Liquidity buffers to handle large expenses without disrupting investments

Think of contingency planning as the insurance policy on your legacy, not because you expect disaster, but because you care enough to plan for your family's financial continuity in every scenario.

Know What You Own and What It's Worth

Outside of traditional stock and bond portfolios, wealthy families often hold diversified, layered, and illiquid asset structures. These may include primary and vacation homes, investment properties, private equity, real estate partnerships, hedge fund holdings, family businesses, trust assets, and high-value collectibles such as art, jewelry, or vintage cars. Some portfolios also include international holdings, executive compensation packages, or life insurance policies with cash value. With complexity comes the risk of opacity.

In many couples, one spouse takes the financial lead. But in a divorce, or any crisis, the "non-financial" spouse may be left in the dark about the actual structure and value of the assets. That creates vulnerabilities not only in divorce but in estate administration, incapacity, and succession.

What Divorce Can Teach Us | Continued on page 5

Ask yourself:

- Are all assets fully accounted for and titled properly?
- Are trusts or entities structured equitably between spouses?
- Do you have updated appraisals or valuations for illiquid assets?
- Could both partners clearly articulate the family's total financial picture?

What to do:

Create and maintain a comprehensive marital balance sheet that includes:

- Ownership structures (LLC, joint tenancy, separate property, trust)
- Legal jurisdictions (domestic vs. offshore)
- Basis and cost structures
- Cash flow rights vs. equity rights

Bottom line: Visibility is power. Don't just know your net worth, understand the architecture of your wealth.

Protect Separate Property and Track Commingling

For individuals that enter a relationship with significant assets, premarital and inherited wealth often starts as separate property, but can easily become commingled. Real estate purchased before marriage may be retitled jointly. Investment accounts may be used to fund joint expenses. Business interests may expand or restructure during marriage.

In the event of a divorce, these nuances can determine whether tens of millions of dollars are classified as marital or separate property. Courts scrutinize documentation. Intent must be clearly evidenced, and financial records must be bulletproof.

Common risks:

- Depositing inheritance into joint accounts
- Using separate funds to renovate jointly owned property
- Paying family expenses from business accounts
- Refinancing a separate-property home in joint names

What to do:

- Keep separate property in stand-alone accounts
- Avoid joint titling unless intended as a gift
- Maintain clear records of deposits, ownership, and the source of funds
- If the property is improved, document the source of the improvement costs

Consider a postnuptial agreement to affirm separate property and establish ground rules. This is especially useful for second marriages, blended families, or if large gifts or liquidity events (e.g., a business sale or inheritance) are expected.

Don't Rely on Memory or Good Intentions, Document Everything

High-asset divorces are forensic in nature. Without documentation, memory and intention are not enough. Spouses often have conflicting views about how money was used, promised, or intended. Courts and mediators rely on paper trails, not anecdotes.

Even outside of divorce, strong documentation matters. It ensures clarity in estate administration, trust enforcement, and intergenerational transfers. It can protect against disputes between family members, beneficiaries, or co-trustees.

What to document:

- Dates and terms of interspousal loans

- Capital contributions to jointly held assets
- Gifts or advances to children or trusts
- Updates to estate documents (wills, trusts, powers of attorney)
- Business buy-sell or shareholder agreements

Tip: Create a family “financial vault” (digital or physical) that houses key documents, valuations, account statements, legal agreements, and estate plans, accessible to both spouses and designated fiduciaries.

Have More, and Better, Money Conversations

Wealth doesn't prevent families from avoiding money conversations. In fact, many affluent couples don't discuss their finances at all, assuming their advisors “have it handled.” But in times of stress, divorce, illness, or widowhood, those gaps become liabilities.

Avoiding these discussions can lead to misunderstandings, resentment, or one partner feeling disempowered. For HNW couples, this is especially risky because so much wealth may be illiquid, tied to long-term trusts, or exposed to legal constraints.

Try asking each other:

- If something happens to me tomorrow, would you know who to call?
- Are we both comfortable with the decisions our trusts and estate plans reflect?
- How do we define fairness when it comes to legacy or future needs?
- What's your biggest financial stressor that we haven't talked about?

Best practice: Schedule a structured, annual financial meeting as a couple. Include your advisor. Discuss upcoming liquidity events, estate plan updates, charitable goals, and concerns before they become conflicts.

Final Thought: You Can't Delegate Resilience

Wealth doesn't guarantee preparedness. In fact, the more assets

you have, the more vital it is to ensure both spouses have a working understanding of how they're structured, how they behave under pressure, and how to access them in times of need.

Whether you're in a strong marriage, navigating uncertainty, or simply seeking more confidence in your financial life, take this cue from the divorce world: don't wait for a crisis to get clarity.

You don't have to be going through a divorce to benefit from its lessons. But you do have to take

action now, while things are calm, to ensure your future self, your family, and your legacy are protected.

Whether you're preparing for a major life transition or simply want to reinforce your family's financial foundation, now is the time to take proactive steps. Let's start the conversation before life forces it. |||||

Carlota Venegas holds the Certified Financial Divorce Analyst® (CDFA®) designation in support of our clients who need specialized guidance through divorce financial planning.

IT PAYS TO MAINTAIN A LONG-TERM MINDSET IN AN ERA OF SHORT-TERMISM



Austin H. Gewecke, CFA
Equity Analyst

In today's world, convenience is often a single tap away. The breadth of smartphone apps enables us to have groceries delivered to our doors within hours or hail a ride to the airport within minutes. Even social exchanges occur in real time

“While we are privileged to benefit from various digital advancements, they can fundamentally change our psychological disposition.”

due to the immediacy of texting and social media messages. While we are privileged to benefit from various digital advancements,

they can fundamentally change our psychological disposition, conditioning us to expect results at unprecedented speed.

Yet, when it comes to investing, instant gratification remains elusive. Daily price swings often reflect transient factors like investor mood and trading signals, rather than actual changes in a company's value. Building wealth through compounding takes time because the things that make companies more valuable rarely take shape overnight.

In a digital age characterized by a persistent flow of information and near-constant updates, maintaining a long-term perspective is increasingly challenging. Nevertheless, we'll explore a few reasons why a commitment to long-term thinking remains helpful for yielding superior investment outcomes over time.

Long-Term Investing Has Become Less Competitive

The composition of stock market trading volume has changed

significantly in recent decades, in part reflecting this shift toward shorter-term thinking. Lower

“Building wealth through compounding takes time because the things that make companies more valuable rarely take shape overnight.”

commissions and online trading have fueled an explosion of short-term trading. High-frequency professional traders represent a meaningful portion of trading volume. They aim to profit from small price signals by leveraging powerful computers and sophisticated algorithms to execute trades at lightning speed. Even institutional investors focused on company fundamentals increasingly incorporate alternative data

It Pays to Maintain | Continued on page 7

(credit card transactions, satellite imagery, etc.) to uncover unique insights that inform short-term investment strategies. Additionally, most Wall Street research reports don't offer forecasts beyond two years. These factors have contributed to a persistent decline in how long investors hold onto stocks, from an average of eight years in the 1950s to under one year today.

“...the current structure of market participants creates opportunities for long-term investors.”

Although there are skilled investors who can capitalize on short-term views, it is difficult to gain an informational advantage that delivers unique insights into a company's near-term prospects. As such, we believe maintaining a long-term orientation suits most investors.

Indeed, the current structure of market participants creates opportunities for long-term investors. The myopia of some investors, coupled with algorithmic trading that generally prioritizes price signals over company fundamentals (earnings, cash flows, etc.), creates attractive opportunities for investors who look beyond the near term. In short, long-term investors are playing a different game, one with less competition.

Prioritizing Long-Term Earnings Growth Should Yield Better Outcomes

Legendary investor Warren Buffett uses a baseball analogy to describe

his investing approach. He aptly points out that there are no umpires calling strikes in investing, so there is no penalty for letting pitches pass by. This means one can be patient and wait to swing only at pitches that are in their sweet spot, when the odds are most in their favor.

At Clifford Swan, our sweet spot comprises high-quality companies with durable competitive advantages, strong financials, and capable management teams. These characteristics tend to drive earnings growth, which is cited as the primary determinant of equity performance over the long term. By narrowing the investable universe to companies with proven track records of earnings growth, we take comfort in the alignment of our investment process with what matters most over the long run. While short-term disruptions and business cycles are inevitable, we believe long-term investment outcomes will ultimately reflect the quality of this process.

Operating with a Long-Term Mindset Helps Make More Informed Decisions

While it is essentially impossible to forecast how stocks will perform in the near term, predictability increases as the investment period lengthens because long-term returns tend to converge toward their historical averages. For example, we know that equity returns are more volatile than those of fixed income or cash over the long term, but, historically, the risk of loss diminishes the longer you invest. Since 1980, the average intra-year drawdown for the S&P 500 Index has been 14%. Yet, returns were positive in 34 of the 45 years, with results becoming even more favorable

over extended periods. Downside risk is often considered to be the price of admission for capturing long-term growth, and equity

“Selling after a market drop can lock in losses or trigger capital gains taxes, both of which erode returns over time.”

investors have been rewarded for tolerating volatility as returns have exceeded those of fixed income, cash, and inflation over long periods.

Long-term thinking is not always easy, especially in times of extreme market swings. However, recognizing that market fluctuations occur and maintaining a steady temperament is critical. Attempting to move in and out of the market to avoid losses typically destroys value because the best days often follow the worst days, and missing those best days can significantly reduce long-term returns. Selling after a market drop can lock in losses or trigger capital gains taxes, both of which erode returns over time. More importantly, such actions reduce the likelihood that one is invested to benefit from subsequent recoveries. Staying invested with a long-term mindset allows portfolios time to rebound from temporary shocks and compound over time while minimizing the tax consequences of market timing.

Ultimately, investors who understand the long-term risk and return profile of equities can reduce the probability of making value-destructive decisions based on short-term market movements. |||||

CELEBRATING THE FIRST DECADE OF OUR SUMMER INTERNSHIP PROGRAM

Clifford Swan's wealth management internship program reached a major milestone this year, with Meghan Garrity and Michael Dunn completing our tenth annual program. Over six weeks, they immersed themselves in learning across our firm, from investment research and financial planning to compliance and operations.

The rising college juniors brought impressive credentials. A Finance and Spanish major at the University of Notre Dame, Meghan serves on the board of her university's student investment club. Michael is majoring in Economics and minoring in Public Policy at UC Berkeley, where he participates in a finance and consulting club and serves on his fraternity's executive board.

Both valued the comprehensive exposure to wealth management and the opportunity to build

relationships across the firm. A highlight for both was evaluating a company from our watchlist. Working with equity analysts, they applied our quality metrics and valuation tools to develop and present an investment thesis to the entire team. Meghan also enjoyed creating municipal bond credit reports, while Michael liked working on financial plans with an investment counselor.

Alumni Success Stories

Michael and Meghan interviewed our former interns to understand their experiences' lasting impact. The responses revealed exciting career paths spanning private equity, investment banking, corporate finance, technology, and entrepreneurship at firms including Goldman Sachs, Apple, Bain & Company, Piper Sandler, and Harris Williams.

Alumni consistently cited our program's emphasis on relationship-building and mentorship as transformational, with many maintaining connections years later. The skills they developed have proven transferable across diverse industries.

Advice to future interns centers on three themes: maintain genuine curiosity and ask thoughtful questions, build authentic relationships with team members, and approach every task with full effort. They also emphasize using the internship as a training ground not just for



Meghan Garrity and Michael Dunn

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