BKMWM Newsletter September 2025

Topics:
1. Markets Climb a Wall of Worry
2. Cash
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4. Key Tax Law Updates
5. Access Online

BKM Wealth Management
20300 Water Tower Blvd
Suite 250
Brookfield, WI 53045
Tel: (262) 955-7150
Fax: (262) 955-7147
info@bkmwm.com
www.bkmwm.com

BKM WEALTH MANAGEMENT

1) Markets Climb a Wall of Worry

Despite a backdrop of rising trade tensions, political volatility, interest rate uncertainty, and ongoing geopolitical conflicts, equity markets continue to push higher—showing impressive resilience.

S&P 500 Equal Weight ETF (RSP)

Chart data: https://stockanalysis.com/etf/rsp/

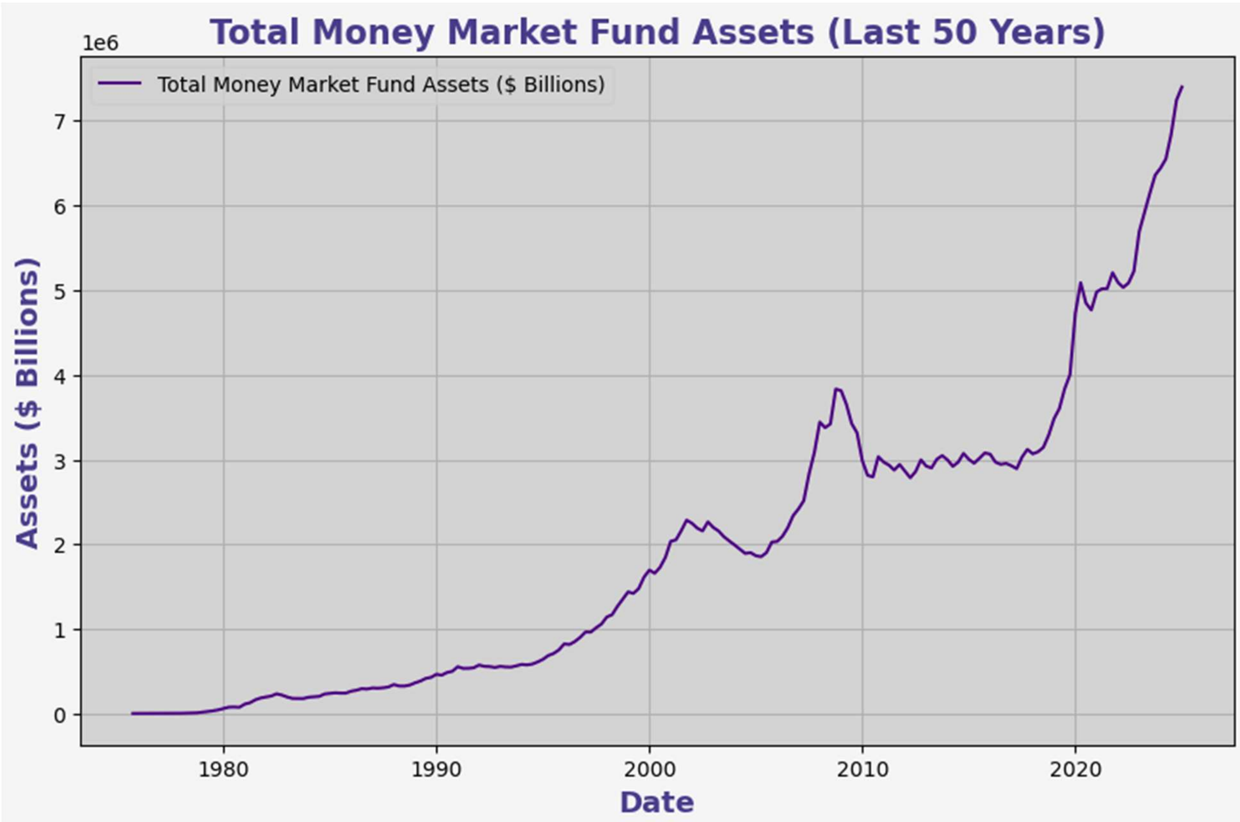
What's driving this optimism? Increasingly, investors believe that artificial intelligence will deliver widespread productivity gains across corporate America. This belief marks a shift in perception: AI is no longer seen as a niche tool for tech giants, but as a transformative force across industries—from manufacturing and healthcare to financial services.

Markets appear to be looking past short-term volatility and focusing on AI's long-term potential to improve efficiency and profitability. This confidence is helping support earnings growth even in a challenging macroeconomic environment.

We continue to encourage investors to maintain diversification beyond the tech-heavy S&P 500.

2) Cash

Cash holdings in U.S. markets have surged to historic levels. One key reason: interest rates on safe cash assets, while currently trending down, remain higher than they have been in decades.



No matter what your reason for holding cash, it is important to understand your options and their trade-offs:

1. **Bank Savings & Checking Accounts**
   - **Pros**: FDIC insured (up to $250,000), highly liquid, useful for daily transactions
   - **Cons**: Typically offer low interest rates
2. **Money Market & High-Yield Savings Accounts**
   - **Pros**: Higher interest rates, FDIC insured, some offer checking features
   - **Cons**: May require minimum balances or have restrictions
3. **Certificates of Deposit (CDs)**
   - **Pros**: FDIC insured, fixed interest and maturity, very safe
   - **Cons**: Limited liquidity, interest rate risk if rates rise
4. **Brokered CDs**
   - **Pros**: Access to multiple banks, potentially better rates, death-put feature, extended FDIC coverage
   - **Cons**: Typically pay simple interest, not compound
5. **Money Market Funds**
   - **Pros**: Invest in low-risk assets, high liquidity, often higher yields, SIPC insured
   - **Cons**: Not FDIC insured but still considered very safe
6. **Cash at Home**
   - **Pros**: Immediate access, outside the banking system
   - **Cons**: No interest, high risk (theft, loss), not recommended for long-term storage

Contact us to discuss your cash and emergency fund strategies.

3) Back to School – Changes to 529 Rules

The back-to-school season is officially underway. Recent changes have increased the reasons you may want to consider the 529 to save for future education expenses.

A recent Vanguard study found 69% of parents use traditional checking or savings accounts as the primary method to save for education expenses. Six percent of parents borrow against their home equity to pay for these expenses. Only 10% of parents use 529s to save for their children's education expenses, and less so for younger parents: Millennial parents – 8%. Gen Z – 6%.

Provisions within the "One Big Beautiful Bill Act" passed in July make the 529 account more powerful. Improvements to qualified expenses include:

- Qualifying credentialing and vocational programs, for trades such as welding, CDL, HVAC or cosmetology.
- Required continuing education courses to maintain licensing or certification, which might apply to real estate agents, nurses, and teachers.
- Tuition, books, and fees related to professional licensing programs, including exam preparation and review materials for fields like law, accounting, or finance.
- Broadening K-12 expenses beyond simply tuition to also includes tutoring, standardized test preparation (such as ACT, SAT, or AP exams) and educational therapy. High school students are now eligible for 529 distributions for dual enrollment courses they might take for college credits.

These improvements, combined with significant tax advantages, make 529 accounts an excellent choice for saving for children's future educational expenses. The funds grow tax-free, withdrawals for qualified education expenses are tax-free, and you may qualify for a state tax deduction on your contributions. Beyond tax benefits, 529 plans offer remarkable flexibility, allowing distributions for much more than just tuition costs. Parents maintain full control over the account, and these savings have minimal impact on financial aid calculations.

Contact us If you would like to discuss how to improve your education savings strategy.

Source : https://www.cnbc.com/2025/08/20/trumps-big-beautiful-bill-529-college-savings-plan.html

4) Key Tax Law Updates

The "One Big Beautiful Bill Act" was signed into law on July 4th. Below is a summary for individuals and business owners.

Individual Tax Changes

Permanent Extensions:

- Income tax rates (10%, 12%, 22%, 24%, 32%, 35%, 37%) are now permanent
- Higher standard deductions: $15,750 (single), $23,625 (head of household), $31,500 (married filing jointly)
- Enhanced Child Tax Credit of $2,200 per child (up from $2,000)

New Benefits (2025-2028):

- No tax on tips or overtime for eligible workers (income caps apply)
- Additional $6,000 deduction for seniors 65+ (subject to phase-out)
- Car loan interest deduction up to $10,000 (with restrictions)
- Higher SALT deduction cap: $40,000 through 2029 (reverts to $10,000 after)

New Savings Options:

- "Trump Accounts" - tax-deferred IRAs for minors with potential $1,000 government contribution for children born 12/1/25-12/31/28
- Expanded 529 plan uses for K-12 and credentialing expenses

Eliminated Credits

- Clean vehicle tax credits terminated for purchases after September 30, 2025

Estate Planning Changes

Enhanced Exemptions (Effective 2026):

- Estate and gift tax exemption permanently increased to $15 million per individual ($30 million for married couples)
- Generation-skipping transfer (GST) tax exemption matches at $15 million per individual
- Exemptions are indexed annually for inflation
- Estate tax rate remains 40%

Charitable Planning:

- New 0.5% floor on itemized charitable deductions (effective 2026)
- Non-itemizers can deduct up to $1,000/$2,000 for cash charitable contributions

Planning Impact:

- Eliminates sunset risk (exemptions would have dropped to ~$7 million in 2026)
- Provides long-term planning certainty
- Creates additional exemption capacity for those who have used current limits

Business Changes

Permanent Provisions:

- 100% bonus depreciation extended through 2030
- Immediate R&D expense deduction (vs. capitalization)
- Section 199A pass-through deduction made permanent
- Enhanced QSBS benefits
- Qualified Opportunity Zone program extended permanently

The legislation makes most TCJA provisions permanent while adding new targeted tax breaks. The permanent estate tax exemption increases to $15 million providing unprecedented wealth transfer opportunities. Contact us to discuss how these changes impact you and your financial/estate plan.

5) Access Online

If you have recently lost access to your accounts, re-enroll by visiting www.bkmwm.com on a PC or Mac. Go to "BKM Clients" → "Online Access – Wells Fargo Clearing Services" then click "Enroll".

- Always start your login journey at www.bkmwm.com → "Online Access – Wells Fargo Clearing Services"
- To change your document delivery preferences, click on "Customer Service" → "Document Delivery Preferences"
    - Click on "+ View my Delivery Settings details" to edit specific elections.
    - For joint accounts and spousal accounts, each account owner will need to enroll and elect online delivery of documents.
- To rename/nickname your accounts, click on "Customer Service" → "Nickname & Group Accounts"
- When viewing on a mobile device, to view more details, click on "Edit Overview" and turn on the sections you want to view.

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Financial advisors whose mission is to positively impact lives.