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## New Tax Laws Are Here

***Here's what you need to know about the One Big Beautiful Bill Act — and how it may affect your retirement income and planning***

### Why This Matters Now

On July 4, 2025, President Donald J. Trump signed into law the "One Big Beautiful Bill Act" (OBBBA), a landmark piece of legislation with significant implications for individuals in or nearing retirement.

This bill makes permanent many provisions of the 2017 Tax Cuts and Jobs Act (TCJA) and introduces new measures that could impact retirement income, wealth transfer strategies, and financial planning.

#### White House Says This Bill Delivers<sup>1</sup>

- 15% tax cut for earners between \$30K–\$80K
- \$5,000 yearly gain for median-income families with two kids
- Avoids 22% tax hike for average taxpayers

### Key Provisions Affecting Retirees

- 1. Permanent Extension of TCJA Tax Rates:** The new law permanently extends the individual income tax rates established under the TCJA that were set to expire at the end of 2025, with a top rate of 37%. Inflation adjustments are applied to the 10%, 12%, and 22% brackets.<sup>2</sup>
- 2. Bonus Deduction for Seniors:** Seniors aged 65 and older can claim an additional \$6,000 deduction for tax years 2025 through 2028. This deduction phases out for individuals with modified adjusted gross income exceeding \$75,000 (\$150,000 for joint filers).<sup>3</sup>
- 3. SALT Deduction Cap Temporarily Increased:** The state and local tax (SALT) deduction cap is raised to \$40,000 for taxpayers earning under \$500,000, effective through 2029. Afterward, the cap reverts to \$10,000.<sup>4</sup>
- 4. Estate Tax Exemption Increased:** The federal estate tax exemption is increased to \$15 million per individual (\$30 million for joint filers), adjusted for inflation going forward. These changes provide a greater opportunity to pass on wealth efficiently to future generations.<sup>5</sup>

## What Else Should You Know?

### Temporary, Not Permanent

Many of the law's benefits — including the expanded senior deduction as well as other tax breaks for overtime, tips, and car loan interest — are scheduled to expire at the end of 2028. Unless extended, these changes will sunset, potentially increasing taxes down the road.<sup>6</sup>

### Increased National Debt and Program Cuts

The Congressional Budget Office estimates the bill will add \$3.4 trillion to the national debt.<sup>7</sup> To offset costs, the legislation includes reductions in Medicaid and SNAP funding, such as work requirements and stricter eligibility rules.<sup>8</sup> While the new law does not directly impact Medicare or Social Security, the increased debt and spending cuts could foreshadow additional fiscal reforms, potentially putting pressure on these programs in future budget negotiations.<sup>9</sup>

## What to Consider Now

Now that the bill has been signed into law, it's a good idea to review your current financial plan and consider these three proactive steps:

- **Revisit Your Withdrawal Strategy**

Coordinate distributions from taxable, tax-deferred, and Roth accounts to help maximize after-tax income.

- **Review Estate Planning Documents**

Evaluate your existing estate strategy, and update your trusts, gifting strategies and legacy plans as needed to align with the increased exemption limits.

- **Plan for Legislative Uncertainty**

Since many provisions of the legislation are temporary, and even the "permanent" provisions can change with a new administration, ensure your financial plan is flexible enough to adapt and keep you on track to your goals as changes come about.

## Conclusion: Eyes on the Future

The "One Big Beautiful Bill Act" represents a pivotal moment in U.S. tax policy. For those nearing retirement, understanding these changes and staying prepared is essential. Working with a trusted financial advisor can help you align your retirement strategy with evolving tax legislation and position you for continued financial confidence.

<sup>1</sup> The White House. July 3, 2025. "50 Wins in the One Big Beautiful Bill." <https://www.whitehouse.gov/articles/2025/06/50-wins-in-the-one-big-beautiful-bill/>. Accessed July 9, 2025.

<sup>2</sup> PWC. July 6, 2025. "President Trump signs H.R. 1, the 'One Big Beautiful Bill Act.'" <https://www.pwc.com/us/en/services/tax/library/president-trump-signs-hr-1.html> Accessed July 8, 2025.

<sup>3</sup> Lathrop GPM. July 7, 2025. "Tax Update: One Big Beautiful Bill Act Signed Into Law – What Does it Mean for You?" <https://www.lathropgpm.com/insights/tax-update-one-big-beautiful-bill-act-signed-into-law-what-does-it-mean-for-you/> Accessed July 8, 2025.

<sup>4</sup> Kaia Hubbard, Caitlin Yilek. CBS News. July 4, 2025. "Here's What's in Trump's 'Big, Beautiful Bill' Passed by Congress." <https://www.cbsnews.com/news/whats-in-trump-big-beautiful-bill-senate-version/> Accessed July 8, 2025.

<sup>5</sup> Lathrop GPM. July 7, 2025. "Tax Update: One Big Beautiful Bill Act Signed Into Law – What Does it Mean for You?" <https://www.lathropgpm.com/insights/tax-update-one-big-beautiful-bill-act-signed-into-law-what-does-it-mean-for-you/> Accessed July 8, 2025.

<sup>7</sup> Kaia Hubbard, Caitlin Yilek. CBS News. July 4, 2025. "Here's What's in Trump's 'Big, Beautiful Bill' Passed by Congress." <https://www.cbsnews.com/news/whats-in-trump-big-beautiful-bill-senate-version/> Accessed July 8, 2025.

<sup>8</sup> American Hospital Association. July 3, 2025. "House passes final version of the One Big Beautiful Bill Act." <https://www.aha.org/news/headline/2025-07-03-house-passes-final-version-one-big-beautiful-bill-act> Accessed July 8, 2025.

<sup>9</sup> PWC. July 6, 2025. "President Trump signs H.R. 1, the 'One Big Beautiful Bill Act.'" <https://www.pwc.com/us/en/services/tax/library/president-trump-signs-hr-1.html> Accessed July 8, 2025.

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