



# What's New in Personal Finance: A 2025 Annual Review

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This presentation should not be construed as legal or financial advice. If professional assistance is required, the services of a competent professional should be sought.

## Disclaimer

Today's presentation is education, not advice.

# Agenda

- Discuss key research findings from 2025
- Discuss 2025 financial events and trends
- Discuss 2025 personal finance-related legislation
- Preview announced financial changes for 2026
- Q & A



# Question

- What do YOU think was the biggest financial news story of 2025?





# 2025 Personal Finance Events and Trends

4.7%: New  
SAFEMAX  
research  
withdrawal  
rate

\$1.26 million:  
the new  
“number” for  
a comfortable  
retirement

Social Security  
Fairness Act

Fed FOMC interest  
rate reductions

OBBBA (7/25 tax law)

“Sticky” Inflation

NEW VEHICLE  
AVERAGE COST  
TOPPED \$50,000

Weak labor  
market

90<sup>th</sup> anniversary  
of Social Security

Higher standard  
deductions

INFLATION KNOWLEDGE  
INCREASED (NFCS RESEARCH)

New Slogan: \$2.5  
(million) by 65

Last penny  
made

Tariffs

Stock market  
volatility

Increased  
use of ARMs

K-shaped economy

End of IRS Direct File  
program and paper I-bonds  
bought with tax refunds

All time high for  
credit card  
balances

Vibecession

“No Buy”  
challenges on  
TikTok

30 states now  
mandate a semester-long  
HS financial ed course

Highest  
number of car  
repossessions  
since 2009

Affordability Crisis



# 2025 Personal Finance Research Studies



# A Decade of PFYIR Webinars

- Looking Back to Plan Ahead: A Thematic Analysis of a Decade of PFYIR Webinars (Huff, O'Neill, Gillen, and Jowers), *Journal of Personal Finance*:
  - [www.ukfcs.net/JPF-Huff25](http://www.ukfcs.net/JPF-Huff25)
- This study presents a thematic analysis of OneOp Personal Finance Year in Review webinars spanning from 2015 to 2024. Twelve key content themes were identified.





# National Financial Capability Study (NFCS- 6<sup>th</sup> Wave)

FINRA Education Foundation:

<https://www.finra.org/investors/insights/finra-foundation-national-financial-capability-study>

- Decline in ability of U.S. adults to make ends meet and save for emergencies
- Credit card convenience users ↓ by 6% since 2021
- Over 2/3 of sample ↓ other spending due to food costs
- Only 46% of sample has 3 months expenses in savings
- Knowledge of inflation ↑ 5%; 10% by those age 18 to 34





# Comfortable Retirement Number

Northwestern Mutual Life Planning and Progress [Study](#)

- Americans' “magic number” to retire comfortably in 2025 is \$1.26M (was \$1.46 M in 2024, \$1.27M in 2023), due to a decrease in inflation and adjusted expectations
- Among Americans with retirement savings, 25% say they have just one year or less of their current annual income saved
- 52% of Gen Xers (age 45 to 60 in 2025) have 3x their income or less saved



# Supporting Adult Children

Ameriprise Financial Parents and Finances Study (N =3,010)

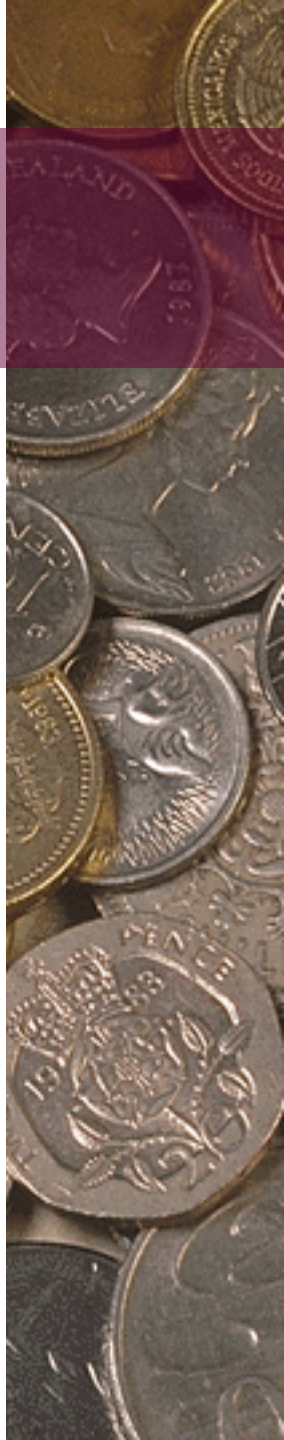
- A majority of parents are financially helping their adult children:  $> \frac{3}{4}$  for large, onetime expenses and 63% helping with everyday expenses
- 36% worry that child subsidy expenses may affect their own financial goals
- Almost all agreed that they would let children over age 21 live with them



# RMD Withdrawals


George Mason University [Study](#) (via *Wall Street Journal*)

- Investigated best way to take RMDs: 1. lump sum at end of year, 2. equal installments of 1/12, or 3. a hybrid of both
- For most risk-averse investors, equal installments strategy is best followed by hybrid and lump sum
- For people with a high-risk tolerance, lump sum is best
- However, lump sum method is the preferred method by many older adults in practice
- Taking money at equal intervals = “volatility smoothing”





# Safe Withdrawal Rate From Retirement Savings

- *AII Journal* (8/25): study by Bill Bengen (4% Rule, 1994)
- Adding 4 more asset classes and using recent investment performance data raised the SAFEMAX to 4.7%
- SAFEMAX is the percentage applied to first year portfolio value to determine withdrawal amount
- Added microcap, mid-cap, and international stocks and Treasury bills, which  diversification and returns
- Still assumes retirement savings will last 30 years





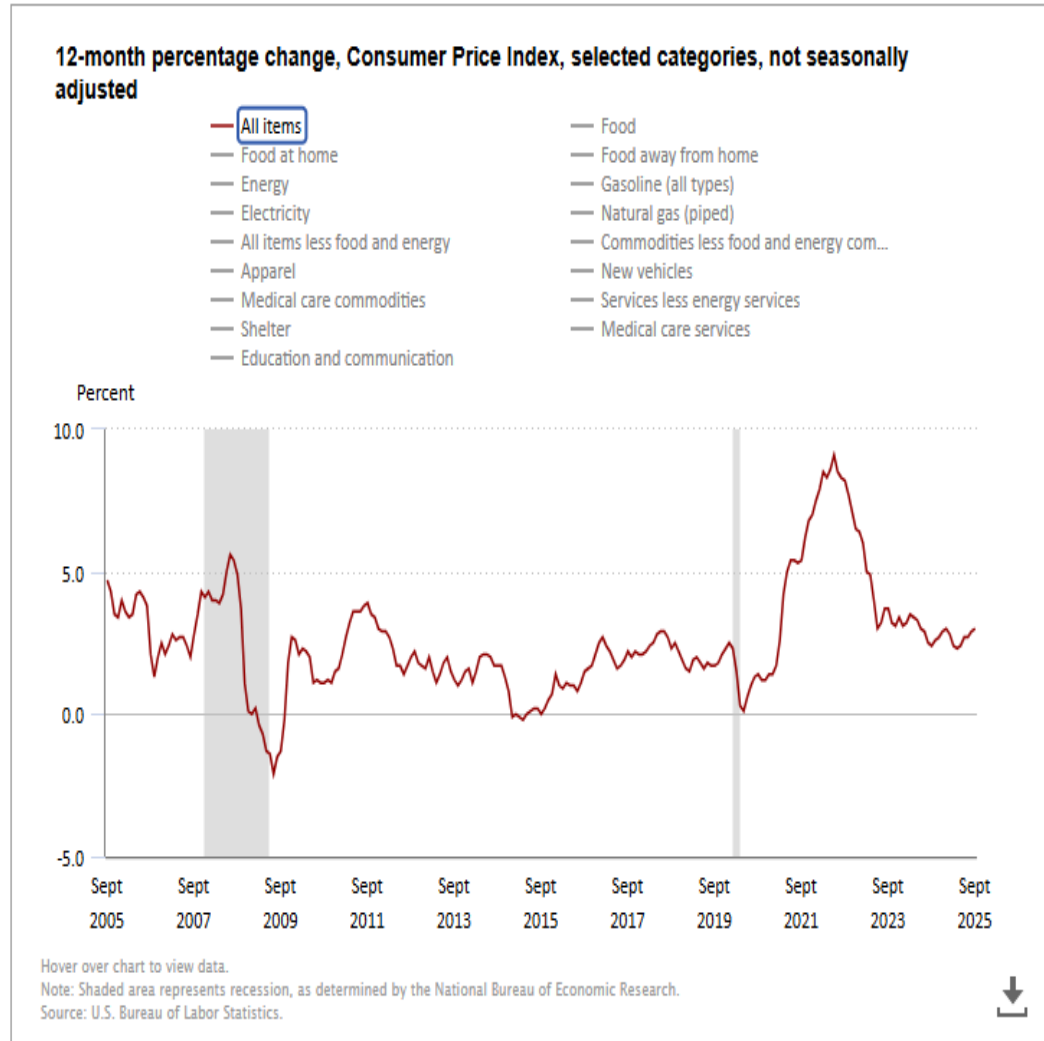
# 2025 Events and Trends



# Inflation (CPI)




- 1/25- 3.0%
- 2/25- 2.8%
- 3/25- 2.4%
- 4/25- 2.3%
- 5/25- 2.4%
- 6/25- 2.7%
- 7/25- 2.7%
- 8/25- 2.9%
- 9/25- 3.0%
- 10/25- No data collected (shutdown)
- 11/25- 2.7% (12/18 news [release](#))





# More About Inflation

- Hot inflation chilled interest rate cuts ([WSJ](#), 02/25)
- Doubts raised on accuracy of CPI data ([WSJ](#), 06/25)
- Inflation  Americans' 2024 wage gains ([WSJ](#), 09/25)
- Delayed CPI report in October; data needed for Social Security, I bonds, and TIPS ([WSJ](#), 10/25)
- CPI decreased for three months (February –April) and then increased five months in a row (May- Sept.)
- Dropped again (November)



# Interest Rates



- July 2025: [FOMC](#) voted for the 5<sup>th</sup> time in 2025 to hold interest rates steady: target range from 4.25% to 4.5%
- September 2025: First Fed interest rate cut since 12/24, lowers rate by a quarter point to 4% to 4.25% range ([WSJ](#), 9/25)
- October 2025: Second Fed interest rate cut; lowers rate by a quarter point to 3.75% to 4% range ([WSJ](#), 11/25)
- December 2025: Third Fed interest rate cut; lowers rate by a quarter point to 3.50% to 3.75% ([WSJ](#), 12/25)

Federal Reserve walking tightrope...



Raising rates in the months ahead to slow economy ...hopefully not too much to tip into recession.



Source: Next Gen Personal Finance



FOMC dilemma: weighing sticky inflation and soft jobs data for a path forward ([WSJ](#), 9/25)



# Economic Trends and Indicators

- Wealthier consumers bolstered economy ([WSJ](#), 02/25)
- 0.3% ↓ in GDP in Q1; tariffs affected trade ([WSJ](#), 05/25)
- U.S lost final AAA credit rating ([5/25](#)); now Aa1-Moody's)
- GDP rose 3% ([revised](#) to 3.3%, 3.8%) in Q2 ([WSJ](#), 07/25)
- [K-shaped](#) economy: top 10% earners accounted for almost half of all spending while LMI earners face financial stress





# Saving/Banking



- High interest rates on bank savings accounts and MMMFs dipped but did not disappear
- Nationwide bank branch closures (increased use of online/mobile banking)
- U.S. savings rate:
  - 5.1%- 01/25
  - 5.7%- 04/25
  - 4.8%- 07/25
  - 4.6%- 08/25
  - 4.7%- 09/25



# Credit

- Outstanding credit card balances increased to an all time high of \$1.23 trillion in Q3, up 6% vs. 2024
- Record-high percentage (> 11%) of credit cardholders making minimum payments
- Credit cards with crypto rewards (e.g., Coinbase rewards with up 4% back in bitcoin), (WSJ, 06/25)
- Rise in annual fees for some platinum level credit cards to \$795-Chase, \$895-Amex (WSJ, 09/25)



# Student Loans

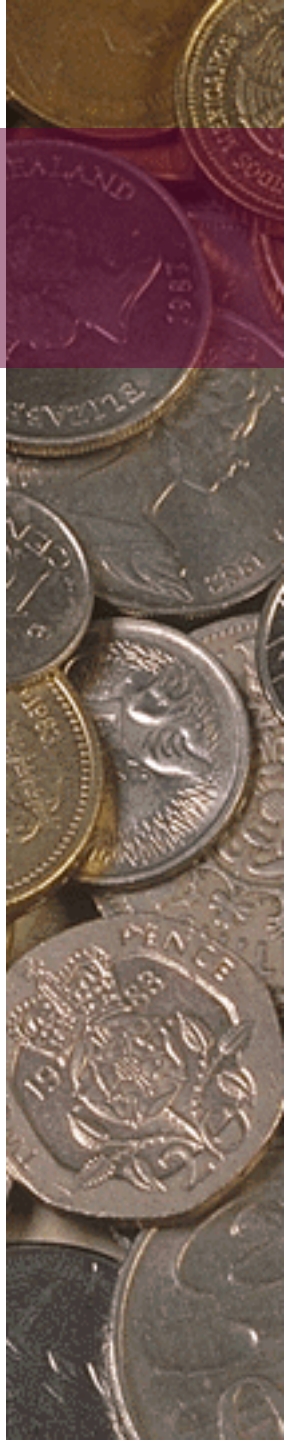
- ~\$1.66 trillion owed by ~42.5 million borrowers
- Credit scores for many borrowers dropped in 2025 when unpaid student loans began being reported to credit bureaus in late 2024 (WSJ, 02/25)
- Wage garnishments started in June for borrowers moved into default, up to 15% of wages
- Tax refunds and Federal benefits can be withheld if borrowers don't resume payments (WSJ, 06/25)





# Cars

- Q2: seven-year loans were 21.6% of new vehicle financing and six-year loans were the most common, accounting for 36.1% of loans; adds thousands of \$\$\$ to overall cost
- First time EVER: average price of a new car topped \$50k
- Buyers fell behind on payments; highest number of repos since 2009; “repo men” were very busy (WSJ, 10/25)
- Tariff threats mobilized car shoppers (WSJ, 04/25)
- Preowned car prices rose faster than new (WSJ, 08/25)
- Hard to keep payments under 10% of gross income as per the 20/4/10 Rule (WSJ, 04/25)



# Housing

- Interest > 7% (Jan.) ([WSJ](#), 01/25); 6.58% (Aug.), 6.2% (Nov.)
- Typical first-time home [buyer](#) is now 40 years old
- Home prices hit record high in June ([WSJ](#), 07/25), then ↓
- More homeowners went underwater ([WSJ](#), 06/25)
- Upsurge in ARM use (about 10% of loan applications) due to unaffordable housing market ([WSJ](#), 11/25)
- ↑ energy/utility costs squeezed consumers ([WSJ](#), 11/05)
- Chatter about [50-year](#) mortgages (very risky)



# Equity Investing

- DJIA closing value on 12/31/24: 42,544.22
- Correction territory for market indexes ([WSJ](#), 03/25)
- April: biggest intraday [price swing](#) in DJIA history (tariffs)
- 6 winning months in a row (April-Sept.), DJIA, S&P 500
  - Nvidia and Microsoft and Apple all became [\\$4 trillion](#) companies (three technology giants)
- Record DJIA [close](#) on 11/12/25: 48,254.82
- Record DJIA [close](#) on 12/11/25: 48,704.01



# Other Investments

- The yield on I Bonds is 4.03% for those issued between November 1, 2025, and April 30, 2026
- Bitcoin climbed to record \$123,153 on July 14, buoyed by “friendly regulatory policies,” only to fall to below \$81,000 in Nov. in a “crypto crash” due to lowered expectations
- April 2025: 11 Bitcoin ETFs were available
- Gold topped \$4,000 (troy ounce) for first time in August amid concern about economic outlook (WSJ, 08/25)
- U.S. investors stayed in cash, despite rate cut (WSJ, 09/25)
- Increase in bond prices with interest rate cuts (WSJ, 11/25)





# Taxes

- IRS ended experimental Direct File Program ([WSJ](#), 11/25)
- 1/1/25: you can [no longer](#) buy paper I Bonds with a tax refund (underused program, < 10% of I Bond purchases)
- TCJA tax rates/tax brackets (10% to 37%) made permanent by [OBBBA](#) and child tax credit increased to \$2,200
  - OBBBA Limited Time [Offers](#): “No tax on....”, car loan interest deduction, increased SALT deduction, \$1,000 seed money for newborn child savings, senior tax deduction
  - Higher OBBBA standard deduction: \$15,750 (s); \$31,500 (mfj)
- Repeal of green energy incentives (12/31/25 for qualifying energy efficient home improvements)



# Insurance

- Home insurance is increasingly expensive, and some insurers pulled back from some regions ([NPR](#), 11/25)
- Disasters raise insurance rates, even far away ([WSJ](#), 01/25)
- Health insurers seek big premium increases, ([WSJ](#), 07/25), which is shocking ACA enrollees ([WSJ](#), 10/25)
- LIMRA [data](#): 51% of American adults own a life insurance policy
- Moderating, but continued, rate increases for [auto](#) insurance, partially due to tariffs on parts



# Shopping & Spending

- TikTok phrase in January: “No Buy 2025” ([WSJ](#), 01/25)
- Affluent people were spending and powering the economy ([WSJ](#), 04/25)
- Increased use of thrift stores ([WSJ](#), 05/25)
- Financially stressed Gen Z spent less ([WSJ](#), 06/25)
- Food makers roll out smaller package sizes ([WSJ](#), 07/25)
- Consumers at all income levels got thrifty to spend less (focus on essentials vs. extras) ([WSJ](#), 08/25)



# Employment/Labor Force

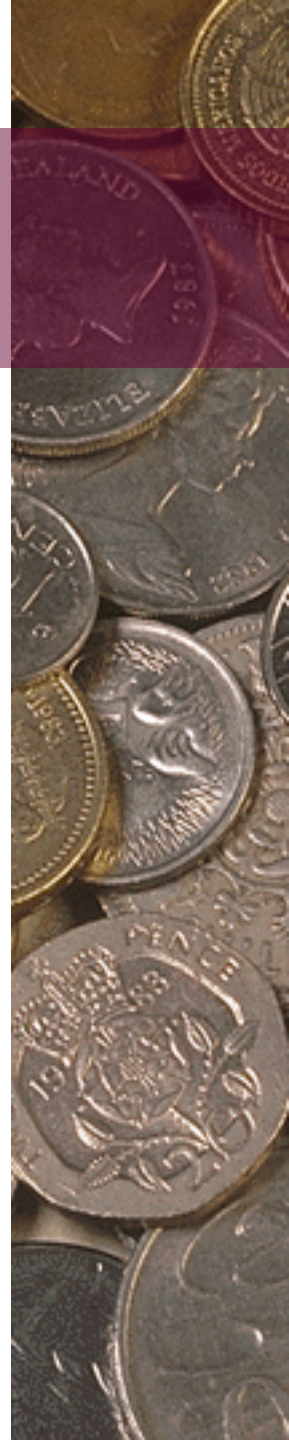
- Employment crisis for college grads (Factors: general slowdown in entry level hiring and AI) ([WSJ](#), 06/25)
- Job searches took longer for the unemployed ([WSJ](#), 08/25)
- Weak U.S. labor market with slow growth ([WSJ](#), 09/25)
- Workers cling to jobs vs. job hopping ([WSJ](#), 09/25)
- Tens of thousands of white-collar job layoffs ([WSJ](#), 09/25)
- Big companies bet they can grow without hiring (↑ productivity due to AI) ([WSJ](#), 10/25)





# Retirement

- A record 4.2 million people will reach age 65 in 2025
- 19.5% of people age 65+ are employed and ~8% of those over age 75 (financial need or purpose and structure)
- New retirement goal slogan: “2.5 (million) by 65”
- More Americans tapped 401(k)s for emergencies with record 4.8% “leakage” rate (WSJ, 07/25)
- \$7,000/\$8,000 contribution limits for IRAs
- \$23,500 limit for employer plans (+ \$7,500 or + \$11,250)





# Social Security

- Social Security Fairness Act ([SSFA](#)) passed in January
- Cuts to the Social Security Administration customer service anger retirees ([WSJ](#), 03/25)
- Earlier Social Security claiming due to future benefit uncertainty and staff cuts ([WSJ](#), 04/25)
- Advice to go online to pull your SS statement with an earnings summary in case this data “disappears”
- Projected Social Security trust fund [insolvency date](#) moved up to 2033, necessitating a 23% cut in benefits



# Miscellaneous Events and Trends

- Expanded 401(k) access to alternative assets via an executive order (includes private equity, real estate, and cryptocurrency)
- 67% of Americans living paycheck to paycheck, up from 63% in 2024
- Young adults unsettled by uncertain economic times and higher prices (WSJ, 05/25)
- Americans' hopes for getting ahead  as economic pessimism  (WSJ, 09/25)
- Last penny made on 11/12/25 in Philadelphia (WSJ, 11/25)



# Government Policy Changes

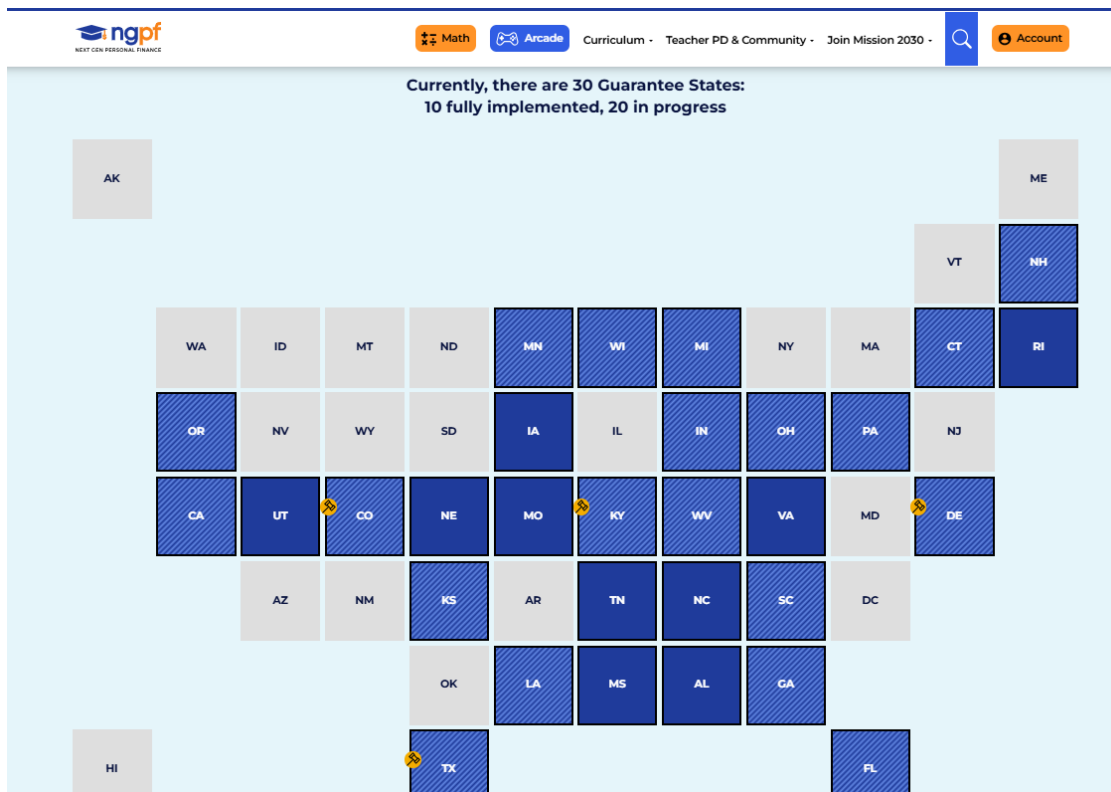
- **Social Security Fairness Act-** Repealed both the “Windfall Elimination Provision (WEP)” and the “Government Pension Offset (GPO),” which had reduced Social Security benefits for some workers who also had government pensions.
- **OBBBA-** Made TCJA tax rates permanent, higher child tax credit, and limited time offers for no tax on tips, no tax on overtime, car loan interest deduction, higher SALT deduction, child savings account \$1,000 seed money, and senior tax deduction (caps and income limits apply).





# Financial Literacy Mandates

- Delaware became the 30th state to require a half-credit financial literacy course for high school graduation



**Source:** Next Gen Personal Finance:

<https://www.nextgenpersonalfinance.org/live-us-dashboard/>



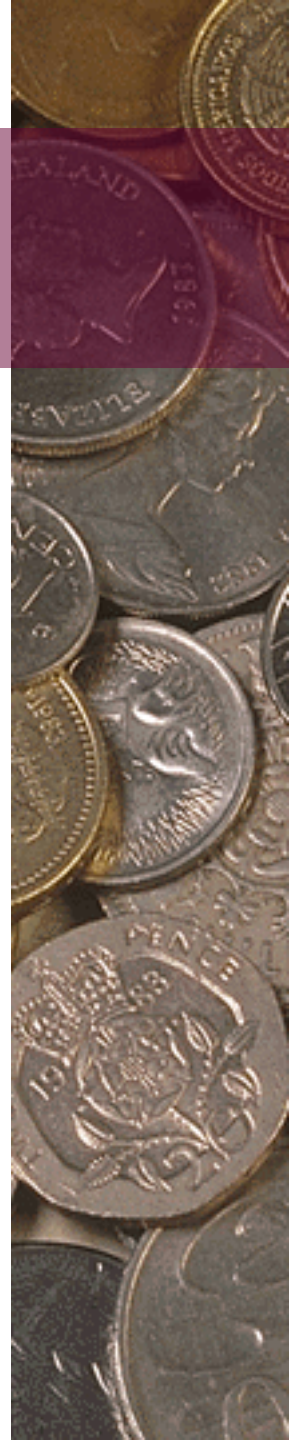
# Financial Anniversaries

- 90<sup>th</sup> anniversary of Social Security ([1935](#))
- 60<sup>th</sup> anniversary of Medicare and Medicaid ([1965](#))
- 50<sup>th</sup> anniversary of Earned Income Tax Credit ([1975](#))
- 50<sup>th</sup> anniversary of first index fund (Vanguard) ([1975](#))
- 40<sup>th</sup> anniversary of COBRA law ([1985](#))
- 40<sup>th</sup> anniversary of founding of the CFP Board ([1985](#))
- 20<sup>th</sup> anniversary of BAPCPA bankruptcy law ([2005](#))
- 10<sup>th</sup> anniversary of rollout of ABLE accounts ([2015](#))



# 2025 Financial Lingo

- **Subscription Hygiene-** Reviewing, canceling and consolidating digital subscriptions to control spending
- **Save Small, Save Often-** Frequent micro-saving such as round-ups and autosaves build strong long-term habits
- **Buy Less, Live More-** A minimalist-finance slogan
- **Vibecession-** A situation where *people feel like they're in a recession*, but many usual economic indicators (GDP, employment, etc.) may not support a “real” recession. In other words: there's a big disconnect between how the economy feels and “what economic indicators are saying.”






# 2026 Personal Finance Changes





# Inflation Indexing

- 2.8% COLA for Social Security benefits ([WSJ](#), 10/25) and standard Medicare premiums to rise 9.7% to \$202.90 per month so COLA is effectively ~ 1%
- Standard deduction will  to \$16,100 for singles, \$23,625 for heads of households, and \$32,200 for mfi
- Inflation adjusting of income ranges for the seven tax rates (10% to 37%), AMT exemption, estate tax exemption (\$15 million in 2026), EITC, and adoption credits
- Annual exclusion for gifts per donee (\$19,000) remains the same as 2025



# Retirement Savings Plans

## IRA Maximum Annual Contribution Limit

- New Limit: \$7,500
- Catch-Up for age 50+: + \$1,100 (\$8,600)



## Qualified Employer Plan Max Annual Contribution Limit

- New Limit: \$24,500
- Catch-Up for age 50+: \$8,000 (\$32,500)
- Catch-Up for ages 60-63: \$11,250 (unchanged) for a total of \$35,750
- If you earn more than \$150,000, catch-up contributions must go into a Roth account



# Key Takeaways

# K

- There was much evidence of financial fragility and financial anxiety, especially among young adults
- Both inflation rates and stock market indexes dipped in early 2025 and increased in the second half of 2025
- There is a K-shaped economy with affluent Americans spending freely and LMI households cutting back
- Frugality, saving, and spending less were practiced and promoted on social media
- There was an increasing affordability crisis for housing and vehicles



# Reflection Activity

One thing I already knew	One thing I learned
One thing that I will share with a client, family member, or friend	One personal behavior change that I will make





# Questions? Comments?

**THANK YOU  
FOR YOUR GIFT OF TIME!**



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Dr. Barbara O'Neill is a Certified Financial Planner™ professional, Accredited Financial Counselor™ and the owner of Money Talk: Financial Planning Seminars and Publications. With over 41 years of experience as a personal finance specialist, Dr. O'Neill has authored 190+ academic articles, received 35+ national awards and grants, and shares personal finance insights on her blog and via Twitter. Her book "Flipping a Switch" was published in 2020 and explores later-life transitions.

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