

What to Know About the New Tax Law

The “One Big, Beautiful Bill” finally made it through Congress and was signed by the President during a Fourth of July ceremony, officially making its many complex tax changes the law of the land.

At the center of the bill is an extension of the current federal tax brackets, which were scheduled to expire at the end of the year. Most taxpayers will continue to take the standard deduction, \$15,000 for single filers and \$30,000 for joint filers. Many high-income taxpayers are likely to itemize their deductions anyway, so this may not impact them directly. However, people in the top tax bracket will face a new rule: for every dollar they deduct above the amount they earn over the top bracket’s income threshold, they must subtract 2/37th of its value from their tax benefit. In other words, for every dollar they deduct after their income goes over the top tax bracket threshold, they lose 2 cents out of every 37 cents in tax savings.

Another change allows taxpayers who take the standard deduction to also claim an extra charitable deduction, \$1,000 for single filers or \$2,000 for joint filers. Seniors will receive an additional standard deduction of \$2,000 if single or \$3,600 if married and filing jointly. A separate \$6,000 tax deduction per person was also added for seniors with incomes up to \$75,000 if single (or \$150,000 for joint filers). This deduction is meant to help offset taxes some lower- and middle-income seniors pay on their Social Security benefits.

The law also extends the current estate and gift tax provisions. The lifetime estate and gift tax exemption have been raised to \$15 million per person. It keeps the rule that allows a surviving spouse to inherit any unused portion of their deceased spouse’s exemption, which is known as “portability.”

People living in high-tax states will benefit from an increase in the amount of state and local taxes they can deduct on their federal tax returns (known as SALT). Previously, the deduction was capped at \$10,000 for all taxpayers. Under the new law, families making under \$500,000 a year can now deduct up to \$40,000 in SALT.

One provision likely to be popular with service workers eliminates federal income tax on tips. Tipped workers will still need to report that



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The Ups and Downs That Have No Meaning

We’ve now experienced several months of a very bumpy ride in market returns. Early this year, the markets dropped significantly during the first quarter, with March proving particularly challenging. However, starting in May, both the S&P 500 and Nasdaq began a solid recovery. As of the end of July, the S&P 500 is in the green year-to-date, while the Nasdaq has gained even more, reflecting renewed investor confidence and improved economic data.

Of course, daily and even intraday swings have been much more dramatic. Markets continue to respond sharply to news on economic indicators, Federal Reserve policy signals, geopolitical developments, and other headline events. Interest rate announcements and evolving trade policies have contributed to this volatility, making it difficult for investors to predict the short-term direction of the markets.

Beyond the noise of daily fluctuations, there are underlying economic fundamentals that are worth noting. Consumer spending has remained surprisingly strong despite earlier concerns, supporting overall economic growth. The labor market continues to be robust, with steady job creation and low unemployment. Additionally, investors currently hold nearly \$7 trillion in money market funds with significant cash reserves waiting on the sidelines which could fuel further market advances when deployed.

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Worst, and Best, Home Improvement “Investments”

If you have some extra cash and are thinking about making improvements to your home, it's worth considering how those upgrades will impact your home's future resale value. While some renovations can increase your home's appeal and sale price, others offer little return on investment — and in some cases, may even hurt your home's marketability.

A recent analysis by *Garage Living* highlights several home improvement projects that tend to provide the lowest return, based on two main criteria: the cost of the renovation and how broadly it appeals to prospective buyers. Sunrooms top the list. While a sunroom might be a lovely spot for reading or plant care, they are expensive to build and maintain, especially those with floor-to-ceiling windows. Despite the aesthetic appeal for some, sunrooms tend to recoup only 45–50% of their cost when it comes time to sell. Many buyers view them as non-essential and may prefer additional indoor living space.

Swimming pools are another low-ROI improvement, particularly in northern climates where they can only be used for a few months of the year. In-ground pools can cost between \$15,000 and \$60,000 to install but typically return less than 25% of

that investment in increased home value. Above-ground pools may actually decrease your home's appeal, as they're often seen as temporary or high-maintenance features.

Adding a bathroom may seem like a smart upgrade, especially in homes with fewer bathrooms than average, but the high cost of plumbing, electrical, and structural work limits the return. On average, only 50–60% of the investment is recouped at resale. Garage conversions, turning a garage into a bedroom or office, can also backfire. While it adds square footage, it removes what many buyers consider essential: a place to park, store tools, or keep seasonal items. The estimated return is about 60%, and in areas where off-street parking is highly valued, it could turn off buyers entirely.

Finally, home theaters offer a highly specialized benefit that doesn't appeal to most buyers. While they may create a luxurious feel, they're expensive to install and recoup only 25–35% of their cost on average.

So what kinds of projects tend to provide better returns?

Energy-efficient windows are a popular upgrade with practical benefits. They improve insulation, reduce energy

bills, and add to a home's curb appeal. Outdoor kitchens, especially those with built-in grills, countertops, and mini-fridges, effectively extend your living space and are especially valued in warmer climates or entertainment-focused households. Even small bathroom upgrades, such as installing modern faucets, water-efficient toilets, or a recirculating hot water pump, can help reduce operating costs while giving the space a more updated and polished look.

Hot tubs, while not universally valuable, can be a selling point in colder climates when thoughtfully integrated into the landscaping and designed for year-round use.

In short, home improvements should reflect your lifestyle and enjoyment. But if resale value is a consideration, some investments make more sense than others.



Trump Accounts Explained

The Trump Account is part of the “One Big Beautiful Bill” that was recently signed into law. Like a Roth IRA, the Trump Account would allow people to contribute after-tax dollars (the contributions would not be deductible), but unlike any other retirement account, contributions could only be made on behalf of children under the age of 18.

Like Roth and traditional IRA accounts, the money would grow tax-deferred until spent by the child. But unlike Roth and traditional IRAs, there are limitations to how the money could be spent, similar to a 529 plan or Health Savings Account. Unlike 529 plans and Health Savings Accounts, the young account owner could take out half of the account once he or she turns 18, and the other half could be withdrawn at age 31. Trump Account money would have to be spent on either college tuition, starting a small business or purchasing a first home. Otherwise, the account owners would have to pay a 10% penalty on the unauthorized expenditures.

Like a simple brokerage account, Trump Account contributions are not tax-deductible, and the money coming out is taxed at the capital gains tax rates. But unlike a simple brokerage account, the money accumulates tax-free until spent. If the expenditure is not authorized, then the distribution loses its capital gains tax preference and becomes ordinary income to the recipient.

And unlike any other type of account, the bill authorizes that each child born between January 1, 2025, and January 1, 2029, would automatically be enrolled in a Trump Account, with the government contributing \$1,000 seed money. One cannot call these retirement accounts, since the Trump Account rules would require all of the balance to be withdrawn by age 31 to avoid having the money taxed as income. Not everyone retires at age 31!

The thinking among experts is that it's okay to take the \$1,000 if the government offers it. But putting money into such a complicated vehicle, with flimsy tax advantages, may not be as beneficial as, say, contributing to a real retirement plan, like a traditional IRA or Roth account, or setting up a 529 plan for future college expenses.

Saving Social Security

The Social Security trust fund is projected to run out of money by 2033 if there are no changes to payroll taxes, retirement ages, or overall economic growth. When that time comes, workers' payroll taxes would be used directly to pay current retirees' benefits, without the support of the trust fund's reserves. Experts estimate that benefits could then drop to about 75% of today's levels, after adjusting for inflation.

Many proposals have been suggested to address this challenge, but most involve either collecting more money or paying out less, both of which are politically difficult options. A bipartisan proposal from Senators Bill Cassidy (R-LA) and Tim Kaine (D-VA) offers a different approach. They suggest the trust fund borrow \$1.5 trillion to invest in a diversified portfolio of stocks, bonds, and other assets, similar to how public and private pension funds manage money for their participants.

Right now, the trust fund invests only in Treasury bonds, which are low-risk but offer modest returns. Some critics point out that these Treasury bonds are essentially government IOUs, with the interest paid by taxpayers.

The senators have calculated that if this new investment strategy could earn an average annual after-tax return of 5%, it would generate enough additional funds to prevent any cuts to Social Security benefits. They point to Canada's similar program, which invests in a mix of assets and has delivered stronger returns for Canadian retirees.

Of course, there's no guarantee these investments will always earn 5% over the long term. A greater concern might be whether Congress could resist tapping into this growing fund if it performs as expected. Since this approach is less painful than raising taxes or cutting benefits, it's likely to become a bigger part of the conversation as 2033 draws nearer.



The New Tax Law

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income and pay state and payroll taxes on it, but they will no longer owe federal income tax on those earnings. This tax elimination is only applicable to \$25,000 worth of tips and phases out after certain income thresholds.

Businesses also received several new tax breaks. Manufacturers will be allowed to fully and immediately deduct the cost of building new manufacturing facilities as long as construction starts before January 1, 2029. Companies can also now deduct the full cost of research and development expenses in the year they occur.

Not all the changes in the bill offer tax cuts. The law ends a number of tax credits and incentives that encouraged investment in clean energy, electric vehicles, and energy-efficiency improvements. It also includes measures that tighten access to food stamps and Medicaid. At the same time, the bill sets aside more than \$120 billion in funding for immigration enforcement, including building more border walls, expanding detention space for immigrants in custody, and hiring and training more agents for U.S. Immigration and Customs Enforcement.

According to an estimate from the nonpartisan Congressional Budget Office, the bill would add \$3.4 trillion to the federal deficit over the next ten years. Republican lawmakers strongly disagreed with that figure but still included a provision in the bill that raises the federal debt ceiling by \$5 trillion. It's still unclear whether this big new law will bring the long-term benefits its supporters hope for or the financial problems its critics fear.

Ups and Downs

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That said, the possibility of a recession still looms as a risk. The Federal Reserve is closely monitoring economic data and maintaining a cautious stance, which underscores the uncertainty that remains in the broader economic outlook.

Ultimately, while markets can be unpredictable and influenced heavily by sentiment and short-term events, the longer-term story is different. Millions of people working day by day to innovate and build businesses create real value that, over time, tends to be reflected in rising market valuations. When that happens, the ups and downs along the way are often forgotten, overshadowed by the steady progress underneath.

The OTHER Value of Professional Advice

When people think about the value of working with a financial advisor, the focus is usually on numbers. Has the advice led to lower taxes? Has a well-managed, regularly rebalanced portfolio, with thoughtful decisions about retirement contributions and Roth conversions, resulted in greater long-term wealth? Has the advisor helped reduce investment-related fees charged by funds, custodians, or banks?

These are important questions, and the financial outcomes of good advice are certainly real. But they aren't the whole story.

A recent Vanguard study suggests there's another kind of value that may be just as meaningful: emotional well-being. In the survey, researchers looked at the experiences of over 12,000 Vanguard account holders. About 7,700 of them were receiving some form of financial advice through Vanguard's advisory services. Rather than focusing only on financial returns, the study explored the emotional impact of working with an advisor.

The results were striking. Only 14% of advised clients reported high levels of financial stress, compared to 27% of those who were managing their finances on their own. Half of the advised clients said they experienced low financial stress overall, while only 32% of the non-advised group could say the same.

Even more telling, 86% of clients receiving advice reported greater peace of mind about their finances. According to the study, simply knowing they had a professional to turn to made a significant difference. Advised clients were far less likely to feel overwhelmed or anxious and far more likely to feel confident, satisfied, and secure in their financial lives. In fact, 71% of clients with a human advisor and 47% of those with digital advice reported an increase in positive emotions like confidence and pride.

There was also a practical benefit: time. Seventy-six percent of advised clients said working with an advisor saved them time, about two hours per week on average, or roughly 100 hours a year. Another 22% said it was time-neutral, while very few found it time-consuming.

These emotional and time-related benefits are often overlooked, especially by those who have never had a relationship with a financial advisor. Vanguard's study provides a rare and useful glimpse into how people actually feel about working with an advisor. And the findings are encouraging. While Vanguard serves as a large, generalist provider, many clients may find even deeper value in a more personal, more tailored relationship with an experienced advisor.

At the end of the day, FSA believes that financial advice is about more than just dollars and cents. It's about helping people feel more secure, more confident, and more in control of their financial future, and that may be the most valuable outcome of all. It's why we love doing what we do!

From the FSA Family

We recently returned from our summer retreat in Deep Creek, Maryland, a few days carved out just for our team to learn, connect, and recharge. These retreats are a tradition at FSA, and they serve an important purpose: When we invest in ourselves and each other, we become stronger partners to you.

Throughout the week, we explored topics like stress management and emotional regulation, and we took a deeper dive into our DiSC profiles, a tool that helps us understand each other's communication styles and work habits. These sessions sparked honest conversations and gave us practical tools we're already bringing back into our day-to-day work.

Of course, there was plenty of fun, too. Some of the team played golf at Wisp Resort, while others competed in a very serious (but friendly!) game of mini golf. A few of us soaked up the sun by the lake, and Mary earned MVP status for hopping on water skis and absolutely crushing it. Dinners were full of laughter, great food, and good conversations that reinforced why we enjoy working together so much.

We came back from Deep Creek reenergized, not just because of the sunshine, but because of the clarity we gained about who we are as a team and why we do this work. At FSA, we believe that strong internal relationships create the foundation for strong client partnerships. We're excited to carry this momentum forward as we continue helping you live a life aligned with your values and goals.



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