Unpacking How the Tax Landscape is Changing

Enjoy current tax advantages, but prepare for a future that might be different

The U.S. tax landscape is shifting in ways that carry real implications for investors and households alike. Congress's passage of the One Big Beautiful Bill Act (OBBBA) makes the Trump-era tax cuts permanent, offering short-term certainty while diminishing the need for urgent year-end tax maneuvers. At the same time, tariff-driven inflation is acting as an indirect tax, disproportionately impacting households with less financial flexibility. Longer-term, OBBBA's estimated $5 trillion revenue loss raises the likelihood of future tax increases or entitlement reductions – pressures that could reshape both personal financial planning and national fiscal policy.

The Permanence Of Lower Tax Rates: Opportunity Or Illusion?

For years, financial advisors and investors have managed their strategies with one eye on the calendar. Key provisions of the 2017 Tax Cuts and Jobs Act (TCJA) were scheduled to expire in 2025, prompting many to prepare for potential increases in individual income tax rates. Strategies like Roth conversions, income acceleration, and front-loaded charitable contributions became central to many end-of-year planning conversations.

Now, with the passage of the One Big Beautiful Bill Act, that urgency has abated. OBBBA locks in the TCJA's lower individual tax rates indefinitely. The top marginal rate remains at 37%, and expanded income brackets continue to shield many Americans from higher taxation. The increased standard deduction and child tax credit are also preserved, along with the $10,000 cap on state and local tax (SALT) deductions.

This development brings welcomed stability to tax planning. It allows advisors to pivot from short-term defensive tactics to more strategic, long-term optimization. Clients previously concerned about rate increases can now refocus on efficiency – particularly how income-producing assets are allocated between taxable and tax-advantaged accounts. It's also a good time to revisit drawdown strategies, especially considering today's tax rates may be among the lowest we'll see in our lifetimes.

But make no mistake: this isn't an excuse to go on autopilot. The permanence of lower rates is an opportunity – not a reason to disengage.

Tariff-Driven Inflation: The Hidden Tax You're Already Paying

Even as federal tax rates remain low, many Americans are paying more out of pocket – thanks to inflation triggered by newly enacted tariffs.

Earlier this year, sweeping import duties pushed the average U.S. tariff rate to its highest level in decades. The effect has been clear: consumer prices have risen by an estimated 2.3%. For households already feeling pressure from broader inflation, this added cost acts like an invisible tax.

It's especially burdensome for lower-income families, who spend a greater share of their income on essential goods. Unlike formal taxes, this "tariff tax" doesn't appear on a statement, but it still chips away at purchasing power and undermines long-term financial security.

For advisors, this underscores the importance of modeling higher living costs into financial plans – particularly for retirees or clients living on fixed incomes. It may be necessary to stress-test retirement cash flows or adjust portfolio allocations to better hedge against persistent inflation. Real assets, inflation-linked bonds, and revised budgeting assumptions should all be on the table.

As unpredictable as tariff policy may be, clients can still be insulated from its worst effects – with proactive, inflation-aware planning.

A $5 Trillion Question: What If Rates Rise After All?

While OBBBA brings short-term tax relief, it raises serious concerns about the federal government's long-term fiscal health. The law is projected to reduce federal revenue by $5 trillion over the next decade. That shortfall is expected to inflate the national deficit and compound interest costs on federal debt.

This brings new uncertainty into the planning picture. Even though the current law locks in low rates, future lawmakers may be forced to reverse course. Rising deficits could prompt tax hikes, introduce new surtaxes, or lead to changes in capital gains, estate tax rules, or entitlement programs like Medicare and Social Security.

In this environment, financial advisors must walk a delicate line: helping clients take advantage of today's tax structure while preparing them for the very real possibility of policy reversals.

Now is an ideal time to build flexibility into financial plans. Tax diversification – across traditional, Roth, and taxable accounts – remains critical. Tools such as donor-advised funds, trusts, and charitable gifting strategies can offer long-term leverage and adaptability.

Ultimately, the message is clear: enjoy the current tax advantages, but prepare for a future that may look quite different.