



Majestic Oak Financial

A Registered Investment Advisor

Anna M. Popke, CFP®, RICP®
4411 Pasada Lane
Round Rock, Texas 78681
(512) 291-3546 (no texts)
anna@majesticoakfinancial.com
www.majesticoakfinancial.com

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Welcome to Summer! Thanks to all who realize that we live in Central Texas and so have checked in on me and my family. We're fine but Kerrville is a place that is dear to my heart and the destruction there is devastating. If you can find a way to help, please do.

The One Big, Beautiful Bill

On July 4th, President Trump signed the One Big, Beautiful Bill into law. Given that the state of our world today is so contentious, I've had a difficult time believing any news outlet's assertions on what is actually in the bill. So, I pulled up a summary of it from Ballotpedia along with the actual text of the law itself. The law is some 1,038 pages long while the summary is a mere 39 pages. I've picked out just the changes that would affect most of our pocketbooks and as such, it is far from a complete and detailed account. But here goes:

Tax-Specific Items:

- The individual tax rates of 10%, 12%, 22%, 24%, 32%, 35%, and 37% that were enacted in the 2017 Tax Cuts and Jobs Act and set to expire this year are now made permanent.
- The increased standard deductions of \$1,000 (single)/\$2,000 (married filing jointly - MFJ)/\$1,500 (head of household) have been extended through 2028.
- The limitation on the federal tax deduction for state and local taxes (known as the SALT deduction cap) has increased from \$10,000 to \$40,000. This allows taxpayers in states with high state-income tax rates to reap a larger federal itemized tax deduction for their state income tax liability. This \$40,000 cap increases by 1% annually beginning in 2027 and establishes a permanent cap at the 2033 level.
- The maximum child tax credit is increased to \$2,500 from \$2,000 through 2028. It will revert back to \$2,000 in 2029 and then be adjusted for inflation thereafter. It is still subject to phase-outs at \$200,000 (single)/\$400,000 (MFJ).
- Qualified Business Income (QBI) tax deduction for small businesses increases to 23% from 20%.
- The estate tax and gift tax exemption amounts increase to \$15 million in 2026, adjusted for inflation.
- If you itemize deductions, then the limit for the value of the mortgage on which the interest can be deducted has increased to \$750,000.
- Unreimbursed personal casualty losses associated with a federally declared disaster are now permanently limited.
- Through 2028, qualified tip income is not taxable for individuals whose earned income does not exceed \$160,000 in 2025, adjusted annually for inflation. In order to qualify for this exemption, both the taxpayer and spouse must provide work-eligible social security numbers.
- Through 2028, qualified overtime income is not taxable for individuals whose earned income does not exceed \$160,000 in 2025, adjusted annually for inflation.
- For those who are aged 65 and better, there is an additional standard deduction of \$4,000 per individual through 2028. This additional amount may also be claimed by seniors who itemize deductions. It phases out when modified adjusted gross income exceeds \$75,000 (single)/\$150,000 (MFJ). To be clear - this is not a \$1 for \$1 tax credit, just a deduction. So if you are in the 22% marginal tax bracket, which is the bracket for \$150,000 MFJ, this additional deduction saves you \$4,000 x 22% or \$880 for each of you. Nothing to sneeze at but most Americans do not understand the difference between a tax credit and a tax deduction. **This provision is what the email from the Social Security**

Administration referenced when they claimed that most seniors will now not pay any tax on their social security income. That is not exactly true. The structure of the taxation of social security benefits has NOT changed in any way. This additional deduction will reduce seniors' overall tax bill but it does not make the social security benefit "tax-free" as the email might lead one to believe.

- There is a new tax deduction of up to \$10,000 for interest paid on a personal-use car loan for cars purchased between 2025 and 2028. It phases out as income exceeds \$100,000 (single)/\$200,000 (MFJ).
- For those taxpayers who do not itemize, the charitable contribution tax deduction of up to \$150 (single)/\$300 (MFJ) has been reinstated.
- The expenses that qualify for tax-free withdrawals from a 529 plan has been expanded.
- Trump Accounts can be established as of 1/1/2026 for individuals under 8 years old. Up to \$5,000/year can be contributed to this account. Tax-free distributions can be made for certain education related expenses, small business expenses, and the first-time purchase of a principal residence. A one-time federal government deposit of \$1,000 into a Trump Account for individuals born between 2025 and 2029 may occur for those who meet certain requirements.
- There are many changes to the HSA program. The HSA contribution limit increases to \$4,300 for individuals with self-only coverage and \$8,550 for an individual with family coverage. Married individuals age 55 and up can make catch-up contributions to the HSA. Under some circumstances, individuals can roll over amounts from an FSA or HRA into an HSA. Taxpayers may use up to \$500/year per individual to pay for a membership at a fitness facility. Additionally, the HSA eligibility requirements have expanded.
- The tax credits of up to \$4,000 for the purchase of a used clean vehicle, \$7,500 of a new clean vehicle, or \$40,000 for a qualified commercial clean vehicle have been terminated.
- The tax credit for certain energy-efficient items purchased and installed into a primary residence along with the residential clean energy tax credit have been terminated.

Student Loans:

- Student eligibility for need-based financial aid is calculated using the median cost of attendance by program of study of all institutions of higher learning rather than the actual cost of the program the student is attending.
- Reinstates the FAFSA exemption of the value of certain small businesses and family farms.
- Starting 7/1/26, undergraduate students can no longer receive subsidized loans while graduate students can no longer receive Direct PLUS loans.
- Parents may only borrow on a Parent PLUS Loan if the dependent student has maxed out their annual unsubsidized loan amount.
- \$200,000 has been set as an aggregate loan limit for borrowers across all federal loan types except Federal Direct PLUS loans and Parent PLUS loans.
- Effective 7/1/26, there will only be two options for the repayment of student loans: a standard repayment plan and an income-based repayment plan. Economic hardship and unemployment deferments of payments are eliminated starting 7/1/25.

Government Employees who participate in the FERS retirement system:

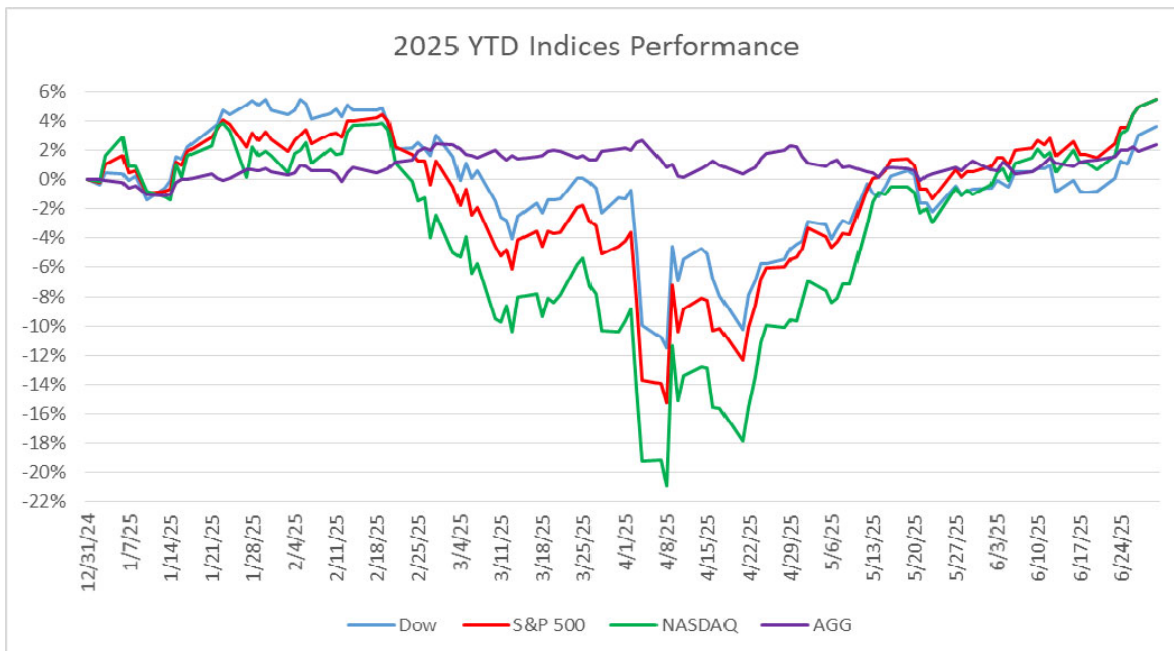
- Federal civilian employees are required to choose either to serve as at-will employees or contribute an additional 5% of their salary to FERS.

The Federal Highway Administration will impose an annual federal registration fee on owners of electric and hybrid vehicles. States must collect a fee of \$250 for electric vehicles and \$100 for hybrid vehicles, adjusted annually for inflation. These fees terminate on 10/1/2035. These fees are transferred from the states to the Highway Trust Fund.

There is so much more in this new law beyond tax changes that it truly merits reading yourself. There are changes to the health plans that qualify for the Affordable Care Act along with requirements for participating in Medicaid. If you would like me to email you a pdf version of either the summary or the law itself or provide details for the provisions that you feel might affect you, I'd be happy to do so.

2nd Quarter 2025 Market Performance*

Index	06/30/2025 Ending Value	2Q 2025 Performance	Year to Date 2025 Performance
Dow Jones	44,094.77	4.98%	3.64%
S&P 500	6,204.95	10.57%	5.50%
NASDAQ	20,369.73	17.75%	5.48%
Lehman Aggregate Bond	99.20	0.28%	2.37%



Your Individual Investment Reports

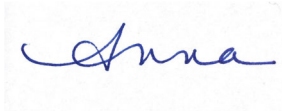
The following reports for 2nd Quarter 2025 are provided for your review:

- **2nd Quarter 2025 Portfolio Performance** – Compares the 2nd Quarter and Year-to-Date 2025 performances of the S&P 500 & Lehman Aggregate Bond Index with your portfolio performance
- **Year-to-Date 2025 Portfolio Performance vs. Inflation** – Performance of your investment portfolio compared to the rate of inflation as measured by the Consumer Price Index (CPI) for both the since inception period of your accounts and year-to-date 2025
- **Account Summary** – Current market value of each asset within your accounts as of 06/30/2025
- **Investment Billing Statement** for the 3rd Quarter 2025***: Investment advisory fees for the period of 07/01/2025 through 09/30/2025 (based on 06/30/2025 values). *This is an informational billing only.* Your account is automatically debited unless other arrangements have been made.

Please remember that this investment reporting is for informational purposes only. You should also refer to the monthly account statements you receive from Charles Schwab & Co., Inc..

As always, please do not hesitate to contact me if you have any questions about your reports or wish to discuss any other financial matters.

Sincerely,

A handwritten signature in blue ink that reads "Anna". The signature is written in a cursive style.

Anna M. Popke, CFP®, RICP®

*Index performance is provided as a benchmark only. The performance of your individual investment portfolio will vary from that of any one index. Past performance of an index is never a guarantee of future results.

****PLEASE NOTE:** Clients who hold “cash reserves” within their brokerage accounts will have slightly different portfolio balances depicted on the Statement of Assets Summary and the Billing Statement. This is because “cash reserves” are excluded from the advisory fee. However, cash held awaiting investment in the upcoming quarter *will* be subject to the normal quarterly fee.

Investment Advisory Fee Calculations:

Fees are paid in advance on the 7th (or prior closest business day) of the month following the end of the quarter. The amount due is calculated by applying the prorated annual fee percentage to the previous quarter-end account value(s). Fees are further prorated for accounts opened after the beginning of a new quarter. Fees may be paid directly from the investment account(s) or consolidated and paid from a specified account. Money market/cash reserves are excluded from totals. Statements have been prepared by Majestic Oak Financial from information provided by Schwab and while deemed reliable, are not guaranteed.