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Welcome to the June 2025 issue of the Peapack Planning Quarterly. In this issue, we present an update on the "Big Beautiful Tax Bill" being crafted in Congress. If you have been concerned about market volatility recently, read about staying calm during tumultuous markets. On the lighter side, we celebrate June—both as a popular wedding month with an article on important financial conversations for engaged couples and as the start of summer vacations with a piece about travel insurance! Please reach out to our authors—or to any of our investment and planning professionals—with your questions and feedback. They may even inspire a future article. We hope our guidance can help you achieve your financial goals.

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The Future of the TCJA: A Follow-Up on Sunsetting Provisions and Legislative Developments

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In my previous article, "The TCJA Sunset," I detailed the individual income tax provisions of the Tax Cuts and Jobs Act of 2017 (TCJA) that are set to expire at the end of this year. It looks very unlikely that they will all sunset. Here are some of the provisions scheduled to sunset:

1. Individual Income Tax Rates:

- The TCJA lowered marginal tax rates, which will revert to higher pre-TCJA levels if no further action is taken.
- Capital gains tax brackets will realign with ordinary income brackets, potentially increasing taxes for some taxpayers.

2. Alternative Minimum Tax (AMT):

- The TCJA increased the AMT exemption, reducing the number of affected taxpayers. The exemption will revert to pre-TCJA levels, impacting more middle-income taxpayers.

3. Standard and Itemized Deductions:

- The Standard Deduction was nearly doubled by the TCJA but will revert to lower levels.
- The State and Local Tax (SALT) deduction limit of $10,000 will be removed.
- Mortgage interest deduction limits will increase.
- The medical expense deduction threshold will rise.
- Miscellaneous itemized deductions, eliminated by the TCJA, will return.
- The Pease limitation on itemized deductions for higher-income taxpayers will be reinstated.

4. Additional Changes:

- The personal exemption, eliminated by the TCJA, will return.
- The Child Tax Credit will revert to lower levels.
- The Qualified Business Income deduction will be eliminated.
- The Estate and Gift Tax Exemption will revert to lower levels.

For a comprehensive overview of the sunsetting provisions, please refer to my earlier article.

As the sunset of these provisions approaches, and there is constant news coming out of Congress, a discussion on the current legislative landscape might be helpful. However, between the writing of this article and its publication, many changes will be made to the tax bill currently in Congress.

"With only a handful of votes to spare in both the House and Senate, congressional Republicans could struggle to find a Bill with enough support to pass in both chambers."

Current Status of President Trump's "Big, Beautiful Bill"

President Trump's recent legislation, often referred to as the "Big, Beautiful Bill," aims to extend the TCJA provisions and to introduce new tax cuts. As of now, the bill is making its way through Congress, with significant developments in both the House and the Senate.

Republicans are using the budget reconciliation process to try to get the bill passed. This process allows tax and spending bills to pass through the U.S. Senate with a simple majority vote, bypassing the filibuster, which requires 60 votes to overcome. To begin the process both the House and the Senate agreed to adopt a budget resolution.

The House

The house proposal authorizes $4.5 trillion in tax cuts over the next 10 years, mostly covering the estimated $4.6 trillion cost of extending TCJA and some already-expired provisions. This leaves little room for additional tax cuts proposed by President Trump, such as raising the $10,000 limit on State and Local Tax (SALT) deductions and eliminating taxes on tip income. To fit within the budget framework, legislators might need to shorten the Bill's sunset window, eliminate some new or existing provisions, or include selective tax increases to offset additional tax cuts. The House aims to finalize the bill by Memorial Day, but this timeline is ambitious and may face delays.

On May 13, the House Republicans advanced their tax package from the Ways and Means Committee to the Budget Committee, where it will be combined with legislation produced by other committees in preparation for floor action. At an estimated $3.8 trillion cost, it is less than the allotted $4.5 trillion, leaving room for an adjustment to the SALT deduction cap. While making permanent many provisions of TCJA, it does allow some to expire. Most prominently, the package now includes a $30,000 SALT deduction with income-based phaseouts and makes permanent the inflation-adjusted estate and gift tax exemption. It includes deductions for tips and overtime pay, as well as other new tax breaks.

The Senate

Over in the Senate, a budget resolution has also been passed. Majority Leader John Thune has set a goal to complete the legislation by July 4. The Senate's process involves adhering to the Byrd rule, which requires that all provisions have direct budgetary consequence. This procedural step adds complexity and may extend the timeline.

The Senate budget framework authorizes $1.5 trillion in tax cuts, including the cost of permanently extending TCJA. This amount represents additional tax cuts beyond TCJA's extension. They aim to make TCJA's rules permanent while layering in new tax cuts that would sunset after 10 years. The proposal uses a controversial legislative accounting tactic to treat the full extension of TCJA as having no cost, laying the groundwork for extending TCJA permanently.

House Speaker Mike Johnson and Senate Majority Leader John Thune are working to unify the party to get a bill passed as soon as possible.

Hindrances to Passing the Bill

With only a handful of votes to spare in both the House and Senate, congressional Republicans could struggle to find a Bill with enough support to pass in both chambers. Spending cuts, internal GOP divisions and procedural challenges are significant hurdles to passing the Bill. There is considerable debate over the extent of spending cuts, particularly concerning Medicaid and other social programs. Additionally, raising the $10,000 cap on the SALT (state and local tax) deduction is a major issue and a priority with lawmakers from high-tax states, but the cost of doing so is high. The reconciliation process requires careful navigation of procedural rules and there is a high risk of potential disputes over specific provisions.

Much could change as the bill advances. We recommend taking a "wait and see" approach to tax planning, while being reasonably confident that there will be a tax bill passed by the end of the year and many provisions of the TCJA will be extended.

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Financial Discussions Before Marriage

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A wedding is a day of celebrating two lives being joined together. Many couples begin planning for their wedding 12 months in advance of the big day. Planning decisions need to be made from selecting the venue, who will be in the wedding party and determining who will be on the guest list. Just remember, the wedding and family budget, along with the financial goals, should not take a back seat and should be kept a top priority.

Before saying the vows and signing the matrimonial contract - yes, it is a contract - there are financial matters of the heart the parties should discuss to make sure both know what they are signing up for during married life. Planning a financially sustainable married life needs some upfront openness before exchanging the rings. Marriage will likely result in the merging of responsibilities, and it is only fair that each partner understands the finances of the other. Habits around money are based on their family upbringing. If money was not a topic of discussion in the house, it may be a hard conversation to commence. It also does not need to be done in one conversation. Consider it building blocks of knowledge to ground the relationship on a strong foundation.

Ideally a couple should begin discussing their financial life prior to planning a wedding date. Traditional wedding vows include the "for richer or for poorer" statement. Few really want to be experiencing the poorer scenario; therefore, some forward planning is the best choice. Here are some financial topics to discuss prior to the wedding day.

Financial Obligations

This should cover any outstanding loans and required payments such as child support and alimony.

Most students assume loans to finance college. According to Federal Student Aid, an office of the Department of Education, the average federal student loan debt was over $38,000 in 2024. It is important that couples know if student loans are held, the balances and the plans to repay. If either partner has child support payments or alimony, the amounts should be disclosed. This is particularly true if wages are being garnished to satisfy those obligations.

Credit card debt can be another burdensome debt to discuss. If one partner has a high balance on cards – will this be handled as a joint debt during marriage and paid down to help move towards other goals? Or will it remain that partner's sole obligation? Clarity at the beginning will help avoid any misconceptions if debts are revealed after marriage.

It can be delivered to the trustee at the time the trust is created or sometime thereafter. In the end, "Letters of Wishes" are generally precatory in nature, meaning the trustee is not obligated to follow the content.

Credit Scores and Report

Understanding credit scores is important for planning for the future. Does the couple plan to buy a home or a car? Credit reports are easily ascertainable using annualcreditreport.com and can be purchased for a nominal sum. Some banks provide credit scores for free. A very good credit score, over 740, helps you to qualify for better interest rates when applying for a mortgage, auto loans and can even impact auto insurance rates. If one partner has a low score, they can take action to improve it before applying for joint purchases and getting a surprise from the unfavorable terms offered.

Spending and Saving Habits

Hints on how a future partner handles money usually becomes evident during the dating stage or during cohabitation. A partner who does a lot of impulse buying is not likely to change after a wedding without a discussion. To focus on goals they have for married life, it is important for the couple to discuss the goals and implement plans on how to achieve them.

The couple should also discuss the mechanics of paying bills and investing. Will they pay bills jointly, or will they divide responsibility? Even if only one person is responsible, they should both have knowledge of their finances.

Salary

Couples should be able to discuss their salaries as these are the funds that will be used to fund their future goals. It is also going to be revealed when they start to file joint tax returns, unless they choose the less favorable tax filing choice of married filing separately. Does one company offer better benefits that will save on expenses overall? By understanding the joint income flow they can begin to settle reasonable, achievable goals.

"Planning a financially sustainable married life needs upfront openness."

Assets

Currently held assets, like homes and rental properties are certainly advantageous. If either or both partners own a home, which will be the marital home? How will ownership be titled after the wedding? Are the couple participating in the company retirement plans or received stock options? Are investments accounts invested in ways with which they are both comfortable, or will they choose to have different asset allocations?

Having these upfront discussions should also lead to the wedding celebration itself being handled with a reasonable budget. According to The Zola First Look Report, the average cost of a wedding in 2025 is projected to be about $36,000 with a destination wedding being closer to $41,000. Though some couples may receive parental contributions to the wedding, planning a ceremony at a high cost will impact what is available for the future. Additionally, with the joint finances a couple should decide how bills and investing will be handled.

These conversations should lead to the couple having a better understanding of how their partner feels about money, allowing them to put a plan together to build a future based on their shared goals. Primary reasons quoted for divorce - or just marital unhappiness - are financial problems and communication issues. By discussing these items upfront couples are putting themselves in a better position for the marriage to be long-lasting.

One last thing to consider: request a professional Financial Plan as a wedding gift. It may not sound romantic, but it can be much more useful than another crystal vase.

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Staying Calm During Volatile Markets… Things to Consider

Sarah Vehap
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The current economic landscape can feel scary and unsettling. It presents unique challenges and opportunities for people making financial decisions. With the global economy influenced by tariffs, fluctuating markets, and changing interest rates, it is crucial to consider strategic approaches to help weather these conditions effectively. This article seeks to provide an overview of the current economic environment, portfolio diversification, evaluating risk tolerance, contemplating major purchases, and boosting savings.

Let's Start With the Current Economic Landscape

Tariffs and Trade Frictions

This year, the global economy has been influenced by diverse geopolitical factors, including tariffs and trade frictions. Recent tariffs imposed by major economies have created uncertainty in global trade, affecting market stability and consumer prices. These tariffs can lead to higher costs for goods and services (from cars to coffee!), impacting purchasing power and overall financial well-being.

Market Volatility

Additionally, market volatility remains a significant concern for investors. The stock market has experienced fluctuations due to geopolitical tensions, economic policies, and global events. Investors should think about strategies to reduce risks and to protect their investment portfolios from unexpected market downturns.

Interest Rates

Lastly, interest rates continue to be a hot topic partly due to the key role they play in investment and financial planning. The Federal Reserve's decisions on interest rates influence the returns on savings accounts, bonds, and other fixed-income investments. In 2025, interest rates have been relatively stable, but the potential for changes requires us to stay informed and to adjust financial plans accordingly.

Diversifying Investments

If there is one word that we love in the world of investment management and financial planning, it's diversification! It is a critical component for managing risk and optimizing returns – especially in a volatile market. This strategy involves allocating investments across various asset classes, sectors, and geographies. Please consider the following when assessing your own diversification.

- **Risk Management:** Diversification can help mitigate risk by spreading investments across a variety of assets. It's an important part in protecting your portfolio from market volatility.
- **Asset Allocation:** The appropriate asset allocation can be determined by your risk tolerance and investment goals. Consider including stocks, bonds, real estate, and alternative investments in your portfolio.
- **Geographic Diversification:** Look to invest in different regions to benefit from global growth, as well as reduce exposure to local economic risks.

Review your investment portfolio and consider conducting a thorough analysis to assess diversification. Identify adjustments and implement them as needed to align with your goals. Evaluate adding new asset classes, such as real estate or commodities, to gain diversification benefits. Lastly, rebalancing your portfolio on a regular basis can help to maintain the desired asset allocation and to manage risk.

Next, Let's Tackle Your Risk Tolerance

Risk tolerance is your comfort level with both volatile and calm markets. Do you get extremely upset when there is high movement in the markets, or do you shrug it off? Understanding your personal risk tolerance is essential during challenging economic conditions. It involves reassessing your investment strategy to align with your comfort level and financial goals. Items to keep in mind are market volatility, investment horizon, and your financial goals.

High market volatility may warrant a more conservative investment approach; you should evaluate your risk tolerance and adjust your portfolio accordingly. Consider your investment horizon - longer horizons can accommodate higher risk, while shorter horizons may require lower risk. Align your risk tolerance with your financial goals to ensure your investment strategy supports your long-term objectives and monitor your portfolio regularly.

It may be a good idea to collaborate with a financial advisor who can help determine an optimal investment strategy based on your risk tolerance and goals.

Paying Off Your Mortgage or Making a Major Purchase?

1. **Should You Pay Off Your Mortgage?** This could potentially provide financial security and reduce monthly expenses; however please consider your overall financial situation when thinking about this strategy.

   If your mortgage has a high interest rate, paying it off early can save significant interest costs. Conversely, if rates are low, investing extra funds elsewhere might yield higher returns. Ensure you have sufficient liquidity for emergencies and other financial goals before committing to paying off your mortgage. Consider the potential returns from investing the funds elsewhere versus the guaranteed savings from paying off the mortgage.

2. **Buying a Car** is a significant financial decision that requires careful consideration of various factors, especially in the current economic environment. Consider interest rates, depreciation, and alternative options. With interest rates remaining relatively high, financing a car purchase could be more expensive. Evaluate the total cost of financing and compare it with your budget. Cars typically depreciate quickly, so you may want to evaluate the long-term value of the vehicle and whether it aligns with your financial goals. Explore alternatives such as leasing or buying a used car to reduce costs. Leasing can offer lower monthly payments, while buying used can avoid the steep depreciation of new cars.

3. **Are You Contemplating a Real Estate Purchase?** Investing in real estate can provide income and capital appreciation, but it requires careful consideration of market conditions and personal financial goals.

   Real estate markets can vary significantly by location. Research local market trends, property values, and rental demand. High mortgage rates can have an impact on affordability. Evaluate whether current rates align with your budget and long-term financial plans. Decide between residential, commercial, or rental properties based on your investment goals and risk tolerance.

"By staying informed, seeking professional advice, and making thoughtful decisions, you can effectively manage risks and capitalize on opportunities."

Last But Not Least - Boost Savings if You Can

Increasing savings is often a prudent financial strategy, especially in uncertain economic times. It can provide a safety net and funds for future opportunities. Ensure you have an adequate emergency fund to cover unexpected expenses. Aim for three to six months' worth of living expenses. Define clear savings goals, such as retirement, education, or major purchases. Prioritize these goals based on your financial situation. Take advantage of high-yield savings accounts to maximize returns on your savings.

Conclusion

Navigating financial decisions in the current economic landscape requires careful consideration of various factors, including market conditions, interest rates, and personal financial goals. Whether deciding to buy a car, investing in real estate, or paying off a mortgage, individuals must adopt strategic approaches to optimize their financial situation. By staying informed, seeking professional advice, and making thoughtful decisions, you can effectively manage risks and capitalize on opportunities.

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Do I Need Travel Insurance?

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As we enter the summer months, many are taking off for domestic and international destinations. Flight delays and weather emergencies are frequent concerns, and they prompt consideration of travel insurance to protect the investment in your trip. It can be difficult to wade through the various types of travel insurance and decide what coverage is best for your trip. The most popular types of travel insurance are -

Trip Cancellation, Interruption and Delay Insurance coverage will reimburse you for your non-refundable pre-paid expenses if the cancellation, interruption, or delay is due to a specific eligible reason outlined in your policy. Examples of covered reasons include a family medical emergency, a work-related emergency, job loss, jury duty, severe weather or natural disasters, terrorism, and epidemics.

Trip Cancellation coverage reimburses for airfare, cruise fare, tour deposits and prepaid lodging rental if your trip is cancelled for a covered reason.

Trip Interruption coverage kicks in when your trip begins later or ends earlier than planned due to an eligible reason.

Trip Delay coverage reimburses expenses related to your trip being delayed for reasons outside your control. Typically, these delays occur when your flight is cancelled and rebooked for another day. Keep all receipts for meals, hotels, transportation, and other expenses incurred while waiting for your rebooked flight.

Travel Medical Insurance can pay for medical expenses if you get sick or injured on your trip – food poisoning or a sprained ankle. A primary travel insurance policy can be used immediately to cover medical bills during your trip. A secondary travel insurance policy may reimburse you after your existing health insurance coverage pays its portion. Your US health insurance plan may provide little or no coverage while abroad and Medicare does not provide overseas coverage.

Most travel medical insurance policies do not cover **pre-existing conditions** – medical conditions known before the travel insurance policy's effective date, such as high blood pressure, diabetes, cancer, and other conditions. There are specific policies available for travelers with pre-existing conditions.

Evacuation Insurance is coverage for unusual situations when you need medical transportation in addition to medical treatment. If you have a severe injury while skiing or contract an illness in a remote area, you may need to be transported to a hospital for appropriate care and transported home.

Lost, Stolen, Damaged or Delayed Luggage coverage is helpful if your checked luggage is lost or damaged. It also helps when the delivery of your luggage is delayed to the point that you must purchase clothes and necessities to continue with your trip. Please review the policy carefully if you are checking golf clubs, skis, or other sports equipment to confirm that your property is adequately covered.

Cancel For Any Reason Insurance (CFAR) allows you to cancel your trip for any reason you want – no hold backs. Examples of CFAR are – Foreseeable events, pre-existing medical conditions, pregnancy, fear of travel, or changing your mind. No surprisingly, it is an add-on to a travel insurance policy and is an extra expense. You will not receive 100% of what you have pre-paid for your arrangements. You will be reimbursed between 50% to 80% of your non-refundable prepaid expenses. Again, review the policy carefully to understand the extent of your coverage.

International Travel Insurance provides coverage for medical and dental emergencies while overseas, lost, or delayed luggage as well as delays, interruptions, or cancellations.

As its name suggests, **Cruise Travel Insurance** is helpful if cruise travelers encounter travel delays, missed connections or tours or if the cruise ship is disabled and cannot complete the voyage. Cruise travel insurance often includes medical coverage.

Your Credit Card May Include Travel Insurance as one of its benefits, so check the benefits by reading the fine print. Remember that you must use that specific credit card when booking or prepaying your travel arrangements to gain the coverage. Also, travel insurance coverage provided by your credit card may not include all the benefits of a stand-alone travel insurance policy.

Annual Travel Insurance is a policy for multiple trips during a twelve-month period and may be a less expensive and appropriate option for frequent travelers. Note – this insurance may not have trip cancellation coverage, so review the policy carefully. This policy may be helpful if you plan several trips over the next twelve months and you book at the last minute.

Car Rental Insurance is offered by rental agencies and can serve as a supplement to your own car insurance when driving a rental vehicle. Only certain drivers are covered by the rental agency, not just any family member or travel companion, so check with the rental agency prior to or at vehicle checkout. The coverages that rental agencies usually offer are collision, supplemental liability, personal accident, and personal effects. If you have existing car insurance, your coverage should apply when you are driving a rental car. If your credit card includes travel insurance, this coverage may layer on top of your auto policy, thus enhancing your coverage. For overseas travel, check all your insurance sources and consider buying a policy if you will be driving extensively.

"Cancel For Any Reason Insurance (CFAR) allows you to cancel your trip for any reason you want – no hold backs."

Do I Really Need Travel Insurance?

When you are planning your trip check the refund policies of the airline, cruise, hotel, or other service providers with whom you are booking your arrangements. Next, review the coverage provided by your credit card company and determine if these two sources are sufficient for your peace of mind if you are forced to cancel your trip. However, if you are planning an expensive trip or are concerned about potentially needing to cancel, then explore extra coverage.

Regarding medical travel insurance, the question is where are you headed? For domestic travel, your own health insurance policy should cover most situations. If you are going overseas, start by checking your existing health insurance policy and your credit card benefits for any coverage, then determine if an additional policy is right for you.

Cancel For Any Reason travel insurance may be a comfort, but may not be necessary unless there is a high possibility that you will need to cancel at the last minute.

For the best prices buy travel insurance within a few weeks of booking your trip. Travel insurance may be offered as an add-on when booking your airfare, accommodations, or vacation package. Major travel insurers include Travelex, Nationwide, Seven Corners, Berkshire Hathaway, Tin Leg, and Allianz Travel. To find a policy that meets your needs check out websites - TravelInsurance.com, Squaremouth.com or InsureMyTrip.com.

Whether you decide to purchase travel insurance or not, its consideration should be on your trip planning checklist! Bon voyage!

Home

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