VESTGEN
WEALTH PARTNERS

WHITE PAPER

ONE BIG BEAUTIFUL BILL ACT (OBBBA)

Tax Opportunities For Investors

Executive Summary

The One Big Beautiful Bill Act (OBBBA), signed into law on July 4, 2025, updates many of the temporary provisions from the 2017 Tax Cuts and Jobs Act (TCJA) and introduces new tax breaks designed to reward work, support families, and spur economic activity. For investors earning between $150,000 and $500,000 and living in higher-tax states, these changes create both opportunities and pitfalls.

This whitepaper translates the 870-page legislation into plain English, focusing on the provisions most relevant to the households of the clients we serve. Use this as a quick-reference guide when talking to your advisor and CPA about modeling multi-year tax scenarios.

Why This Matters

Congress designed OBBBA to extend several popular taxpayer-friendly benefits set to expire in 2025, while adding targeted relief for seniors, service-industry workers, and entrepreneurs. By understanding the new rules now (before the 2025 filing season), investors can capture deductions that disappear at the end of 2028 and avoid creeping phase-outs tied to modified adjusted gross income (MAGI).

With our holistic approach to wealth management, family office experience for all clients, and strategic partnerships with top firms, we are poised to take on the role of your go-to partner for proactive tax planning.

Glossary Of Terms

MAGI (MODIFIED ADJUSTED GROSS INCOME):
Income figure the IRS uses to determine eligibility for certain deductions and credits. Starts with Adjusted Gross Income (AGI) and adds back specific items.

SALT CAP:
The dollar limit on the amount of state and local taxes that can be deducted on a federal return.

STANDARD DEDUCTION:
A flat reduction of taxable income available to all taxpayers who do not itemize.

ABOVE-THE-LINE DEDUCTION:
A write-off taken before AGI is calculated. It lowers both AGI and MAGI.

ESTATE & GIFT EXEMPTION:
Total amount an individual can transfer during life or at death before federal estate or gift tax applies.

TRUMP ACCOUNT:
A new tax-advantaged savings account created by OBBBA, similar to an HSA but with broader permissible uses.

Key Tax Changes Explained

BIGGER STANDARD DEDUCTION:

The basic deduction rises to $15,750 for single filers and $31,500 for married couples filing jointly. This reduces taxable income for households that do not itemize.

"SENIOR BONUS":

Taxpayers age 65+ claim an extra $6,000 deduction through 2028. This is on top of the standard deduction. Couples where both spouses are 65+ receive a $12,000 boost. Phase out starts $75,000 MAGI for single filers and $150,000 MAGI for joint filers and is fully eliminated at $175,000 MAGI for single filers and $250,000 MAGI for joint filers.

SALT CAP RELIEF:

The limit on state-and-local-tax deductions jumps from $10,000 to $40,000 in 2025, then increases by 1 percent per year before reverting in 2030. The benefit phases out 30 cents for every dollar of MAGI above $500,000 for joint filers, for single filers it is $250,000.

TIP & OVERTIME DEDUCTIONS:

Service-industry employees can deduct up to $25,000 of reported tips and $12,500 of overtime pay, even if they do not itemize.

ENHANCED CHILD TAX CREDIT (CTC):

The credit increases to $2,200 per qualifying child and remains partially refundable.

AUTO-LOAN INTEREST:

Up to $10,000 of interest on loans used to buy new U.S.-assembled vehicles is deductible. The vehicle must be for personal use, not business. Deduction phases out for single filers with MAGI over $100,000, couples over $200,000, and eliminated completely at $150,000 and $250,000 MAGI level respectively.

ESTATE & GIFT EXEMPTION:

Lifetime exemption climbs to $15 million per person ($30 million per couple) with inflation indexing starting 2026.

CHARITABLE "ABOVE-THE-LINE" DEDUCTION:

Non-itemizers may deduct up to $1,000 ($2,000 for couples) in cash gifts to charity.

"TRUMP ACCOUNTS":

New tax-advantaged savings vehicles allow annual contributions of up to $5,000 per child, tax-deferred and will receive capital gains treatment on growth for approved education, health, or housing expenses. If these accounts are not used for approved education, health or housing, then it functions just like a Traditional IRA, where withdrawals are subject to a 10% premature distribution penalty prior to 59.5 and ordinary income taxes on the non-basis portion. Additionally, the U.S. Government is funding the accounts with an initial $1,000 contribution

Trump Accounts

Early-Start IRAs For Kids: What Really Changed

Quick facts (final OBBBA text)

Rule	What It Means In Plain English
Who's eligible?	Any child with a Social Security number, from birth until the year before they turn 18.
Annual funding cap	Up to **$5,000 total per child** (indexed for inflation from 2028). Parents, grandparents, friends, or charities can fund it.
Employer add-on	A parent's employer (or a family business) may contribute up to **$2,500 of that $5,000**; the rest can come from the family.
Tax break going in	None. Contributions are after-tax (no deduction). Employer pieces are tax-free to the employee.
How money grows	Investments compound **tax-deferred**—no annual tax on interest, dividends, or capital gains.
Access before age 18	Locked—except for a disability rollover to an ABLE account.
After 18, it behaves like a traditional IRA	Early withdrawals (before 59½) face ordinary-income tax on earnings **plus a 10 % penalty** unless another IRA exception applies. After 59½, the penalty disappears but earnings are still taxed as ordinary income.
No special capital-gains rate	Lawmakers scrapped the draft language that would have taxed certain "qualified" uses at capital-gains rates; the final version uses **traditional-IRA rules throughout.** (Ed Slott and Company, LLC, Nerd's Eye View | Kitces.com)

Why We're Flagging This Now

1. **FRONT-LOADING COMPOUNDING POWER**
   Funding $5,000 a year from birth to 18 (even just half that) could exceed $1 million by the child's retirement if the account averages 7% growth.

2. **ESTATE-PLANNING LEVERAGE**
   Grandparents can shift assets out of their estates under the annual gift-tax exclusion while retaining control until the child is 18.

3. **EMPLOYER ENGAGEMENT**
   Family-owned businesses can deduct up to $2,500 per year, turning a fringe benefit into a head-start for the next generation.

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How Trump Accounts Compare to Familiar Options

Feature	Trump Account	529 Plan	Custodial Roth IRA
Needs child earnings	No	No	Yes
Tax-free qualified use	No	Yes	Yes
Early access penalty	10 % + tax before 59½	10 % + tax if not for education	10 % + tax before 59½
Control at 18	Child gains control	18-21 (state rules)	Owner retains control
Investment Type	Broad U.S. Index Funds and ETFs ONLY	More flexible: Mutual Funds and ETFs	Most flexible: Individual Stocks, Bonds, Alternatives

VestGen Takeaway

Trump Accounts are considered tax-advantaged because the earnings grow tax-deferred. However, unlike Roth IRAs or 529 plans, there is no tax break on contributions, and the distributions (at least a portion of them) are still subject to taxation, even for qualified use. Trump Accounts create another savings arrow in the quiver, which is useful, but no silver bullet. Our advisors will model them side by side with 529s, Roths, and traditional gifting so you'll know when (or if) these new accounts make sense.

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PLANNING STRATEGIES TO DISCUSS WITH YOUR ADVISOR

1. SHAPE MAGI AROUND PHASE-OUTS:
Bunch income and deductions across years to keep MAGI below the $500,000 SALT phase-out and CTC limits.

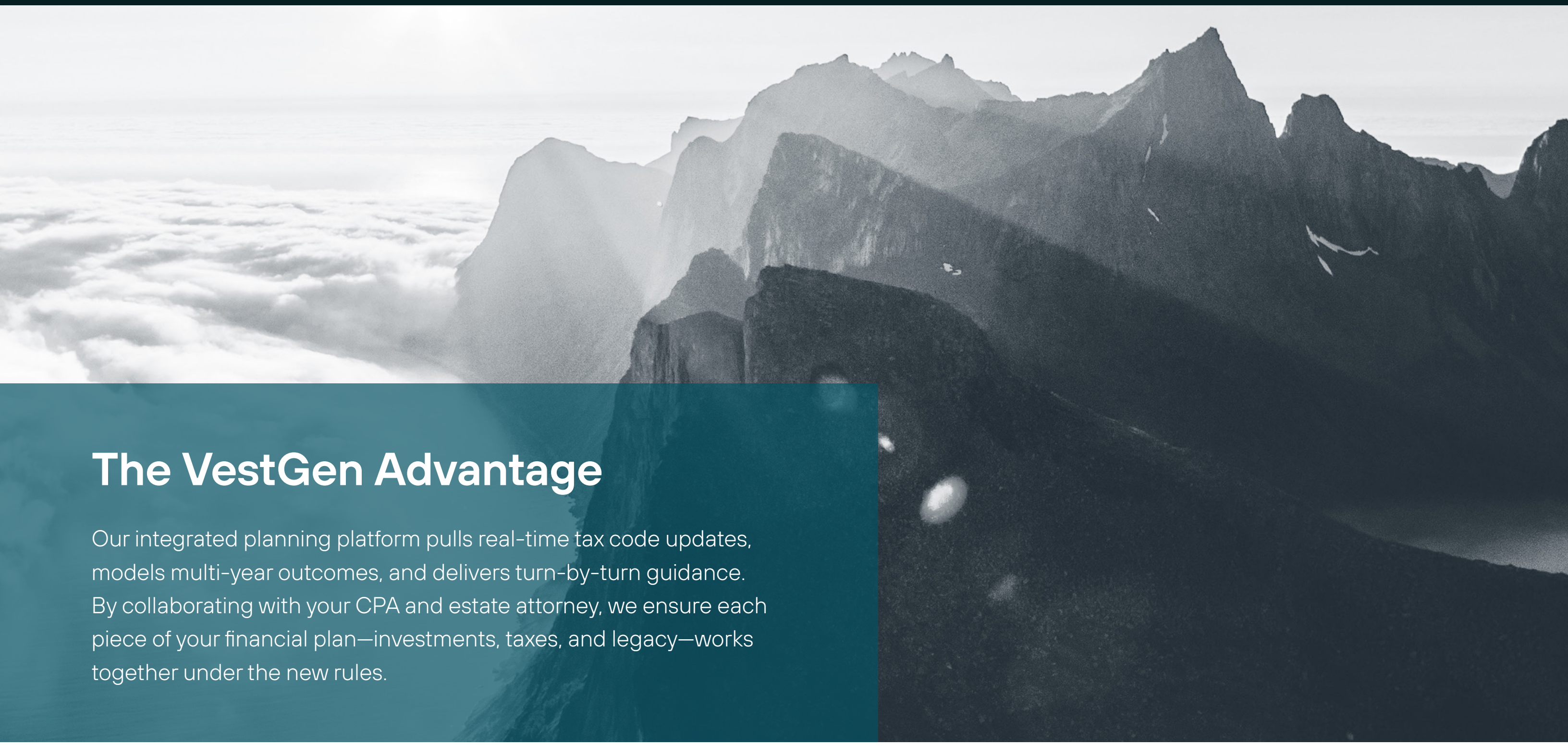
2. TIME CHARITABLE GIVING:
Investors who always take the standard deduction can gift cash annually to capture the new above-the-line write-off.

3. LEVERAGE THE ESTATE WINDOW:
High-net-worth families should consider gifting strategies before the exemption sunset.

4. FUND TRUMP ACCOUNTS EARLY:
Front-loading contributions maximizes tax-free growth and can double as a college-savings back-stop. See if employers offer the $2,500/year contribution towards plan.

5. REVIEW PAYROLL WITHHOLDING:
Service employees should adjust W-4s to reflect tip and overtime deductions.

6. COORDINATE WITH CPAS:
VestGen's planning software models multi-year scenarios that CPAs can validate before year-end.



The VestGen Advantage

Our integrated planning platform pulls real-time tax code updates, models multi-year outcomes, and delivers turn-by-turn guidance. By collaborating with your CPA and estate attorney, we ensure each piece of your financial plan—investments, taxes, and legacy—works together under the new rules.

Data Sources

1. Michael Kitces, "Breaking Down The One Big Beautiful Bill Act," Nerd's Eye View, July 2025.
2. Tax Foundation, "One Big Beautiful Bill Senate GOP Tax Plan: Details and Analysis," July 2025.
3. House Ways & Means Committee, Section-by-Section Summary, May 2025.

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