

The One Big Beautiful Bill Act:

8 Financial Planning Impacts and Strategies

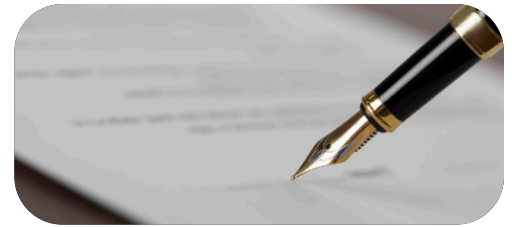


Tyler De Haan

Director of Advanced Sales
Sammons Institutional Group®, Inc.

The recently passed One Big Beautiful Bill Act could impact personal finance and tax strategy in the United States. This omnibus bill contains provisions designed to provide relief to working families, seniors, and middle-income earners. Throughout this white paper, we'll discuss eight key provisions of the bill and financial planning strategies individuals can employ to maximize their benefits.

On July 4th, 2025, President Trump signed into law the One Big Beautiful Bill Act. The bill was 940 pages in length. To help unravel the bill, let's take a closer look at eight major tax provisions that will affect how individuals save, invest, and plan for retirement.



1. Extension of Individual Income Tax Rate Cuts

What Changed:

The bill extends the individual tax rates originally set to expire at the end of 2025 under the Tax Cuts and Jobs Act. This maintains the current lower marginal brackets for most taxpayers.

Planning Strategy:

With extended lower rates now made permanent, it's a good time to consider Roth conversions. Paying tax at today's lower rates to convert traditional retirement assets into Roth IRAs can be beneficial in the long term, especially for those expecting higher income or tax rates in retirement. Additionally, this strategy can be helpful if the individual does not need to withdraw money from the Roth IRA for more than 10 years. This allows the Roth IRA to compound tax-deferred earnings, making the tax conversion more attractive.

2. Change in Charitable Giving Itemized Deductions

What Changed:

Beginning in 2026, the legislation introduced a charitable giving floor for taxpayers who itemize their charitable gifts. The floor will be .05 percent of a taxpayer's AGI (adjusted gross income).

Planning Strategy:

For many, this change makes itemizing charitable giving deductions less beneficial starting in 2026. Individuals who give to charity should consider "bunching" charitable giving deductions into the current 2025 tax year to maximize itemized tax benefits. For charitable donors, Donor-Advised Funds are a strategic way to bunch multiple years of giving into a single year for deduction purposes while distributing grants over time.

3. Expanded Child Tax Credit

What Changed:

The child tax credit (CTC) would increase to \$2,200 per child under 17 who meet certain eligibility requirements, and the credit would be partially refundable. Parents and guardians must earn \$200,000 or less per year, or \$400,000 for joint filers, to claim the full credit for each dependent. The credit is decreased by 5% for every \$1,000 earned over those thresholds.



Planning Strategy:

Families should factor the increased credit into their cash flow and college savings plans. With a larger refundable credit, consider reallocating those funds toward 529 college savings plans or MAGA accounts. College 529 plan accounts grow tax-free and can now also be used for additional education expenses. Don't forget that 529s can be used to repay student loans up to \$10,000. The expanded CTC may also allow for increased retirement plan contributions or building an emergency fund.

4. Expanded State and Local Tax (SALT) Deduction Cap

What Changed:

The SALT deduction cap would increase from \$10,000 to \$40,000. The SALT deduction cap is only temporary. The SALT deduction will rise 1% every year until 2029. In 2030, the SALT deduction cap will sunset and revert to \$10,000.

Planning Strategy:

Taxpayers in high-tax states or high-net-worth clients in low-tax states can now benefit from itemizing again. Taxpayers in high-tax states and high-net-worth clients in low-tax states should consider leveraging the higher SALT deductions for the next five tax years to take advantage of the elevated SALT deductions. Clients who may not have enough to itemize may want to consider bunching strategies to help take advantage of the higher SALT deductions by utilizing Donor Advised Funds.

5. Additional Senior Deduction

What Changed:

Seniors over the age of 65 will receive an additional deduction of up to \$6,000 for individuals and \$12,000 for married couples filing jointly if both individuals are over the age of 65. This deduction will be in place for tax years 2025 through 2028. It will be available to seniors regardless of whether they take the standard deduction or itemize. Their eligibility depends on income. Taxpayers with up to \$75,000 in modified adjusted gross income (MAGI) or up to \$150,000 if married and filing jointly may receive the full benefit. Incomes above those thresholds begin to phase out gradually.

Planning Strategy:

This provision increases the value of staying within lower tax brackets in retirement. Retirees should review withdrawal sequencing strategies, such as drawing from Roth or taxable accounts before retirement accounts. The withdrawal sequencing strategies can also benefit Medicare premium payments. Retirees should also be aware of the power of utilizing Qualified Charitable Distributions (QCDs) from their IRAs. The QCD can provide money to charitable organizations while satisfying the client's RMD and providing tax-free distributions. The QCD strategy can help clients stay under the income limits to receive the additional senior tax deduction.

6. No Federal Tax on Tips

What Changed:

For tipped workers, this legislation provides an above-the-line deduction of up to \$25,000 in tips. The deduction begins to be phased out for those who earn over \$150,000 individually or \$300,000 for married couples filing jointly. This tax benefit is only available for tax years 2025 through 2028.

Planning Strategy:

Service industry workers can use this windfall to invest in retirement or emergency savings, since tip income often fluctuates. Establishing automatic transfers to Roth IRAs or high-yield savings accounts can build long-term stability.



7. No Federal Tax on Overtime Pay

What Changed:

Workers who receive overtime pay can deduct up to \$12,500 from their taxable income. The deduction begins to be phased out for individuals making more than \$150,000 and married couples filing jointly at \$300,000. The deduction will only be available for the 2025 to 2028 tax seasons.



Planning Strategy:

Workers putting in extra hours can now benefit more from their pay. A best practice is to use this tax deduction for short- or medium-term financial goals, such as paying down high-interest debt or increasing down payments for major purchases. Financial advisors may suggest using the tax benefit to “bucket” goals—assigning each dollar to a specific purpose, such as debt reduction, savings, or investing. Please note that the tax benefit will not be realized until tax season. This tax benefit will become available after the client files their taxes and receives their tax refund.

8. MAGA Accounts

What Changed:

This legislation creates accounts that parents can use to save for their newborn child. The accounts are for United States citizens who are born between 2025 and 2028. After the initial \$1,000 deposited by the United States Treasury, relatives, employers, and non-profits can also make contributions under the annual \$5,000 limit. The money can be used at age 18 for education, trade-related training, or purchasing a new house. If the child waits to draw at age 30, they can pull the money for any reason. More details and clarifications are expected to emerge from the United States Treasury and the IRS in the coming months.

Planning Strategy:

This may provide an opportunity for parents to use another funding vehicle to help their children achieve financial independence. If a client does not want to fund education specifically, the MAGA accounts offer an alternative option. With the new legislation, this may be a good opportunity to discuss legacy plans, estate planning, beneficiary designations, and educational goals.

Final Thoughts

The One Big Beautiful Bill Act creates new opportunities for taxpayers to enhance their financial future. But simply being aware of the benefits isn't enough—strategic implementation is key. Whether it's tax-efficient giving, retirement planning, or optimizing cash flow, each provision presents a unique opportunity for improved financial outcomes. By aligning tax law changes with personal goals, Americans can make the most of this sweeping legislation.



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