GREAT PLAINS Trust

IN THIS ISSUE

Great Plains Gives Back

Our employees enjoy participating in the Red Bags KC program of giving gifts to children. Throughout November, our team selected presents from Rasean's wish list.

Red Bags KC is a charitable organization that supports foster children, low-income families, and at-risk youth during the holiday season.

The One Big Beautiful Bill Act Creates Planning Opportunities for Families

As 2026 approaches, the One Big Beautiful Bill Act (OBBBA) keeps many familiar Tax Cuts and Jobs Act (TCJA)-era rules in place—but it also reshapes several areas that can materially change what families can deduct and when it's smartest to claim those benefits.

The change that applies most broadly to taxpayers involves charitable giving. Under prior law, taxpayers who itemized could deduct charitable gifts (subject to existing percentage-of-AGI limits) with no additional floor. Beginning in 2026, OBBBA adds a 0.5% of AGI floor on itemized charitable deductions, meaning the first 0.5% of AGI in otherwise deductible gifts will not generate a tax benefit. As a result, the same charitable gift may yield a smaller deduction in 2026 than in 2025, even when total giving remains unchanged. These changes place a renewed emphasis on gift timing, bunching strategies, and the use of donor-advised funds. At the same time, OBBBA introduces a new charitable deduction for households who do not itemize. Starting in 2026, taxpayers who claim the standard deduction may deduct up to $1,000 (single) or $2,000 (joint) of cash contributions.

Estate and gift tax planning remains front-and-center as OBBBA increases the historically high lifetime transfer tax exemptions to $15 million per individual and $30 million per married couple in 2026, indexed for inflation. Transfers above these levels remain subject to a 40% federal estate and gift tax. While the immediate threat of a sharp exemption reduction has been deferred, future legislative uncertainty underscores the importance of proactive planning.

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Year-End Financial Planning Reminders

When will I receive my Statements and Tax Information?

- 1099 R tax forms will be mailed along with your annual statements by January 31, 2026.
- Forms 1099 B, Div & Int will be mailed no later than February 17, 2026.
- RMD notices will be mailed by January 31, 2026.
- IRA Form 5498 (reporting 2025 contributions) will be mailed by May 30, 2026.

IRA Contribution Limits

2025:

$7,000 ($8,000 if age 50 or older)

2026:
$7,500 ($8,600 if age 50 or older)

Due date for 2025 IRA and Roth IRA contributions is April 15, 2026

*Please include the tax year on all IRA contributions

OBBBA Article continued...

State and local tax (SALT) planning becomes more impactful under OBBBA as the SALT deduction cap temporarily increases from $10,000 to $40,000 beginning in 2025, with inflation adjustments through 2029. The expanded cap phases down at higher income levels and is scheduled to revert to $10,000 in 2030 absent further legislation. This creates a planning window for taxpayers in higher-tax jurisdictions to revisit deduction timing, income recognition, and coordination with passthrough entity SALT strategies.

One of the more widely discussed provisions of OBBBA is a new, temporary auto loan interest deduction available for tax years 2025 through 2028. The deduction applies to interest on loans for new personal-use vehicles (including certain cars, vans, SUVs, pickups, and motorcycles under 14,000 pounds) that are final-assembled in the United States. Deductible interest is capped at $10,000 per year and phases out based on modified adjusted gross income, beginning at $100,000 for single filers and $200,000 for joint filers. For some taxpayers, this provision may factor into decisions around vehicle selection, financing structure, and timing of purchases.

Finally, for business owners, OBBBA largely preserves the Section 199A qualified business income (QBI) deduction while expanding planning flexibility for higher-income taxpayers. Beginning in 2026, the QBI phaseout range increases from $50,000 / $100,000 to $75,000 / $150,000 (single/joint), allowing more room to manage taxable income before the deduction is fully limited or eliminated. In addition, OBBBA introduces a minimum $400 QBI deduction for taxpayers with at least $1,000 of active qualified business income, starting in 2026. These changes may create new opportunities to coordinate compensation, distributions, and income timing.

As always, the ultimate impact of these OBBBA changes will depend on your overall financial and tax profile—including income, deductions, business structure, and the timing of major decisions. We strongly encourage reviewing these provisions with your CPA or tax advisor before taking action, as eligibility rules, phaseouts, and documentation requirements may materially affect results. It may also be appropriate to update your financial plan for 2026 to reflect these changes—particularly with respect to charitable giving strategy, SALT coordination, estate planning, vehicle purchase and financing decisions, and income planning related to the QBI deduction—so your tax strategy remains aligned with your long-term objectives.

IRS Paper Checks Are Going Away: Here's What You Need to Know

Paper checks are more likely to get lost, stolen, altered or delayed. Electronic payments are safer than checks and reduce the risk of fraud. As of late 2025, the IRS is strongly encouraging payments made to the Federal government including for fees, fines, estimated tax payments and other tax payments be processed electronically. This change is part of a government-wide transition to electronic payments mandated by a recent Executive Order, effective September 30, 2025.

The IRS offers several secure and convenient electronic payment options. Go to https://www.irs.gov/payments to see what methods are available and choose the one that works best for you.

Helping the Next Generation Build Wealth with a Roth IRA

One of the most powerful — yet often underutilized — retirement tools is the Roth IRA. Funded with after-tax dollars, a Roth IRA allows investments to grow and be withdrawn tax-free in retirement. This makes it an especially effective savings vehicle for young people, who are often in lower tax brackets and have decades for compounding to work in their favor.

Eligibility Requirements

High school and college years are often when young people earn their first paycheck — through a summer job, part-time work, or an internship. That earned income is the primary requirement for contributing to a Roth IRA.

Annual contributions are capped at $7,500 (2026 limit), but contributions cannot exceed earned income. For example, if your child earns $3,000 in a year, they may contribute up to $3,000. If they earn $7,500 or more, they may contribute the full amount.

There is no minimum age to open a Roth IRA. For minors, parents or grandparents can establish a custodial Roth IRA and manage the account until the child reaches adulthood. The key requirement remains earned income — allowance or gift money does not qualify. Fortunately, even modest earnings from part-time work are often enough for high school or college students to get started. It is important to note that in some case, self-employment taxes (Social Security and Medicare) can apply so it's important to consult a tax professional regarding annual contributions.

Strategic Uses Beyond Retirement

While a Roth IRA is designed primarily for retirement, its flexibility compared to a Traditional IRA allows for several strategic uses along the way — advantages that can be particularly valuable for younger investors.

Emergency Fund Backup: Although it shouldn't replace a traditional savings account, a Roth IRA can serve as a secondary emergency resource. Contributions can be withdrawn at any time, providing peace of mind while still allowing unused funds to grow tax-free.

College Expenses: Roth IRAs can also help with education costs. Earnings withdrawn before age 59½ may avoid the 10% early-withdrawal penalty if used for qualified higher-education expenses such as tuition, fees, books, supplies, and room and board. Income taxes may still apply, but contributions can always be accessed tax- and penalty-free.

First-Time Home Purchase: Roth IRAs offer additional flexibility for first-time homebuyers. Up to $10,000 of earnings may be withdrawn tax- and penalty-free, provided the account has been open for at least five years. This can provide a meaningful boost toward a down payment.

These features make the Roth IRA more than just a retirement account — it can be a versatile tool that supports major life milestones along the way.

How Parents and Grandparents Can Help

One of the most effective ways to set the next generation up for long-term success is to help them start a Roth IRA early. While earned income is required, parents and grandparents can play an important role in how these accounts are funded and positioned.

Match Their Contributions

Similar to an employer match in a workplace retirement plan, parents or grandparents can offer to match a child's contributions. If a student earns $1,000 from a summer job and contributes $500 to a Roth IRA, a parent might add another $500. This reinforces positive habits while helping the account grow faster.

Fund in Place of Spending

Young people often prefer to use their earnings for experiences or personal purchases. One common strategy is to allow that spending while parents or grandparents contribute an equivalent amount to the Roth IRA. For example, if a teenager earns $3,000, the family may cover their spending while contributing $3,000 to the Roth. It's a way of balancing enjoyment today with saving for tomorrow.

Frame It as a Gift That Grows

Unlike traditional gifts, Roth IRA contributions have decades to compound. A relatively small amount today can grow into tens or even hundreds of thousands of dollars over time. Helping fund a Roth IRA is more than a financial gift — it's a meaningful head start and a lasting legacy.

Use a Custodial Roth IRA

For minors, a custodial Roth IRA allows parents or grandparents to open and manage the account until the child reaches adulthood. This structure makes it easy to begin as soon as earned income exists, even during high school.

Taking the first step can be as simple as opening a custodial Roth IRA and making a modest contribution. Whether you choose to match summer earnings, fund contributions in place of spending, or make a gift designed to grow for decades, starting early can make a meaningful difference. If you'd like help determining the best approach for your family, we're happy to help put the right structure in place.

***For a more in-depth version of this article, please visit our blog post: greatplainstrust.com/blog**

Market Commentary

U.S. equities demonstrated resilience into year-end, with the S&P 500 closing 2025 at a 16.39% total return, the third consecutive year of double-digit gains and just short of an all-time high. Performance was led by communication services (+32.41%), information technology (+23.31%), and industrials (+17.7%), reflecting continued momentum in AI investment and evolving government policy as the dominant market narratives of the year.

The final Federal Reserve Open Market Committee meeting of 2025 delivered the third rate cut of the year, lowering the federal funds target range to 3.50%–3.75%. While core inflation remained elevated at 2.6% in November, it marked the lowest reading since March 2021, signaling gradual progress toward the Fed's 2% objective. Meanwhile, labor market conditions softened, with unemployment rising to 4.6% in November — the highest level since September 2021. The Fed acknowledged moderate economic expansion and solid consumer spending but emphasized that cooling labor market risks now outweigh inflation concerns.

Updated economic projections reinforced this cautious optimism. The Fed expects 2025 real GDP growth of 1.7%, improving to 2.3% in 2026 and stabilizing near 2% in 2027, close to a 1.8% long-term trend. Unemployment is forecast to decline to 4.4% in 2026 and 4.2% in 2027, while core PCE inflation is expected to fall to 2.5% and 2.1%, respectively. Despite a volatile year, these estimates reflect the Fed's view that conditions are likely to normalize through 2026.

Consensus expectations for 2026 point to continued strength in corporate fundamentals, with analysts projecting S&P 500 earnings growth of approximately 15%, which is well above the trailing 10-year average of 8.6%. All 11 sectors are expected to contribute positive year-over-year earnings expansion, led by information technology (+28.6%), materials (+22%), and industrials (+15.4%). As in 2025, AI infrastructure investment remains the central driver of forecasted growth.

Stepping back from the data, 2025 was defined by elevated volatility and recurring bouts of investor fear, yet U.S. equities closed the year resiliently, reinforcing the value of staying invested with a long-term perspective. As we enter 2026, sustained AI-driven capital deployment, moderating inflation and stabilizing growth offer a constructive foundation for another year of positive market returns.

Our Mission

To be a premier provider of wealth management and trust services to families across generations. We shall deliver responsive, reliable, and informed service combined with a commitment to achieving the stated goals of our clients and their families. We shall, at all times, deal honestly and respectfully with all clients and associates.

GREAT PLAINS
Trust

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