INSIGHTS NEWSLETTER

ISSUE 2 | 2025

Before coming to us, many of our clients had done a great job saving and investing but still carried a quiet question in the back of their minds: *Am I missing something? Is there more I should be doing?* More confidence in decisions. More clarity about the future. More possibilities for what's next.

That's where we come in.

At Cornerstone, we're not just financial planners — we're lifelong partners committed to helping you thrive in every season of life. This issue of *Insights* reflects that commitment, with updates on topics that may shape your future — including the power of trusts, new tariff legislation, pending tax bills, and the value-added insights of working closely with other financial professionals.

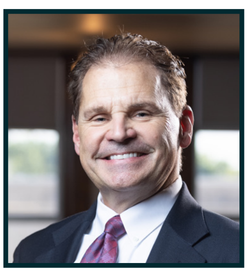
What sets us apart is simple — and powerful:

- **Rooted in Experience:** Over 30 years guiding clients to the retirement they've always imagined.
- **Team Strength**: 140+ years of combined team experience – you have an entire team working behind the scenes to watch over every detail.
- ***Trusted Expertise:** Our wealth advisors hold the CFP® designation, which means they meet the highest standards in financial planning and always put your best interests first.
- **Comprehensive Care:** We manage the five key areas of your plan — investments, taxes, retirement income, estate strategies, and risk management.
- **Thoughtful Oversight:** Our investment committee monitors and adjusts your portfolio with the input of internal and external specialists.
- **Above all:** We treat you like family.

Your story matters to us — and we're here to help you make the most of everything you've worked for.

Let's dive in.

IN THIS ISSUE



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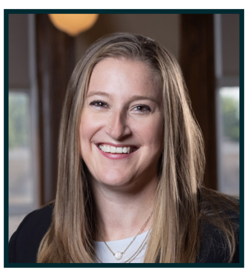

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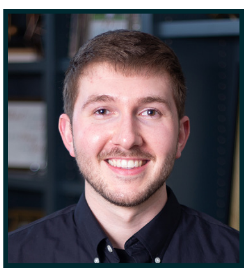

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WHAT'S GOING ON WITH TARIFFS

From renewed negotiations to legal challenges and sector-specific hikes, trade policy continues to drive headlines and make 'vacation season' seem somewhat less relaxing than usual.

To add more uncertainty to an already chaotic mixture, the U.S. Court of International Trade ruled on May 28 that the blanket tariffs President Trump is seeking to impose are beyond his authority and are therefore illegal. As you'd expect, the White House quickly appealed that ruling, which was then paused by the U.S. Court of Appeals. For the moment, that means the president may continue levying tariffs as he sees fit.

Because of all this, we can expect more tariff-related market volatility for the foreseeable future. At Cornerstone, we will continue to be alert and prepared moving forward.

Here's What You Need to Know

Over the past few months, the U.S. administration has taken steps to restructure how we trade with other countries, including implementing or increasing tariffs on a wide range of imports. While past tariff battles were headline-grabbing and short-lived, what's unfolding now is a more layered, sustained policy shift.

Key changes include:

Higher tariffs on key imports: Recent changes raised tariffs on steel and aluminum from 25% to 50% and proposed increases on foreign-made autos and auto parts.

Industry-specific focus: New tariffs are being drafted on semiconductors and pharmaceuticals, with a potential 25% baseline rate. Timing remains uncertain, but summer announcements are expected.

"Reciprocal" tariff proposals: Countries that maintain tariffs on U.S. goods are facing matching tariffs. China, the EU, and others are in talks to avoid additional hikes.

Legal questions remain unresolved: A court ruling in late May challenged the authority to impose sweeping tariffs without congressional approval—but that ruling is on hold pending appeal.

Why This Matters

Tariffs aren't just about economics—they affect everything from the prices you see at the store to the performance of your investments. More immediately, they're creating a climate of uncertainty, which the market doesn't like.

Many of the tariffs have only been paused, not canceled entirely, which means we could still see them rise again.

Volatility is up: Trade headlines continue to contribute to wide market swings.

Consumer sentiment is softening: Travel, retail sales, and hiring plans are showing signs of hesitation, potentially tied to concerns over inflation and trade policy.

Spending shifts: Households are advancing purchases, delaying big expenses, or saving more in anticipation of possible price hikes.

What's Next?

None of this is unexpected. Market fluctuations tied to trade policy are not new, and we design our investment strategies with this uncertainty in mind. We expect changes to unfold, likely country by country and sector by sector. Some nations, like the U.K., have already struck deals with the U.S. Others are negotiating extensions or partial exemptions to avoid higher rates. Talks with the EU, Mexico, India, and South Korea are active, but progress is mixed.

The result? More headlines, more policy adjustments, and likely more volatility through the summer.

FAST FACTS
About the Current Tariff Landscape

- The U.S. has imposed:
  - 50% tariffs on steel and aluminum
  - 25% tariffs floated on foreign-made autos
  - ~55% total tariff rate on certain goods from China (layered across several mechanisms)
- Affected countries include: China, Mexico, the EU, South Korea, and others
- July 8–9: Expiration of the 90-day tariff pause
- August 12: China-specific tariff pause deadline

KEY TAKEAWAYS

- **Higher tariffs are in place or in development** for steel, autos, pharmaceuticals, and more.
- **Legal rulings have challenged the president's authority** to impose blanket tariffs—but those rulings are under appeal, so policies remain in effect for now.
- **Markets are responding to uncertainty**, not just the policies themselves.
- **Your plan is built with this kind of volatility in mind.** Our team continues to monitor these developments and evaluate what, if anything, should change in your portfolio strategy.

Summary on next page

In Summary

We understand that hearing about tariff hikes and market volatility - again - can be exhausting, and nobody knows for sure how long it will last or the ultimate effect on the economy. We do know it's always a matter of when we will see a downturn or volatility in the markets, not if. So, our Investment Committee continually stress tests our portfolio makeups against varying market conditions and continues to follow our investment process and not emotions throughout market cycles.

At the end of the day, what's most important is that you reach the goals we've set forth in your plan. Instead of reacting to the latest headlines, consider these key questions:

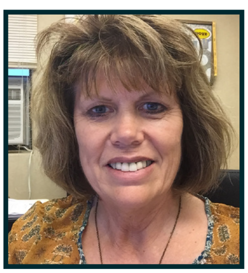
1. If I get out of the market now, how will I know when it's time to get back in?
2. Would I rather ride out a short-term correction or risk missing a long-term rebound?
3. Do I truly want to sell investments I believe in, knowing I may need to repurchase them at a higher price later?

Sources:

- Raymond James Washington Policy Update, June 2025
- Raymond James Investment Strategy Slide Deck, June 2025
- "Trade & Tariff Update," U.S. Research, May 2025
- "Tariffs and Market Reactions," Bill Good Marketing Advisors, April 2025

Addressing the Need for Easier & More Affordable Tax Preparation

At Cornerstone Financial Solutions, we continually look for ways to better serve our clients. One common challenge we've heard is the difficulty of finding **a trusted, affordable *CPA* for simple tax returns**. Many tax professionals focus on complex returns, making it hard for individuals and families to find expert help at a reasonable price.



Meet Lesa Hommes, CPA: Your Trusted Tax Expert

Lesa's Background and Experience

- Earned CPA license in 2000.
- 8 Years full time in the tax industry. 25 Years in Controller roles at large corporations and freelancing in tax preparation and planning.
- Specializing in helping individuals, families, and small business owners navigate tax season with confidence and ease.

Key Benefits To You

Affordable & Transparent Pricing

✔ Competitive rates for professional tax services
✔ Exclusive discount for Cornerstone clients – just $58.50 per hour

Seamless Tax & Financial Coordination

✔ Tax strategies aligned with your overall financial plan
✔ Seamless collaboration with the Cornerstone Team

Personalized Tax Guidance

✔ Supporting both simple and complex tax returns
✔ Customized support whether you need a simple return or additional tax advice.

Exclusive Offer for Cornerstone Clients

While Lesa's services are open to everyone, Cornerstone clients receive special pricing - just $58.50 per hour

Our goal is to make high-quality financial services more accessible and beneficial.

Download our Referral Partner Brochure for Lesa's contact information as well as other CPAs, attorneys, and trusted professionals in key areas to support your goals.
https://mycfsgroup.com/referral-partners

WHAT'S INSIDE THE ONE BIG BEAUTIFUL BILL?

Passed by the Senate and signed into law by President Trump on July 4th, the "One Big Beautiful Bill Act of 2025" includes a tax package that addresses the provisions of the 2017 Tax Cuts and Jobs Act (TCJA) set to expire at the end of 2025. It also includes new tax relief for seniors, expands 529 education plans, addresses state and local tax (SALT) deductions and more.

The legislation does not contain any changes directly related to IRA or retirement plan rules. For example, there are no changes to retirement account contribution limits or new Roth contribution rules. (This doesn't mean there won't be tax legislation later this year that could include retirement changes.) However, there are several provisions in the new law that may have an indirect impact on retirement savings decisions.

Reduced Federal Income Tax Rates Extended Permanently

The reduced federal individual income tax rates, originally enacted in the 2017 Tax Cuts and Job Act, are extended permanently. This will expand the opportunity to do Roth IRA conversions at low brackets for future years.

Estate and Gift Tax

The base federal estate and gift tax exclusions are reset at $15 million per person, or $30 million for a married couple with portability. The generation skipping transfer tax (GSTT) also increases to $15 million but isn't portable.
These rates are effective in 2026 with annual inflation increases for subsequent years.

20% Qualified Business Income Deduction (QBI)

The QBI deduction for self-employed and small business owners is permanent and income limitations have been expanded. Roth conversion planning around this deduction requires walking a fine line on how much to convert, since the conversion income can either increase the QBI deduction (by raising taxable income) or eliminate the deduction (by raising income so much that it exceeds the QBI income limits).

Standard Deduction Increase

For 2025, the standard deduction increases to $15,750 (from $15,000) for individuals, and $31,500 (from $30,000) for married filing jointly. There are annual inflation increases for subsequent years.

$6,000 Extra Senior Deduction

There is a new $6,000 addition to the standard deduction for seniors aged 65 and older for years 2025-2028. This is per person, so a married couple could deduct up to $12,000 if each spouse is aged 65 or over. This is in addition to the regular standard deduction AND the extra deduction for those aged 65 or blind. This new deduction will also be available to seniors who itemize.

The deduction phases out beginning with modified adjusted gross incomes of $75,000 for individuals and $150,000 for married filing jointly (MFJ). It phases out completely at $175,000 / $250,000.

Observations:
Married couples who qualify can reap a total deduction in 2025 of $46,700. This equals the standard deduction ($31,500), plus the extra standard deduction for age 65 or blind ($1,600 x 2 = $3,200), plus the new extra senior deduction ($6,000 x 2 =$12,000).

Whether Social Security benefits are taxable depends partly on modified AGI. This deduction is not an above-the-line deduction. It lowers taxable income, not AGI. So, it will not reduce or eliminate the taxable amount of Social Security benefits. The deduction reduces taxes on all income, even if there is no Social Security income.

Roth conversions can push you over these phase-outs. So, this is another factor in the complicated Roth conversion decision-making process.

Taxpayers with income below the $75,000 / $150,000 limits will be in relatively low tax brackets, so the potential loss of a $6,000 deduction at their highest rate of 22% would cost $1,320 in taxes. In the long run, the Roth conversion might still be worth it.

This provision is just one of the many new tax breaks that come with income limits. Deductible contributions to retirement accounts or Health Savings Accounts (HSAs) as well as Qualified Charitable Distributions (OCDs) can help reduce income.

Continued on next page

SALT (State and Local Tax) Deductions for Itemizers

The SALT deduction is increased to $40,000, effective for 2025-2029, with a 1% increase each year. In addition, some pass through business owners can work around the $40,000 limitation and get unlimited SALT deductions.

Marriage penalty:
The $40,000 deduction is the same for married and single individuals. Two single taxpayers could each qualify for the $40,000 deduction, depending on income levels.

Income limitations:
The $40,000 deduction begins phasing out at $500,000 (for both single and married), and phases out completely at $600,000, reverting to a maximum $10,000 deduction. A taxpayer with an income of over $600,000 would lose $30,000 of the SALT deduction.

Observations:
These higher SALT deduction levels could allow more taxpayers (especially in high tax states) to itemize their deductions for 2025-2029, since the $40,000 limit is higher than the current standard deduction for many people. For those who qualify, timing and bunching of other itemized deductions (for years 2025-2029), like charitable contributions, could add to the tax savings, allowing more opportunity to offset taxable Roth conversions.

Contributions to retirement accounts or HSAs or doing QCDs could lower AGI for those nearing the $500,000 SALT phase-out threshold. Only IRA owners (and beneficiaries) age 70 ½ or older qualify for QCDs.

Reduction of Itemized Deductions for Those in the 37% Tax Bracket - Effective in 2026

Those in the 37% tax bracket who may qualify to itemize (for example, by qualifying for the increased SALT deductions) will have their itemized deductions reduced by limiting the tax benefit to 35% (instead of the full 37%).

Charitable Deductions for Non-Itemizers - Effective in 2026

Taxpayers taking the standard deduction will now be able to make deductible charitable contributions, up to $1,000 for individuals and $2,000 MFJ. Itemized deductions for charitable contributions will be reduced by 0.5% of AGI.

The deduction can reduce the tax cost of Roth conversions.

Tax Deduction for Tips - Effective for 2025-2028

Maximum deduction is $25,000. The same $25,000 limit applies to both married and single taxpayers.

Income limitations: Phases out when income exceeds $150,000 for individuals, $300,000 for married filing jointly.

Tax Deduction for Overtime - Effective for 2025-2028

Maximum deduction is $12,500 for individuals/ $25,000 for married filing jointly.

Income limitations: Phases out when income exceeds $150,000 for individuals, $300,000 for married filing jointly.

Child Tax Credit - Effective 2025

Permanently increases to $2,200 per child, effective in 2025, and beyond with annual inflation increases.

Income limits remain the same at $200,000 (individuals), and $400,000 (married filing jointly).

Trump Accounts

Effective July 4th, 2026, parents and others can contribute up to a total of $5,000 per year on behalf of a child. Contributions by employers and nonprofits are also permitted.

Accounts for babies born between January 1, 2025 and December 31, 2028 will be seeded with a one-time government contribution of $1,000.

While we are familiar with the tax provisions of the issues presented herein, as financial advisors of Raymond James, we are not qualified to render advice on tax matters. You should discuss tax matters with the appropriate professional.

If you'd like to discuss how potential tax law changes may affect your situation, please feel free to contact us for an appointment or be sure to ask at your next review appointment.

IS A TRUST RIGHT FOR YOUR FAMILY?

Trusts can be powerful tools for preserving wealth, managing taxes, and supporting your loved ones through life's uncertainties. Whether you're years from retirement or helping aging parents navigate estate planning, it may be time to consider how trusts could fit into your financial plan.

What Is a Trust and How Does It Work?

A trust is a legal arrangement in which one party (the grantor) entrusts another party (the trustee) to manage assets for the benefit of a third party (the beneficiary).

- Example: A parent may name a trusted sibling as the trustee for a brokerage account held on behalf of their children.
- Flexibility: The same individual can sometimes act as grantor, trustee, and beneficiary.
- Low Maintenance: Once established, many trusts require minimal annual effort to maintain.

Key Benefits of Trusts

Trusts offer more than tax advantages—they can:

- Avoid the delays and public exposure of probate
- Provide immediate access to assets for beneficiaries
- Align with personal, family, or charitable goals
- Offer varying degrees of control, flexibility, and protection

Types of Trusts You Should Know

Living Trusts

Living trusts are created during the grantor's lifetime and used to manage assets and direct distribution after death.

- Revocable Living Trusts: Can be altered or revoked; often used to avoid probate.
- Irrevocable Trusts: Cannot be changed, but may offer asset protection and tax benefits.

Marital Trusts

Common in blended families, marital trusts help ensure a surviving spouse is provided for while also directing assets to children from a prior relationship. They may also reduce estate taxes in certain situations.

Special Needs Trusts

These trusts support a loved one with a disability while preserving eligibility for public benefits. They can provide supplemental income or services without affecting aid eligibility.

Life Insurance Trusts

A life insurance trust holds a policy on the grantor's life. Upon death, the proceeds can be used to cover taxes or expenses, with any remainder distributed according to the grantor's wishes—outside of the taxable estate.

Charitable Trusts

These trusts let you support a cause while also meeting another financial goal, such as generating income during retirement. They can be powerful tools for legacy planning.

Avoiding Probate with Trusts

One of the most compelling reasons to consider a trust is its ability to bypass probate. Assets held in trust can be distributed immediately upon death—privately and efficiently—unlike probate assets, which become part of the public record and can take months to settle.

Is a Trust Right for You or a Loved One?

Trusts may be helpful even if retirement is still years away—especially if you:

- Have young children
- Want to provide for a spouse
- Wish to support a charitable cause
- Have a growing estate or complex assets

Even if you don't need one today, your parents or other family members might benefit from starting the conversation. Trusts can be complex—but you don't have to navigate the process alone.

Want to find out how trusts, asset titling, and beneficiary designations may help reduce taxes, avoid probate, and ensure a smoother transfer of wealth to your heirs?

Join us for

Beyond Your Will:
A Practical Estate-Planning Discussion

SIOUX FALLS: September 2 | 6:15pm
Holiday Inn Sioux Falls City Center
100 W. 8th St. – Downtown Sioux Falls

HURON: September 4 | 6:15pm
Huron Community Campus
333 9th St. SW

A QUICK PRIMER ON TRUSTS

A trust is simply a legal document that acts as a container to hold or own property, cash, securities, or other items of value. **A trust protects the things you put underneath it.** There are three parties to a trust: The first is who establishes the trust, called the trustor or grantor. The second is the trustee who manages and carries out the terms of the trust. Finally, there is the beneficiary who receives the benefits of the trust, either in the form of income or outright distribution of property.

Types of Trusts

There are many different trusts you can have, but they all fit in one or more of the following categories:

- **Living or testamentary** - a written document where your assets are provided to an individual as a trust for use and benefit in their lifetime. Upon the trustor's death, the named trustee will handle the affairs.
- **Revocable** - this can be changed/terminated by the trustor during their lifetime.
- **Irrevocable** - this cannot be changed by the trustor once established.
- **Funded** - the assets have been legally transferred into the trust.
- **Unfunded** - the trust is legally created, but considered inactive without assets.

Why You Should Consider a Trust

- Having a trust can help avoid the need for probate, saving time and money for the beneficiaries.
- A trust allows you to establish specific guidelines for how your assets are distributed.
- A trust can help reduce estate taxes and ensure more of your assets go to your beneficiaries.
- A trust can protect your assets from creditors, lawsuits, or potential mismanagement of beneficiaries.
- Privacy is an underappreciated aspect of trusts, as assets listed in a trust are not public record.

Potential Trust Issues

- Failing to fund the trust completely or properly.
- The named trustee dies without a proper mechanism for appointing a new one.
- Unhappy beneficiaries challenging the trust.
- Fraud due to coercion, embezzlement, or forged documentation.
- Selecting an inappropriate trustee, such as naming a beneficiary to the role. This can lead to conflicts of interest.
- Failure to update to reflect the trustor's wishes and laws of the land.
- Not disclosing all relevant information.

Time, Money, Privacy

are why a trust could be better than a will. A will generally has to go through probate to ensure every aspect is followed per your instructions. This can cost a lot of time and money for your beneficiaries. Without a trust, the probate court will also make your personal property **public record**. You can use a trust to keep your information private while also protecting your assets from creditors.

Take Action Now

Avoid issues by establishing or updating your trust now while you are still mentally sharp as a tack. Your state of mind can change over time and you want things in place before you're unable to make clear decisions.

As a primer, this certainly does not cover everything to know about trusts. If you have any questions about how a trust might be of benefit to you and your estate planning, let 's talk soon.

Cornerstone is pleased to bring you this article by Ed Slott and Company, LLC. *Gordon's membership in Ed Slott's Elite IRA Advisor Group™ helps keep the professionals at Cornerstone on the cutting-edge of retirement planning, tax law, and IRA distribution strategies. Through continuous training with Ed Slott and his team of IRA Experts, we receive real-time updates on tax code changes and retirement planning regulations, and access to specialized guidance for complex cases. This is just one of the tools in our arsenal to help Cornerstone clients avoid unnecessary taxes and fees!*

PLANNING FOR MULTIPLE BENEFICIARIES

When should you name more than one beneficiary? When you want your IRA assets to go to more than one person or entity without having to incur additional fees or paperwork by maintaining separate accounts for each beneficiary.

STEP 1: **Due date for designated beneficiaries.**
September 30 of the year following the year of the IRA owner's death is the date designated beneficiaries are determined for purposes of post-death stretch and/or 10-year payments.

STEP 2: **Due date for non-designated beneficiaries.**
These beneficiaries should be cashed-out before the September 30 date mentioned above. These beneficiaries include charities, estates and non-qualifying trusts since they have no measurable life expectancies. If they are not cashed out in time, they could prevent eligible designated beneficiaries from being able to stretch out distributions.

STEP 3: **Due date for separate inherited IRAs.**
These should be established and funded for each designated beneficiary by December 31 of the year following the year of the account owner's death. These accounts must retain the decedent's name as part of their title and include language identifying them as "inherited" or "beneficiary" accounts, but they must use the beneficiary's Social Security Number for reporting purposes.

STEP 4: **Maximize the stretch.**
Each eligible designated beneficiary identified by September 30 can utilize his or her own single life expectancy to maximize the stretch IRA if a separate account is established and funded by December 31. The single life expectancy factor is determined in the year following the year of the account owner's death. Going forward, the factor is simply reduced by one each year (unless the sole beneficiary is the spouse, in which case he/she re-determines his/her life expectancy each year).

STEP 5: **What if you don't split the account in time?**
By not splitting the account in time, eligible designated beneficiaries could lose the ability to stretch payments and could be saddled with a 10-year payout requirement.

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