



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.

BIG, BEAUTIFUL, BILL

On July 3, Congress passed — and on July 4, President Trump signed — the One Big Beautiful Bill Act, a sweeping piece of legislation that touches nearly every corner of the tax code. Whether you're a working individual, business owner, or retiree, this law introduces new opportunities (and a few complications) that could impact your 2025 tax strategy and beyond. Here's what you need to know.



Individual Taxpayers: Familiar Rates, New Deductions

First, the bill makes the 2017 Tax Cuts and Jobs Act's lower individual tax brackets permanent. That means the tax rates and income thresholds most taxpayers have become accustomed to will remain in place — no automatic sunset in 2026.



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INSIDE THIS ISSUE

B.B. BILL.....	1-3
STAGFLATION.....	4-5
INTEREST RATES....	6-7
WHAT IF	8-8

QUARTER QUOTE

"THE TROUBLE WITH TARIFFS, TO BE SUCCINCT, IS THAT THEY RAISE PRICES, SLOW ECONOMIC GROWTH, CUT PROFITS, INCREASE UNEMPLOYMENT, WORSEN INEQUALITY, DIMINISH PRODUCTIVITY AND INCREASE GLOBAL TENSIONS. OTHER THAN THAT, THEY'RE FINE."

— DAVID KELLY, CHIEF
GLOBAL STRATEGIST AT
JPMORGAN

The standard deduction will also remain generous and indexed for inflation: \$15,750 for individuals, \$23,625 for heads of household, and \$31,500 for joint filers.

Beyond that, Congress has added several new deductions aimed at working families and seniors:

- Overtime pay is now deductible “above the line,” up to \$12,500 for individuals or \$25,000 for joint filers. To qualify, taxpayers must earn at least \$15,000 (single) or \$30,000 (joint), with the deduction phasing out at \$150,000 (MAGI) for single filers and \$300,000 for joint filers.
- Tips — including both cash and card tips — are now excluded entirely from federal income tax, up to \$25,000 per year. This applies only to workers in traditionally tipped occupations and phases out at the same \$150,000 / \$300,000 income thresholds.
- If you finance a new vehicle that’s assembled in the U.S., auto loan interest will be deductible (at least temporarily).
- Seniors age 65 and older will enjoy an extra standard deduction bump — \$6,000 for individuals, \$12,000 for couples — through 2028. However, this benefit begins to phase out at \$75,000 of income for individuals and \$150,000 for joint filers, disappearing entirely at \$175,000 and \$250,000, respectively.
- The SALT deduction cap has been raised to \$40,000 for households with AGI under \$500,000 and will adjust annually through 2029. (SALT stands for “State and Local Taxes.” This deduction allows taxpayers who itemize to subtract certain state and local income, property, or sales taxes from their federal taxable income.)
- Families with children will also see a permanent \$200 increase to the Child Tax Credit.



Business Owners: 199A Lives On, Full Expensing Is Back

If you’re a business owner, the news is mostly positive. The 20% Qualified Business Income (QBI) deduction — often called the “199A deduction” — has been made permanent. There was talk of raising it to 23%, but that didn’t make it

into the final bill.

Also reinstated are full expensing provisions that had been phasing out. Business owners can now deduct 100% of eligible asset purchases up front — a powerful tool for managing taxable income. Immediate expensing for research and development costs is also back on the table, along with more generous interest deductions based on EBITDA rather than EBIT (EBITDA allows bigger deductions by including depreciation and amortization).

Opportunity Zones live on too — with renewed incentives and a longer runway for investment-based deferrals.

Estate Planning, Retirement & Other Notables

High-net-worth clients should take note: the estate and gift tax exemption will rise to \$15 million per individual (or \$30 million per couple) starting in 2026, with annual indexing thereafter. This opens the door to larger lifetime gifts without triggering federal estate taxes.

On the savings front, the law creates a new kind of tax-deferred account for children — nicknamed “Trump Accounts” — which could function similarly to Roth IRAs or 529s, but with more flexibility (regulations are still forthcoming).

There’s also a 1% remittance tax on money transferred outside the U.S., which may affect clients supporting relatives abroad.

Meanwhile, some clean energy incentives have been scaled back or repealed. If you’re planning to invest in solar, EVs, or similar technologies, the math may have changed.

Looking Ahead

Tax projections may need to be updated, especially for those with significant overtime or tip income, or who are planning vehicle purchases, large gifts, or business investments. In the months ahead, we’ll be watching how the new rules get implemented — particularly around the child savings accounts and potential capital gains surtax for ultra-high earners. We expect more details for the bill to be hashed out in the coming months.



STAGFLATION: AN ECONOMIC NIGHTMARE

Earlier this year, there was a lot of chatter in the media and among economists about the return of stagflation — a term that sounds like something out of a 1970s economic horror movie. And for good reason. It refers to a rare and frustrating economic condition: high inflation combined with stagnant economic growth. Normally, when inflation is high, the economy is overheating. And when growth slows, inflation tends to fall. Stagflation breaks both rules, creating a toxic mix that's difficult to treat.

Stagflation occurs when growth stalls, businesses slow down, job creation weakens, and wages stagnate — while prices keep rising. That squeezes consumers from both ends: income doesn't grow, but the cost of everything does. And unfortunately, unemployment often ticks up as well.



This isn't just theory. In the 1970s, the U.S. economy faced a perfect storm. The 1973 oil embargo caused energy prices to skyrocket. Productivity was weak. Policy responses fell short. Inflation soared, unemployment rose, and wages lagged behind. The Federal Reserve tried to combat inflation by raising interest rates — which ended up further slowing the economy. It was like pressing the gas and the brake at the same time.

Stagflation doesn't usually happen on its own — it typically takes a mix of events to bring it about. One cause is a supply shock, like an oil crisis or a pandemic, that drives up prices while dragging down growth. Poor policy decisions can make it worse. And in some cases, rising wages can create a wage-price spiral, where price hikes and wage demands feed off each other, slowing business activity even more.

Part of what makes stagflation so difficult is that the usual economic “fixes” tend to work against each other. If the Fed raises interest rates to cool inflation, it can slow growth too much. If policymakers cut rates or stimulate the economy, they might worsen inflation. It's a tricky balancing act.

So why were economists talking about stagflation again this year? One word: tariffs. Early in the year, inflation was still a concern, interest rates weren't

budging, and trade policy — especially Trump's — looked unpredictable. That combination led some to speculate that all the ingredients for stagflation might be back on the table.

But let's be clear — we're not sounding the alarm. This article is here to explain the topic, not warn you about it. While the setup had economists buzzing, the economic data has improved meaningfully since then. Inflation has cooled, consumer strength remains solid, and we are not currently concerned about stagflation taking hold.

Still, it's worth understanding what might have triggered it. A new oil crisis seems unlikely — Trump has long supported domestic oil, gas, and nuclear. A global military conflict seems no more likely now than earlier in the year — and Trump, for all his unpredictability, has arguably come closer to mediating peace between Russia and Ukraine than most. We just had a pandemic — that shouldn't happen again anytime soon.

That leaves tariffs as the most plausible wild card. Trump doesn't throw around small threats like 10% or 20% — he talks about 25%, 50%, even 100%. Those kinds of numbers can certainly drive up prices. But even that risk has faded. He's already walked back a significant number of proposed tariffs — remember "Liberation Day"?

So should you be worried? No. And we never were. With a well-diversified portfolio, even a surprise bout of stagflation wouldn't derail your long-term strategy. And in any case, if tariffs were ever to ignite economic trouble, they can be undone just as easily as they're imposed.

Whether you like Trump or not, economic growth is clearly a priority for him. He doesn't want to be remembered as the guy who ruined the American economy — and neither do his advisors.



STABLE INTEREST RATES – FOR NOW

The Federal Reserve has indicated that interest rates will remain stable in the near term, with two modest cuts expected in 2025. If both cuts are by 0.25%, that would bring the federal funds rate down to around 3.75% to 4% by early 2026.

So what happens when interest rates start to drop? It's not just a financial footnote — interest rate shifts can have ripple effects across nearly every corner of the economy. Here's what we expect:

1. Business Gets a Tailwind

Lower borrowing costs mean businesses can access capital more cheaply — whether to hire, expand operations, or invest in technology and infrastructure. This added financial breathing room can support broader economic growth, especially for small and mid-sized companies that rely on lines of credit or financing for expansion.



2. Stock Market Opportunity

There are two key reasons to expect a positive reaction from the stock market:

Growth optimism: If rate cuts stimulate business activity, that growth should be reflected in higher corporate earnings — a core driver of stock prices.

Cash re-enters the market: Today, large sums of investor cash sit in money market funds and CDs, earning decent interest. If those yields drop, many investors will begin to seek higher returns elsewhere — and the stock market becomes the natural next stop. That rotation could drive stock prices higher, not because of fundamentals alone, but because of simple supply and demand.

In other words, a rate cut could kick off a self-reinforcing cycle: optimism leads to investment, which leads to market gains, which drives further optimism.

3. Housing Market Relief

Mortgage rates tend to fall when the Fed eases interest rates. That's good news for a housing market that's been stuck in a stalemate. Lower rates could encourage existing homeowners to list (many have been reluctant to sell and give up their low-rate mortgages), while also making purchases more accessible for first-time



homebuyers. Increased mobility and affordability could help the market thaw.

4. Consumer Confidence & Spending

When rates fall, so do the costs of financing everything from auto loans to credit card balances. This can leave more cash in consumers' pockets and support discretionary spending. Confidence also tends to rise when people feel their economic prospects are improving — and consumer spending makes up roughly two-thirds of U.S. GDP.



5. A Word of Caution: Inflation Risk

While falling interest rates can boost growth, they also carry the risk of reigniting inflation. If borrowing gets cheaper and demand surges, prices could start creeping up again. That's why the Fed has been cautious, signaling that any cuts will likely be gradual and measured — probably in 0.25% increments — to avoid overheating the economy.



The Bottom Line

Lower interest rates — if and when they arrive — should be broadly supportive for both the economy and the markets. But they'll need to be balanced carefully to avoid undoing the progress that's been made in containing inflation. As always, we'll continue watching the data, managing risk, and keeping your portfolios positioned for long-term success.

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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BUT WHAT IF?

The market has been strong lately — and there's plenty to be optimistic about. Inflation continues to cool, corporate earnings are improving, and interest rate cuts are likely on the horizon. But despite all the good news, it's natural for some investors to wonder: What if things don't go as planned?

What if 2025 takes an unexpected turn? History shows us that even in difficult years — like 2008 and 2009, when the S&P 500 fell over 50% and real estate dropped more than 20% — there were still silver linings. First-time homebuyers were finally able to afford homes. Diversified investors (60/40 or 50/50 portfolios) had the chance to rebalance into deeply discounted stocks. And consistent 401(k) contributions during the downturn helped many investors come out ahead when markets recovered.

We're not predicting a downturn — far from it. But it's worth remembering that every economic environment brings opportunity. Whether markets continue upward or take a breather, being prepared and staying disciplined is what makes the biggest difference.

So while we're optimistic about 2025, we also know the value of long-term thinking. Markets go through cycles, and those who stay invested, diversified, and focused tend to come out ahead — no matter what the headlines say.



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