

CHEAT SHEET

“One Big Beautiful Bill”

Congress passed the “One Big Beautiful Bill” (H.R.1). The changes this large, complex bill brings could significantly affect how much of your income you keep, both now and in retirement.

By extending lower tax brackets, boosting deductions for retirees, and raising the SALT cap, the bill offers new opportunities and considerations for current and future retirees.

We’ve been tracking these changes closely and stand ready to help update your strategy.

Four Strategic Moves to Immediately Consider

1. BUILD TAX DIVERSIFICATION

Today’s tax rules are favorable, but not guaranteed. Consider spreading your savings across tax-deferred, tax-free (Roth), and tax-exempt vehicles to stay flexible.

2. STAGE YOUR ROTH CONVERSIONS

Strategically convert over several years to manage your bracket and tax exposure.

3. MANAGE MEDICARE SURCHARGES (IRMAA)

Income-Related Monthly Adjustment Amounts (IRMAA) are based on taxable income. Even small increases can raise your Medicare premiums by hundreds annually. Potential Roth growth and income smoothing can help.

4. REASSESS MUNICIPAL BONDS

Muni bonds keep their tax-exempt status—making them a potentially strong option for high-income investors seeking more tax-efficient income.

Six Key Provisions

1. Marginal Tax Brackets Made “Permanent”

The lower federal tax rates set by the 2017 Tax Cuts and Jobs Act will not expire in 2025 as originally planned. They are now labeled “permanent” until a future Congress votes to change them.

WHY DOES THIS MATTER?

You can take advantage of today’s lower rates for Roth conversions for the foreseeable future, but stay alert as future elections could always change the rules.

2. Standard Deduction Permanently Raised

These amounts will be adjusted annually for inflation.

WHY DOES THIS MATTER?

More income is shielded from taxation, especially for retirees who rely on Social Security. Filing remains simple for most.

3. SALT Deduction Cap Raised

The new law increases the state and local tax (SALT) deduction limit from \$10,000 to \$40,000 in 2025, but phases out this benefit for taxpayers earning over \$500,000. The cap increases 1% annually until it falls back to \$10,000 in 2030.

WHY DOES THIS MATTER?

If you live in a high-tax state, itemizing may now reduce your taxable income more than the standard deduction—boosting your bottom line.

4. New Age 65+ Deduction

Taxpayers age 65 and up get an additional \$6,000 deduction (\$12,000 married) if they fall within certain income ranges. Phase out approximately \$75k–\$175k (single), \$150k–\$250k (joint). Expires after 2028.

WHY DOES THIS MATTER?

More retirees may avoid taxes on Social Security and other income—improving cash flow during retirement.

5. Roth Conversions Still Unrestricted

There are no new taxes or restrictions on Roth conversions or backdoor Roth strategies.

WHY DOES THIS MATTER?

The window remains open to move funds into tax-free growth vehicles while rates are still favorable.

6. 100% Bonus Depreciation for Businesses & Landlords

Qualifying purchases made after January 19, 2025, can be fully expensed in year one.

WHY DOES THIS MATTER?

Small-business owners and real estate investors near retirement can front-load deductions, improving liquidity and flexibility.

Additional Highlights & Clarifications

- Above-the-line charitable deduction: \$1,000 (single) / \$2,000 (joint)
- Federal EV credit phases out Sept. 30, 2025
 - *A new auto loan interest deduction from 2025 through 2028 applies exclusively to new vehicles assembled in the United States. (The deduction is capped at \$10,000 and phases out at a 20% rate for single filers earning above \$100,000 and married couples above \$200,000. This benefit is available regardless of whether you itemize or take the standard deduction.)*
- Up to \$25,000 in tip income excluded from tax
 - *The tip deduction allows taxpayers to deduct up to \$25,000 in tips annually, while the overtime deduction covers up to \$12,500 in extra overtime pay. However, these deductions are limited to taxpayers earning \$150,000 or less, with those who make more eligible for a reduced deduction.*
- New borrowing limits on federal student loans
- Slight increase to the Child Tax Credit
- The new law locks in the higher estate tax exemption from the 2017 tax reform. These thresholds are higher in 2026 with automatic inflation adjustments continuing indefinitely.

Before You File, Talk to Your Financial Professional

Now that this bill is law, here are simple steps to help maximize benefits and stay ahead of future changes:

- Run a tax-scenario review under the new rules
- Consider if a Roth conversion strategy makes sense based on current and future income
- Evaluate itemizing vs. standard deduction, especially in high-tax states
- Review portfolio allocations for fixed income, especially munis

Questions? Let's talk.

Some provisions expire after 2028 or 2029. Others can change with future elections. The time to prepare is now. We're here to help you take advantage of these opportunities and stay prepared for what's next.



Todd Schick, CFP®, CLU®, ChFC®, EA

913.322.3500 | ToddSchick@AspireWealthMgt.com

7450 W. 130th St., Suite 140 | Overland Park, KS 66213

5601 NE Antioch Rd., Suite 8 | Gladstone, MO 64119

17331 E US 40 Hwy, Suite 101 | Independence, MO 64055

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