

ClientLine®

January 2026

WHAT ARE “TRUMP ACCOUNTS”?

Introduced in the One Big Beautiful Bill Act (OBBBA), these are government-funded investment accounts designed to help children build wealth from birth. Children born between January 1, 2025, and December 31, 2028, who are U.S. citizens and have a Social Security number, are eligible to receive a one-time \$1,000 deposit from the U.S. Treasury to start the account. Children born outside these four calendar years are also eligible for an account, but they won't receive the \$1,000 in government seed money.

MAKING CONTRIBUTIONS

Parents, grandparents, and other individuals can make after-tax contributions of up to \$5,000 per year to each account. Employers may also contribute up to \$2,500 a year to accounts for their employees' dependents. Any employer contributions also count toward the overall \$5,000 cap. The contributions grow tax-deferred until withdrawn. Account investment options are limited to mutual funds* or exchange-traded funds that track a qualified index, such as the S&P 500.

EDUCATION PLANNING

Beginning the year the child turns 18, they can make penalty-free withdrawals for qualified educational costs. The child will incur regular income tax on earnings and tax-free contributions from the government and employers. Still, all after-tax

contributions made by parents and others can be withdrawn tax-free. After age 18, the account functions similarly to a Traditional IRA, with continued tax-free growth and the ability to withdraw funds for any purpose starting at age 59%.

Opening an account makes sense if your child is eligible for the \$1,000 seed

money. It may also be worth considering if your employer is willing to contribute to your child's account. Accounts can be opened beginning July 4, 2026. More guidance from the Treasury is expected before then.

**Investors should carefully consider the investment objectives, risks, charges, and expenses of the fund before investing. Contact the issuing firm to obtain a prospectus, which should be read carefully before investing or sending money. Because mutual fund values fluctuate, redeemed shares may be worth more or less than their original value. Past performance won't guarantee future results. An investment in mutual funds may result in the loss of principal.*



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BUSINESS DEDUCTIONS

OBBBA makes permanent the deduction for qualified business income (QBI) under Section 199A of the Internal Revenue Code as enacted initially by the Tax Cuts and Jobs Act (TCJA)—generally equal to 20% of a non-corporate taxpayer's aggregate QBI, subject to certain adjustments. A new minimum deduction of \$400 per year, has been added for any noncorporate taxpayer whose aggregate QBI from all qualified trade or business activities in which the taxpayer materially participates exceeds \$1,000.

PASS-THROUGH ENTITY TAX (PTET) DEDUCTION

Since the TCJA capped SALT deductions for individuals at \$10,000, many states adopted PTET workarounds, which allowed pass-through entities to pay state income taxes at the entity level, rather than individual owners paying at the personal level, effectively reducing the pass-through entity's income. Under OBBBA, the PTET deduction essentially remains the same as before.



CLIENT PROFILE

Robert and Linda, a married couple, want to reduce the size of their taxable estate while helping their family financially. They have three children and one grandchild. By using their annual gift tax exclusion, each spouse can give up to **\$19,000 per recipient in 2026** without triggering gift taxes.



Robert and Linda can each give \$19,000 to all four family members, totaling \$38,000 per person—or \$152,000 tax-free for the year. These gifts can be made in cash, investments, or even directly paying for education or medical expenses.

By making these annual gifts, Robert and Linda gradually transfer wealth to their heirs while preserving their lifetime estate tax exemption. However, they must make the gifts by December 31 to take advantage of the current year's exclusion, since any unused portion does not roll over.

Consistently applying this strategy each year can significantly minimize future estate taxes and ensure their assets are distributed according to their wishes.

Client Profile is based on a hypothetical situation. The solutions discussed may or may not be appropriate for you.

WAYS TO TRIM TAX ON INVESTMENTS

Minimize taxes. Maximize returns. Knowing how to manage taxes can significantly enhance your overall financial strategy, helping you retain more of your hard-earned income.

TAX-ADVANTAGED ACCOUNTS

If you aren't already doing so, one of the simplest ways to trim current taxes is to maximize contributions to an employer's retirement savings plan, individual retirement accounts (IRAs), or health savings accounts (HSAs). You can deduct contributions to these accounts from your taxable income, and the growth is tax-deferred or tax-free, depending on the account type.

Let's say you invested tax savings of \$1000 a year in stocks as represented by the S&P 500 over the past ten years (\$10,000 total). You could have more than doubled the invested tax savings to \$20,160.

TAX-LOSS HARVESTING

If you have realized gains in your portfolio, consider strategically realizing losses to reduce your overall tax. However, be aware of the wash sale rules. These rules prevent you from taking a loss on a security if you buy a substantially identical security within 30 days before or after the sale. You can

avoid triggering the wash sale rules while maintaining the same portfolio allocations by selling the security and waiting at least 31 days before repurchasing it or selling the security and buying shares in a mutual fund that holds similar securities.

HOLDING INVESTMENTS LONG-TERM

Gains on assets held for less than a year are taxed at your ordinary income tax rate, which may be as high as 37%. For long-term investments, those held for more than one year, you generally pay capital gains tax at 0%, 15%, or 20% depending on your other taxable income.

INVESTING IN MUNICIPAL BONDS

Municipal bonds,* or "munis," can be an attractive option for reducing tax liabilities. The interest earned on most municipal bonds is exempt from federal income tax and, in some cases, state and local taxes as well. This makes them a strategic choice, especially for investors in higher tax brackets.

Before using any tax-trimming strategies, talk with your trusted advisor. They can help you identify deductions, credits, and other techniques that suit your specific financial situation and investment goals.

BEWARE OF THESE MONEY MISTAKES

1

Too much money invested in non-productive assets

2

Unchecked lifestyle inflation

3

Failure to assess and manage liquidity needs

4

Insufficient tax and estate planning

5

Failure to communicate money matters to heirs

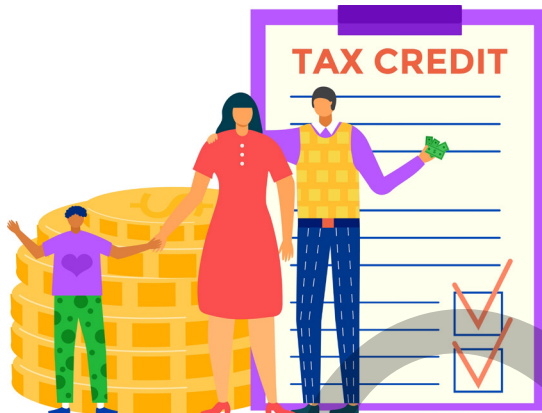
**Prices of fixed-income securities may fluctuate due to interest rate changes. Investors may lose money if they sell bonds before maturity. Before investing, read the prospectus and consider the fund's investment objectives, charges, expenses, and risks.*

FAMILY TAX CREDITS

In 2026, there are some changes to the credits related to families and children, most notably the Child Tax Credit and the Child and Dependent Care Tax Credit. These credits include a phase-out structure based on certain income thresholds.

THE CHILD TAX CREDIT

For 2026, the amount is \$2,200 per qualifying child. In the future, under OBBBA, the credit amount will be adjusted annually for inflation. The credit phases out for higher-income taxpayers, starting at \$400,000 for couples filing jointly and \$200,000 for single filers. The phase-out reduces the credit amount by 5% for every dollar earned above these thresholds.



increased from 35% to 50% of qualifying dependent care expenses. Also, there's a new phase-out structure with two tiers

based on adjusted gross income (AGI).

In the first tier, the credit percentage is reduced by 1% for each \$2,000 of AGI over \$15,000. The rate cannot be reduced below 35% in this phase.

In the second tier, for AGIs above \$75,000 (\$150,000 for joint filers), the percentage is further reduced by 1% for each \$2,000 (\$4,000 for joint filers) over that threshold. The floor remains at 20%. The qualifying dependent care expense cap remains \$3,000 for one child and \$6,000 for two or more dependents.

CHILD AND DEPENDENT CARE TAX CREDIT

OBBBA introduced two key changes to the Child Dependent Care Tax Credit that take effect in 2026. The tax credit calculation

Q

What are taxable fringe benefits?

A

Generally, you must report the value of benefits you provide to your staff as employees' taxable income—unless explicitly excluded by the IRS. These benefits include employee discounts on goods or services, parking subsidies of up to \$340 (as of 2026), and company services offered at cost. They also include modest holiday gifts, minimal personal use of office equipment, and even occasional company parties. The value of more substantial benefits, such as personal use of a company car or a country club membership, must also be included in taxable income. Starting in 2026, most moving expenses and bicycle commuting reimbursements are now taxable.

UNDERSTANDING EBITDA

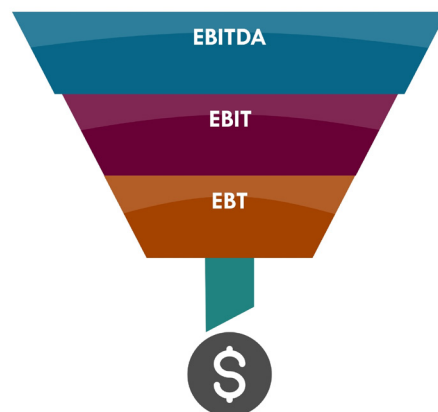
EBITDA, or Earnings Before Interest, Taxes, Depreciation, and Amortization, is a financial metric used to evaluate a company's operating performance. It measures profitability from its core business activities by excluding non-operating expenses, such as interest and taxes, as well as non-cash charges, including depreciation and amortization. This provides a clearer view of a company's cash flow and operational efficiency, making it easier to compare firms across industries.

To calculate EBITDA, start with net income, then add back interest, taxes,

depreciation, and amortization expenses from the income statement. It's widely used by investors and analysts to assess a company's financial health, especially for businesses with high debt or significant assets.

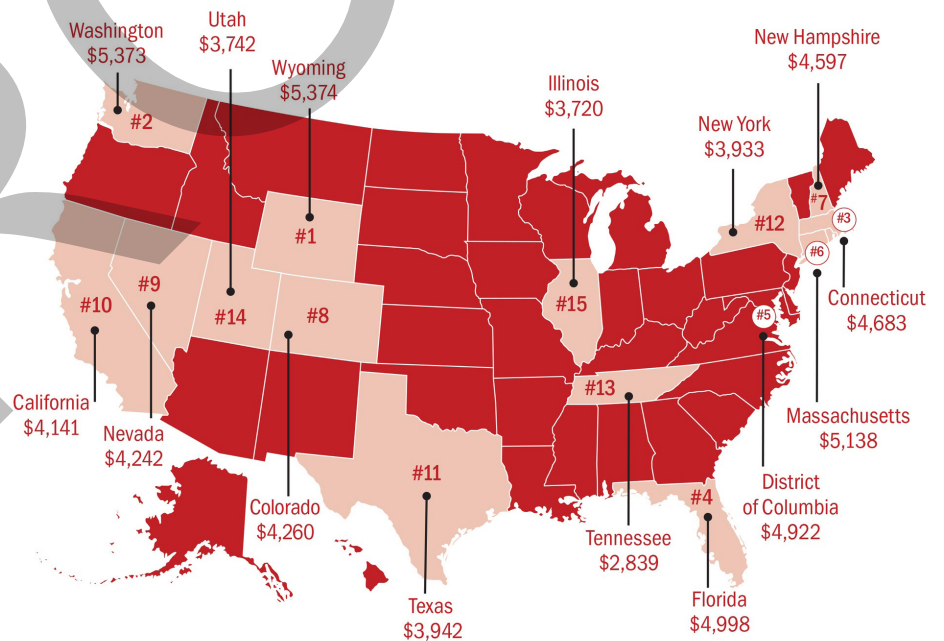
However, EBITDA has limitations. It doesn't account for capital expenditures or changes in working capital, which can impact actual cash flow.

Understanding EBITDA is essential for spring financial reviews to gauge business performance and plan strategically.



WHICH STATES' TAXPAYERS WILL GET THE BIGGEST BREAKS FROM OBBBA?

In a recent report, the Tax Foundation estimated the average change in taxes paid relative to prior law across each state and county from 2026 through 2035. Here are the results from the top 15 states:



AVERAGE TAX SAVINGS IN 2026

All Taxpayers: \$3,752

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