saltmarsh
Financial Advisors

Investment Update

Newsletter

October 2025

Recognized as Top Wealth Advisory Firm

We're honored to be recognized by *Accounting Today* as one of the nation's top firms by total assets under management (AUM) for the fifth year in a row.

As an independent fiduciary, we provide personalized guidance on investing, retirement, and estate planning while leveraging its team's collective expertise to manage tax-efficient portfolios and help clients navigate an ever-changing market.

Accounting Today's annual "Wealth Magnets" ranking spotlights the top 150 CPA firms by AUM, now in its 19th year. This year's ranking reflects a wide diversity of practice structures, planning approaches, and reporting methods.

"We are thrilled to be recognized once again as a Top AUM Firm," said Michael Hall, CFP®, managing director of Saltmarsh Financial Advisors. "Markets go through regular cycles, and we have worked diligently to help our clients navigate the volatility and other headwinds of recent years. Despite these fluctuations, our clients have benefited from our methodical approach to asset management and comprehensive planning, and wealth management."

Q3 2025 Financial Market Summary

In Q3 2025, U.S. financial markets posted strong gains, driven by several factors including the Federal Reserve's 25 basis point rate cut to 4.00%-4.25% in September, the first since 2024, with markets anticipating 100 basis points of further easing over the next year. Additionally, easing US-China trade tensions and robust corporate earnings, despite inflation at 2.9% year-over-year and labor market softening, fueled optimism. AI-driven growth and policy support further bolstered performance.

U.S. Equities led the charge, with the S&P 500 climbing 8.1%, extending a year-to-date rally of over 35% from April lows. Mega-cap tech, particularly Nvidia, which hit a $4 trillion market cap, drove a 11.2% surge in technology stocks. Growth stocks outperformed value, returning 6.89% versus 6.36%. Small-cap indices, like the Russell 2000, jumped 12.4%, buoyed by domestic demand resilience. However, market concentration risks persisted, with top tech firms dominating returns.

U.S. Fixed Income markets saw modest gains amid fiscal deficit concerns. The Bloomberg U.S. Aggregate Bond Index rose 2.03%, and the 10-year yield dipped to 4.16%, reflecting growth concerns and downward payroll revisions. Mortgage followed lower with anticipated Fed rate cuts. The benchmark 30-year fixed rate mortgage rate finished the quarter at 6.30% down from the January 2025 high of 7.04%.

Globally, emerging markets outperformed with 10.6% equity gains, led by China's 22.1% tech rally, but U.S. markets remained the cornerstone of investor confidence. Diversification remains critical amid tariff-related inflation risks and concentrated equity gains.

Dear Clients,

It has come to our attention that some outbound calls from our office may appear as unknown numbers to clients. To ensure that we can serve you in a timely manner, please save our team's phone numbers in your contacts:

- **Christina Doss:** (850) 202-1358
- **Michael Hall:** (850) 378-4970
- **Mark Hemby:** (850) 243-5927
- **George Peaden:** (850) 378-4931
- **Sarah Horne:** (850) 378-4946
- **Pierce Broscious:** (850) 378-4896

For conference calls, we leverage Microsoft Teams for conference call. Please note, these numbers will appear as a 941 area code (Sarasota).

As a reminder, no Saltmarsh Financial Advisors team member will contact you without notice to request sensitive personal or account information.Stay vigilant for any fraudsters who may be posing as a financial institution. When in doubt, a safe course of action is to hang up the phone and call back at a known phone number of our team listed above.

With Gratitude,
Your Saltmarsh Financial Advisors Team

In This Issue...

What to Do After a Windfall? Steps to Financial Security

So, your ship finally came in! Perhaps you sold a business. Maybe you have an inheritance, or you happen to have won the lottery! No matter the source, you have a windfall and need to make sure you are making the most out of it. The stock market is at or near an all-time high and you may be asking "What if you get in at the wrong time?"

There are several elements that come into play and by incorporating a couple of strategies and understanding your needs and tolerance for risk, you can proceed with confidence.

Understand Your Timeline

If you are planning to use these assets in the near term—within the next two years—it's best to stay in the shallow end of the pool. Focus on safer, more liquid options such as cash and cash equivalents, short-term CDs, money markets, or short-term Treasury bonds. These investments will allow you to earn some interest while ensuring your money remains easily accessible when you need it.

On the other hand, if your goals for this money are long-term—such as funding retirement—it may be time to make your assets work harder for you through investments in equities and broader fixed-income options. Keep in mind, however, that these investments can carry timing risk. There are two primary ways to help reduce this risk.

Strategy 1: Dollar Cost Averaging

At its core, this is buying a fixed dollar amount of the same investments at regular intervals over time. Most investors have been doing this without realizing it. If you have been saving in a 401k through payroll deductions, that is Dollar Cost Averaging. By purchasing investments over time, you reduce the likelihood of investing everything just before a downturn. (It's worth mentioning that the opposite could be true as well. You could be investing at the beginning of a remarkable period for returns.) Based on your outlook and the state of the market, you may choose to spread out your purchases of investments over a few months or for as long as a few years. You and your advisor can come up with a schedule that will allow you to invest comfortably and confidently.

Strategy 2: Portfolio Diversification

Different types of investments behave differently from one another. In tough times, more conservative investments tend to appreciate in price. In good times, more aggressive investments can provide substantial rewards. By investing in a balanced manner, you can prevent yourself from being too heavily invested in one or the other and getting caught on the wrong side of a market trend.

The real magic happens when you combine these two approaches. Once you and your advisor have identified the type of portfolio that is most appropriate, you can set a schedule to put the portfolio in place. As an example, if you are using a 60% Stock and 40% Fixed Income portfolio. And, you have decided that you would like to spread out your investment purchases over 1 year. This means that every 3 months you would take 25% of the cash and use it to purchase the appropriate investments. Each time you purchase, 60% of the cash would be used to buy Stocks and 40% would be used to buy Fixed Income. And at the end of 12 months, you would be fully invested without ever having been overly exposed to one type of market, bull, or bear.

How to Prepare for a Spouse's Passing

When it comes to financial planning, few topics are more sensitive, yet more crucial than preparing for life after the loss of a spouse. While it's uncomfortable to think about, failing to plan can leave the surviving partner facing not only emotional turmoil, but financial confusion and costly missteps. That's why tax planning isn't just a solo endeavor; it's a shared responsibility.

To ease the complexity of post-death financial obligations, both spouses should establish connections with a certified public accountant (CPA), a family attorney, and a financial advisor. We suggest that you introduce these professionals to each other in advance, establishing an advisory team that will work together to facilitate the sharing of information and streamline their support. While it is typical in a marriage for one spouse to do heavy lifting when it comes to finances, we also recommend that both spouses attend at least one annual meeting with their advisory team to gain insight into the household's financial plans and objectives.

Prior to a spouse's passing, the other spouse should know how to access the following documents 1) last will and testament, 2) trust agreements and amendments, 3) copies of past returns including individual income tax returns, trust tax returns, gift tax returns, and estate tax returns if generated by a prior marriage, 4) up-to-date list of all major personal and financial assets.

Individual Income Tax Return Requirements

Year of Death: The surviving spouse is considered married for the entire calendar year and will therefore either file Married Filing Joint or Married Filing Separate. This return will report the decedent's income from January 1 through their date of death.

Subsequent Years: Beginning the year after death, the surviving spouse typically files as Single. However, for up to two years following the year of death, a surviving spouse with a dependent child may qualify to file as a Qualifying Surviving Spouse; this allows use of married filing joint return tax rates and the highest standard deduction (if not itemizing).

Other Tax Returns & Elections

Trust Income Tax Return (Form 1041): If a deceased individual has a Revocable Living Trust, the trust may be required to file a separate income tax return, Form 1041, if post-death gross income is greater than $600.

- Income will need to be allocated between Form 1040 and the initial Form 1041.
- Form 1041 reports income earned by the trust from the date of death through the end of the calendar year, e.g. interest, dividends, rents, and capital gains.
- If the trust made distributions to beneficiaries, each recipient will receive a Schedule K-1, which outlines income, deductions, and tax credits. These amounts must be reported on the beneficiary's personal income tax return.
- The trust is responsible for paying income tax on any undistributed income retained within the trust.

Estate Income Tax Return (Form 1041): If a deceased individual left behind assets that were outside of the trust, and continued to generate income after death, the estate may be required to file Form 1041 if post-death gross income is greater than $600.

- Income will need to be allocated between Form 1040 and the initial Form 1041.
- Form 1041 reports income earned by the estate from the date of death through the selected fiscal year-end, e.g. interest, dividends, rents, and capital gains.
- If the trust made distributions to beneficiaries, each recipient will receive a Schedule K-1, which outlines income, deductions, and tax credits. These amounts must be reported on the beneficiary's personal income tax return.
- The estate is responsible for paying income tax on any undistributed income retained within the estate.

Section 645 Election: If both an estate income tax return and a trust tax return are otherwise required, the surviving spouse may choose to make a Section 645 election. This allows for the filing of a single consolidated Form 1041 using a fiscal year-end, helping to streamline and simplify the overall tax reporting process. This is something to consider if assets are expected to be distributed within one year of the date of death.

United States Estate Tax Return (Form 706): Form 706 – is typically required in the following situations:

- Estate Value Exceeds the Federal Exemption – This form must be filed if the gross estate, plus adjusted taxable gifts and applicable exemptions, exceeds the federal estate tax exemption for the year of death.
- For deaths occurring in 2025, the exemption is $13.99 million. For 2026, it increases to $15 million.

Electing Portability: If the estate is below the exemption amount, Form 706 may still be filed to elect portability — allowing the surviving spouse to claim any unused portion of the decedent's exemption. Portability is not automatic. A Form 706 must be filed to elect portability.

Required Minimum Distribution (RMD): If the deceased was of the required age and had not yet taken their required minimum distribution (RMD) for the year, the beneficiary must ensure the distribution is made by year-end. If the spouse is the designated beneficiary, remaining RMDs are distributed based on the spouse's life expectancy, allowing for a longer payout period and potentially lower annual distribution requirements.

Selling Primary Residence: If a primary residence is sold within two years of a spouse's death, the surviving spouse may qualify for a $500,000 capital gain exclusion, assuming the home meets ownership and use requirements. If the home is sold after two years, the standard exclusion amount drops to $250,000, the standard amount for single filers. For jointly held real estate, the surviving spouse receives a partial step-up basis, which is calculated as one-half of the fair market value (FMV) at the date of death plus one-half of the cost basis.

With thoughtful planning and guidance from trusted professionals, families can safeguard their loved ones, preserve legacies all while avoiding costly surprises. The most vital step? Don't delay. Begin conversations with your spouse and family now, so you're prepared when it matters most.

Individual Tax Law Impacts: One Big Beautiful Bill Act

The One Big Beautiful Bill Act (OBBBA), signed into law by President Trump on July 4, 2025, makes permanent several provisions passed from the 2017 Tax Cuts and Jobs Act (TCJA) while also introducing several new provisions for individuals.

Income Tax on Tips: For 2025 through 2028, OBBBA creates a deduction for up to $25,000 in tip income for those having MAGI up to $150,000 (S) / $300,000 (MFJ) per year. Deduction would be available without regard to whether a taxpayer has itemized deductions. Deduction would be available only for voluntary tips in occupations that "traditionally and customarily" received tips before 2025 in a business that is not a specified service trade or business under Section 199A. The provision would also extend the FICA tip credit to cover certain beauty and barber services.

Income Tax on Overtime: For 2025 through 2028, OBBBA creates a deduction for up to $12,500 (S) / $25,000 (MFJ) in overtime for those having MAGI up to $150,000 (S) / $300,000 (MFJ) per year. Deduction would be available without regard to whether a taxpayer has itemized deductions.

Social Security Benefits: For 2025 through 2028, OBBBA creates a $6,000 personal exemption for taxpayers aged 65 and above. Exemptions would phase out with MAGI exceeding $150,000 (MFJ) / $75,000 (S/HOH/MFS).

Auto Loan Interest Deduction: For 2025 through 2028, individuals can claim up to $10,000 of vehicle loan interest for loans incurred after December 31, 2024. Deduction would phase out when modified AGI exceeds $100,000 (S) / $200,000 (MFJ). The deduction only applies to new vehicles with a final assembly in the United States.

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Charitable Deductions: Beginning in 2026, taxpayers can deduct $1,000 (S) / $2,000 (MFJ) in addition to claiming a standard deduction. Individuals who do itemize will have their contribution deductions reduced by a floor of 0.5% of AGI.

SALT Deduction Cap: For 2025, the law sets a $40,000 SALT cap that would phase down to $10,000 for income exceeding $500,000 (MFJ/S) / $250,000 (MFS/HOH). The SALT deduction is reduced by 30% of every dollar of income exceeding these thresholds. From 2026 through 2029, these thresholds would increase by 1% each year until 2030. In 2030, the SALT cap will revert back to $10,000.

529 Accounts: Those saving for their or a child's education can now use 529 funds for elementary, secondary, and post-secondary expenses. The new law also allows 529 funds to cover tuition, study materials, and exam fees for credentials. Additionally, OBBBA permanently permits a tax-free transfer of 529 funds to an ABLE account that benefits the same 529 beneficiary or a member of the 529 beneficiary's family.

Home Mortgage Interest Deduction Limitation: OBBBA permanently reduces the mortgage debt limit for the home mortgage interest deduction to $750,000 ($375,000 for separate filers) but includes mortgage insurance premiums as deductible interest.

Standard Deductions: Beginning in 2025, OBBBA permanently increases the standard deduction to $31,500 (MFJ) / $15,750 (S/MFS) / $23,625 (HOH). After 2025, the standard deduction amounts will be adjusted for inflation each year.

Income Tax Brackets: OBBBA makes permanent the tax brackets of 10%, 12%, 22%, 24%, 32%, 35%, and 37%. Also provides the additional year of inflation adjustments for the 10% and 12% brackets.

Qualified Small Business Stock: There are several key changes under OBBBA, all with inflation adjustments to increase the amount each year:

- Provides a 50% exclusion for QSBS stock held for three years, 75% exclusion for four years, and 100% exclusion for five years.
- Increases the current limit on the exclusion from $10 million to $15 million, indexed to inflation beginning in 2027.
- Increases the current limit on assets at the time of stock issuance from $50 million to $75 million, indexed to inflation beginning in 2027. Provisions are generally effective for stock issued after the date of enactment.

For information on prior laws, a list of acronyms, and tax impacts for businesses, visit saltmarshadvisors.com/OBBBA.

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