THE COOK REPORT

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The Cook Company, LLC is an independent registered investment adviser committed to meeting client objectives with comprehensive, unbiased financial advisory services.

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ALL IN A QUARTER

When we last wrote, tariffs were the theme of the day with President Trump's early April announcement of "reciprocal" tariffs on most countries (including some uninhabited islands). Markets reacted negatively to the initial announcement, and it appeared they would have a rough quarter. We counseled then — and continue to counsel now — that changes to your financial plan should be based on your long-term needs and anticipated changes in your life situation, not current headlines. This remains true even as markets rally to record highs, while once again facing tariff headwinds.

Tariffs aside, a lot has happened in the ensuing months, perhaps most consequentially the passage of the "One Big Beautiful Bill Act." The act contains many financial measures that could impact your financial situation, some of which we explore in detail in this edition of *The Cook Report*.

TAX LAW CERTAINTY

A major benefit of the bill is certainty over areas of tax law that were set to revert to pre-2017 levels in the 2026 tax year and beyond. With the permanent extension of the tax brackets that were created in the 2017 Tax Cuts and Jobs Act, an end-of-year planning rush that was on the horizon is averted. If you were considering a Roth IRA conversion, you have more time to consider it without paying more tax if you don't do it this year.

Additionally, the bill maintains a higher threshold before the estate tax kicks in. The threshold for 2025 remains $13.99 million per person and will increase to $15 million in 2026. Absent passage of the bill, the 2026 threshold would be almost half of the 2025 amount, necessitating estate plan adjustments for more households.

AREAS FOR PLANNING FOCUS

While the bill introduces many new deductions, particularly for tax years 2025 through 2028, we focus on three specific areas that may impact your long-term financial planning. These deal with Health Savings Accounts, education funding strategies, and the new so-called "Trump" accounts.

■ Health Savings Accounts

As advisors, we are strong proponents of Health Savings Accounts. They offer a triple tax benefit through tax-deferred contributions, tax-free growth, and tax-free withdrawals for qualified health expenses. Unfortunately, their universal adoption is curtailed by stringent rules for the types of High Deductible Health Plans (HDHP) that are HSA eligible.

Fortunately, the OBBBA expands eligible plans to include all bronze level plans on state health insurance exchanges as well as catastrophic plans. We highly encourage you to review your health insurance coverage to see if you qualify for an HSA. There are many strategies for incorporating HSAs into your financial plan, which we use in our own planning. HSAs can be complicated and require good record-keeping, but there are few vehicles for long-term financial planning that beat the benefits they provide.

■ Education Planning

Changes to two areas of education planning that require review and potential action surround student loans and 529 education savings accounts.

ALL IN A QUARTER (cont.)

The bill curtails federal loan availability for students and parents, and consolidates repayment options. The changes particularly impact graduate students, who will need to explore funding options, potentially including private loans given caps on federal funding. Additionally, many of the repayment options that were implemented in recent years will no longer be available and borrowers will need to choose from one of two options moving forward. If you are saving for college, funding college, or have questions about repayment options, we are here to help you navigate the new landscape.

529 education savings accounts received a boost as the bill expands the eligibility for tax-free withdrawals to include certificate and licensure programs, as well as expanded K-12 options. These changes, coupled with other changes in recent years (e.g. 529 to Roth conversions) make 529s more attractive.

■ Trump Accounts

Questionable name aside, the establishment of a new savings vehicle for children merits attention. The bill initially establishes custodial accounts for children born to a parent with a Social Security number between 2025 and 2028 and will provide a $1,000 federal "starter" contribution (children born before 2025 are eligible to open an account, but will not receive the starter contribution). At first read, the bill allows for after-tax contributions and tax-free growth, followed by capital gains taxes upon withdrawal. Unlike an IRA, withdrawals could begin penalty-free at age 18 (as opposed to 59.5) and could be used for any purpose.

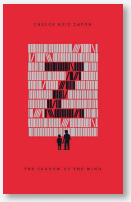
As more details emerge — and if the accounts catch on — it is conceivable that they will be extended in future legislation and open another avenue to save and invest for children.

REVIEW, EVALUATE, ACT

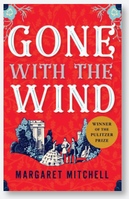
We encourage you to use the summer months to review your investments and financial strategy, especially if you see changes on the horizon that require action. While legislation and headlines can serve as catalysts for review, remember that it is your individual situation and goals that drive the decisions you make. Let us worry about keeping up with policy changes and market fluctuations so that you can focus on what is important to you. We are eager to assist you in this effort. If you have questions in the meantime, please do not hesitate to reach out.

We wish you a relaxing and fulfilling summer!

READER'S CORNER



The Shadow of the Wind, by Carlos Ruiz Zafron, tr: Lucia Graves (The Penguin Press, New York, 2004) takes place in postwar Barcelona, Spain, centering around a young man and the mystery, adventure, and romance that follow his uncovering of a long-lost book.



Gone with the Wind, by Margaret Mitchell (The MacMillan Company, New York, 1936) is an American classic, following the life of Scarlett O'Hara, a young woman who comes of age just as the Civil War upends her life. An engaging read with great character development, it stands the test of time.

IN THE NEWS

- "How Trump's Megabill Will and Won't Change Your Taxes," by Laura Saunders (***The Wall Street Journal***, July 4, 2025) explores the tax law changes contained in the recent One Big Beautiful Bill Act and how those will impact the average taxpayer.
- "The Mistake You're Making in Today's Stock Market — Even Without Knowing It," by Jason Zweig (***The Wall Street Journal***, April 25, 2025) evaluates ways in which your memories of past market activity may deceive your investing strategy moving forward.
- ENCORE/Journal Report (***The Wall Street Journal***) is a collection of the latest retirement stories from *The Wall Street Journal*. Please let us know if we can share any articles of interest.
- "Three Big Medical Costs That Retirees Often Underestimate," by Gail Marks Jarvis (***The Wall Street Journal***, June 8, 2025) covers medical expenses that often surprise seniors in retirement, despite best planning efforts.