



WHARTONHILL
INVESTMENT ADVISORS

2026 Annual Outlook

February 25, 2026





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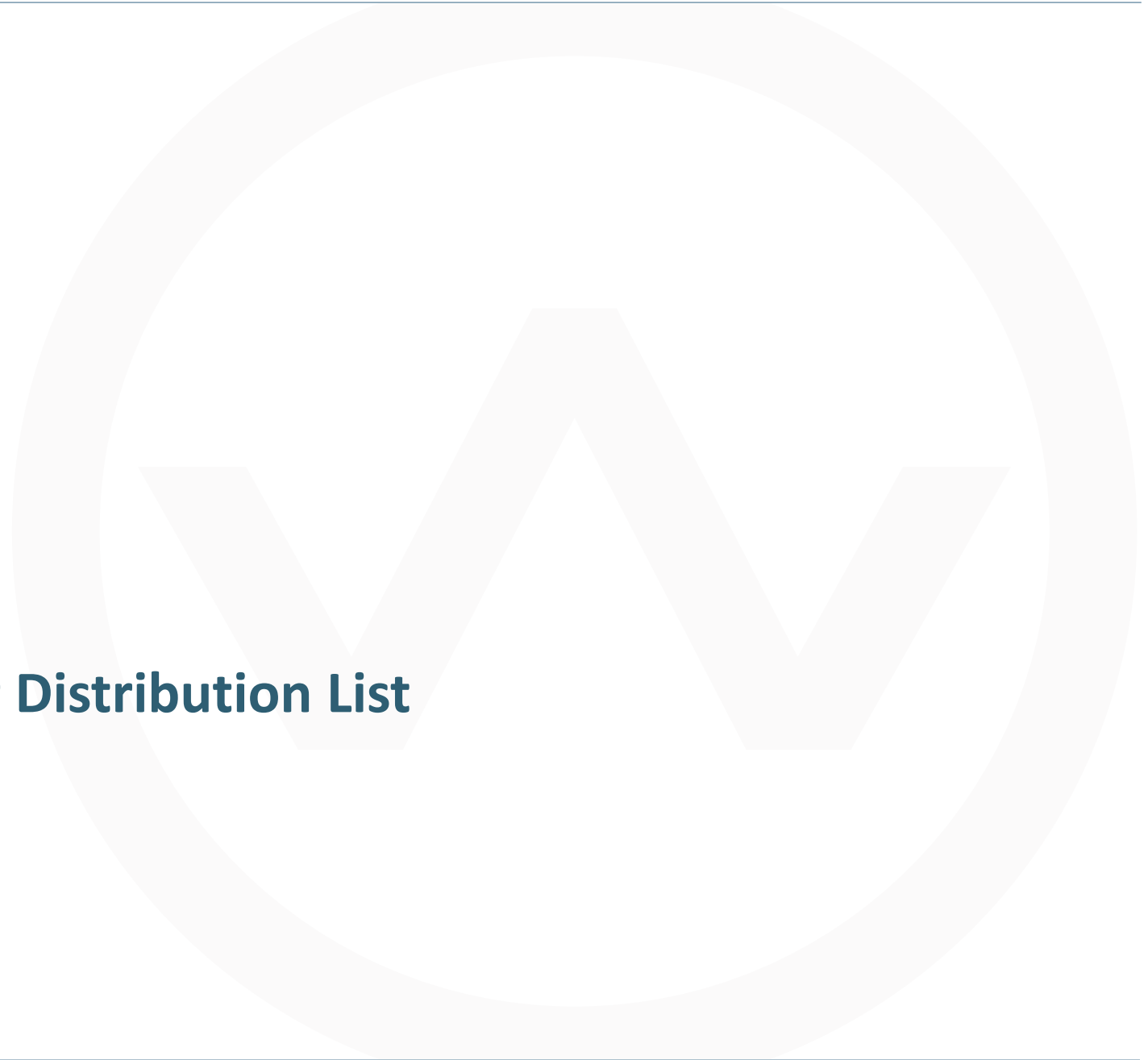
Contact Information

renzo@whartonhillia.com

sunnaret@whartonhillia.com

tim@whartonhillia.com

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The Team





WhartonHill Investment Advisors



Clark B. Stossel
Managing Partner, Director of Wealth
Management

Clark serves as our Managing Partner and focuses his efforts on establishing standards for client engagement and developing solutions to meet the financial needs of each family with whom we partner. He has been responsible for managing the wealth of clients for over a fifteen years. Previously, Clark worked at BNY Mellon Wealth Management and Bessemer Trust, where he was part of a team responsible for founding the Denver, CO office in 2009. In these prior roles, he worked directly with select individuals and families to understand their objectives and provide sophisticated investment management, wealth transfer, and tax planning strategies. Clark received a bachelor's degree from West Virginia University and holds the Certified Trust and Financial Advisor designation. In his free time, Clark enjoys spending time outdoors with his wife and two daughters, rooting for Pittsburgh sports teams (to the dismay of others in the office) and playing ice hockey.



Timothy D. Hussar, CFA
Partner, Director of Investments

Tim serves as the firm's Chief Investment Officer, constructing our tactical portfolios, conducting due diligence on all underlying investments, and writing the firm's regular market commentary. He has managed client investments for over fifteen years and is a recipient of the Chartered Financial Analyst designation. Previously, Tim was an investment officer at Sage Financial Group, an independent advisory firm with over \$1.6 billion in assets under management. At Sage, Tim was responsible for investment due diligence, portfolio management, and writing the firm's ongoing research commentary. Prior to Sage, Tim worked at Concannon Wealth Management, also an independent advisory firm, as the head of research and trading. Tim graduated from Grove City College with a B.S. in Finance. In his spare hours, Tim enjoys spending time with his family, traveling, following Philadelphia sports teams, and working on his antique Porsche.



WhartonHill Investment Advisors



Sunnaret Eang, CFP®
Partner, Director of Wealth Management

Sunnaret (Sunny) serves as our Director of Wealth Management, working with clients in all aspects of financial strategy and serves on our investment committee. Previously, Sunny worked at Brown Brothers Harriman, BNY Mellon Wealth Management, and at JPMorgan Private Bank working with clients comprising predominantly women and minority business owners. She received her BA in Economics with a minor in Psychology and Labor Studies from Rutgers University in 2009, and earned her MBA also from Rutgers University in 2015. Sunny currently sits on the Strategic Advisory Group for Innovate Capital Growth Fund, a Philadelphia-based private equity fund focused on minority-controlled businesses. She also sits on the Advisory Committee for the Rowan Innovation Venture Fund. In her spare time, Sunny enjoys international travel, playing tennis, cooking, spending time with her nieces and nephews, and practicing guitar.



Renzo Cerabino
Partner, Director of Wealth Strategy

Renzo serves as the firm's Director of Wealth Strategy. In his role, Renzo will collaborate with clients on customized trust and estate planning techniques and create personalized financial plans to incorporate broad-ranging objectives. He has over 20 years of experience serving the needs of ultra-high net worth individuals and families, including management roles at PNC Private Bank, wealth strategist at PNC Hawthorn Family Wealth, and investment and sales roles at BNY Mellon Wealth Management and Merrill Lynch. Prior to his career in finance, he practiced law, specializing in mergers and acquisitions and private placement securities. Renzo received his Bachelor of Science from Cornell University in 1996 and his Law Degree and MBA from Villanova University in 2000. When not enjoying time with his family, Renzo is a presenter and author on trusts and estates and an amateur comedian who occasionally performs in the Philadelphia area.



Agenda

2026 Annual Economic Update – Tim Hussar

- Q&A

U.S Monetary Policy

- Nomination of Kevin Warsh

The Great Tariff Debate

Legislative Update: One Big Beautiful Bill (OBBB)

Legislative Review: Connelly v. U.S.



2026 Annual Outlook

Timothy D. Hussar, CFA





Timothy D. Hussar, CFA | Director of Investments

Tim is Director of Investments of WhartonHill Investment Advisors. He is also a Partner of the firm and member of the Investment Committee.

2026 ANNUAL OUTLOOK

2025 Review

After a spectacular two-year run in equity markets and the early optimism surrounding the potential for economic growth, 2025 proved to be a year of recalibration for investors. Geopolitical risks rose, including a significant government shutdown and trade tensions, and interest rates remained elevated throughout much of the year. Yet U.S. stocks again delivered strong gains in 2025, as resilient consumer spending and corporate earnings helped equities power forward. The S&P 500 notched its *third straight year of double-digit equity returns*.

Equity Markets

- The **S&P 500** index set new all-time highs late in the year and closed 2025 up over 17%, finishing at 6,845.
- The **Nasdaq Composite** outperformed with a 20% gain, driven by continued enthusiasm around artificial intelligence and data-driven businesses.
- The **MSCI EAFE** index, a benchmark for international developed equities, returned 31.6% as currency gains, increasing government spending, and falling interest rates boosted foreign stocks.¹

Monetary Policy

The Federal Reserve continued to respond to evolving economic conditions. After a long period of high rates, the Fed delivered multiple **interest rate cuts in 2025**, though policymakers remained divided on the path forward. A quarter-point cut in December was widely expected, with markets forecasting additional easing in early 2026. Despite easing, inflation remained above the Fed's 2% target, and unemployment data showed pockets of labor-market softness later in the year.²

Fixed Income

Bond markets were similarly volatile. Early expectations for rate cuts initially helped yields fall, but shifting economic data, persistent inflation, and political-policy uncertainty caused yields — including the 10-year Treasury — to fluctuate into year-end. Fixed-income returns were positive but modest compared with equities.

Geopolitical & Policy Backdrop

The political landscape continued to play a central role. Following the 2024 election, President Trump took office with continued Republican control of Congress. While this initially spurred expectations of pro-business legislative action, **the policy environment in 2025 featured friction**, including:

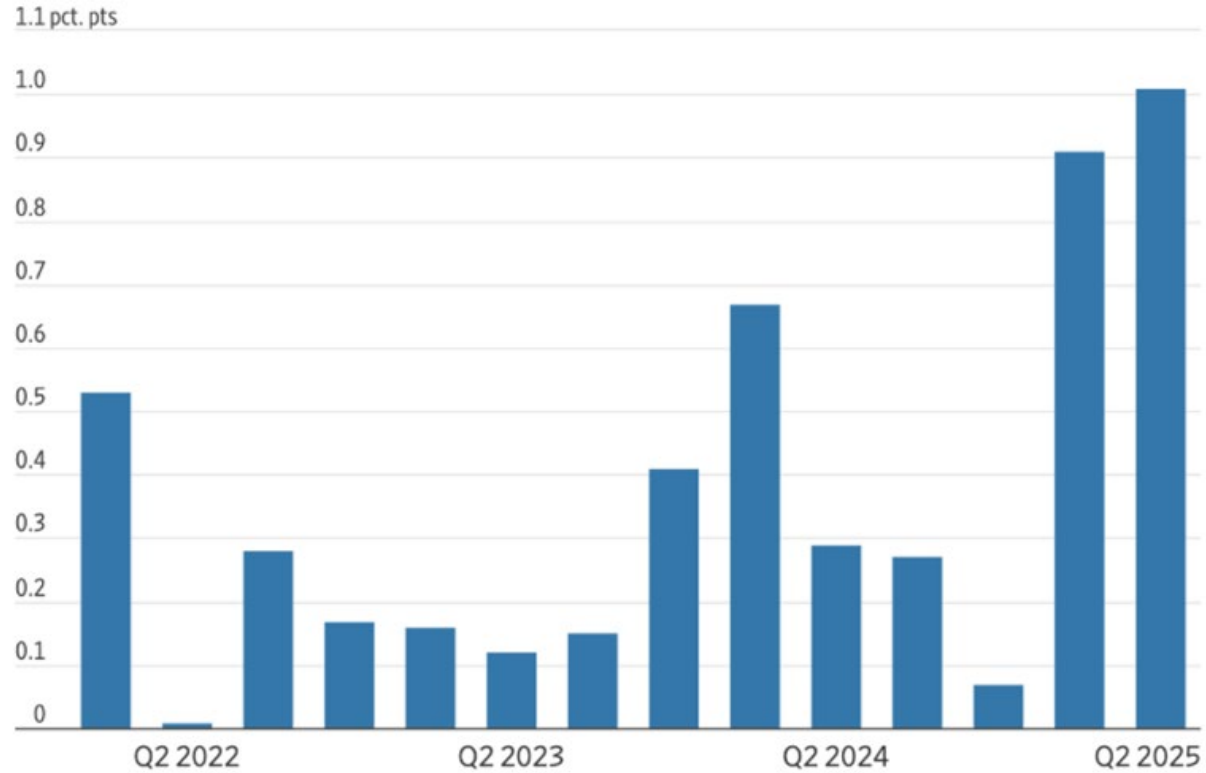
- A **lengthy federal government shutdown**, which disrupted economic data reporting and weighed on sentiment.
- Renewed **trade tensions and a tariff dispute** with Canada and Mexico, which triggered sharp but ultimately brief market corrections.
- Political challenges around Federal Reserve leadership and institutional independence

Despite political noise, markets shrugged off much of the uncertainty, and investor optimism returned as rate-cut expectations and healthy earnings supported valuations.



2026: The tailwinds are significant....

AI-related investment's boost to U.S. GDP growth



Note: Seasonally adjusted annual rate. AI-related investment includes software, computers and peripherals and data centers.

Source: Barclays

...but are they blowing up a bubble ?



Nasdaq Composite % Change in the 5 Years After Netscape Release vs. ChatGPT Release



Chart Via Bespoke Investment Group as of 9/19/2025. Chart shown for illustrative purposes only. Past performance is not indicative of future results. You cannot invest directly in an index.



Exhibit 72: The S&P 500 is expensive vs. 2000 on 9/20 metrics we track

S&P 500 valuation metrics, today (10/25) vs. 2000

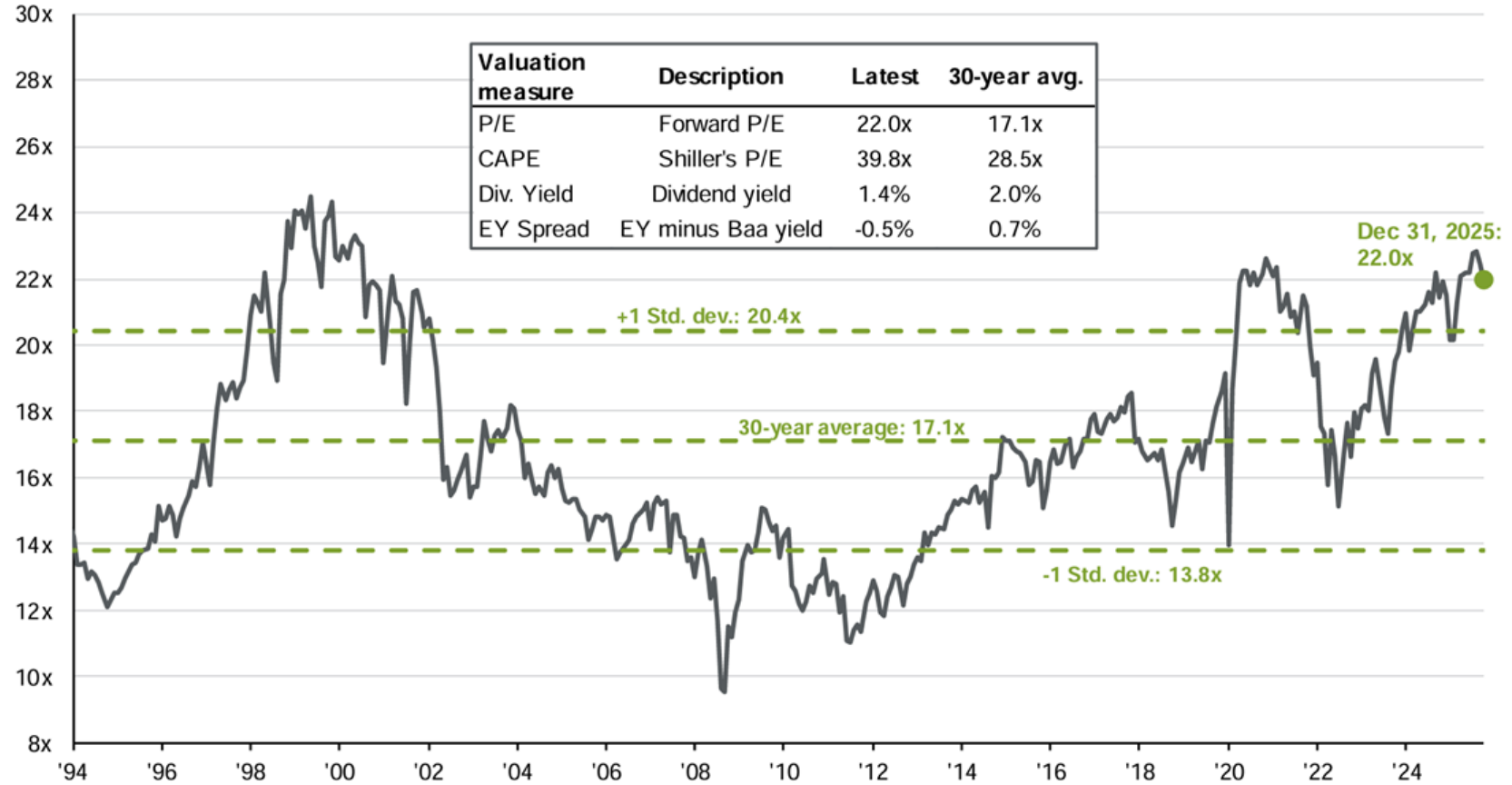
	Current	March 2000	Today vs. 2000
Trailing PE	26.5	29.4	Cheap vs. 2000
Trailing GAAP PE	30.7	29.4	Expensive vs. 2000
Forward Consensus PE	23.6	24.6	Cheap vs. 2000
Trailing Normalized PE	29.9	34.5	Cheap vs. 2000
Median Forward P/E	18.5	15.3	Expensive vs. 2000
Shiller PE	39.1	43.0	Cheap vs. 2000
P/BV	5.7	5.3	Expensive vs. 2000
EV/EBITDA	20.2	15.7	Expensive vs. 2000
Trailing PEG	1.9	2.1	Cheap vs. 2000
Forward PEG	1.7	1.8	Cheap vs. 2000
P/OCF	21.1	19.1	Expensive vs. 2000
P/FCF	39.4	55.3	Cheap vs. 2000
EV/Sales	3.7	2.9	Expensive vs. 2000
ERP (Market-Based)	577.0	232.0	Cheap vs. 2000
Normalized ERP	182.4	-87.2	Cheap vs. 2000
S&P 500 Div. Yld. vs. 10yr Tsy. Yld.	0.3	0.2	Cheap vs. 2000
S&P 500 in WTI terms	113.9	50.1	Expensive vs. 2000
S&P 500 in Gold terms	1.7	5.4	Cheap vs. 2000
S&P 500 vs. R2000 Fwd. P/E	1.5	1.3	Expensive vs. 2000
S&P 500 Market Cap/GDP	1.9	1.3	Expensive vs. 2000

Source: FactSet, BofA US Equity & Quant Strategy

BofA GLOBAL RESEARCH



S&P 500 index: Forward P/E ratio

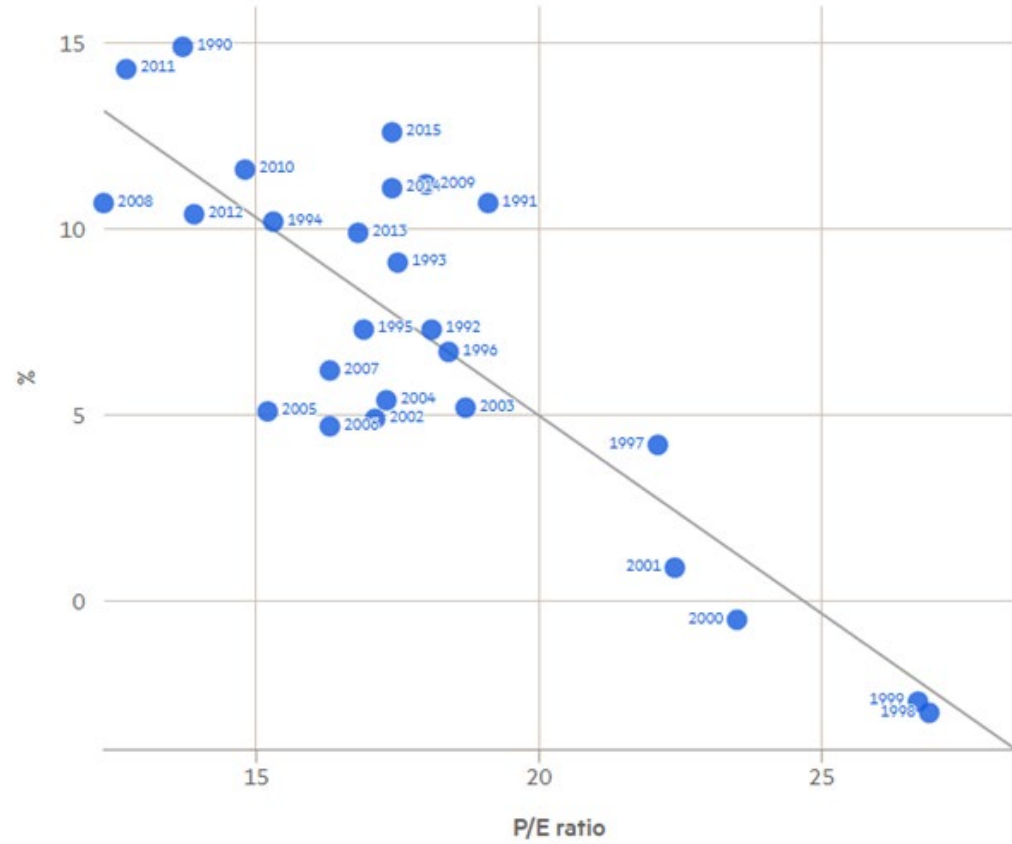


Source: Bloomberg, FactSet, Moody's, Refinitiv Datastream, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management.

Past performance is not indicative of future results. You cannot invest directly in an index.



S&P 500 forward P/E ratios and subsequent 10-year annualised price returns, 1991-2015



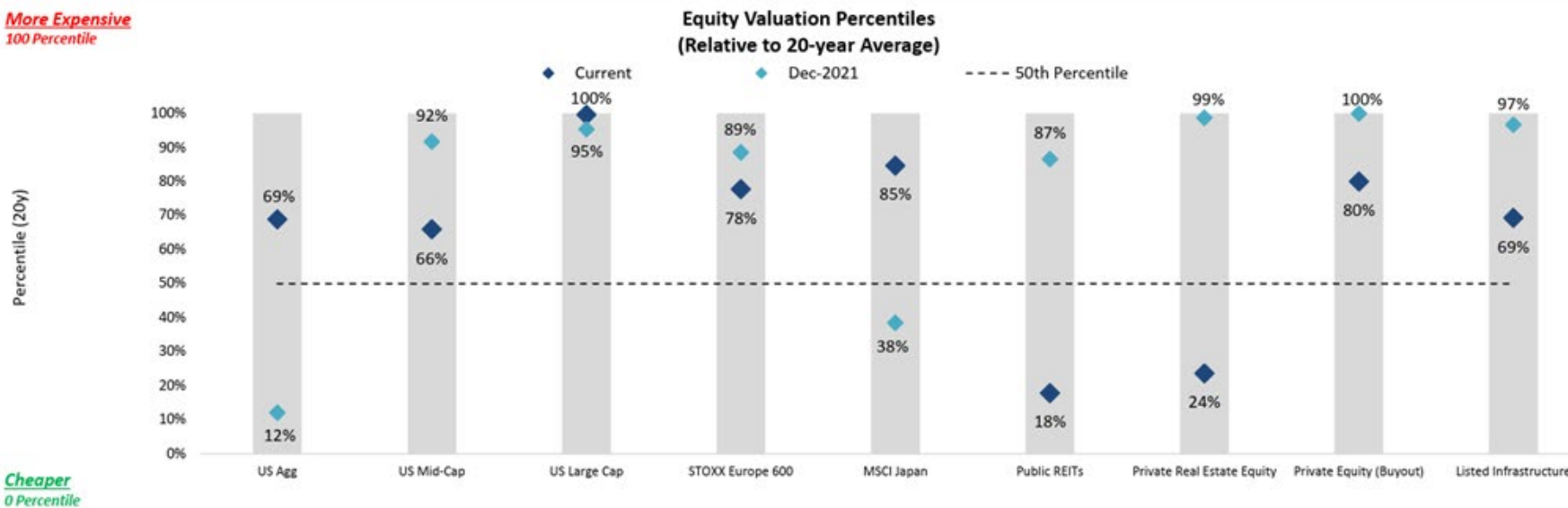
©FT Source: Bloomberg • R-squared = 0.694

Past performance is not indicative of future results. You cannot invest directly in an index.



Cross-Asset Valuation Percentiles (Relative to 20-year Average, Data Available as of 10/31/2025)

More Expensive
100 Percentile



Note: S&P 500, S&P 600, STOXX Europe 600, and MSCI Japan refers to NTM P/E; US Agg refers to Option-Adjusted Spread; Private Real Estate Equity refers to nominal cap rate; Private Real Estate Credit refers to mortgage spreads; Private Equity refers to exit multiples; Listed Infrastructure refers to dividend yield. Data since 1997, or since available, and using data available as of 10/30/2025. Source: Bloomberg, Haver Analytics, MSCI, Burgiss, Green Street, Cambridge Associates, Gliberto-Levy, KKR GMAA analysis. For Financial Advisor Use Only.



A valuation discount

Listed infrastructure vs. MSCI World valuations, 2010-25

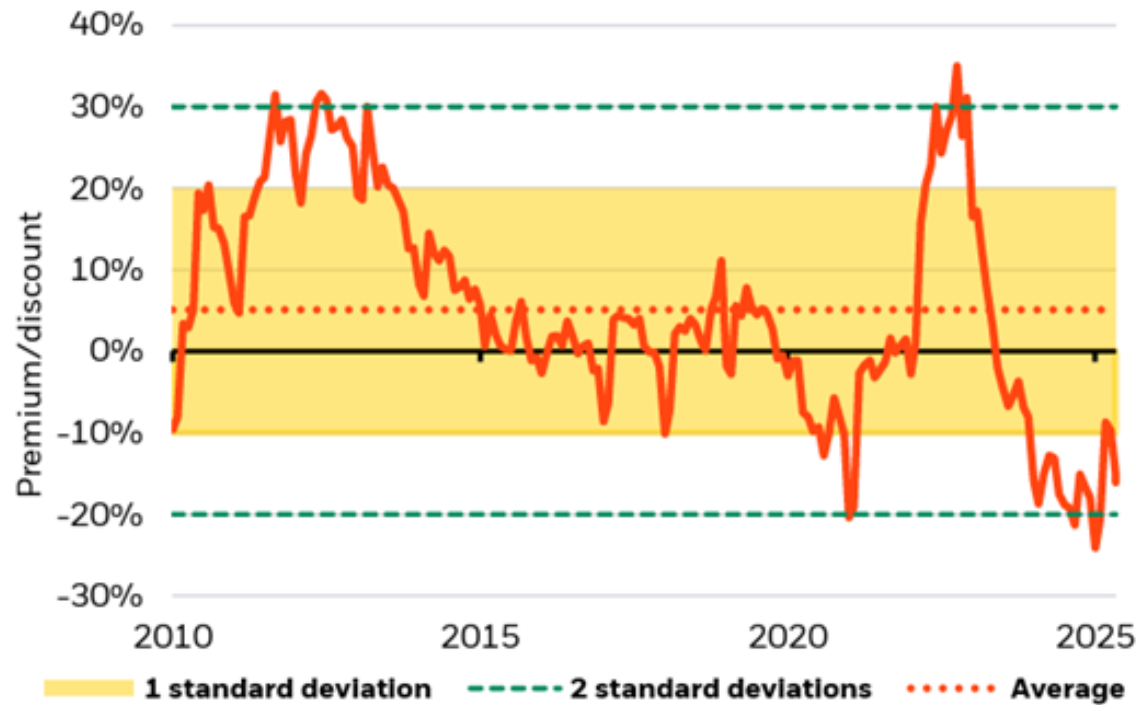
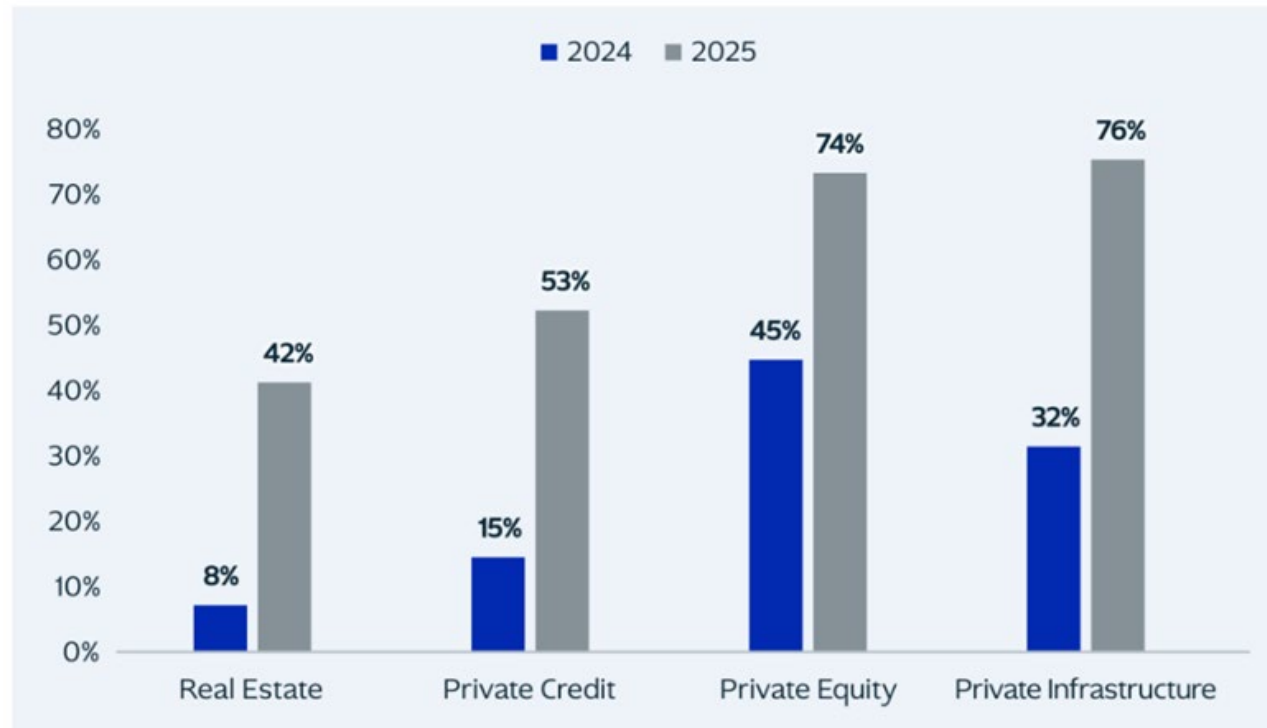


Chart Via Blackrock, as of 12/15/2025. Chart shown for illustrative purposes only. Past performance is not indicative of future results. You cannot invest directly in an index.



EXHIBIT 2A: Percentage of RIAs Planning to Increase their Allocation to Private Markets over the Next 12 Months (2024 vs. 2025)



Source: KKR 2025 RIA Survey. Data as of October 2025.



30-year fixed-rate mortgage rate drivers

Average during each period, %

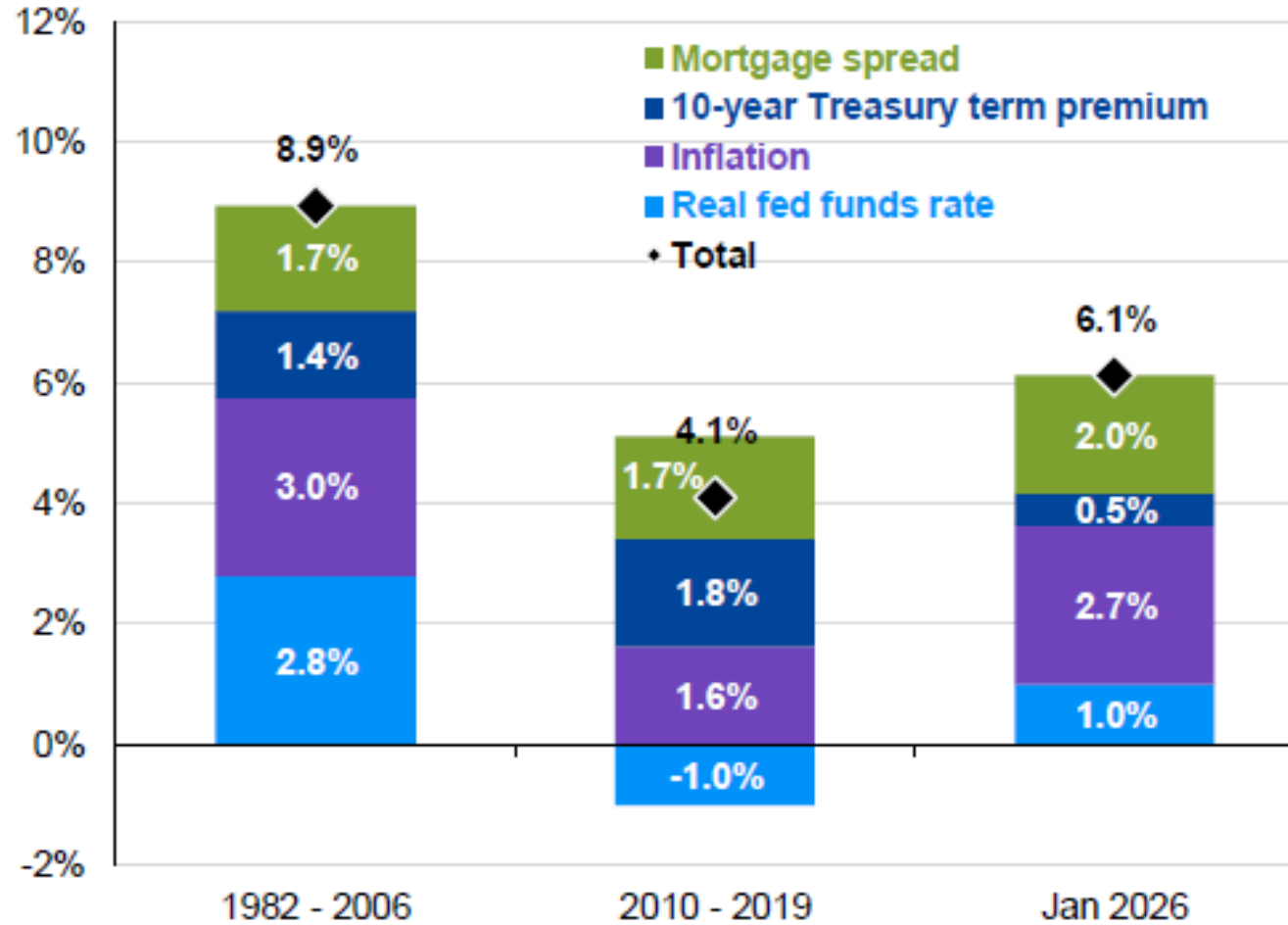


Chart Via J.P. Morgan Asset Management Weekly Market Recap dated 1/19/2026.



Federal Reserve: Monetary Policy





The Federal Reserve

The Federal Reserve System is the central bank of the United States.

- It was founded by Congress in 1913 under the Federal Reserve Act to provide the nation with a safer, more flexible, and more stable monetary and financial system.
- Over the years, its role in banking and the economy has expanded.
- Each of the 12 Reserve Banks serves its region of the country, and all but three have other offices within their Districts to help provide services to depository institutions and the public.
- The Banks are named after the locations of their headquarters - Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas and San Francisco.

The Federal Open Market Committee, or FOMC, is the Fed's monetary policymaking body.

- Over the years, its role in banking and the economy has expanded.
- It is responsible for formulation of a policy designed to promote stable prices and economic growth. Simply put, the FOMC manages the nation's money supply.

<https://www.federalreserveeducation.org/>



The Federal Reserve: Interest Rates & The Dual Mandate

The Federal Reserve Discount Window:

- A source of temporary funding available to depository institutions regardless of whether they have a Federal Reserve account or are a member.

The federal funds rate is the interest rate at which depository institutions trade federal funds (balances held at Federal Reserve Banks) with each other overnight.

The “Dual Mandate”:

- After the turmoil of the Great Depression, Congress passed the Employment Act of 1946, declaring that federal economic policy—including the Fed’s role—should promote *maximum employment, production, and purchasing power*.
- In 1977, during a period of stagflation, Congress amended the Federal Reserve Act, stating that the Fed must pursue “maximum employment, stable prices, and moderate long-term interest rates.” This is the foundational legislation that formed what we now call the dual mandate (even though it contains three goals, the last two—price stability and interest rates—are treated as one).

<https://fred.stlouisfed.org/series/FEDFUNDS>

<https://www.investopedia.com/articles/investing/100715/breaking-down-federal-reserves-dual-mandate.asp>



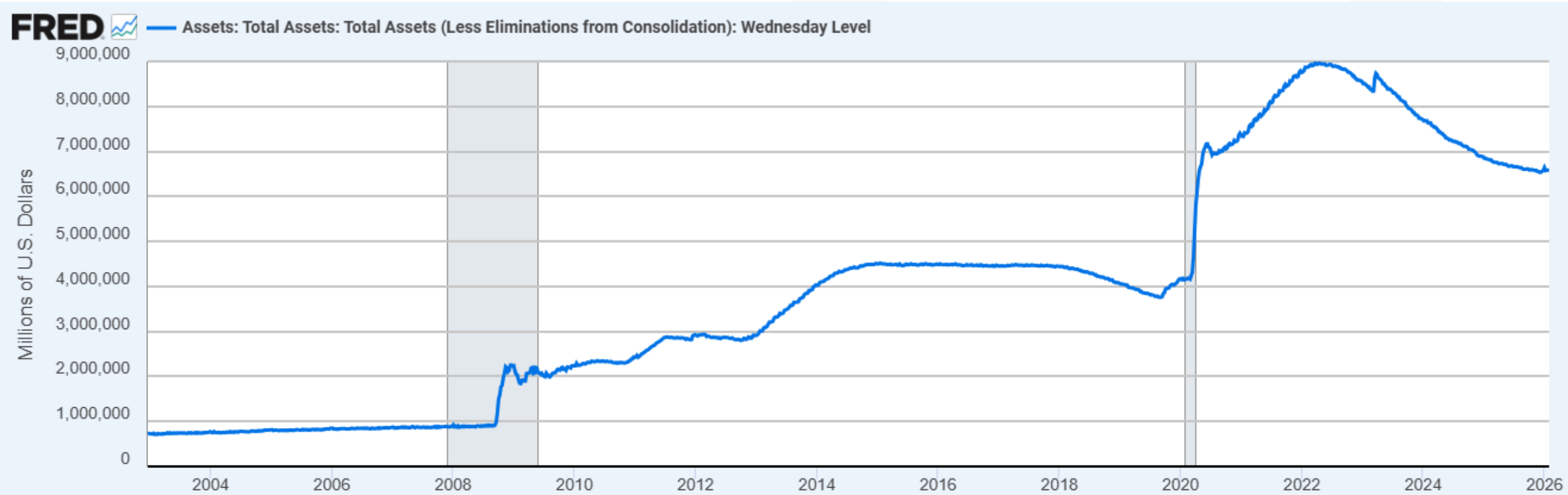
FRED  **Federal Funds Effective Rate**



Source: Board of Governors of the Federal Reserve System (US) via FRED®
Shaded areas indicate U.S. recessions.

fred.stlouisfed.org

Current range as of 1/28/26: 3.5% to 3.75%



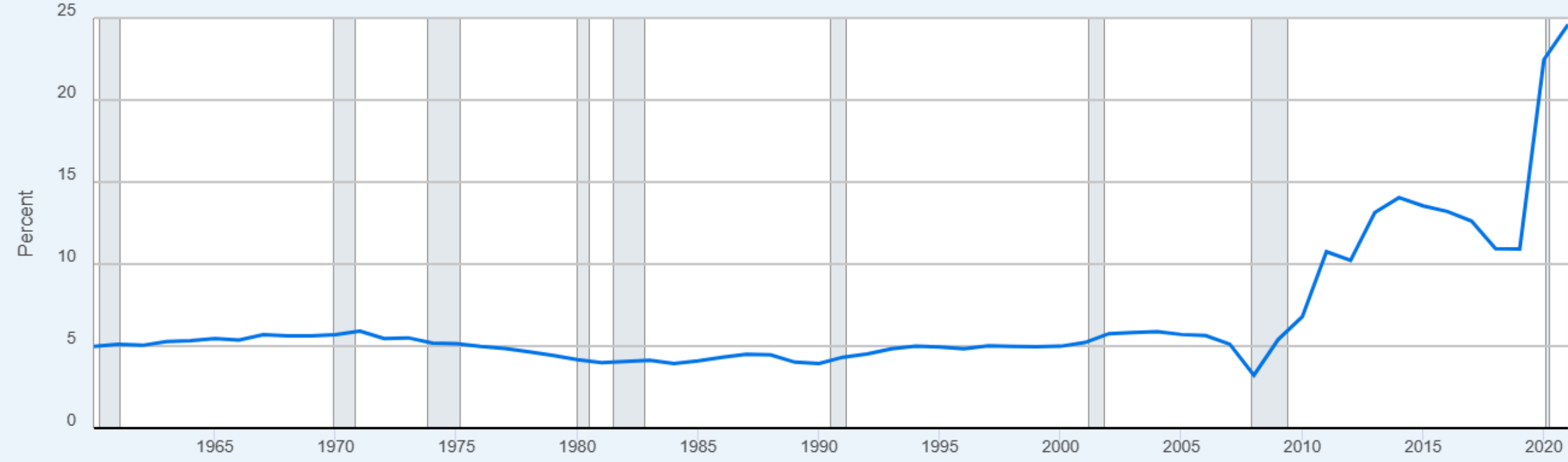
Source: Board of Governors of the Federal Reserve System (US) via FRED®
Shaded areas indicate U.S. recessions.

fred.stlouisfed.org

Current assets approximately \$6.5 Trillion



FRED  — Central Bank Assets to GDP for United States



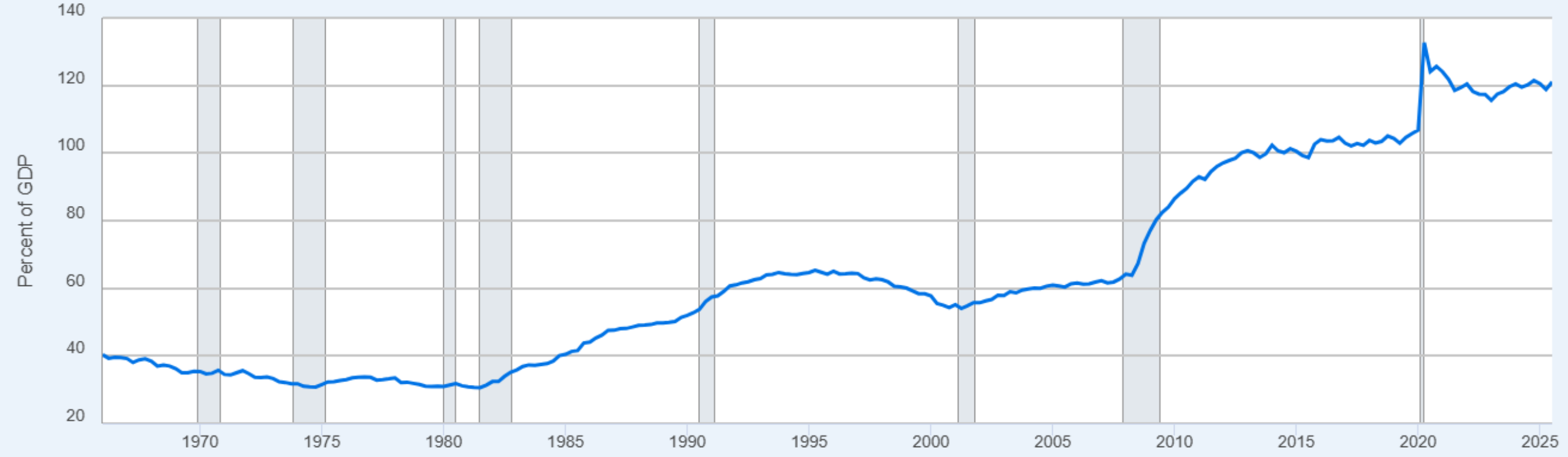
Source: World Bank via FRED®
Shaded areas indicate U.S. recessions.

fred.stlouisfed.org

Currently about 24.6%



FRED  **Federal Debt: Total Public Debt as Percent of Gross Domestic Product**



Sources: Federal Reserve Bank of St. Louis; U.S. Office of Management and Budget via FRED®
Shaded areas indicate U.S. recessions.

fred.stlouisfed.org

Currently about 121%



FEBRUARY 2026

"The Federal Reserve needs new thinking – its models are unreliable, its policies erratic and its guidance confusing. It is also politically vulnerable." – Kevin Warsh, future Chair of the Federal Reserve

In a much anticipated announcement, President Trump has tapped Kevin Warsh to be the successor to current Fed Chair, Jerome Powell, when his term ends in May. We all know that President Trump has been very outspoken about the Fed lowering rates and goosing the economy through monetary policy. What a shock - "Area real estate veteran wants interest rates lower: story at 11." What we didn't know was how this would play out in the assignment of the next Fed Chair. Would he select a puppet governor, who would lower rates at his whim? Would the Fed remain an entity that is independent from government interference? While stocks and bonds have performed very well over the last year, those question of the Fed hung particularly heavy coming into 2026.

Who is Kevin Warsh, and what does this mean for interest rates, the economy, and your investments?

- Warsh served as a governor of the Federal Reserve from 2006 to 2011, a formative experience given the amount of financial turbulence that occurred before, during, and after the financial crisis of 2008.
- He supports lower interest rates but also desires for the Federal Reserve to decrease the size of its balance sheet, which currently stands at \$6 trillion. These two goals may conflict with each other: lower interest rates could promote lending and economic growth, while reducing the Fed's balance sheet would decrease liquidity in the financial system, which could negatively impact markets.
- He was a candidate for the position during Trump's first term and likely has been in his ear about policy mistakes that the Fed has made during and after the pandemic.



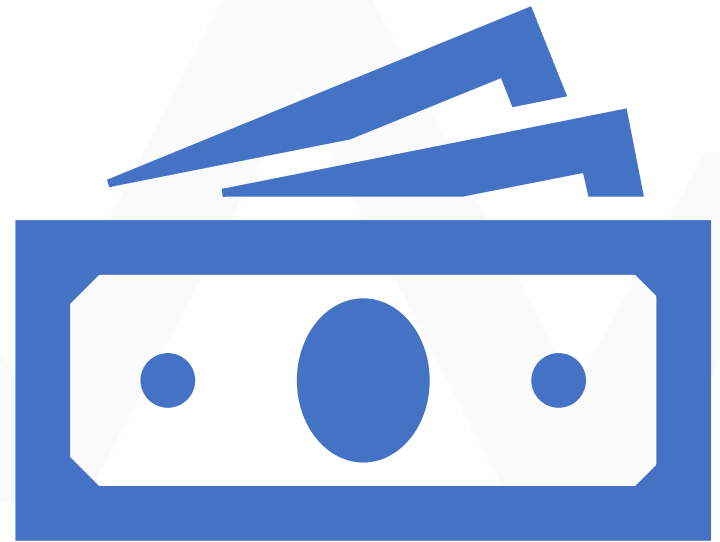
Timothy D. Hussar, CFA
Director of Investments

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U.S. Monetary Policy

<https://fiscaldata.treasury.gov/americas-finance-guide/government-revenue/>



The Great Tariff Debate:
Learning Resources v. Trump
Trump v. V.O.S. Selections





The Great Tariff Debate: IEEPA

What is International Emergency Economic Powers Act (IEEPA)?

- A 1977 U.S. federal law authorizing the President to regulate international economic transactions when a national emergency is declared in response to an “unusual and extraordinary threat” originating outside the United States.
- Enacted as a reform of the earlier Trading with the Enemy Act (TWEA) to narrow and modernize presidential emergency powers.
- Forms the legal foundation of most U.S. sanctions programs, enabling rapid economic responses to foreign threats.

Why did Congress enact IEEPA?

- Congress found that the U.S. had effectively been in a 40-year continuous state of emergency under earlier statutes; IEEPA and the National Emergencies Act (NEA) were designed to introduce limits, oversight, and renewal requirements.
- Intended to ensure that presidents could respond swiftly to national-security threats without granting unlimited economic authority.



The Great Tariff Debate: IEEPA

How is an Emergency Triggered under IEEPA?

- Requires a formal presidential declaration of a national emergency via Executive Order identifying the foreign threat.
- Enacted as a reform of the earlier Trading with the Enemy Act (TWEA) to narrow and modernize presidential emergency powers.
- President must notify Congress of the rationale and actions taken and renew the emergency annually to maintain authority.

Presidential Powers under IEEPA.

- Once an emergency is declared, the President may:
 - Block or freeze assets of foreign countries, companies, or individuals.
 - Regulate or prohibit financial transactions, foreign exchange dealings, banking transfers, and property transfers involving foreign interests.
 - Restrict or prohibit imports/exports and other international commerce (with exceptions for informational materials).



The Great Tariff Debate: IEEPA

What is not allowed under IEEPA?

- Cannot regulate communications or informational materials that do not involve value transfer.
- Does not independently authorize routine domestic economic controls.

Historical and Modern uses of IEEPA.

- Traditionally used to block assets and impose sanctions on hostile states, terrorist groups, cyber actors, human-rights violators, or proliferators.
- Between 1979 and mid-2025, 82 national emergencies invoked IEEPA. (22 by President Trump under his first and second terms).
- In 2025, President Trump used IEEPA to impose broad tariffs on most U.S. trading partners, citing emergencies related to drug trafficking, illegal immigration, and trade deficits — the first major use of IEEPA for tariff-setting. These actions were later challenged in court.



The Great Tariff Debate: IEEPA

Accountability and Oversight under IEEPA?

- President must report to Congress every six months on threats and actions taken.
- Emergencies must be renewed yearly or they automatically expire.
- Courts continue to review the scope and limits of IEEPA authority (e.g., *Learning Resources v. Trump* Supreme Court review).

Congressional Power over IEEPA.

- Congress's power over IEEPA emergencies comes from the National Emergencies Act;
- Includes the ability to terminate the emergency by joint resolution;
- Demand regular reporting;
- Hold oversight hearings; and
- Change the underlying law to restrict or redefine presidential authority.

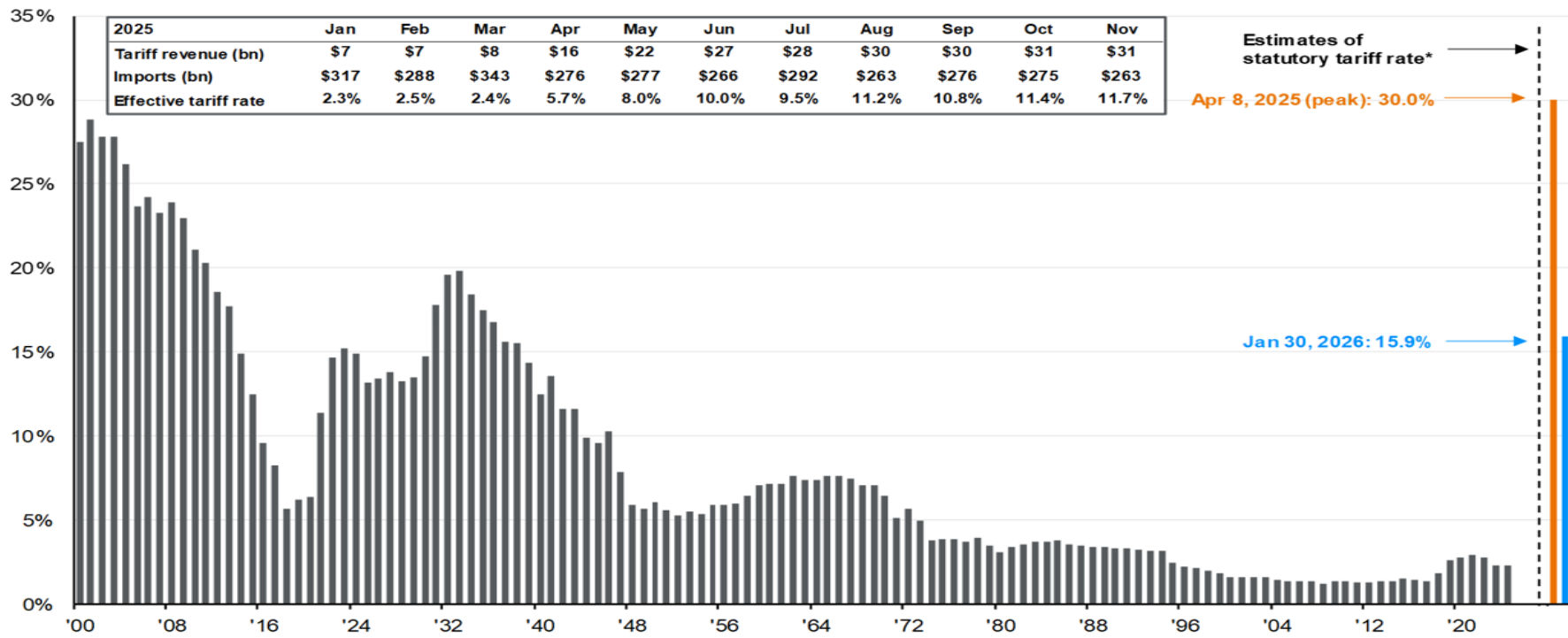


Tariffs on U.S. imports

GTM U.S. 25

Average tariff rate on U.S. goods imports for consumption

Duties collected / value of total goods imports for consumption, 1900 - 2024



Source: U.S. Census Bureau, U.S. Department of Treasury, U.S. International Trade Commission, J.P. Morgan Asset Management. For illustrative purposes only. The estimated weighted average statutory U.S. tariff rate includes all tariffs that are currently in effect, not announced. Imports for consumption: goods brought into a country for direct use or sale in the domestic market. *Figures are based on 2024 import levels and assume no change in demand due to tariff increases. Tariff revenue shown are figures from the Monthly Treasury Statement. Import figures included in the table are from the U.S. Census Bureau. Estimates, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. Guide to the Markets - U.S. Data are as of January 30, 2026.

J.P.Morgan
ASSET MANAGEMENT



The Great Tariff Debate: Trump Administration's Use of IEEPA

The Issue.

- The Supreme Court is reviewing whether President Trump legally used the International Emergency Economic Powers Act (IEEPA) to impose broad tariffs on China, Mexico, Canada, and nearly all other trading partners.
- The consolidated cases — Learning Resources v. Trump and Trump v. V.O.S. Selections — were argued on November 5, 2025, with a ruling expected in 2026 potentially Feb 20, 2026!

The Government's Position.

- IEEPA permits the President to “regulate...importation” during a national emergency.
- The brief asserts this historically includes tariffs.
- Courts must defer heavily to the President in foreign-affairs-driven economic emergencies.
- The statute does not need to use the word “tariff” for the power to exist—rejecting the lower courts’ “magic-words” requirement.
- The tariffs directly address the identified emergencies, including fentanyl trafficking and persistent global trade imbalances.



The Great Tariff Debate: Trump Administration's Use of IEEPA

Impact if the Government Wins.

- Expect expanded presidential latitude to use tariffs as an economic or geopolitical tool.
- Existing IEEPA tariffs likely remain fully in force.
- Future administrations may use this decision as precedent for aggressive trade actions.

Impact if the Government Loses.

- The U.S. may owe massive refunds of duties collected since early 2025.
- Litigation industry-wide has already gained momentum in anticipation.
- U.S. Customs & Border Protection (CBP) and the U.S. Court of International Trade (CIT) will need a refund and reliquidation framework, which could take months or years to implement.
- The White House could shift tariffs to other authorities meaning tariffs may not disappear, but the legal basis would change.
 - **Section 232 — National Security Tariff Authority.** (Authorizes the President to impose tariffs or quotas if the Secretary of Commerce determines that specific imports threaten U.S. national security.)
 - **Section 301 — Unfair Trade Practices Tariff Authority.** (Authorizes the U.S. Trade Representative (USTR) — at the direction of the President — to impose tariffs or other import restrictions to: Counter unfair trade practices, Respond to violations of trade agreements, or Remedy unjustified, unreasonable, or discriminatory foreign actions burdening U.S. commerce.)



The Great Tariff Debate: Trump Administration's Use of IEEPA

Possible Actions.

- Preserve Refund Eligibility: Importers should monitor liquidation dates, file protests when needed, and document all affected entries thoroughly.
- Evaluate Financial Exposure: Model financial scenarios including tariff obligations and potential refunds to enhance budgeting and forecasting.
- Reassess Supply Chain Risks: Revisit supply chain strategies focusing on diversification to mitigate geopolitical and trade measure risks.
- Prepare Stakeholder Communication: Develop communication plans to update boards, investors, and customers on tariff risks and mitigation.

<https://www.congress.gov/crs-product/R45618>

https://en.wikipedia.org/wiki/International_Emergency_Economic_Powers_Act

<https://www.britannica.com/topic/International-Emergency-Economic-Powers-Act>

<https://legalclarity.org/emergency-economic-powers-act-what-it-is-and-how-it-works/>

Legislative Update

“OBBS”



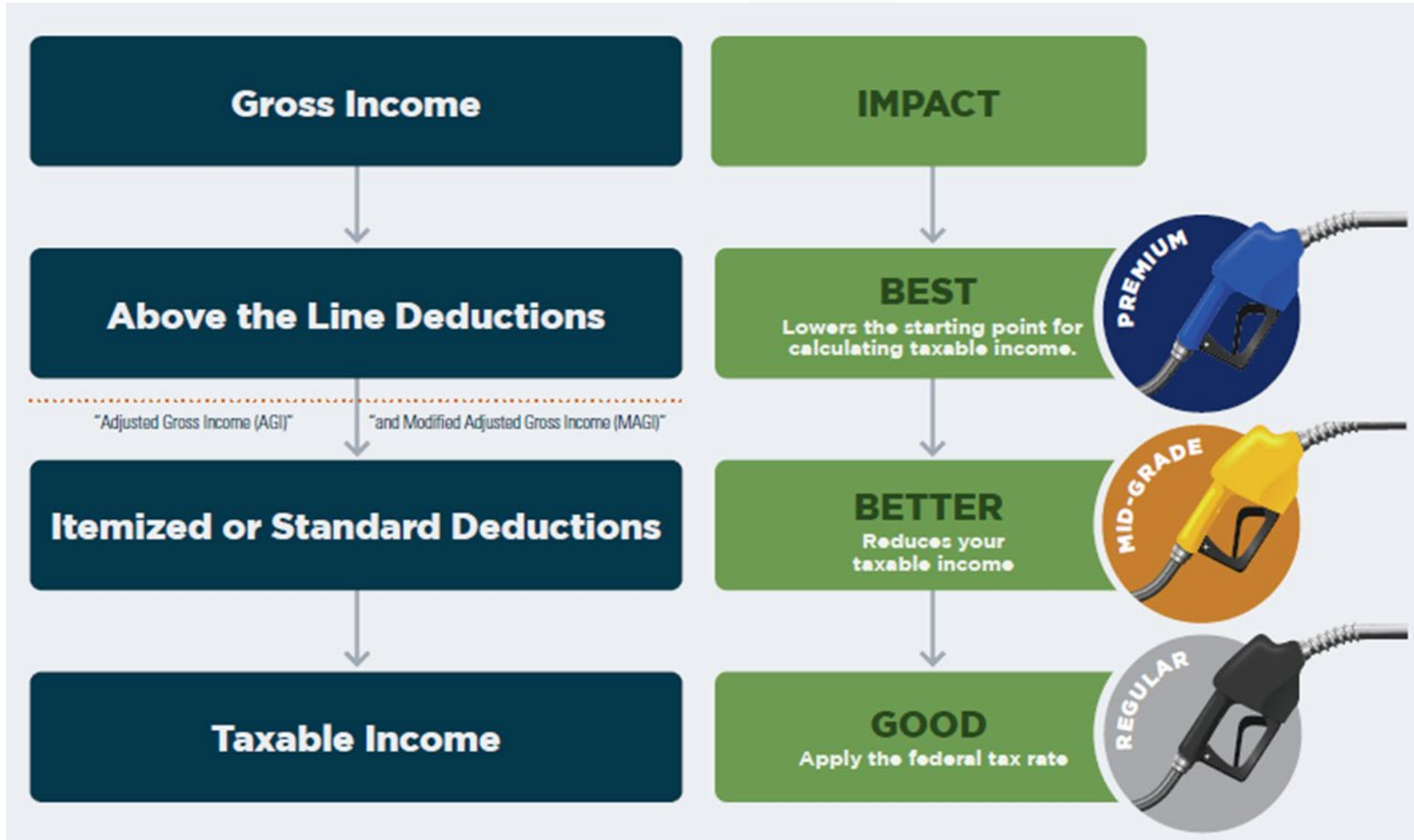


OBBB: Personal Income Tax





OBBB: Personal Taxable Income





OBBB: No Tax on Tips

No Tax on Tips for 2025 - 2028 (Sort of).

- Tips are not truly “tax free” rather it introduces a deduction for tip earners.
- Tip earners receive an above the line deduction of up to \$25,000 in qualified tips.
- **Mandatory or automatic gratuities do not qualify.**
- Cash tips received in occupations that customarily and regularly receive tips as defined by the Secretary of the Treasury.
- Available to both W-2 employees and independent contractors (e.g., those receiving 1099-K, 1099-MISC, 1099-NEC or 4137 forms).
- Income Limits: The deduction phases out for individuals with a modified adjusted gross income (MAGI) over \$150,000 (or \$300,000 for joint filers).
 - Only one \$25,000 deduction applies per couple.



OBBB: No Tax on Tips

No Tax on Tips for 2025 - 2028 (Sort of).

- Does not eliminate payroll taxes (Social Security & Medicare)
- Must keep accurate records such as a tip compliance program and recorded on required tax forms.
- RS Notices (2025-62, 2025-69) provides no penalties in 2025 for employers who cannot yet separately report cash tips due to unupdated payroll systems.
- State taxes may still apply.
- While not truly “tax free”, still a very valuable benefit.
- <https://www.irs.gov/newsroom/one-big-beautiful-bill-how-to-take-advantage-of-no-tax-on-tips-and-overtime>



OBBB: No Tax on Overtime

No Tax on Overtime for 2025 - 2028 (Sort of).

- Overtime is not truly “tax free”.
- OBBB introduces a deduction for the *overtime premium portion* (the “half” of “time and a half”).
- Overtime earners receive an above the line deduction of:
 - Up to \$12,500 for single filers; and
 - Up to \$25,000 for married filing jointly.
- Eligible earnings: overtime must be “qualified overtime compensation” reported on Form W-2, 1099, or similar IRS-recognized statements.
- The deduction phases out for individuals with a modified adjusted gross income (MAGI) over \$150,000 (or \$300,000 for joint filers).



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- While not truly “tax free”, still a very valuable benefit.
- <https://www.irs.gov/newsroom/one-big-beautiful-bill-how-to-take-advantage-of-no-tax-on-tips-and-overtime>



OBBB: No Tax on Car Loan Interest

No Tax on Car Loan Interest for 2025 - 2028 (Sort of).

- Car loan interest is not truly “tax free”.
- OBBB introduces a deduction of interest paid.
- Offers an above the line deduction of:
 - Up to \$10,000 per year of interest paid on qualifying new vehicle loans.
- Qualifying passenger vehicles:
 - New (used and leased vehicles do not qualify);
 - Includes cars, SUVs, pickup trucks, vans, minivans, motorcycles;
 - Final assembly in the United States;
 - Under 14,000 lbs. gross vehicle weight; and
 - Vehicle Identification Number (VIN) must be reported on your tax return.



OBBB: No Tax on Car Loan Interest

No Tax on Car Loan Interest for 2025 - 2028 (Sort of).

- Loan Requirements:
 - Incurred after December 31, 2024;
 - Secured by a first lien on the vehicle; and
 - Used solely to purchase the qualifying vehicle (not refinancing).
- The deduction phases out:
 - Beginning at modified adjusted gross income (MAGI) over \$100,000 for single filers (or \$200,000 for joint filers); and
 - Fully phased out at modified adjusted gross income (MAGI) over \$150,000 for single filers (or \$300,000 for joint filers).
- <https://www.irs.gov/newsroom/treasury-irs-provide-guidance-on-the-new-deduction-for-car-loan-interest-under-the-one-big-beautiful-bill>



OBBB: Standard Deduction

Increase in the Standard Deduction.

- One of the underlying goals of the TCJA and the OBBB is to streamline tax filing for most Americans.
- Expansion of the standard deduction which would limit the need to itemize and list individual items each with its own rules.
- It's estimated that approximately 90% of Americans use the standard deduction.

Standard Deduction	Pre-TCJA	TCJA	OBBB
Single	\$6,300	\$14,600	\$15,750
Married Filing Jointly	\$12,600	\$29,200	\$31,500
Head of Household	\$9,300	\$21,900	\$23,625



OBBB: No Tax on Social Security

No Tax on Social Security for 2025 - 2028 (Sort of for Most).

- Social Security is not truly “tax free”.
- The Trump Campaign platform included “no tax on social security”.
- This promise proved impossible to keep under the reconciliation rules which require only a majority of votes to pass.
- Expanded the standard deduction with an additional \$6,000 for taxpayers age 65 or older with modified AGI not exceeding \$75,000 for single filers (\$150,000 for married filing jointly).
- This change is expected to exclude social security payments from tax for about 88% of seniors.



OBBB: Charitable Giving





OBBB: Charitable Giving

Above-the-Line Charitable Deductions for Non-Itemizers.

- Starting in 2026, non-itemizers can deduct cash donations to charity:
 - Up to \$1,000 for single filers; and
 - Up to \$2,000 for married couples filing jointly.
- This provision is permanent and not indexed for inflation.
- Exclusions: Donations to donor-advised funds and private non-operating foundations are not eligible.



OBBB: Charitable Giving

Permanent Extension of 60% of AGI limit for cash gifts to public charities.

Itemized Floor Deduction:

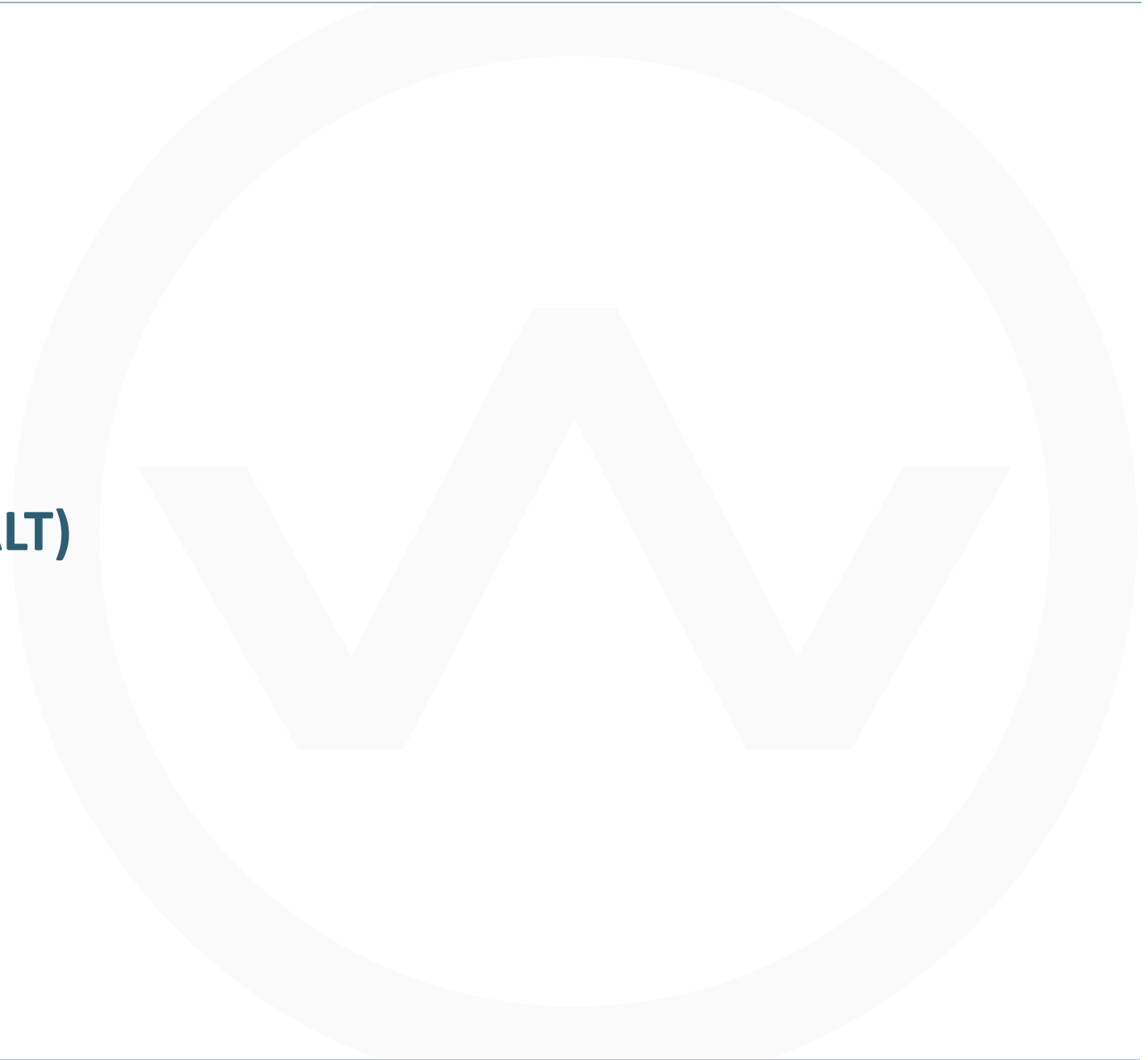
- Starting in 2026, itemized floor deduction of .5% of AGI.
- Ex: Income of \$100,000 would create a floor of \$500.

Cap on Deduction for Highest Bracket

- Starting in 2026, those in the highest bracket (37%) are capped at 35%.
- Ex: Contribution of \$10,000 would create a deduction of \$3,500 instead of \$3,700.



OBBB: State and Local Taxes (SALT)





OBBB: SALT Deduction

State and Local Tax (SALT) Deduction 2025 - 2030.

- *Increased Deduction Cap:*
 - Up to \$40,000 per year of amounts paid on State and Local Tax.
- *Phaseout for High Earners:*
 - The \$40,000 deduction phases out for taxpayers with MAGI over \$500,000.
 - However, the deduction cannot be reduced below \$10,000.
- *Annual Inflation Adjustment:*
 - Both the \$40,000 cap and the \$500,000 phaseout threshold will increase by 1% annually through 2029.
- *Reversion in 2030:*
 - The SALT deduction cap will revert to \$10,000 in 2030, unless further legislation is passed.
- *Elimination of Pass-Through Entity Tax (PTET) Workaround:*
 - Previously allowed some high-income taxpayers to bypass the SALT cap by deducting state taxes at the entity level.



OBBB: Federal Tax Rates





OBBB: Federal Tax Rates

Permanent Extension of Federal Tax Rates.

Rate	Single	Married Filing Jointly	Head of Household
10%	Up to \$11,925	Up to \$23,850	Up to \$17,000
12%	\$11,926 - \$48,475	\$23,851 - \$96,950	\$17,001 - \$64,850
22%	\$48,476 - \$103,350	\$96,951 - \$206,700	\$64,851 - \$103,350
24%	\$103,351 - \$197,300	\$206,701 - \$394,600	\$103,351 - \$197,300
32%	\$197,301 - \$250,525	\$394,601 - \$501,050	\$197,301 - \$250,500
35%	\$250,526 - \$626,350	\$501,051 - \$751,600	\$250,501 - \$626,350
37%	\$626,351 and above	\$751,601 and above	\$626,351 and above

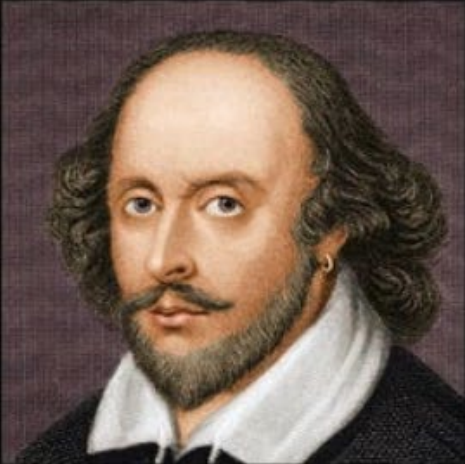


OBBB: Trump Accounts





OBBB: Trump Accounts



What's in a name? That which we
call a rose by any other name
would smell as sweet.

~ William Shakespeare

AZ QUOTES

<https://medium.com/@arnabc23march/what-is-in-a-name-f3138b4dabe5>



OBBB: Trump Accounts

Available July 5, 2026: <https://trumpaccounts.gov/>

Why Trump Accounts?

- Trump accounts seek to solve the issues of extending restrictions on use of the funds and the need for income so that parents may fund these types of accounts at the child's younger ages.
- "Trust / IRA Hybrid" while providing a vehicle to educate young children.

Uniform Transfer to Minor's Act (UGMA) Accounts.

- Custodial investment accounts that allow adults to transfer financial assets—such as cash, stocks, or bonds—to a minor without creating a formal trust.
- The assets legally belong to the child, but a custodian manages them until the child reaches the age of majority (typically 18 or 21, depending on state law).
- UGMA accounts offer flexibility since funds can be used for any expense benefiting the child, not just education.
- Provide modest tax advantages by taxing some earnings at the child's lower rate (subject to Kiddie Tax).
- *Drawback: From a parental point of view, the shortcoming UGMA accounts are that contributions are irrevocable, and once the child assumes control, they can use the funds without restrictions.*



OBBB: Trump Accounts

Individual Retirement Accounts (IRA's).

- Tax-advantaged savings vehicles designed to help individuals build retirement funds outside of employer-sponsored plans.
- Several types: most commonly Traditional and Roth IRAs
 - Traditional IRAs allow tax-deferred growth with taxes due upon withdrawal; while
 - Roth IRAs use after-tax contributions and offer tax-free withdrawals in retirement.
- IRAs have annual contribution limits (\$7,500 + \$1,100 catch up), income eligibility rules, and penalties for early withdrawals, but they provide flexibility in investment choices such as stocks, bonds, and mutual funds.
- *Drawback: From a parental point of view, the shortcoming of IRA accounts are that these account require the child to have income (impossible at younger ages).*

Although not perfectly, Trump accounts seek to solve the issues of extending restrictions on use of the funds and the need for income so that parents may fund these types of accounts at the child's younger ages.



OBBB: Trump Accounts

Eligibility Requirements.

- A child qualifies only if:
 - Under age 18 in the calendar year the election is made.
 - Has a valid Social Security number issued before the election.
 - A valid election to open the account has been filed.

Who Can Establish.

- *The IRS sets a strict hierarchy and only the highest-priority available person may file the election:*
 - Legal guardian
 - Parent
 - Adult sibling
 - Grandparent
 - If no one files and the child is eligible, the Secretary of the Treasury may file.



OBBB: Trump Accounts

How to Establish.

- Filed via IRS Form 4547 or through the online portal: <https://trumpaccounts.gov>
- An election may be filed before January 1 of the year the child turns 18.
- For newborns (2025–2028), the election also triggers eligibility for the \$1,000 pilot deposit.

Who May Contribute.

- Almost anyone including:
 - Parents and legal guardians;
 - Grandparents;
 - Other relatives;
 - Friends;
 - Employers; and
 - Governments (state, tribal, federal) 501(c)(3) charities.



OBBB: Trump Accounts

Contribution Types and Annual Limits (5 Types).

1. *Pilot Program Contribution:*

- \$1,000 government seed deposit for eligible children (born 2025–2028).
- **Not taxable and does not create basis.**
- May be elected at account establishment.

2. *Qualified General Contributions:*

- From states, U.S. government, tribal governments, or 501(c)(3) groups.
- **Do not count against the \$5,000 annual limit.**

3. *Section 128 Employer Contributions:*

- Employers may contribute up to \$2,500/year, tax-free to employees.
- **Counts toward the \$5,000 combined limit.**
- Employer contributions taxable upon withdrawal.



OBBB: Trump Accounts

Contribution Types and Annual Limits (5 Types - Continued).

4. *Qualified Rollover Contributions:*

- Money may be rolled from another Trump Account.
- **Does not count toward annual limits.**

5. *Contributions From Other Individuals:*

- Friends/family may give after-tax contributions **within the \$5,000 total limit.**

Annual Contribution Limits.

- \$5,000 per year total (from all personal and employer contributions).
- Indexed for inflation beginning in 2028.



OBBB: Trump Accounts

Investment Rules

- *Definition of an Eligible Investment:*
 - Tracks the returns of a qualified index.
 - Does not use leverage.
 - Has annual fees and expenses that do not exceed 0.1 percent of the balance of the investment in the fund.
 - Meets any additional criteria that the Secretary determines appropriate.
- *Qualified Index:*
 - The Standard and Poor's 500 stock market index, or
 - Another index that is comprised primarily of equity investments in United States companies and for which regulated futures contracts are traded on a qualified board or exchange.
 - Industry specific or sector specific indexes, including environmental, social, and governance indexes, do not qualify.



OBBB: Trump Accounts

Prohibition Against Cash and Money Market Funds.

- Cash and money market funds are not permitted investments during the growth period.
- The only exception is when cash is held temporarily for the time reasonably necessary to complete a transaction.

Tax Treatment.

- During the Growth Period (Birth to Age 18):
 - Accounts grow tax-free (tax-deferred)—no tax until withdrawals begin.
 - Pilot deposits and qualified general contributions are not taxable income to the child.
 - Employer contributions are not taxable when contributed, but taxable upon withdrawal.
- After Age 18:
 - Trump Account becomes treated similarly to a traditional IRA.
 - Withdrawals become taxable at the beneficiary's tax rate.



OBBB: Trump Accounts

Distribution Rules.

- Before Age 18:
 - Withdrawals are generally prohibited.
 - Strict limits designed to preserve long-term compounding.
 - Only a few IRS-defined exceptions (Qualified Rollovers, Qualified ABLE Rollovers, Distribution of Excess Contributions and Distribution Upon Death).
- At and After Age 18:
 - The distribution rules under section 408(d) apply.
 - Distributions may be taken at any time, subject to the 10 percent additional tax unless an exception applies.
 - Qualified higher education expenses, first home purchases, and other exceptions may apply, just as they do for traditional IRAs.
 - Roth conversions are permitted, subject to the general rules.
 - HOWEVER, the account remains a Trump Account for all purposes, including basis segregation and the prohibition on accepting SEP or SIMPLE contributions.



OBBB: Trump Accounts

Your child's account grows with them.

Contributing to your child's Trump Account is optional. The balance will continue to grow over time, with or without contributions.

At age 18 At age 27 At age 55

\$15,000

Contributing **\$0/year**

\$51,000

Contributing **\$250/year**

\$742,000

Contributing **\$5,000/year**

Estimates are for illustration only, and are based on an account opening at birth with \$1,000 opening deposit and are derived from historical S&P 500 averages. Actual results may differ and are not guaranteed.

<https://trumpaccounts.gov/>



OBBB: Trump Accounts

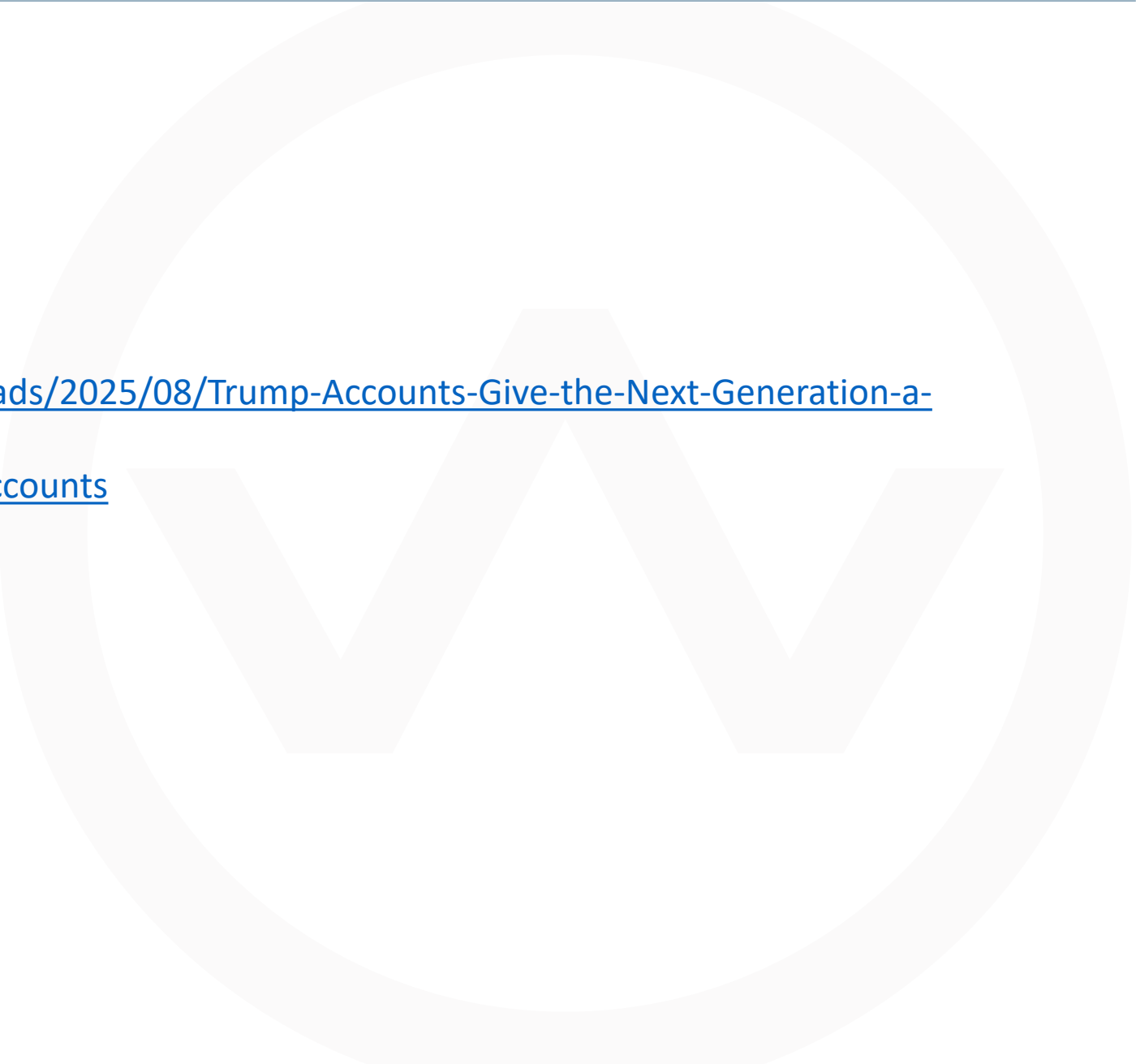
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<https://www.schwab.com/learn/story/trump-accounts>

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OBBB: Estate Tax





OBBB: Estate Tax (A Brief History)

Estate tax started in 1916 to replace tariff revenue lost from World War I.

- IRS noticed it was collecting very little revenue. It turned out the rich were giving their money away (e.g. DuPont and the Vanderbilt).

In response, Congress enacted the gift tax in 1924.

- IRS noticed the rich were giving their money away to the youngest possible heirs to delay payment of estate tax for as long as possible.

In response, Congress enacted the generation skipping transfer tax in 1976.

- Imposed an additional tax on transfers to grandchildren and those who are more than 37 ½ years younger.
- It was revised to its current form in 1986.

Then came a series of changes and cliffs including most recently:

- American Taxpayer Relief Act of 2013 which set the exclusion at \$5MM
- Tax Cuts and Jobs Act 2017
- One Big Beautiful Bill 2025

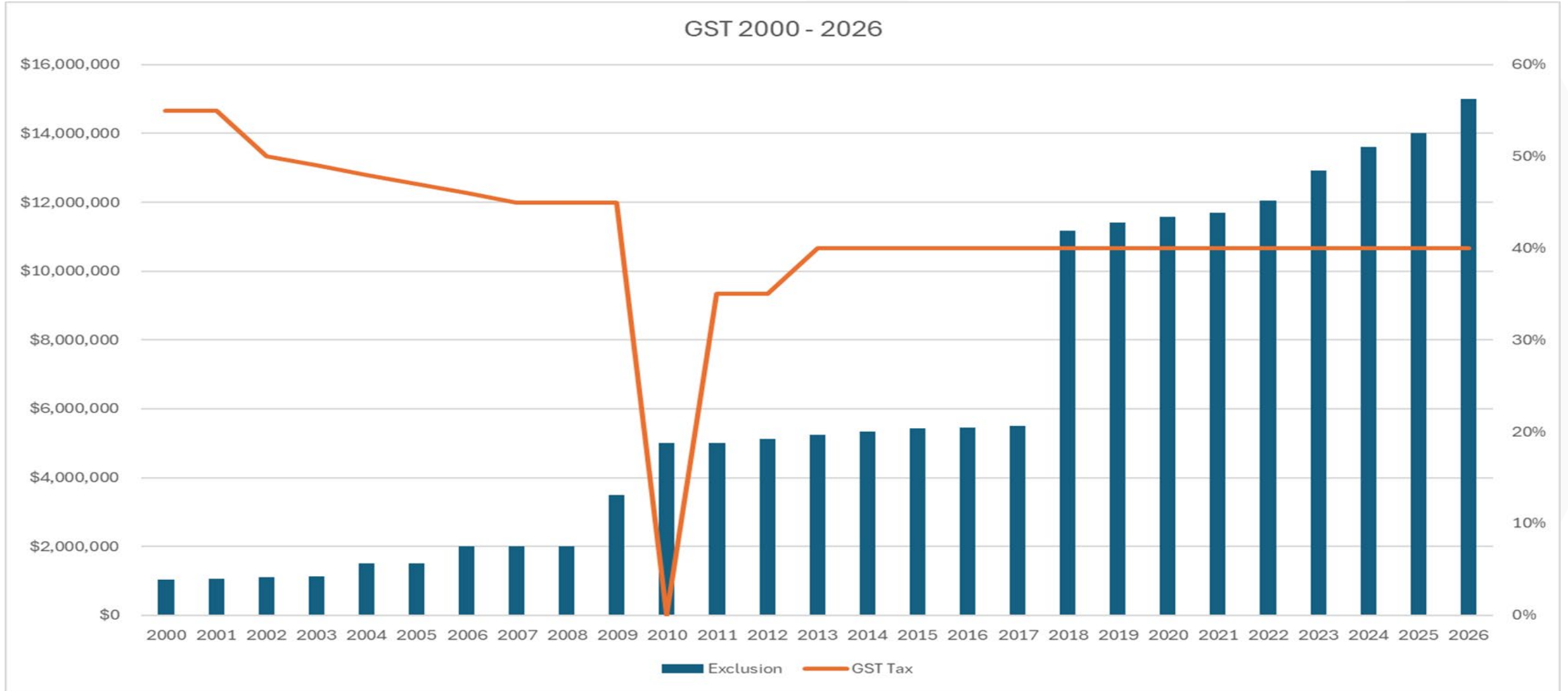


OBBB: Estate Tax





OBBB: Estate Tax





OBBB: Estate Tax

The OBBB changed the estate and GST tax as follows:

Federal Estate Tax & GSTT	Pre-TCJA 2016	TCJA 2025	OBBB 2026
Exemptions	\$5,450,000	\$13,999,000	\$15,000,000
Tax Rates	40%	40%	40%

While viewed as a great benefit to the wealthy, some context is important.

For example, in 2000, federal estate tax threshold was \$675,000 with a minimum estate tax rate of 37%.

- If you died with a house, IRA and savings totaling \$1,000,000, your family could be exposed to a bill of over \$120,000 (\$1,000,000 - \$675,000 taxed at 37%).
- Those levels caused many middle-class families to engage in complex estate planning and/or face potential liquidity issues.



OBBB: Business Tax





OBBS: Qualified Small Business Stock (1202)

Section 1202.

- Most business owners initially default to a pass-through entity (LLC, Sub-S etc).
- However, Section 1202 enables business owners to potentially avoid tax on millions of dollars of gain when selling qualifying C-corporation stock.

Partial of Full Capital Gains Exclusion:

- Owners who sell QSBS can exclude 50%–100% of their capital gain, depending on:
 - When the stock was acquired; and
 - How long it was held.

Updated Exclusion Rules:

- 50% exclusion after 3 years;
- 75% exclusion after 4 years; and
- 100% exclusion after 5+ years.



OBBB: Qualified Small Business Stock (1202)

Increased Exclusion Caps:

- For stock issued after July 4, 2025:
 - The lifetime exclusion cap increases from \$10 million to \$15 million per issuer; or
 - 10× the taxpayer's basis, if greater.
 - With inflation indexing after 2026.

Broader Business Eligibility:

- The allowable asset limit for qualifying corporations increases:
 - From \$50 million to \$75 million (indexed after 2026), expanding QSBS availability for growing or capital-intensive businesses.

Per Issuer Benefit:

- Owners can eliminate federal capital gains tax on up to \$15M per issuer.
- Seek caution on “per issuer” allowance.

State Allowance:

- Many states follow the same federal guidelines. (PA, CA, MS, AL do NOT).



OBDD: 100% Immediate Expensing (Bonus Depreciation)

Bonus Depreciation.

- Permanently restores 100% bonus depreciation, allowing businesses to fully deduct the cost of qualifying assets in the year they are placed in service, rather than depreciating them over time.
- Reverses the TCJA phase-down that would have reduced bonus depreciation to 40% in 2025 and 0% by 2027
- Applies to qualifying property acquired and placed in service after January 19, 2025.

Qualifying Property.

- Machinery, equipment, and furniture;
- Computer software;
- Qualified Improvement Property (QIP);
- Tangible property with a recovery period of 20 years or less; and
- Certain used property, if acquisition rules are met.



OBBB: 100% Immediate Expensing (Bonus Depreciation)

Qualified Production Property.

- The Act introduces a new 100% expensing category for certain domestic manufacturing and production facilities, even though these are typically long-life (39-year) assets.
- Key limits:
 - Must be used in qualified production activity;
 - U.S.-based;
 - Construction must begin after January 19, 2025; and
 - Temporary window (generally placed in service before 2031).



OBBB: Section 179 Expensing (Small Business Expensing)

Section 179 Expensing.

- For property placed in service after Dec. 31, 2024:
 - Maximum immediate deduction: \$2.5 million per year (up from \$1.25 million);
 - Phase-out begins: \$4 million of qualifying purchases;
 - Fully phased out: \$6.5 million of purchases; and
 - Limits are permanent and indexed for inflation.

What Qualifies.

- Machinery & equipment;
- Off-the-shelf software;
- Certain nonresidential real property improvements (HVAC, roofing, security systems, etc.)

How it Works.

- Allows full expensing in the year placed in service (instead of multi-year depreciation);
- Deduction cannot exceed taxable business income; and
- Any remaining cost can be expensed using permanent 100% bonus depreciation.



OBBB: Opportunity Zones and Rural Incentives

Opportunity Zone Changes.

- Permanent program:
 - The prior 2026 sunset is eliminated; Opportunity Zones are now a permanent feature of the tax code.
 - New zones every 10 years: Existing zones expire at the end of 2026, and new zones will be designated every decade, with the first new designations taking effect January 1, 2027.
 - Tighter eligibility rules: Income thresholds for qualifying census tracts are narrowed, and contiguous (neighboring) tracts are no longer eligible, reducing the overall number of qualifying zones.

Updated Tax Incentives.

- Rolling 5-year capital gains deferral: Deferred gains are recognized on the fifth anniversary of the investment, rather than a fixed calendar date.
- Basis step-up: Investors receive a 10% basis step-up after five years; the former 15% step-up is eliminated.
- Tax-free appreciation: Capital gains on OZ investments held for at least 10 years remain fully excludable from tax.

Enhanced rural incentives. Qualified Rural Opportunity Funds (QROFs): New rural-focused funds offer a 30% basis step-up after five years and a reduced substantial-improvement requirement.



OB BB: Tax Cost

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**Legislative Review:
Connelly v. United States (2024)**





Connelly v. U.S.: What happened?

The Business and the Brothers:

- Michael and Thomas Connelly were brothers;
- Michael owned 77.18% and Thomas owned 22.82% of Crown C Supply (“Crown”), a small building supply corporation.

The Buy-Sell Agreement:

- Upon death of either brother:
 - The survivor would have the option to purchase the shares; or
 - If declined, Crown would be required to redeem the shares.
- To ensure Crown had sufficient funds to pay, Crown obtained \$3.5MM in life insurance on each brother.



Connelly v. U.S.: What happened?



In 2013 Michael passed on then ...

Thomas declined to purchase the shares of Crown

As a result, Crown had the obligation to purchase the shares

Michael's son and Thomas agreed on a \$3MM valuation

Crown paid \$3MM to Michael's estate

Thomas (as Michael's executor) filed the estate tax return



Then the IRS audited the return ...

During the audit, Thomas obtained a valuation which returned a value of \$6.86MM



Connelly v. U.S.: Estate of Connelly's Argument

Net Valuation:	\$3,360,000
Life Insurance:	\$3,500,000
Total:	\$6,860,000
Redemption Obligation to Michael:	(\$3,000,000)
Net Value:	\$3,860,000
Thomas' Share (77.18%)	\$2,979,148



Connelly v. U.S.: The IRS Argument

Net Valuation:	\$3,360,000
Life Insurance:	\$3,500,000
Total:	\$6,860,000
Redemption Obligation to Michael:	\$0
Net Value:	\$6,860,000
Thomas' Share (77.18%)	\$5,294,548



Connelly v. U.S.: Take a Poll



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Net Value:	\$6,860,000
Thomas' Share (77.18%)	\$5,294,548



Connelly v. U.S.: THE IRS WINS

And it was UNANIMOUS!

“Thomas’s efforts to resist this straightforward conclusion fail. He views the relevant inquiry as what a buyer would pay for shares that make up the same percentage of the less-valuable corporation that exists after the redemption.

For calculating the estate tax, however, the whole point is to assess how much Michael’s shares were worth at the time that he died—before Crown spent \$3 million on the redemption payment. See 26 U. S. C. §2033 (defining the gross estate to “include the value of all property to the extent of the interest therein of the decedent at the time of his death”).

A hypothetical buyer would treat the life-insurance proceeds that would be used to redeem Michael’s shares as a net asset.”



Connelly v. U.S.: The IRS Argument

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Life Insurance:	\$3,500,000
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Net Value:	\$6,860,000
Thomas' Share (77.18%)	\$5,294,548

← 26 U.S.C. §2033



Connelly v. U.S.: Supreme Court Example

Net Valuation:	\$10,000,000
Shareholder A (80%)	\$8,000,000
Shareholder B (20%)	\$2,000,000

Shareholder B Dies

Net Valuation:	\$10,000,000
Life Insurance:	\$2,000,000
Total:	\$12,000,000

Redemption of B: (\$2,000,000)

New Net Valuation:	\$10,000,000
--------------------	--------------

Shareholder A (100%)	\$10,000,000
Shareholder B (Cash)	\$2,000,000



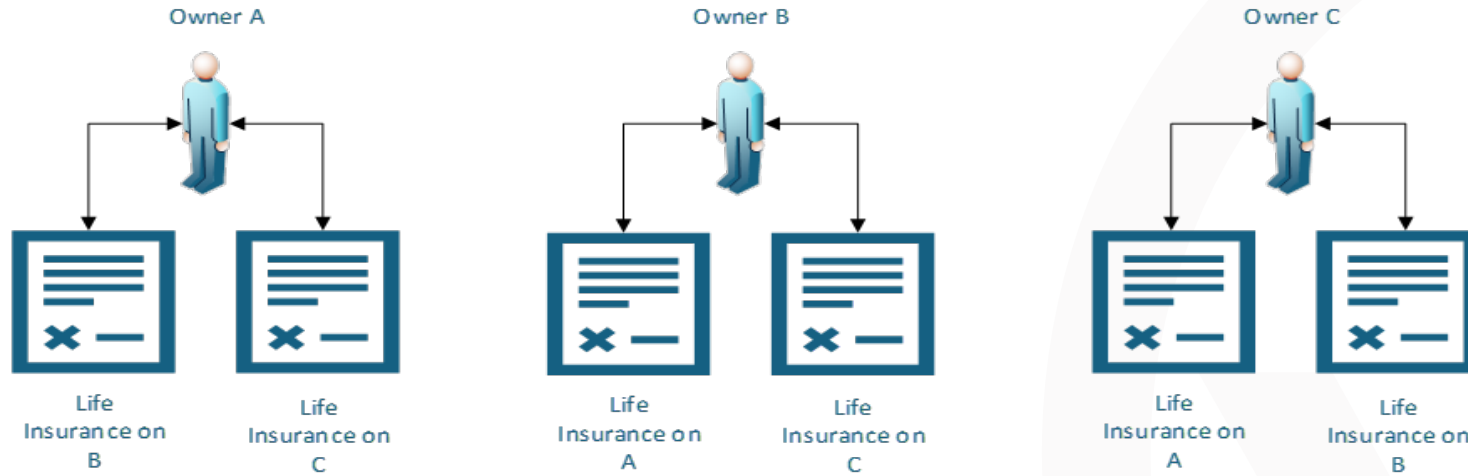
Connelly v. U.S.: How Do We Fix It?

The Supreme Court Tells Us!

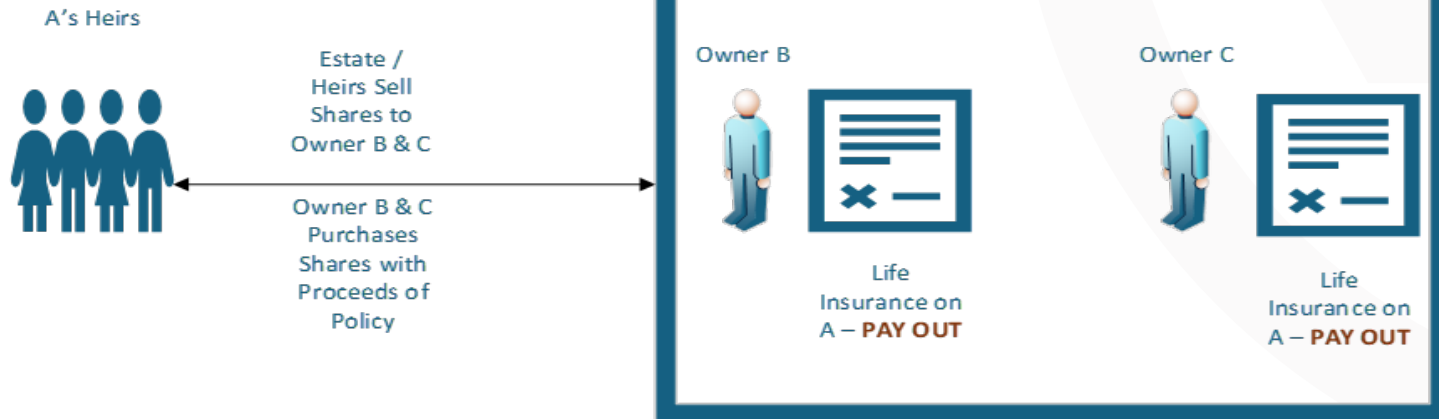
““For example, the brothers could have used a cross-purchase agreement—an arrangement in which shareholders agree to purchase each other’s shares at death and purchase life-insurance policies on each other to fund the agreement. See S. Pratt, Valuing a Business⁸²¹ (6th ed. 2022). A cross-purchase agreement would have allowed Thomas to purchase Michael’s shares and keep Crown in the family, while avoiding the risk that the insurance proceeds would increase the value of Michael’s shares. The proceeds would have gone directly to Thomas—not to Crown. But every arrangement has its own drawbacks. A cross-purchase agreement would have required each brother to pay the premiums for the insurance policy on the other brother, creating a risk that one of them would be unable to do so. And, it would have had its own tax consequences.”



Connelly v. U.S.: Cross Purchase Agreement Example



A Falls Off the Perch





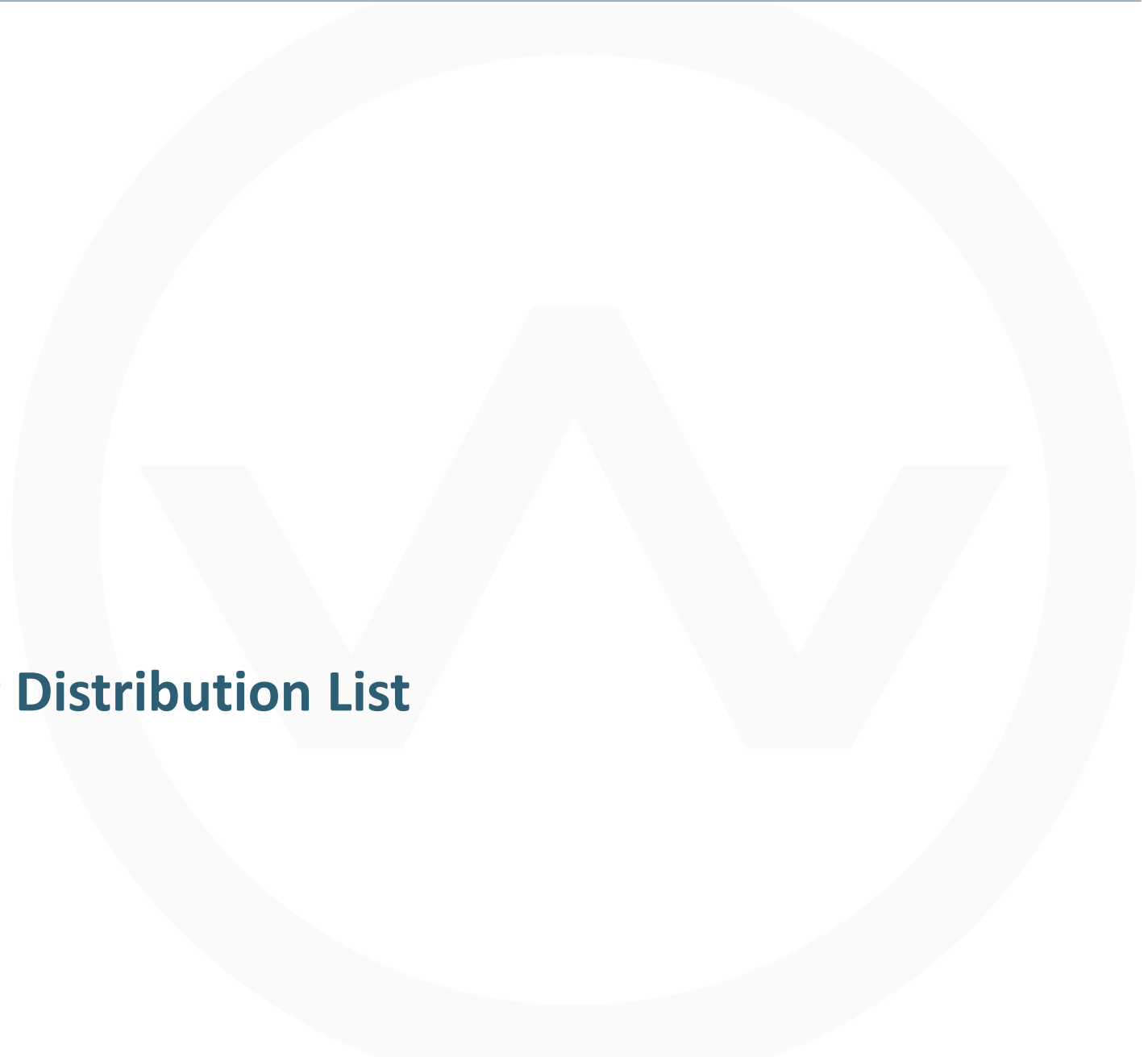
Contact Information

renzo@whartonhillia.com

sunnaret@whartonhillia.com

tim@whartonhillia.com

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