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Summer 2025

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Implications of the One Big Beautiful Bill for Investors

Following the enactment of new federal legislation, we wanted to share a brief report outlining the various tax provisions, as well as the implications for debt, deficits, and the markets. The report is included in the newsletter as an insert.

Please note, this report is for informational purposes only and should not be construed as tax or legal advice. For guidance specific to your situation, please consult your tax or legal advisors. ■

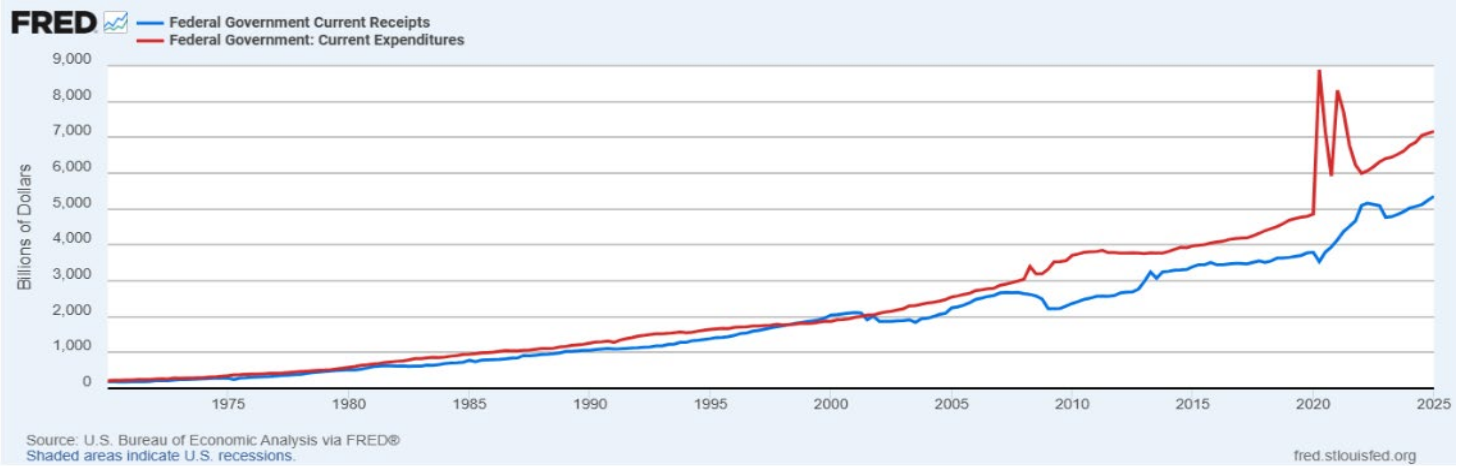
Understanding America's Federal Finances

By: Aron Huddleston, CFA®

The topic of taxes and government spending have been in the headlines for most of the year with the initiative of DOGE-Department of Government Efficiency and the recent passage of the OBBBA-One Big Beautiful Bill Act. This has once again sparked debate whether wealthy Americans are paying their "fair share". We thought it would be a good time to share the raw data with you to allow you to form your own opinion. Our intention is to look at this through an economic lens, not a political one.

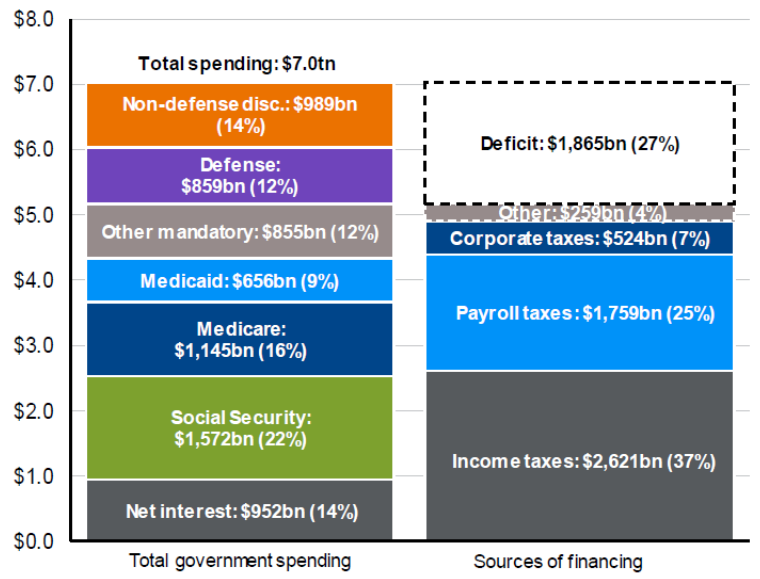
The US government continues to spend significantly more than it collects in tax revenues. The Congressional Budget Office is projecting FY 2025 spending at \$7.028 Trillion and revenues at \$5.163 Trillion, leading to a deficit of \$1.865 Trillion¹, as shown by the chart on the following page. This is roughly 6.2% of GDP (Gross Domestic Product). The shortfall adds to the national debt which currently sits at over \$37 Trillion.²

Continued on next page...



The 2025 federal budget

USD trillions



Source: JP Morgan: Guide to the Markets. 07/10/2025

Where does the money go? The largest expenses are Social Security, Medicare, Interest payments on the national debt, and defense³.

Who pays? The latest IRS data from tax year 2022 shows that the top 1% of earners with income over \$663,164 pay 40.4% of all federal income taxes collected.

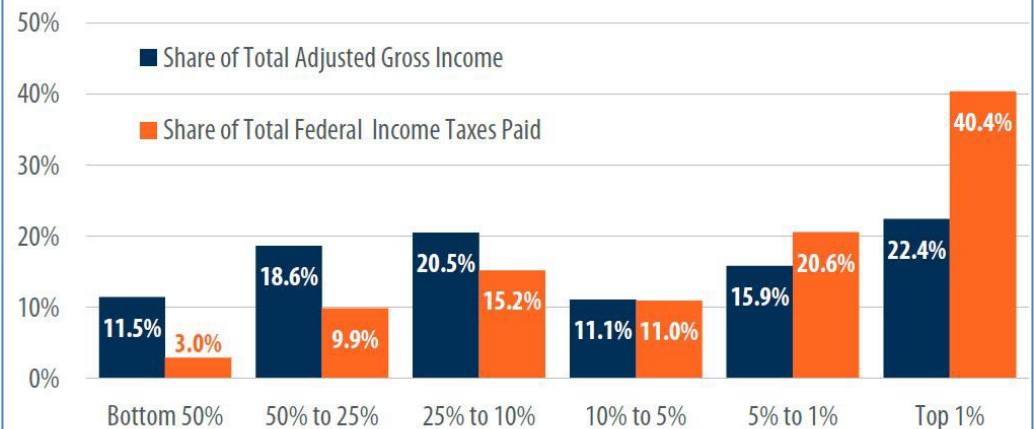
The top 25% of taxpayers with income over \$99,857 pays 87.2% of all federal income taxes.

Overall, the top 50% of all taxpayers with incomes greater than \$50,339 paid 97% of all federal individual income taxes, while the bottom 50% with incomes below \$50,339 paid the remaining 3%.⁴

We have no doubt that the political debate will continue to rage on as to what is “fair”. Our hope is that the raw data and visuals provide you a clearer picture of the federal finance issues facing the nation. We know it can be difficult to get facts and to cut through the noise of the media.

We will continue to monitor the nation’s fiscal trends and tax policy closely. Proactive planning remains essential to help preserve and grow your wealth for the years ahead. ■

Share of Total Adjusted Gross Income vs. Share of Total Federal Income Taxes Paid



Source: IRS, First Trust Advisors. Data for 2022 (latest).

One Dollar, Two Roads: Invest it or Pay Down Debt?

By: Bob Forrest, CFP®, CAP®

“Financial planning is the ongoing allocation of limited financial resources to a changing and unlimited number of alternatives.” – Ron Blue

Financial planning, and more specifically, cash flow planning, is a troublesome task when considered at that macro of a level. Fortunately, when it comes to making decisions about how to allocate our dollars, we can break down this unlimited number of choices to 4.5 simple categories: Live – Give – Owe – Grow.

Since the most contentious of these allocation decisions is whether to pay off debt or increase your investments, naturally that’s what we’re going to address. Below I have six considerations to help tackle this issue. So, channel your inner Dave Ramsey or Suze Orman and let’s go.

What does your balance sheet look like?

Do you even have debt? How much? Is your net worth positive or negative? A debt-to-asset ratio (also called simply a “debt ratio”) is a good indicator of your ability to meet liquidity needs in the midst of adverse situations. Simply take $\frac{\text{Total Debt}}{\text{Total Assets}}$ to find your ratio.

There’s no gold standard here, but a general rule of thumb is to have a Debt Ratio of less than a 0.4.⁵ That means that your total debt is no more than 40% of your assets. A high debt ratio might mean we need to free up capacity to handle a rainy day.

Do you even save, bro?

Fellow CFP® Douglas Boneparth⁶, says that if you’re just beginning to save and invest, 10% of gross income is a good place to start. The view here is that your savings would increase to 15% or even >20% in higher earning years. Is your debt increasing or decreasing? If you’re already investing a reasonable amount, debt reduction may be your next best action.

What kind of debt do you have?

Despite what everyone’s favorite anonymous finance guru says on social media, there is such a good thing as “good” debt and “bad” debt – or at least bad debt and less bad debt. While all debt should be taken seriously,

The Financial Planning Corner



debt tied to an asset (secured debt) is generally preferable to debt *not* tied to an asset such as a credit card (unsecured debt)⁷. Additionally, debt with a fixed rate is generally preferable to debt with a variable rate. A fixed rate debt is less sensitive to rising interest rates and therefore likely possess less of a threat to your future cash flow.

The interest rate!

What if you have a 30-yr fixed rate mortgage tied to a home that’s appreciating in value ... but the interest rate is 14%^{**}? Now the question is about efficiency. Think of interest rate on debt as a *negative* rate. If you have a \$100k investment growing at 10% but also a \$100k debt with a 14% interest rate, your net rate is -4%. Rarely do we have such a clear real-world situation, but it speaks to the principle that says if you can *reasonably* obtain a greater rate of return in an investment than the cost of a debt, the most prudent decision *might* be to invest the money.⁸

In the not-too-distant past, high yield savings accounts were paying 5%, so it wasn’t uncommon to allocate extra cash to savings instead of paying off low interest debt. But even the interest rate question is not black and white. Rarely are returns guaranteed, so this question is also a matter of personal optimism and confidence.

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How close are you to retirement?

This is a major factor that should color everything else being considered. The calculus for investing or paying off debt varies widely depending on if you're 22 or 42 or 62 and each individual's specific situation will be different.

The feels...

Some people may dislike having debt and want to pay it off right away, and that's fine. Psychology is a big factor. If having debt makes you fearful or being debt free would make you sleep better at night, that's not to be ignored.

These considerations are not simple and they're not one-size-fits-all. That's why we use the tools we do. With a little bit of time and transparency, we can help you pull together the data necessary to help you make an informed decision for you. As the kids say: We listen and don't judge. ■

Annual Client Event

We are excited to announce we will be holding our annual client event again this fall! We have some great speakers lined up and can't wait to see you all in person!

A formal invite is to follow as we near the event date. Stay tuned!

When: Tuesday, October 21st

Where: Happy Hollow Club
1701 S 105th Street
Omaha, NE 68124

Three Simple Rules for Healthy Money Conversations with Kids

By: Nick Nalbach, CFP®, CIMA®, CPWA®



Talking about money tends to be uncomfortable for most of us, especially when that conversation is taking place with our children. So why talk about it? We want to ensure we're instilling the right values and motives in our kids for everything they do. So that's what the money discussion ought to be based around – not what a Roth IRA is or how stock options work – but rather around the benefits and pitfalls money can create in our lives. The 3 rules below aren't an agenda for a conversation. They're simply things to keep in mind throughout a conversation that we and our kids craft together.

Rule #1 – Talk with kids, not at them.

Tone is everything here. Remember being a kid and envisioning life as a millionaire? It can be awe-inspiring, spark curiosity, and create motivation. Getting an unexpected lecture from our parents on something wasn't exactly the ideal way to gauge our interest and hold our attention span. So, a light-hearted and collaborative conversation with our kids will likely be better received.

Rule #2 – Be the support role, not the challenger role.

Our kids probably know more about money than we expect them to. Everyday technology is advancing, and information is thrown at us from every direction. This holds true for our kids and money. Don't think otherwise. Keep in mind, some of what our kids think they know about money may be wrong.

As our conversations unfold, try not to jump right in and correct misinformation. We should listen more than we speak, understand why our kids believe certain things about money, and ultimately be proud that they're developing opinions around money. When it comes time to address misinformation, empathetically consider their worldview and frame responses in a way that respects their why within their existing framework.

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Rule #3 – Focus on the values more than the facts.

If you haven't had money discussions with your kids yet, it's far more important to understand what's motivating their feelings around money than it is to understand what they're actually doing with money. Odds are there are multiple motivations for a given expense.

Say your high schooler bought a pair of sneakers for \$100. Was it to look cool in front of friends? Impress a crush? Improve athletic performance? Are they investing in collectible sneakers with the hope to re-sell them later? Did they simply just need a new pair of shoes? This sneakers example is likely minimal in the grand scheme of things, but it opens a door to bigger-picture discussions. Why does your kid spend money on the things they do? If your kid is a saver, why are they saving? What's important to them and how can money help (or harm) their dreams?

No matter the history of money discussions with our kids or the level of sophistication within those conversations, these 3 rules should help to build curiosity, motivation, and most importantly values that align with our own.

If you feel you need a guide in having a conversation around money with your kids of any age, know our team at Realize Wealth Management Group is here to help. We have intentionally built a multi-generational team to help our families ensure their values are carried on for generations. ■

Realize Wealth Management Group Employee Spotlight

Each quarter, we're featuring one of our own - giving you a look at both the work they do and the person behind it. This quarter, we'd like you to meet our trade analyst: Andrew Wegner.

How would you explain your role to somebody who doesn't work in the industry?

I place trades in client accounts and do research on different investment opportunities to help in our investment decision making process.

What is something people are always surprised to learn about you?

I was a pitcher at Iowa Western Community College my freshman year before an arm injury put an end to my baseball career. I then transferred to UNL where I found a passion for finance and investment management.

When you're not working, what are you doing?

You can probably find me on the golf course or driving range. I also enjoy working out, doing home improvement projects, watching sports (GBR!) and spending time with friends and family!

Tell us a bit about your home life.

My wife Cierra and I have been married for a little over a year now. She is in her 3rd year of medical school at UNMC. We have a golden retriever named Brewer who is 6 months old!

What was your first job, and what did it teach you?

A deli and sandwich shop when I was 16! It taught me how to work with others, interact with customers, and most importantly, how to make a really good sandwich!

What is your dream vacation spot you haven't been to yet?

Australia because I've always wanted to see the Great Barrier Reef in person.

What is your favorite food?

Chocolate cheesecake! I'd have it for dessert after every meal if I could!



Andrew
Wegner, CFA
Wealth Management Analyst

Created with EDIT.org

Thoughts from the Realize Wealth Management Group at Morgan Stanley

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- (8) Fidelity. [Should you pay down debt or invest?](#) 09/21/2023.

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US Policy Pulse OBBBA Cheat Sheet

Global Investment Office | July 14, 2025

In partnership with Morgan Stanley Government Relations, we outline some of the most frequently discussed tax provisions included in the One Big Beautiful Bill Act (OBBBA). **Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors do not provide legal or tax advice. Each client should always consult his/her personal tax and/or legal advisor for potential tax or other implications that may result from acting on a particular recommendation.**

Key Takeaways:

- The OBBBA adds roughly 0.3%–0.8% of fiscal stimulus to GDP growth for 2025–2028.
- In 2029, fiscal drag begins to kick in, as some individual tax cuts expire and most spending cuts begin.
- The bill adds \$3.3 trillion in deficits over 10 years to America's debt pile, which is currently \$36 trillion and 120% of GDP.
- Annual budget deficits are expected to remain at 6%–7% of GDP for the next decade (2–2.5 times pre-GFC levels).
- Total annual interest payments on US debt are 20% of tax revenues and could breach 5% of nominal GDP as soon as 2027.
- Medicaid-related cuts could impact medical coverage for up to 17 million Americans, pressuring rural hospitals and the credit quality of certain state and nonprofit hospital municipal bonds.
- The law raised the debt limit by \$5 trillion, which could delay the need to address the debt limit again until late 2026 or early 2027.

Notable Provisions:

Individual Rates

- Permanently extends current individual tax rates, including the 37% top ordinary income tax rate, effective after Dec. 31, 2025.

Estate and Gift Tax Exemption

- Permanently extends increased estate tax and gift tax exemption amounts, with an increase in unified estate and gift tax exemption to an inflation-adjusted \$15 million for single filers and \$30 million for married couples filing jointly, effective after Dec. 31, 2025.

Individual State and Local Tax (SALT) Deduction

- Retroactively boosts the individual SALT deduction limitation from \$10,000 to \$40,000 for 2025, followed by 1% increases from 2026 through 2029.
- Beginning in 2030, the SALT cap would revert to \$10,000.
- The full deduction can be claimed by individuals and married couples filing jointly with modified adjusted gross income (MAGI) less than \$500,000 per year. The deduction is then phased out by 30% of the amount by which MAGI exceeds \$500,000, with a minimum \$10,000 deduction.

Standard Deduction

- Permanently extends the increased standard deduction enacted under the Tax Cuts and Jobs Act (TCJA) and increases the amount to \$15,750 for a single filer, \$23,625 for a head of household and \$31,500 for married couples filing jointly, indexed for inflation, effective after Dec. 31, 2024.

Overall Limitation on Itemized Deductions

- For individuals taxed at the top 37% rate, the value of allowable itemized deductions would be capped at 35%, effective after Dec. 31, 2025.

Child Tax Credit

- Permanently increases the child tax credit (CTC) from its current rate of \$2,000 to \$2,200 starting in 2025 and indexed to inflation thereafter.
- The tax credit phases out for single filers earning more than \$200,000 and for joint filers earning more than \$400,000.
- Taxpayers and qualifying children must have a social security number in order to claim the tax credit.

Remittance Transfers Tax

- The remittance transfers tax was finalized at 1% and applies to all people regardless of status for transfers initiated at institutions not subject to the Bank Secrecy Act.
- The tax will only apply “to any remittance transfer for which the sender provides cash, a money order, a cashier's check or any other similar physical instrument to the remittance transfer provider.”
- The text adds thrifts to the exempt banks list, meaning that remittances sent from accounts held in or by almost all banks are exempt from the remittance tax.
 - Specifically, remittances sent from accounts held in or by insured banks; commercial banks or trust companies; private bankers; agencies or branches of a foreign bank in the US; thrift institutions and broker/dealers (and/or broker/dealers in securities or commodities) are exempt.
- Transfers funded with a debit card or a credit card issued in the US are also exempt.

University Endowment Excise Tax

- Replaces the current flat 1.4% excise tax with a three-tier rate system, with a top rate of 8%.
- Exempts educational institutions with fewer than 3,000 students from the endowment excise tax.

Charitable Contributions

- Deductions for corporate charitable contributions are only permitted to the extent that aggregate corporate charitable contributions exceed 1% of a taxpayer's taxable income and do not exceed 10% of the taxpayer's taxable income for tax years beginning after Dec. 31, 2025.
- Imposes a 0.5% floor on charitable contributions for taxpayers who elect to itemize for tax years after Dec. 31, 2025.
- Creates a permanent deduction for charitable contributions for taxpayers who do not elect to itemize. Non-itemizers can claim a deduction of up to \$1,000 for single filers and \$2,000 for married couples filing jointly for certain charitable contributions.

20% Deduction for Pass-Through Businesses (Section 199A)

- Makes the current section 199A deduction rate of 20% permanent.
- Expands the deduction limit phase-in range, increasing it to \$75,000 for single filers and \$150,000 for married couples filing jointly, effective after Dec. 31, 2025.

Morgan Stanley

WEALTH MANAGEMENT

Bonus Depreciation (IRC 168(k))

- Permanently allows for 100% bonus depreciation for property acquired and placed in service on or after Jan. 19, 2025.

R&D/R&E Expenditures (IRC 174)

- Permanently allows taxpayers to immediately deduct domestic research or experimental expenditures paid or incurred in tax years beginning after Dec. 31, 2024.
- Small business taxpayers with annual gross revenue of \$31 million or less are permitted to apply the change retroactively to 2022.
- Foreign R&D expenditures must continue to be capitalized over 15 years.

Interest Expense Calculation (IRC 163(j))

- Permanently reinstates the more generous EBITDA limitations on the deductibility of business interest expenses under Section 163(j) for tax years beginning after Dec. 31, 2024.

Section 179 Expensing

- Increases the maximum amount a taxpayer may expense under section 179 to \$2.5 million and increases the phaseout threshold amount to \$4 million.
- The threshold amounts are adjusted for inflation for taxable years beginning after Dec. 31, 2025.
- Applies to property placed in service in taxable years beginning after Dec. 31, 2024.

IRA Energy Tax Credits

- Tax credits for wind and solar projects under IRC sections 45Y and 48E terminate for facilities placed in service after 2027, unless project construction begins within a year of enactment (safe harbor provision).
- Extends phaseout for hydropower, nuclear and geothermal credits, which are now scheduled to occur between 2034 and 2036.
- The credit for commercial clean vehicles terminates after Sept. 30, 2025.
- Section 45V clean hydrogen production credits are extended through 2027. Terminates for facilities beginning construction after Dec. 31, 2027.
- The section 48D advanced manufacturing investment tax credit for semiconductors and renewable energy would be raised to 35% for property placed in service after 2025.

Notable International Tax Provisions

- GILTI: Renames Global Intangible Low-Taxed Income (GILTI) to Net CFC Tested Income and establishes a 12.6%–14.0% rate after foreign tax credit treatment.
- FDI: Renames Foreign-Derived Intangible Income (FDII) to Foreign-Derived Deduction Eligible Income (FDDEI) and establishes a 14% rate.
- BEAT: Raises the BEAT rate to 10.5% and preserves current policy on allowability of US tax credits under BEAT.
- CFC Look-Through: Makes the CFC look-through rule permanent.

Opportunity Zones

- Makes Opportunity Zone policy permanent and introduces various enhancements, which go into effect Jan. 1, 2027.

Low-Income Housing Tax Credits (LIHTCs)

- Permanently increases the state housing credit ceiling by 12% and lowers the bond-financing threshold to 25% for projects financed by bonds starting in 2026.

New Markets Tax Credit (NMTC)

- Permanently extends the NMTC program and sets a \$5 billion annual allocation of tax credits, adjusted for inflation for tax years after Dec. 31, 2025.

Health Savings Accounts (HSA)

- Permits bronze and catastrophic marketplace plans to be eligible for HSA contributions, treating the plans as high-deductible health plans under the law, effective for plan years beginning after Dec. 31, 2024.
- Makes HSA account eligibility permanent for certain telehealth services and direct primary care arrangements, for plan years beginning after Dec. 31, 2025.

No Tax on Car Loan Interest

- Exempts interest on car loans through 2028, only if the original use of the vehicle commences with the taxpayer (i.e., new cars). Requires vehicles to be for personal use and assembled in the US.
- Information reporting rules apply regarding applicable passenger vehicle loan interest received in a trade or business.
- Phases out for married couples with income in excess of \$200,000, or for individuals with income in excess of \$100,000.
- Other limitations and exceptions apply.

No Tax on Tips

- Maximum deduction of \$25,000 for qualified tips received by itemizers and non-itemizers, effective for tax years beginning after Dec. 31, 2024; expires Dec. 31, 2028.
- Income and occupation limitations apply.

No Tax on Overtime

- Maximum deduction of \$12,500 (\$25,000 for married couples filing jointly) for itemizers and non-itemizers, effective tax years beginning after Dec. 31, 2024; expires Dec. 31, 2028.
- Phases out for single filers with incomes over \$150,000 and for those married couples filing jointly with income greater than \$300,000.

Bonus Deduction for Seniors

- Enacts a \$6,000 deduction for individuals aged 65 or older for tax years after Dec. 31, 2024; expires Dec. 31, 2028.
- The deduction phases out when MAGI exceeds \$75,000 for single filers and \$150,000 for married couples filing jointly.

Trump Accounts

- Creates new tax-advantaged Trump Accounts for beneficiaries younger than age 18, with a contribution limit for any taxable year of \$5,000.
- Under a pilot program, the US Treasury will pay a one-time credit of \$1,000 to the Trump Account of each qualifying child born from 2025 to 2028.
- The beneficiary must be a US citizen with a Social Security number.

What Wasn't Included (or was removed)?

- Changes to treatment of SALT for businesses and corporations, including pass-throughs.
- Extension of section 199A deduction to dividends of business development companies (BDCs).
- Section 899 “revenge tax.”
- Excise tax on solar/wind facilities receiving material assistance from prohibited foreign entities.
- Private foundation excise tax increase.
- Changes to top marginal income tax rates on individuals.
- Changes to federal tax exemption for municipal bonds.
- Changes to the treatment of carried interest.
- Changes to capital gains tax rates.
- Increases to the stock buyback excise tax rate.
- Significant changes to deductibility of executive compensation (IRC section 162(m)).