

MONTEITH WEALTH, LLC

HEADS OR TAILS

TWO SIDES OF THE SAME COIN

We hope our thoughts on investing and the related fields of taxes will help you achieve and enjoy financial independence. We believe only when you combine knowledge of both can you be a successful investor.

TAX CHANGES FOR 2025

Tax season 2025 (that is, returns filed in 2026) is shaping up to be a more interesting one than usual. A sweeping new law, dubbed the One Big Beautiful Bill (OBBB), was signed in July 2025, and it brings a number of changes — some retroactive to the 2025 tax year — that many taxpayers will want to understand now. Below is a summary of what to keep an eye on heading into next year.

Standard Deduction & Tax Rates Made Permanent

The OBBB makes permanent the larger standard deduction and the tax brackets introduced by the 2017 Tax Cuts and Jobs Act (TCJA). That gives a little more certainty: we don't have to worry about sudden reversion of TCJA's key elements next year.

Child Tax Credit Increase

The Child Tax Credit is raised permanently from \$2,000 to \$2,200 per qualifying child, with the refundable portion



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QUARTER QUOTE

**"IF ALL THE ECONOMISTS
WERE LAID END TO END,
THEY WOULD NOT REACH
A CONCLUSION."**

— GEORGE BERNARD SHAW

increased to \$1,400. That gives more relief to families, especially those near income thresholds.

New Deductions (Tips, Overtime, Auto Loan Interest, Senior Deduction)

Some exciting but more conditional changes:

- **Tips:** Up to \$25,000 of qualified tips may be deductible (above-the-line) in 2025–2028, subject to income phaseouts.
- **Overtime:** A deduction for overtime pay — up to \$12,500 for qualifying filers (or \$25,000 joint) — also made possible.
- **Auto Loan Interest:** Up to \$10,000 in interest on qualified car loans (for U.S. assembled vehicles) may be deductible in 2025–2028.
- **Senior Deduction:** Taxpayers 65 or older may get an extra deduction (\$6,000 additional), subject to income limits.

Estate & Gift Tax Exemptions Increased

The law permanently increases gift/estate tax exemptions to \$15 million per individual (\$30 million for married couples), indexing for inflation going forward.



SALT Deduction Cap Raised (Temporarily)

For 2025, the cap on state and local tax deductions (SALT) is raised from \$10,000 to \$40,000, with a phaseout for higher earners and a sunset scheduled for 2030. This change may provide relief to taxpayers in high-tax states, though limitations still apply.

Phasing Out Select Clean Energy Credits & EV Deductions

Some previously generous energy incentives are being scaled back or phased out:

- Residential clean energy credits (like solar) will expire after 2025.
- EV incentives (both new and used) have stricter caps and expiration dates.



IRS MOVES TOWARD PAPERLESS

Starting September 30, 2025, the IRS has begun phasing out paper refund checks for individuals, in line with Executive Order 14247: Modernizing Payments to and From America's Bank Account.

The goal: move toward fully electronic payments for refunds and federal disbursements, wherever the law allows.

Why make the switch now? The IRS says that paper checks are much more vulnerable to being lost, stolen, delayed, or altered (they are reportedly over 16 times more likely to be problematic than electronic payments). Electronic refunds are also faster. Direct deposits can be issued in less than 21 days under normal circumstances, while mailed refunds (paper checks) can take six weeks or more. Of course the biggest reason is likely cost savings and operational efficiency. Handling paper, printing, postage, and manual processes is expensive and slower.

Most taxpayers already receive their refunds via direct deposit. In 2025, over 93% of individual refunds were issued electronically. Only about 7% of taxpayers received paper checks last year. The executive order does allow some exceptions in "limited circumstances" — for hardship, lack of access to financial services, or other constraints.



GOVERNMENT SHUTDOWN

The longest U.S. government shutdown appears to finally be over, but we may continue to feel the effects. In late October, the Federal Reserve cut its benchmark interest rate by 0.25%, lowering the target range to approximately 3.75%–4% percent. This was no surprise, as the Fed is still concerned about a hot-and-cold economy. Instead of elation from the rate cuts, what grabbed attention was the warning that future rate reductions are far from certain. Thanks in part to the shutdown, the central bank might delay its next move because key economic data aren't coming in on schedule.

At the moment, the shutdown's effect on daily life has been muted. Federal

employees have largely continued working, essential services remain operational, and most consumers haven't pulled back spending in force — though air travel has now become chaotic. That helps explain why markets remain reasonably calm. However, economists caution that the lack of disruption so far may be misleading. The real risk lies in what the shutdown is preventing: critical economic data that policymakers rely on. With surveys on employment, inflation, and other metrics paused or delayed, the Fed admits it is “driving in the fog.” The shutdown’s data blockade may be a serious complication. The economy appears to have already priced in a 0.25% rate cut in December, and if it doesn’t come, we may see a decline in the stock market to end the year — remember, the market is unhappy when its predictions don’t materialize.



IT AIN'T GOT NO GAS IN IT.

Could this cause a recession? We find it unlikely. Even if the shutdown delays a 0.25% rate cut, it really isn't a significant enough cut to cry over. That doesn't mean something else won't cause a recession — inflation still isn't at the target of 2%, certain parts of the economy seem to be slowing faster than others, and Russia might still nuke Ukraine. And that leads us to an interesting point about market crashes. Investors are always looking for a smoking gun to predict a crash, but it's only clear in hindsight. If the gun is smoking, it already fired — it's too late. So, we'll repeat ourselves until the cows come home: always ensure you have a diversified investment portfolio before a market crash.

IS SOCIAL SECURITY DRYING UP?

The short answer is no — Social Security will not run out of money entirely. However, the system does face challenges. According to the latest projections, Social Security's trust funds are expected to be depleted in 2034. At that point, incoming payroll tax revenue would only be enough to cover about 81% of scheduled benefits. Without action from Congress, beneficiaries could see their monthly checks reduced starting in that year.

That doesn't mean the system will disappear. If people are working and paying payroll taxes, Social Security will continue to collect revenue and pay benefits. The challenge is figuring out how to close the projected funding gap — the difference between 100% of promised benefits and the 81% that could be paid under current rules.

So, what options does Congress have? A few possibilities include:

- Raising the payroll tax rate. Currently, employees and employers each pay 6.2% on wages up to a certain cap. A modest increase in this rate would boost revenue for the program.
- Increasing or eliminating the wage cap. Right now, only wages up to a limit (about \$168,600 in 2024) are subject to Social Security taxes. Raising or removing that cap would bring in more funds, especially from higher earners.
- Tapping other tax revenue. Congress could decide to use general tax funds, outside of payroll taxes, to help cover the shortfall.
- Reducing benefits for high earners. Another option would be to cut or eliminate Social Security benefits for the top 1–2% of income earners.

This isn't the first time Social Security has faced a funding challenge. In fact, in 1983, Congress passed a major reform package that extended the life of the program. History suggests that lawmakers will likely take action again to preserve benefits before the projected 2034 depletion date — who wants to be known as the politician that killed Social Security? That would be political suicide.

For now, the key takeaway is this: Social Security isn't going away. While adjustments are almost certain, the program remains one of the most important and enduring parts of America's retirement safety net. For those planning retirement, the possibility of reduced Social Security benefits underscores the need for a well-diversified strategy. Social Security was never intended to stand alone — it's designed to supplement, not replace, personal savings and investments. Building a portfolio balanced for both growth and income creates a stronger foundation and greater flexibility in retirement. For our clients, that means you can rest easy.

TARIFFS AND THE CONSTITUTION:

WHO REALLY HAS THE POWER?

The debate over President Trump's sweeping use of tariffs has now reached the U.S. Supreme Court, raising an important constitutional question: Who actually has the power to set America's trade and tariff policy — the president or Congress?

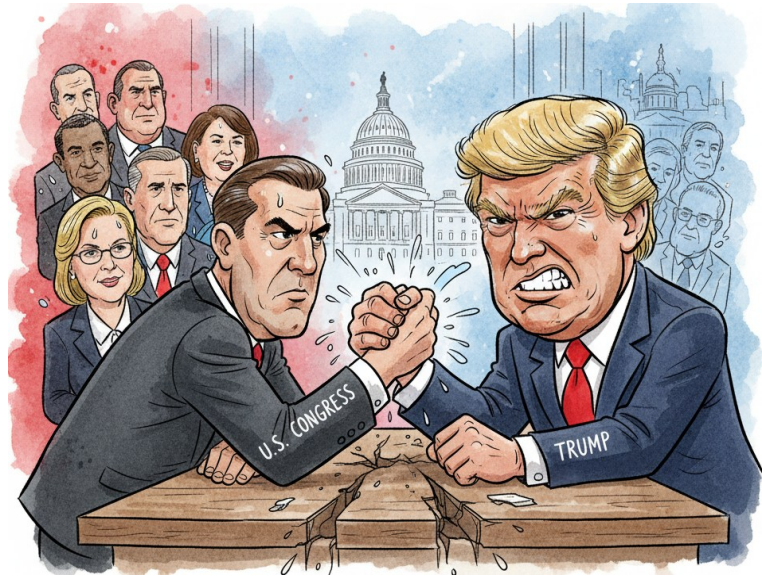
Under the Constitution, Congress holds the “power of the purse,” which includes the authority to regulate commerce with foreign nations and impose tariffs. For most of U.S. history, tariff policy was debated and decided in the halls of Congress. In recent decades, however, Congress has delegated

broad authority to the president under laws like the International Emergency Economic Powers Act (IEEPA). These laws were intended to give the president flexibility in dealing with national security threats, not to grant unilateral authority to restructure global trade.

The current legal challenge argues that Trump's “Liberation Day” tariffs — and many others issued under IEEPA — stretch presidential authority beyond its constitutional limits. Lower courts have already agreed, ruling that there is no clear congressional authorization for the president to impose tariffs so broadly. The cases are now consolidated before the Supreme Court.

At the heart of the case is a separation of powers issue: if tariffs can be imposed by executive order alone, it effectively sidelines Congress from one of its core constitutional responsibilities. Supporters of the challenge argue that allowing presidents to impose tariffs without legislative approval creates dangerous precedent, giving the executive branch unilateral control over trade and tax policy. On the other hand, defenders of Trump's approach claim that modern global realities require presidents to act quickly and decisively in trade matters.

The stakes are high. If the Supreme Court rules against the president, many of the tariffs imposed since 2018 could be invalidated — potentially requiring the government to refund hundreds of billions of dollars in collected duties. More importantly, such a decision would reaffirm the constitutional principle that

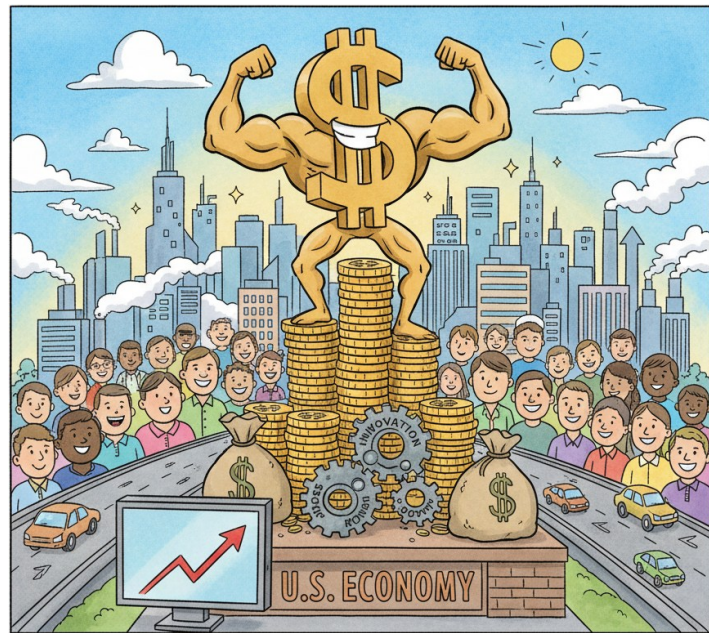


Congress, not the president, is responsible for setting America's tariff and trade policy. It's difficult to predict how the markets will react to a ruling from the Supreme Court. On one hand, removing tariffs is usually seen positively by investors. On the other, endangering some of Trump's trade deals may not be taken lightly.

U.S. ECONOMY SHOWS STRENGTH

The U.S. economy continues to surprise to the upside. Recent revisions show that Gross Domestic Product (GDP) — the broadest measure of economic activity — grew at an annualized rate of 3.8% in the second quarter. That's not only higher than the earlier estimate of 3.3%, but also well above the 3% first reported. The key driver? American consumers. Updated data showed consumer spending rose at a 2.5% pace in the second quarter, much stronger than the earlier estimate of 1.6%.

Economists admit this size of revision is unusual. This year's economic data has been noisy, with policy changes, tariff uncertainty, and shifting global conditions all creating volatility. Even so, the overall story holds — steady consumer spending and lower imports helped fuel a healthy rebound during the spring, despite economic headwinds. Looking forward, the Federal Reserve Bank of Atlanta projects that GDP growth continued at a solid pace in the third quarter, estimating another 3.3% gain. The official government report for Q3 will be released soon, but if forecasts hold, it would mark two strong quarters in a row — reinforcing the picture of a resilient economy.



Still, there are risks we're watching closely. While Americans are still spending — with retail sales rising 0.6% in both July and August — the labor market has been showing signs of cooling. Job growth is slowing, unemployment benefit

ABOUT US

Monteith Wealth, LLC is a unique blend of a registered investment advisor and a CPA firm. Nestled in the town of Bozeman, Montana, we serve clients from all over the United States. At Monteith Wealth, we take pride in our collaborative approach. Unlike traditional firms, we believe in harnessing the collective expertise of our entire team of professionals. This team-focused approach allows us to provide our clients with comprehensive and well-rounded advice that encompasses various financial perspectives. At Monteith Wealth, your financial success is our top priority!

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applications have crept higher for federal workers, and consumer sentiment has dipped. Business investment also remains uneven, with durable goods orders rebounding in August but weaker once transportation is excluded.

For now, the takeaway is that the U.S. economy is resilient. Growth remains solid, spending is holding up, and businesses are still investing. At the same time, the economy is sending mixed signals — slowing labor markets, policy uncertainty, and tariff impacts could still weigh on future growth. In short, resilience today doesn't guarantee smooth sailing tomorrow, but it does show the economy has more momentum than many expected — for now.



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