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Strategic Asset Allocation in High-Tax Coastal States: Leveraging SALT Cap Reforms for Real Estate and Municipal Bond Gains.

Overview

- The 2025 OBBBA Act raises the SALT deduction cap to \$40,000, boosting affordability for high-tax coastal states like NY, CA, and FL.
- Tax savings from the expanded cap incentivize luxury real estate demand and municipal bond investments, with muni yields rising to 7.3% for high-income investors.
- 2024 municipal bond issuance hit \$507.7B as investors capitalize on tax-exempt gains, while real estate markets in constrained coastal areas see surging demand.
- Strategic allocations combine real estate in high-tax suburbs with long-duration muni bonds, though risks persist as the cap reverts to \$10,000 by 2030.

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