Conway & Co.
Financial Services

Helping People Plan Their Financial Futures”

June 19, 2025

The One Big Beautiful Tax Bill Moves on to The Senate

In a close vote, the House passed the One Big Beautiful Bill Act by a vote of 215 to 214. In the last Perspective$ we provided a breakdown of the major points but suggested that changes would occur before the bill got passed. Here are the compromises made to get the bill passed.

- The bill settled on a $4 trillion increase in the debt ceiling which is important as the debt limit will be breached most likely in late July and early August. The tax bill will likely add $3.2 trillion to the national debt over the next 10 years.
- Currently, the deduction for State and Local Taxes (SALT) is $10,000 with the original version of the bill raising it to $30,000. That was increased to $40,000 for anyone making less than $500,000 and it phases out to $10,000 for those making more than about $620,000. The cap will also increase by 1% annually for the next 10 years.
- The “no taxes on tips” is included but is limited to $25,000 of income, but people still must pay Social Security and Medicare taxes on that income.
- The Medicaid work requirements were accelerated from January of 2029 to December of 2026.
- Clean energy tax credits from Biden’s Inflation Reduction Act are being curtailed earlier. Most EV tax credits will disappear by the end of this year.

- Private universities with a large endowment will now have to pay tax on a tiered system, potentially reaching up to 21% on net investment income which is up from 1.4% today.

Thus, Speaker Mike Johnson celebrated a week early as he promised to get it done by Memorial Day. Now the bill goes to the Senate where there are sure to be changes and further compromises. While Republicans would like to get something to the President's desk by July 4th, it will be a difficult but possible deadline to meet.*

Downsizing The IRS

While many citizens may cheer that workforce reduction at the Internal Revenue Service, those same folks may be disappointed in the future lack of service. It wasn't that the service was great or even good previously, but clearly it is going to get worse. Many probationary employees were let go in the first wave of downsizing soon after President Trump moved into the White House. Now a significant number have taken a retirement package in the face of a reduction in force which was recently initiated.

A second phase is expected after an evaluation is completed. The IRS will go from about 100,000 employees to somewhere between 60,000-70,000. It will take forever in many cases to have income tax returns evaluated, refunds processed, and phone calls answered. Yes, there will be cost savings, but at what cost to taxpayers? The IRS indicates that that they are going to "modernize" and that would a good thing, but between now and then it is likely to be painful.*

Image Source: Kiplinger.com

Qualified Charitable Deduction (QCD)

Now on 1099-R

Over the years, it has amazed us that reporting a QCD was cumbersome on a tax return. When you got your 1099-R from the custodian, it always showed how much you withdrew during the year, but it never showed the amount that went to charity.

First, you had to tell your tax preparer that a QCD was made; otherwise, the preparer wouldn't know. As a result, many paid taxes on these otherwise tax-free distributions. Sorry about being a cynic, but we also bet there were taxpayers that said it was a QCD when, in fact, it wasn't. We have never heard of anyone being challenged by the IRS to prove the payment was to a qualified charity.

But that is all about to change as the IRS has revised 1099-R to show those payments. If you are over 70 ½ you can make a QCD from your IRA and if over age 73 or higher, it will qualify for the Required Minimum Distribution (RMD) up to a maximum in 2025 of $108,000. No taxes are owed, but you must still make sure the 1099-R is correct. Here is a little-known opportunity. Did you inherit an IRA? Unless you are one of the five exceptions, a "normal" beneficiary must withdraw the money over the next ten years. Did you know that you can make a QCD from an inherited IRA just like a regular IRA if you are 70 ½ or older?*

Not All Boomerangs are in Australia

According to a Thrivent study, the trend of boomerang kids coming back home has been a phenomenon for many years and continues. Forty-six percent of parents with children 18-35 have said they have a child living back at home. Why? The cost of housing is the major stated reason. Inflation in general was ranked second, and unfortunately the third major reason is divorce.

For the most part, these children are not paying much if any at all. Thus, it is impacting the parents' financial goals with 39% saying vacations are shortened or skipped, 34% finding it harder to pay down debt, and 21% saving less. To illustrate the sandwich that the parents are experiencing, 8% indicated it was causing a problem for them to help their own parents.*

Women Worth Billions

How many billionaires exist in this exclusive club? According to Forbes, there are 3,028 billionaires in the world with 406 (13.4%) being women. One hundred and thirteen women created their own wealth, but only one from the top ten did. The rest inherited their wealth. Here are the top ten:

10. Gina Rhinehart, Australia, $30.1 billion, mining
9. Melinda Gates, United States, $30.4 billion, Microsoft
8. Marilyn Simons, United States, $31 billion, hedge funds
7. Abigail Johnson, United States, $32.3 billion, Fidelity
6. Savitri Jindal, India, $35.5 billion, steel
5. Rafaela Aponte-Diamant, Switzerland, $37.3 billion, shipping
4. Jacquelyn Mars, United States, $39.4 billion, candy and pet food
3. Julia Koch, United States, $74.2 billion, Koch, Inc.
2. Francoise Bettencourt, France, $91.7 billion, L'Oreal
1. Alice Walton, United States, $107.8 billion, Walmart

* Source: Provise Management Group, LLC

Time is (Mostly) on Your Side

From peak to trough, the S&P 500 (SPX) declined more than 20% this year. When you've been in this business a while you come to understand that corrections and bear markets are a fact of life – this isn't to say you shouldn't do everything you can to avoid getting caught in them – but you learn that no matter how bad the headlines are, the market eventually recovers. However, for the uninitiated drawdowns like the one we experienced this year can be gut-wrenching, especially during periods like early April when the S&P dropped more than 12% in five trading sessions. As it turned out, the recovery was similarly swift as SPX rallied more than 9.5% in a single day. No matter how often this pattern repeats it seems it is the lessons of the past are often forgotten at the next downturn. This is why why we thought it might be helpful to provide some statistics about long-term returns and drawdowns that you can use next time you need to provide some perspective for your clients.

On any given day, the odds that the market will be up or down are relatively even. But we know that over the long-term the market tends to go up. As a result, the longer you stay invested, the better the odds are that your investment will be profitable. To get a better idea the probabilities, we looked at the outcome of investing in the S&P 500 everyday since the beginning of 1950. Over the last 75 years, if you put money into the S&P on any given day, the odds that your investment would have gone up a month later were 64%; a year later those odds rise 79% and by 10 years out the odds that you'd have a gain had risen to 97%. And at the 20-year mark, you would have had a gain 100% of the time, with an average cumulative return of 730%. Said another way, if you invested in the S&P 500 anytime in the last 75 years – whether it was the day after Black Monday in 1987 or just before the dot com bubble burst – 20 years later you had a gain.

S&P 500 Holding Period Returns 1950 - 2025

	1 month	1 year	5 years	10 years	20 years
% Positive	64%	79%	93%	97%	100%
Average Return	1%	13%	78%	201%	730%
Median Return	1%	14%	76%	185%	546%
Max Return	25%	78%	299%	513%	2874%
Min Return	-32%	-47%	-34%	-38%	119%

Data from 1/2/1950 through 6/4/2025. Returns are cumulitive for holding period All returns are total return, inclusive of dividends.

Of course, just because the S&P reliably produced gains over the long term, doesn't mean it always smooth sailing. We often think of volatility in negative terms, but it is also the source of all (excess) returns. With an asset like equities with an upward bias, volatility tends to work in your favor over time. But it is a double-edged sword as more time also increases the odds of a significant drawdown. Since 1950, over any given 20-year holding periods, the S&P 500 has experienced a 20% drawdown 100% of the time. While for a one-year holding periods, the odds of a 20% drawdown were about 50/50. So, while time increases our odds of a positive investment, it also increases the chance of a major drawdown and for buy-and-hold investors it is all but an inevitability.

S&P 500 Odds of a 20% Drawdown by Holding Period 1950 - 2025

Holding Period	1 month	1 year	5 years	10 years	20 years
Odds of 20% Drawdown	0.40%	51%	69%	94%	100%

This is not to say that you should resign yourself or clients to just riding the market up and down year in and year out, if you can effectively use tactical management to cut off some downside, you can greatly improve your performance. But, if you have clients who are constantly nervous about putting money to work or on the verge of a meltdown every time the market falls 5%, hopefully, understanding that the S&P has had major drawdowns and still consistently delivered positive returns will help put them at ease.

WEEK ENDING 6/13/2025

(CUMULATIVE TOTAL RETURNS)

Equities[1]	Week	YTD	1-Year	Close
S&P 500	▼ -0.36%	▲ 2.2%	▲ 11.5%	5,977
DJIA	▼ -1.30%	▼ -0.0%	▲ 11.1%	42,198
NASDAQ	▼ -0.61%	▲ 0.8%	▲ 10.6%	19,407
Russell 1000 Growth	▼ -0.50%	▲ 1.2%	▲ 12.7%	4,080
Russell 1000 Value	▼ -0.47%	▲ 3.1%	▲ 11.1%	1,863
Russell 2000	▼ -1.45%	▼ -5.2%	▲ 4.5%	2,101
Foreign Stocks	▼ -0.17%	▲ 18.0%	▲ 15.5%	
Emerging Markets	▲ 0.76%	▲ 12.2%	▲ 14.0%	

Top Three S&P 500 Equity Sectors[1]	YTD
Industrials	▲ 8.6%
Utilities	▲ 8.3%
Communication Services	▲ 6.1%

Bottom Three S&P 500 Equity Sectors[1]	YTD
Consumer Discretionary	▼ -6.4%
Health Care	▼ -0.6%
Information Technology	▲ 1.3%

Bonds[1]	Week	YTD	1-Year	Yield
10-Yr. Treasury	▲ 0.85%	▲ 3.4%	▲ 2.8%	4.41%
US Bonds	▲ 0.67%	▲ 2.7%	▲ 4.0%	4.71%
Global Bonds	▲ 0.81%	▲ 6.1%	▲ 6.9%	3.58%
Munis[2]	▲ 0.25%	▼ -0.8%	▲ 0.6%	4.02%

Market Indicators[3]		As of
Fed Funds Target	4.50%	6/13/2025
Inflation (Core CPI)	2.80%	5/31/2025
Unemployment	4.20%	5/31/2025
GDP	-0.20%	3/31/2025

Past performance is no guarantee of future results. Indexes are unmanaged and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

*Source Franklin Templeton

Franklin Distributors, LLC is a Franklin Templeton company.

We would like to invite you to visit our website at your convenience at www.conwayfinancialservices.com. There is a wealth of information on our website including but not limited to: Markets At A Glance, Market Portfolios, Market Charting, Tax Library, Articles, Videos, Retirement & Investment Planning, and Life Planning & Insurance.

As always, we encourage you to give us a call if you would like to discuss anything further. We will visit again soon. Proudly and successfully serving our clients for 58 years.

Conway & Company Financial Services (252) 522-3191

Mark I. Conway ext 203 miconway@conwayfinancialservices.com

Mark R. Conway ext 204 mrconway@conwayfinancialservices.com

Brent F. Hayes (910) 509-7230 brent.hayes@strategicinvestmentsnc.com

Matt Worthington ext 221 mworthington@conwayfinancialservices.com

Brittany Smith ext 222 bsmith@conwayfinancialservices.com

Amanda Tyndall ext 223 atyndall@conwayfinancialservices.com

P.S. If you think this type of information would be of benefit to anyone you know, please share this communication with them.