GWM Monthly Newsletter

Gauthier Wealth Management

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Happy December! Inflation continues to decline to an annual rate of 2.8 percent in September from 2.9 percent in August. This is for the core personal consumption expenditures (CPE) price index, the preferred measure of inflation for the Federal Reserve. Additionally, private payrolls for November declined by 32,000 jobs in November, the biggest decline in 2 ½ years, according to ADP. The forecast by economists according to Reuters was for an increase of 10,000 jobs. With inflation weakening and the job market softening, there is now an almost 90 percent probability of the Federal Reserve cutting interest rates in December. I hope you and your family have a wonderful holiday season. Merry Christmas!

All the Best, Jon Gauthier, President, GWM

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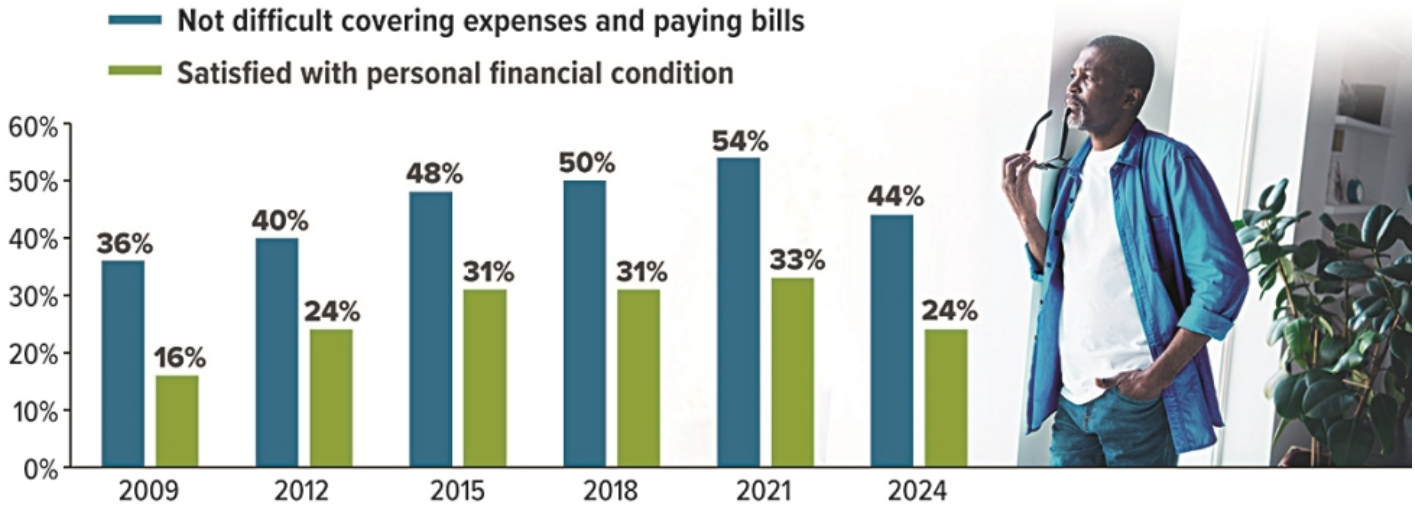
Financial Well-Being Declined in 2024

A survey of financial capability conducted every three years found a substantial decline in many key measures from 2021 to 2024, a period of high inflation. Two-thirds of U.S. adults said that higher food expenses had caused them to cut back on other spending, and one in four reported spending more than their income. The percentage who said it was not difficult to cover expenses and pay bills dropped significantly, as did the percentage who were satisfied with their personal financial condition.

It's noteworthy that the highest point in both measures over the past 15 years came in 2021, a time when government stimulus payments and lower spending during the pandemic led to higher saving rates.



Sources: FINRA Investor Education Foundation, July 2025; U.S. Bureau of Economic Analysis, 2025

Key Tax Law Changes to Higher Education Coming Soon

The One Big Beautiful Bill Act (OBBBA), signed into law in July 2025, includes many provisions that affect higher education. Here are some key changes and the implications for students, parents, and colleges.

New borrowing limits and payment pause rules

Parent PLUS Loans. Starting July 1, 2026, Parent PLUS Loans will have a $20,000 annual limit and a $65,000 total limit per dependent student. (Currently, parents can borrow up to the full out-of-pocket cost of their child's undergraduate education.) There is a grace period for parents of undergraduate students who are currently borrowing under this program.

Grad PLUS Loans. Starting July 1, 2026, the Grad PLUS Program will be eliminated. It will be replaced by new graduate loans under the existing Direct Loan Program, with new loan limits: $20,500 per year and $100,000 total for graduate students and $50,000 per year and $200,000 total for professional students (these limits do not include undergraduate loans). There is a grace period for students who are currently borrowing under this program.

Direct Loans. Starting July 1, 2026, there will be a new lifetime student loan borrowing cap of $257,500. This limit applies to undergraduate and graduate loans, not Parent PLUS Loans. Also, starting July 1, 2027, the economic hardship and unemployment deferments will be eliminated, and a forbearance (a payment pause due to short-term financial difficulty) will be limited to a single nine-month pause every 24 months.

New student loan repayment plans

OBBBA significantly alters the landscape of federal student loan repayment programs. The Saving on a Valuable Education (SAVE) Plan, the Pay As You Earn (PAYE) Plan, and the Income-Contingent Repayment (ICR) Plan will be phased out and eliminated by July 1, 2028. Borrowers currently enrolled in one of these repayment plans must transition to a new plan by July 1, 2028.

In addition, the legislation creates two new repayment plans as of July 1, 2026: the Standard Repayment Plan and the Repayment Assistance Plan.

Standard Repayment Plan. In the past, fixed monthly payments were spread over 10 years. Under the new Standard Repayment Plan, the amount of time a borrower has to repay a student loan depends on the loan balance:

- Less than $25,000 — 10 years
- $25,000 to less than $50,000 — 15 years
- $50,000 to less than $100,000 — 20 years
- $100,000 and over — 25 years

Repayment Assistance Plan. The Repayment Assistance Plan (RAP) is a new income-based repayment (IBR) plan that sets monthly loan payments as a percentage of a borrower's adjusted gross income (AGI). This plan is only available to undergraduate and graduate students, not parents. After 30 years of on-time payments, all remaining debt is forgiven. (Current federal IBR plans forgive remaining debt after 20 or 25 years.) A bright spot: payments are applied first to interest, then to fees, then to principal, and if the required payment is less than any new interest that accrues, the extra interest is waived.

For married borrowers who file a joint federal income tax return, their joint AGI is used. And the monthly payment will be reduced by $50 for each dependent listed on a borrower's federal income tax return.

Repayment Assistance Plan: Monthly Payments Based on AGI

$10,000 or less AGI — $10	$30,001 to $40,000 AGI — 3%	$70,001 to $80,000 AGI — 7%
$10,001 to $20,000 AGI — 1%	$40,001 to $50,000 AGI — 4%	$80,001 to $90,000 AGI — 8%
$20,001 to $30,000 AGI — 2%	$50,001 to $60,000 AGI — 5%	$90,001 to $100,000 AGI — 9%
	$60,001 to $70,000 AGI — 6%	$100,001 and over AGI — 10%

Source: Department of Education, 2025

Miscellaneous provisions

New Workforce Pell Grant. Starting with the 2026–2027 school year, a new Workforce Pell Grant will be available to students who are enrolled in accredited, short-term (8–15 weeks in duration) job-focused programs, such as certificate programs at community colleges. Funding amounts will be prorated based on the program's length.

New qualified expenses for 529 plans. Starting in 2026, qualified 529 plan expenses will expand to include tuition, fees, books, and expenses for workforce credentialing programs. In addition, the limit on K-12 qualified expenses will increase from $10,000 to $20,000 per year and will cover instructional materials, tutoring classes, dual enrollment fees, standardized test fees, and educational therapies for students with disabilities.

Employer student loan repayment assistance made permanent. Starting in 2026, the $5,250 of tax-free employer-provided student loan repayment assistance will be permanently extended. This amount will be indexed for inflation starting in 2027.

Strategies for Smarter Giving

With Americans contributing about $592 billion to charitable organizations in 2024, it is clear that charitable giving remains a powerful way to support the causes that matter most.[1]

In addition to advancing philanthropic goals, charitable donations may offer tax advantages. Here is an overview of some strategies to consider.

Donating appreciated assets

If you own appreciated assets, such as stocks, mutual funds, or real estate that have increased in value and have been held for more than 12 months, donating these directly to a qualified charity may be a tax-efficient way to give.

By donating assets directly, you may avoid paying capital gains tax on the appreciation, while still taking a deduction for the assets' full fair market value, subject to IRS rules and limits.

Donor-advised fund

A donor-advised fund (DAF) is a charitable account offered by sponsors such as financial institutions, community foundations, universities, and fraternal or religious organizations. Donors who itemize deductions on their federal income tax returns can write off DAF contributions in the year they are made, then gift funds later to the charities they want to support.

DAF contributions are irrevocable, which means the donor gives the sponsor legal control while retaining advisory privileges with respect to the distribution of funds and the investment of assets.

Because DAF assets can be invested for tax-free growth, this approach helps offer flexibility to spread out your giving and potentially increase your gifts while locking in a deduction in a high-income year, such as after receiving a large bonus, exercising stock options, or selling a business.

For taxpayers whose annual donations are close to the standard deduction amount ($15,750 for individuals or $31,500 for joint filers in 2025), combining several years' worth of gifts into a single tax year can help you exceed the standard deduction threshold, maximize itemized deductions for that year, and then claim the standard deduction in alternate years.

DAFs have fees and expenses that donors giving directly to a charity would not face. All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

Qualified charitable distribution

For taxpayers age 70½ or older, a qualified charitable distribution (QCD) offers another efficient way to give. With a QCD, you can transfer up to $108,000 annually in 2025 (indexed for inflation) directly from your traditional IRA to an eligible charity. The amount you transfer is excluded from taxable income, which may lower your adjusted gross income (AGI). This may help reduce Medicare premiums, limit the taxable portion of Social Security benefits, and preserve other tax breaks. The amount counts toward your required minimum distribution, which account owners must withdraw annually from their accounts, starting at age 73 or 75, depending on birth year.

QCDs can be useful for retirees who do not itemize deductions but still want the tax benefits of charitable giving. But QCDs cannot be made to DAFs, private foundations, or most supporting organizations.

Note: Starting in 2026, a floor of 0.5% of AGI will apply to itemized charitable deductions. Before taking any specific action, be sure to consult with your tax professional.

1) Giving USA Foundation, 2025

Recipients of charitable giving in 2024, by percentage of total contributions

*Primarily donations of medications from pharmaceutical company foundations

Source: Giving USA Foundation, 2025

Holiday Tipping Etiquette: 'Tis the Season to Show Your Appreciation

As the year comes to a close, you may be looking for ways to thank the people around you who make your life easier. Tipping during the holiday season is your chance to show your appreciation to the service providers you rely on throughout the year.

While there is no one-size-fits-all rule when it comes to holiday tipping, a little guidance can help you strike the right balance.

Who should you tip? When considering whom to tip, think about the individuals who provide you with regular, ongoing services. This may include housekeepers, babysitters, teachers, dog walkers, or landscapers. If you live in an apartment or condominium, property staff, such as door attendants and maintenance workers, are also common recipients.

In addition, you don't want to forget the people who provide you with personal care services, such as hairdressers/barbers, nail technicians, massage therapists, or personal trainers. Even mail and newspaper carriers and delivery drivers may warrant a holiday thank you.

How much should you give? The amount will depend on a variety of factors, such as your budget, geographic location, and relationship with the service providers.

For personal care providers, such as a hairdresser, a common guideline is to give the cost of one service visit. For other individuals with whom you may interact more frequently, such as a live-in housekeeper or nanny, a gift of up to one week's pay may be more appropriate. For additional service providers, such as a garage attendant or newspaper delivery person, it is suggested that you give a cash gift of less than $30 or a small gift.[1]

If you live in an apartment or work in an office, fellow residents or coworkers may contribute to a pooled holiday fund for building employees.

Cash or gifts? While cash is often most appreciated, a thoughtful handmade gift can also be meaningful, especially if it is accompanied by a handwritten note.

Keep in mind that there may be instances where certain types of gifts are prohibited, so it is always best to check to make sure that a gift isn't against a company's policy. For example, United States Postal Service mail carriers are not allowed to receive cash gifts, checks, or gift cards.[2] In addition, some workplaces may not allow employees to receive gifts of alcohol.

1) The Emily Post Institute, 2025

2) United States Postal Service, 2025

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