

Client Newsletter – September 2025

FINANCIAL NEWS

General 2025 trends:

- U.S. corporate earnings remain healthy as does the overall economy.
- U.S. employment data shows signs of a weakening job market.
- Inflation (2.9%) is above the Fed's target of 2%, but slightly below the past 50-year average.
- Trade policy has become a significant variable in the economic outlook.
- Federal Reserve interest rate policy is a key driver of market sentiment.
- International markets have been strong after a long period of underperformance.
- U.S. markets have had turbulence but are posting strong YTD returns (see next item).

2025 year-to-date: the S&P500 index opened at 5903 on January 2nd, hit a 2025 low of 4983 on April 9th and opened on September 16th at 6624. Thus, despite a very rocky period from mid-February to mid-April, the market is up significantly (12.2%) 2025 year-to-date. Since April 9th, the S&P500 index is up 32.9%. This reinforces why I do not recommend trying to time the market...

Interest Rates: the Federal Reserve is expected to lower the Federal Funds interest rate this week, based on their objectives related to employment rate and inflation. This will lead to reduced interest paid on bank accounts, CDs, money-market accounts, fixed-rate annuities and cash-value life insurance policies; bond-centric mutual funds and ETFs will also see a reduced rate of return. On the positive side, such an interest rate reduction should lead to lower mortgage rates, credit card interest rates and borrowing costs; stock market indices have also tended to rise in conjunction with interest rate reductions (not always, but typically). Such a rate reduction tends to adversely impact savers and benefit borrowers and equity investors. Some actions to consider:

1. If you have a mortgage, assess the potential benefits of refinancing.
2. If you invest in CDs, consider longer-term maturities, which should offer better yield.
3. If you invest in bonds or bond funds, consider longer-duration options, which should offer better returns as interest rates decline.
4. Continue to look for the highest-yielding options for your cash, which will often be via Money-Market Mutual funds, high-yield savings accounts, and CDs.

New rules re: Retirement Plan investment options: The Trump administration has supported giving institutional wealth managers a green light to add alternative assets, such as private equity and credit, real estate and cryptocurrency, to employer-sponsored retirement plan investment options after much lobbying from Wall Street. This is a SIGNIFICANT change to retirement wealth management, which has historically offered limited investment options in such plans in an effort to protect individual investors and limit the liability risk of plan administrators and employers. Wealth managers overseeing private equity and private credit funds will seize this opportunity to boost their business, while the retirement plan administrators are looking forward to collecting the higher fees that these new investment options will yield vs. mutual funds and ETFs.

While I support broad access to investment options for all, my opinion is that this change will primarily benefit the financial institutions by increasing their fee income while offering higher risk, less transparency and reduced liquidity for the average investor. This change follows the 2019 changes that expanded access to annuities as retirement plan options, which was endorsed primarily by the insurance companies selling the annuities and the asset managers overseeing the retirement plans – each of whom would then have access to a new (and enormous) pool of wealth upon which they could earn commissions and fees. Both of these changes to the rules guiding employer retirement plans have included clauses that provide safe harbor to employers and plan administrators regarding their fiduciary responsibility – a clear red flag.

One Big Beautiful Bill Act (OBBBA): In a move to preserve key elements of the 2017 Tax Cuts and Jobs Act (TCJA), as well as introduce new tax policies and prove that they have no shame when it comes to naming federal legislation, Congress passed the One Big Beautiful Bill Act (OBBBA) which was signed into law by the president on July 4, 2025.

For details on the key elements of this new law which may impact your tax situation, see: https://www.eustaceadvisors.com/files/eustace_advisors_article_20250729_summary_of_tax_implications_of_the_obbba.pdf.

CLIENT RESOURCES

NEW ADVISOR ARTICLES: “Summary of Tax Implications of the OBBBA,”
“Establishing and Using a Social Security Account.”

UPDATED CLIENT RESOURCES: Important Numbers for 2025,
Budget and Income Statement templates,
Medicare and Post-Retirement Health Care Planning.

Upcoming topics will include “An Assessment of Target Date Funds” and “Gift Tax Exclusions and Guidelines.”

Please let me know if you have suggestions for article topics.

2025 EUSTACE ADVISOR FINANCIAL PLANNING CALENDAR TOPICS

SEP: SOCIAL SECURITY STATEMENT AND EMPLOYER BENEFITS REVIEW.

OCT: FINANCIAL PLAN UPDATE AND REVIEW.

NOV: YEAR-END PLANNING REVIEW.

KEY UPCOMING DATES

OCT 15, 2025: MEDICARE OPEN ENROLLMENT BEGINS. RUNS THRU DEC 7, 2025.

DEC 31, 2025: ALL ROTH CONVERSIONS, TAX-LOSS HARVESTING and REQUIRED MINIMUM DISTRIBUTIONS MUST BE COMPLETED TO COUNT FOR '25.

JAN 15, 2026: Q4'25 ESTIMATED TAX PAYMENTS ARE DUE.

Past performance is not a guarantee of future results, and every investor's situation is unique. Thus, all investment and financial decisions must be made in the context of your unique circumstances, perspectives, and goals. The information contained in this newsletter is of a general nature and is for educational purposes only.