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The Financial Solutions Advisor

Economic & Market Perspectives

Mid-Year Market Update: Staying the Course Pays Off

The first half of 2025 has been anything but quiet—**markets** faced a wave of volatility driven by rising tariffs, geopolitical tensions, and a sharp (though short-lived) market correction. At one point, the S&P 500 was down more than 15%. But in a dramatic turnaround, the market has rebounded and is now trading near all-time highs.

Despite headlines around new tariffs and global conflicts, the U.S. **economy** has shown resilience. Inflation trends have been encouraging, unemployment remains low, and recent GDP softness appears tied to a surge in imports ahead of expected tariff hikes.

On the policy front, all eyes have

been on the Federal Reserve. While **interest rates** have held steady in the 4.25%–4.50% range, markets are anticipating the possibility of two rate cuts before year-end, depending on how economic conditions evolve.

Globally, **international stocks** have outperformed U.S. markets so far this year, and oil prices have stayed contained despite unrest in the Middle East—highlighting the benefits of diversification across regions and sectors.

Valuations remain elevated in parts of the U.S. equity market, leading many investors to explore opportunities in more reasonably priced areas like international stocks, small- and mid-cap companies, and value-oriented sectors. Bonds have also provided solid portfolio balance, with attractive yields and relatively

2025 Returns

| | |
|--------------------------|--------|
| S&P 500 | 6.20% |
| NASDAQ 100 | 8.35% |
| Russell Small Cap | 5.75% |
| Russell Mid Cap | 4.84% |
| MSCI EAFE | 19.45% |
| MSCI World | 9.47% |
| Bloomberg US Agg. Bond | 4.02% |
| Bloomberg Municipal Bond | -0.35% |

low volatility.

The bottom line: Staying diversified and disciplined has rewarded investors in 2025. For long-term investors, this environment reinforces the importance of maintaining perspective and staying aligned with their financial plan.

Does the New Policy Bill Eliminate Tax on Social Security Benefits?

In a celebratory email sent to Americans across the country, the Social Security Administration praised the Trump administration's sprawling budget and tax bill and said it eliminated federal income taxes on most retirees' benefits.

But that's not exactly what it does.

The agency's embrace of the legislation, which was signed into law by President Donald Trump on Friday, was also at odds with the effect it is expected to have on the program's financial health. The law is projected to further weaken Social Security's revenues at a time it is already facing a financing shortfall.

The email, which went out Thursday, said the new law "includes a provision that eliminates federal income taxes on Social Security benefits for most beneficiaries," and, "additionally, it provides an enhanced deduction for taxpayers aged 65 and older."

But the enhanced deduction will help reduce households' tax bills on

their overall income, including Social Security income. "The SSA statement implies there is a direct tax cut on Social Security benefits," said Howard Gleckman, a senior fellow at the Tax Policy Center, a nonpartisan think tank, "which there is not."

Instead, older single filers will get the extra \$6,000 deduction (\$12,000 for couples), as long as their income falls under a certain ceiling (below \$75,000 for single filers or \$150,000 for married joint filers). Above those income levels, the deduction begins to decrease, and it goes away once single taxpayers' income reaches \$175,000 (\$250,000 for couples).

Nor will the extra deduction benefit all Social Security recipients. Retirees who are 62 through 64 are ineligible.

And since the income of more than half of Social Security recipients is too low to be taxed anyway, lower income people won't be helped much. The new break is expected to benefit middle- and upper-middle-class households, tax policy experts said. (Recipients who earn less than

\$63,300 owe an average of 1% of their Social Security benefits in taxes, according to an analysis from the Center on Budget and Policy Priorities.)

The Tax Policy Center estimates that less than half of older adults, most of whom earn about \$50,000 to \$200,000, will get some benefit from the new deduction, though most of them will still owe some tax, Gleckman added.

Under current law, an estimated 64% of beneficiaries did not owe taxes on their Social Security benefit, and the new deduction would boost that number to 88%, according to an analysis in June from the White House Council of Economic Advisers.

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What Trump's Megabill Means for You



WASHINGTON—The nearly 900-page Republican tax bill is headed into law after passing the House.

Broadly, the legislation makes President Trump's 2017 tax cuts permanent, extending current income-tax rates. It also adds some new breaks while making cuts to federal healthcare coverage, food-aid and student loan programs. Here's what it could mean for your finances.

If you live in a high-tax state

The bill would raise the maximum state-and-local-tax deduction to \$40,000—up from \$10,000 now—and increase it by 1% annually through 2029. The cap then reverts to \$10,000 in 2030. But the maximum deduction would begin phasing down once income crosses \$500,000. The income threshold would also increase 1% every year through 2029.

If you're a parent

The legislation would raise the child tax credit to \$2,200 from \$2,000 starting in 2026, index it for inflation and extend it permanently. It also creates new "Trump Accounts" for children born between 2025 and 2028, with a one-time government contribution of \$1,000 to invest on the child's behalf. Families can contribute up to \$5,000 a year, and the funds can be withdrawn in adulthood.

For parents of undergraduate students, the legislation would cap the Parent Plus student loan program. It would set new borrowing limits of \$65,000 per student, and \$20,000 a year per student. Parent Plus loans would no longer be eligible for income-driven repayment programs after July 1, 2026.

If you're over 65

The bill doesn't eliminate taxes on Social Security, but it adds a new tax deduction for seniors for the 2025 to 2028 tax

years. People over 65 can deduct up to \$6,000 from their taxable income if they make \$75,000 or less, or \$150,000 or less for married couples.

The maximum deduction starts shrinking when income crosses that threshold, and winds down completely once income crosses \$175,000 per person or \$250,000 per couple. Seniors would still get the existing additional senior standard-deduction tax break.

If you're a student

The legislation would eliminate current income-contingent repayment plans for student loans paid out after July 1, 2026. It replaces them with two new options: a standard repayment plan, where borrowers pay a fixed amount every month over 10 to 25 years; or the Repayment Assistance Plan, which would tie payments to the borrower's adjusted gross income with a payment term of 30 years.

The bill would eliminate the Grad Plus program that lets graduate students borrow as much as the cost of attendance, starting July 1, 2026. It adds new borrowing limits of \$20,500 a year for graduate students and \$50,000 a year for professional students—those in fields like medicine and law. There will also be aggregate loan limits of \$100,000 for graduate students and \$200,000 for professional students.

The bill also raises the endowment tax on private colleges, which could hit university budgets. Colleges with fewer than 3,000 students are exempt.

If you're planning to buy a car

Under the new legislation, tax credits for buying an electric vehicle will expire Sept. 30. That includes a \$7,500 incentive for buying a new EV, or \$4,000 for a used one. The credit for buying and installing a home charging station would end June 30, 2026.

For the 2025 to 2028 tax years, the bill would enable taxpayers to deduct up to \$10,000 in auto loan interest from their taxable income. This would only apply to U.S.-made cars. The maximum deduction phases down when income surpasses \$100,000.

If you're on Medicaid

Starting Dec. 31, 2026, the bill adds new work requirements and more frequent eligibility checks for Medicaid enrollees. Able-bodied adults would be required to work 80 hours a month, with some exceptions, including for caretakers of children under 14.

Starting Oct. 1, 2028, Medicaid expansion states would be required to charge enrollees up to \$35 for some appointments if their income is between 100% and 138% of the federal poverty level. The legislation also limits a tax mechanism that states use to attract matching federal funds, which could impact hospital budgets, especially in rural areas.

If you receive SNAP benefits

The bill tightens eligibility requirements for Supplemental Nutrition Assistance Program recipients—the 80 hours a month work requirement would apply to able-bodied adults under 65, with the exception of people caring for children under 14. Under current law, the work requirements apply to adults under 55, with an exception for caregivers of children under 18. The bill would also require some states to chip in for SNAP payments starting in fiscal 2028, which could strain their budgets.

If you're a tipped worker

For the 2025 to 2028 tax years, workers can deduct up to \$25,000 of tips from their taxable income under the new plan. Note that this would only apply to federal income taxes, not state or payroll taxes. The maximum deduction begins shrinking once income surpasses \$150,000. Only certain professions would qualify for the tips deduction—the Treasury is required to publish the list within 90 days of enactment.

If you work overtime

The bill adds a "no tax on overtime" deduction capped at \$12,500 for individuals or \$25,000 for married couples. Individuals making \$150,000 or less would qualify for the maximum deductions. This will be in effect for the 2025 to 2028 tax years, and only applies to federal income taxes, not state or payroll taxes.

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Why You Must Involve Your Adult Children in Your Financial Plan



“What would my parents have wanted?”

Those six words capture the emotional chaos that can follow a parent's passing. Many retirees avoid discussing their financial plans, estate wishes, and care preferences with their adult children. Maybe it feels too private. Maybe there is a feeling it will create tension. But keeping them in the dark often leads to far greater stress—for everyone.

Financial planners see both sides: The families who took the time to talk—providing stability through a period of grief—and the families who didn't—and left their children navigating uncertainty, conflict, and avoidable mistakes. Involving your children in your planning isn't just practical—it's one of the most powerful ways to protect your legacy and give your loved ones the clarity they'll need when it matters most.

Navigate Complex Financial Situations with Greater Clarity

Looping in your adult children becomes especially important when your financial plan includes more complex or emotionally sensitive elements. These are scenarios where misunderstanding—or poor timing—can result in unnecessary taxes, missed opportunities, or even fractured relationships. A few key examples:

- **Large pre-tax retirement accounts:** If your adult children are in their peak earning years, this can trigger a significant tax spike—pushing them into higher brackets just when they're already highly taxed. Having conversations in advance can allow for strategies like Roth conversions or gifting to be considered now.
- **Family trusts:** If a trust will be managing your assets, your children need to understand who the trustees are, how distributions work, and what their responsibilities or limitations might be. Involving them avoids confusion and builds accountability across generations.
- **Sentimental real estate:** Whether it's the family vacation home or the house you raised them in, real estate often carries

emotional weight. Discussing whether they want to keep, sell, or rent out the property—and how that will work logistically—can prevent resentment or rushed decisions.

- **Business succession planning:** If you own a business, conversations around whether children are involved, want to be involved, or will inherit a share are absolutely essential. Failing to address this can create fractured ownership, legal disputes, or forced sales. Engaging them now lets you align expectations and successors while you're still active and available to guide the process.

- **Blended families or unique family dynamics:** When stepchildren, second marriages, or estranged relatives are involved, assumptions can turn into serious issues. Clarifying your intentions and communicating them transparently reduces the risk of conflict—and potential litigation.

- **Health and long-term care planning:** Health events often happen without warning. Sharing your directives, powers of attorney, and care preferences gives your children the confidence to act quickly. A study by BMJ concludes that “Advance care planning improves end of life care and patient and family satisfaction and reduces stress, anxiety, and depression in surviving relatives.”

In all of these cases, early communication allows your advisor or estate attorney to design a plan that reflects your goals, avoids unintended consequences, and ensures your family is set up for success—not confusion.

How to Start the Conversation

These steps, grounded in best practices, can help make the conversation smoother and more meaningful:

- **Prepare First:** Review and update your key documents—wills, trusts, powers of attorney—and organize account information, advisor contacts, and login details. Doing this first helps you feel more confident going into the conversation with your children.
- **Pick the Right Time:** Choose a calm, low-stress moment—ideally when everyone is relaxed and receptive. It doesn't have to be a major event; sometimes a quiet visit, a casual Sunday lunch, or a phone call with a clear intention works best. The goal is to create space for a meaningful, uninterrupted conversation without the weight of celebration or crisis.
- **Break It Into Sessions:** If possible, divide the conversation into a few focused

discussions—one on legacy wishes, another on health care preferences, and another on financial logistics. This can reduce overwhelm and improve clarity. But if your children live far away or time together is limited, one thoughtful conversation when everyone's present can still go a long way. Just be mindful to read the room—if emotions run high or timing feels off, it's okay to pause and revisit the discussion later. The key is to be intentional—whether it's one session or several.

- **Introduce Them to Your Advisor:** Introducing your children to your advisor builds trust and familiarity. It gives them a chance to ask questions, understand your goals, and connect with a trusted resource they as they begin their own planning. When there's already rapport between your children and your advisor, any future transition—especially after a parent's passing—becomes far more comfortable. They'll be speaking with someone they know and trust, not a stranger, during a difficult time. Your advisor will be happy to help the next generation, whether they're just starting out, saving for a home, or building financial success. It's a meaningful way to pass on a trusted relationship and create a smoother transition when life changes occur.

- **Be Clear and Specific:** Let them know where important documents are stored, what your wishes are, and who is responsible for what. This reduces uncertainty and ensures everyone is aligned.

- **Set Boundaries and Expectations:** Whether or not you plan to offer financial support, make it known. This helps prevent confusion, resentment, or unrealistic assumptions—especially under stress.

The Bigger Picture

Involving your adult children in your financial planning is more than a transfer of information—it's a powerful way to create peace of mind. It prevents surprises, strengthens family bonds, improves tax outcomes, and prepares your loved ones for both the expected and the unexpected. Warren Buffett once said that reviewing your will with your children *before* signing it is one of the best ways to ensure your wishes are understood and honored. I couldn't agree more.

By Raul Elizalde, Contributor

This article was written in collaboration with Nolan Lewis, CFP®

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How Retirees Can Stay Calm When Markets Get Volatile



Market swings are part of the deal, and if volatility causes sleepless nights, it might be time to reconsider your approach.

If You Can't Handle the Heat, Revisit Your Strategy

The classic phrase, “If you can’t handle the heat, get out of the kitchen,” might be great for sports banter, but it also applies to investing—especially for retirees. Market swings are part of the deal, and if volatility causes sleepless nights, it might be time to reconsider your approach.

Short-Term Noise vs. Long-Term Goals

This year’s market performance offers a useful case study. The year began with strong gains, only to be disrupted by geopolitical concerns and tariff talk in February and March. A sharp pullback followed, triggering anxiety among some investors. But by May, markets rebounded and turned positive once again. All of this unfolded in under five months.

It’s a reminder that markets can move fast—and unpredictably. For those in or near retirement, reacting emotionally to short-term dips can be more damaging than the downturns themselves.

Why Staying the Course Matters

A solid retirement investment strategy isn’t built on gut reactions. It’s based on a long-term plan that accounts for inevitable market corrections. Adjusting a portfolio impulsively after a decline is not a sound investment philosophy—it’s market timing, and history shows that rarely works.

For retirees, the key is consistency. Those who stick with a diversified, well-allocated strategy tend to fare better over time than those who try to outguess market movements.

The Market Is Volatile—That’s the Point
Tough love time: if a brief market correction

causes you to panic, that’s a signal—not about the markets, but about your portfolio’s alignment with your risk tolerance. Retirement is not the time for emotional investing.

Instead, use volatility as an opportunity to review your allocation. Are you too exposed to risk? Are your income needs secure regardless of market conditions? These are the questions worth asking.

Bet On Market History, Not Headlines

Here’s a fact worth remembering: U.S. markets have historically returned 8-10% annually. But that doesn’t mean they’ll give you a smooth 8-10% every year. Some years will be great, others frustrating. That’s the nature of averages.

Just like a Hall of Fame baseball player fails more than they succeed at bat, smart investors know losses are part of the process. A down year—or even two—doesn’t invalidate the long-term value of staying invested.

Control What You Can

The only predictable thing about markets is their unpredictability. Trying to control them is a losing game. Instead, focus on what you can control: your spending, saving, and staying aligned with your financial plan.

For retirees, success isn’t about avoiding every market drop. It’s about having a plan built to withstand them—so when volatility hits, you can ride it out without derailing your retirement goals.

Final Thoughts

No one knows exactly what the future holds. But wise investors, especially those in retirement, stay committed to their plan through all seasons. The strategy shouldn’t change just because the market does. Staying invested, staying calm, and staying focused on the long-term—that’s the real key to retirement peace of mind.

By Andrew Rosen, Contributor

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