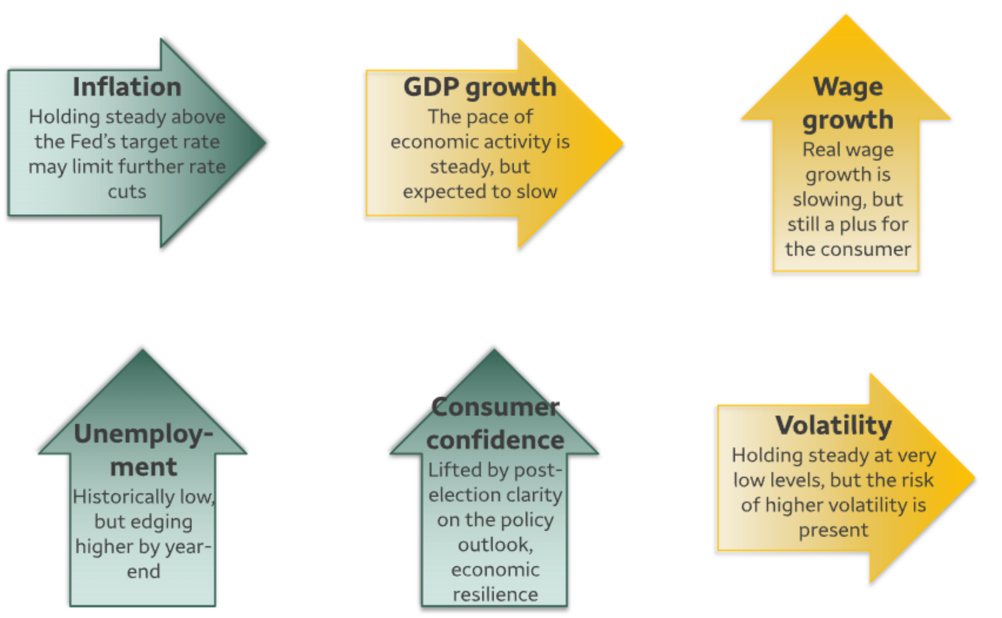
ZALAYET, ADLER & SUBA
PRIVATE WEALTH MANAGEMENT GROUP
of Wells Fargo Advisors

First Quarter 2025 Update

The start of 2025 has been volatile as markets rethink the strength of U.S. growth and tech sectors, evaluate tariffs and policy shifts, and move away from the momentum trading of 2024. Growth in the economy is starting to slow from global tariffs being approved resulting in trade conflict, government labor cuts and overall policy uncertainty. However, economic conditions do not currently point to a recession. Wells Fargo's Austin Pickle, CFA® and Investment Strategy Analyst recently said, "We believe growth concerns - and the pullback in equities - will be transient as the economy proves resilient and earnings growth robust as we expect".[1] Year to date, the S&P 500 has come down from its all-time highs earlier in the year with returns of -3.2%, tech and the NASDAQ are off by -7.9%, and European markets have instead shown strength with a return of +11.3%.[2] We remain overweight U.S. equities as policy uncertainty potentially eases in the future.

Where are we headed?



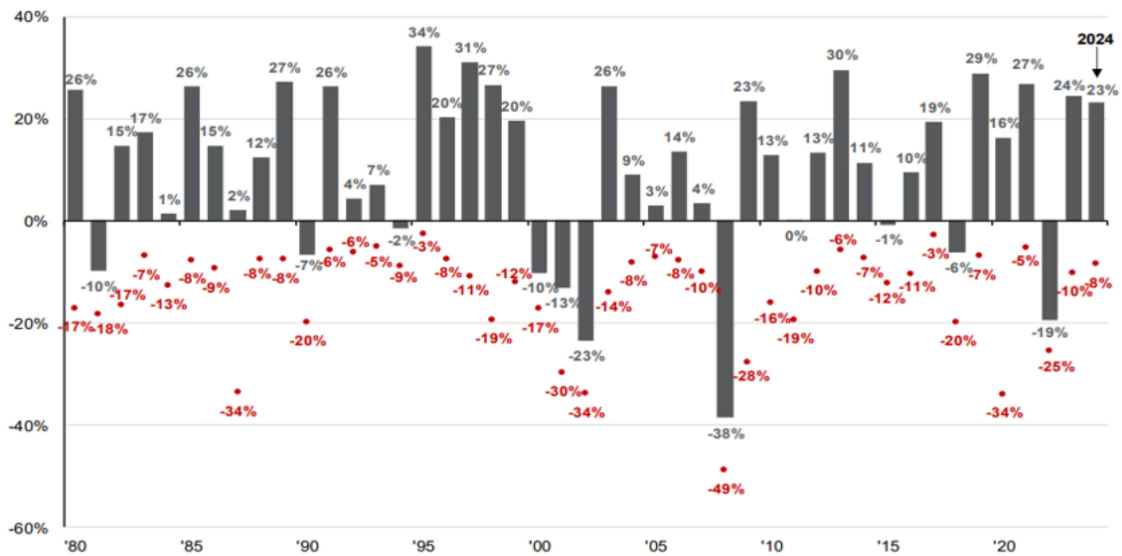
- Arrows indicating economic and market trends. Inflation: green arrow pointing right (holding steady above the Fed's target rate may limit further rate cuts). GDP growth: yellow arrow pointing right (the pace of economic activity is steady, but expected to slow). Wage growth: yellow arrow pointing up (real wage growth is slowing, but still a plus for the consumer). Unemployment: green arrow pointing up (historically low, but edging higher by year-end). Consumer confidence: green arrow pointing up (lifted by post-election clarity on the policy outlook, economic resilience). Volatility: yellow arrow pointing right (holding steady at very low levels, but the risk of higher volatility is present).

Investment and Insurance Products:

NOT FDIC Insured	**NO Bank Guarantee**	**MAY Lose Value**

- The U.S. economy should gradually slow because of softening labor-market conditions and because of weaker, more interest-sensitive sectors, including manufacturing, housing, small businesses, and lower-income households.
- Economic growth is facing a headwind from reduced catch-up hiring propelling job, income, and consumer-spending growth in recent years.[3]

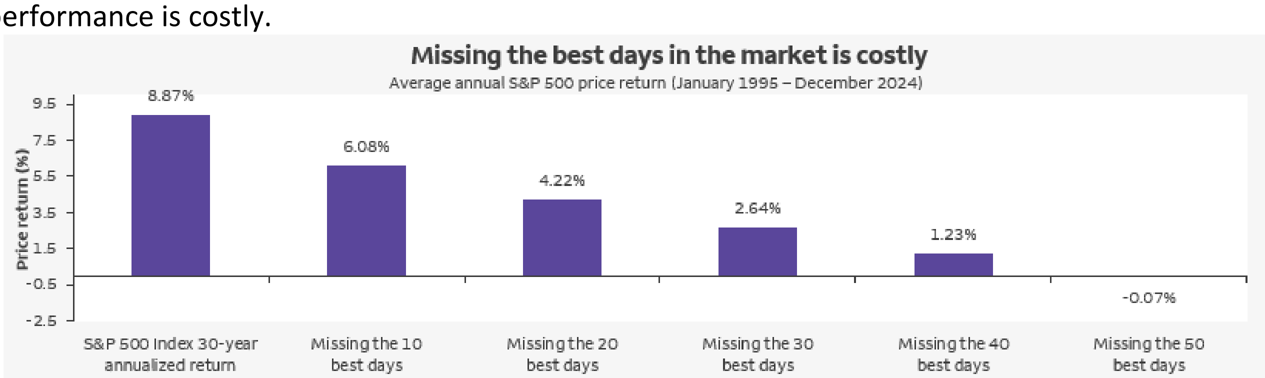
A Downturn is No Reason to Exit the Market



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management – Guide to the Markets[4]

Patient investors have historically been rewarded in the long run. A downturn is no reason to exit the market as investors who allow their emotions to dictate strategy can suffer lower returns. It is critical to align investments with goals and needs and then continue to stay on course towards your financial goals (i.e. retirement, college) even through volatile markets.

During periods of market volatility, there are fits and starts. There will be continued market volatility and occasional market rallies. When the market pullback ceases, stocks can recover quickly and increase to higher levels offering higher returns to patient investors. Volatility is a normal part of the capital markets and requires a long-term focus and view. Missing out on the best days of market performance is costly.



Source: Bloomberg and Wells Fargo Investment Institute. Data from January 1, 1995 to December 31, 2024.[5]

Interest Rates

On March 19th, the Federal Reserve maintained rates of 4.25% to 4.50%. The three recent 2024 rate reductions occurred after a long rate change pause since the pandemic began in 2020 followed by an historic 2 year+ tightening cycle starting in March 2022, triggered by rampant inflation. Initially with the September cut, the change signaled a pivot to easier monetary policy and the continuation of a new interest rate cutting cycle. The committee assessed that inflation is gradually moving towards its 2% target. However, with the December reduction, the Fed signaled potentially slowing the pace of rate cuts throughout 2025 while they monitor stickier inflation as well as President-elect Trump's tariff policies. Fed Chair Jerome Powell stated at the December meeting "In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will assess incoming data, the evolving outlook, and the balance of risks. We're not on any preset course."[6]

Federal Funds Rate Changes[7]

FOMC Meeting Date	Rate Change	Federal Funds Rate
March 3, 2020	-0.50%	1.0% to 1.25%
March 16, 2020	-1.00%	0% to 0.25%
March 17, 2022	0.25%	0.25% to 0.50%
May 5, 2022	0.50%	0.75% to 1.00%
June 16, 2022	0.75%	1.5% to 1.75%
July 27, 2022	0.75%	2.25% to 2.5%
Sept 21, 2022	0.75%	3.00% to 3.25%
Nov 2, 2022	0.75%	3.75% to 4.00%
Dec 14, 2022	0.50%	4.25% to 4.50%
February 1, 2023	0.25%	4.50% to 4.75%
March 22, 2023	0.25%	4.75% to 5.00%
May 3, 2023	0.25%	5.00% to 5.25%
July 26, 2023	0.25%	5.25% to 5.50%
September 18, 2024	-0.50%	4.75% to 5.00%
November 7, 2024	-0.25%	4.50% to 4.75%
December 18, 2024	-0.25%	4.25% to 4.50%

US mortgage rates increase for first time in nine weeks:

February Home Sales Jump, But It Doesn't End the Slump.

Sales of existing homes beat expectations in February, but it isn't time to declare an end to the slump as real estate shoppers face costlier mortgages and an uncertain economy. Real estate agents surveyed said buyer traffic last month was down from a year ago.

- Existing-home sales rose 4.2% from the month before, to a seasonally adjusted annual rate of 4.26 million, the National Association of Realtors said. NAR Chief Economist Lawrence Yun noted that seasonal factors make February tricker than other months.
- Still, the inventory of homes listed at the end of February is up 17% from a year ago, and the median sale price of a house is up 3.8% from a year ago, to $398,400. The average 30-year fixed-rate mortgage was little changed at 6.67%, and has stayed under 7% for nine straight weeks.

- Shoppers who had been sidelined while waiting for conditions to improve may be getting used to mortgages being in the current range. Life events such as marriages, divorces, and job relocations breathe life into the housing market. But affordability continues to be an issue.
- Home builder Lennar beat first quarter expectations, but co-CEO Stuart Miller said they still need incentives to reconcile home prices to market conditions. Demand remains constrained by affordability, he said.[8]

Changes to Required Minimum Distribution (RMD) Start Ages

The SECURE Act 2.0 was signed into law on December 29, 2022, adding new retirement provisions, including **increasing the Required Minimum Distribution (RMD) age depending on birth year:**

Birth Date	Applicable RMD Age
Before July 1, 1949	70 ½
July 1, 1949 – 1950	72
1951-1959	73
1960 or later	75

Turning 73 in 2025?
You can take your first Required Minimum Distribution (RMD): • Either by December 31, 2025 -or- • Delay until no later than April 1, 2026 Recall, if you delay your first RMD to April 1, 2026, you will be required to take 2 RMDs in 1 tax year: • The first by April 1, 2026 (satisfies 2025 required withdrawal) -and- • The second by December 31, 2026 (satisfies 2026 required withdrawal)

Tax Planning and Retirement Plan Contributions

For those still working, we want to make sure you are maximizing deferrals into retirement plans and taking advantage of other employer options to save like Stock Purchase Plans, Deferred Compensation, and Health Savings Accounts. Tax tables can be found on our website and please consult your tax preparer with deduction questions.

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Important Dates

Please note the contribution limits and plan funding deadlines below:

- 401k and 403b plans - For 2025, the maximum contribution under age 50 is $23,500. The catch up is $7,500 for over age 50. The catch-up (age 60-63 by 12/31) is $11,250 **this is new**.
- Traditional and Roth IRA funding - The maxium allowable contribution for 2024 is $7,000 with a $1,000 catch-up over age 50. We have until the tax filing deadline of April 15, 2025 for 2024 contributions. The 2025 limit remains at $7,000.
- SEP IRA - $68,000 contribution limit for 2024 – deadline to contribute is 4/15/25 (or tax filing date). The 2025 contribution limit is $70,000.

Milestones

- 50: Catch-up contributions to IRAs and qualified retirement plans
- 59 ½: Can take distributions from qualified retirement plans and possibly in-service withdrawals to IRA without penalty. Can also take distributions from IRAs without penalty
- 62-70: Can apply for Social Security benefits (we will help you estimate the best age to begin Social Security to maximize lifetime benefit)- With good health, Social Security benefits increase greatly every year you wait.
- 65: Can apply for Medicare
- 73-: Must begin RMDs (Required Minimum Distributions) from Traditional IRA accounts (excluding Roth IRAs)

Financial Education Corner

● If you are in Required Minimum Distribution years and would like to reduce your taxable income, the IRS allows donations up to $108k ($216k married filing jointly – both spouses need to have IRA's) to Qualified Charities for a dollar-for-dollar reduction of taxable income. Wells Fargo Advisors offers IRA checkbooks, and you can mail payments directly to these Qualified Charities. Please see the below link for additional detailed information about Qualified Charitable Donations.

Qualified Charitable Distributions (2025 Guide)

● **Catch-up contribution amendment.** If you are between the ages of 60-63 (by 12/31), in 401(k), 403(b), Gov't 457(b) plans, you are entitled to a catch-up contribution of $11,250. The maximum catch-up for ages 50-59 and 64+ remain at $7,500.

Team Website

Please note tax planning tables and archived newsletters can be found on our team website: www.zasprivatewealthmanagement.com

Full biographies of each financial advisor and client associate can be found on our website.

Our website also includes wealth planning areas our team implements as needed, detailed examples of services we provide, articles, newsletters, financial calculators and an account log-on link.

We will continue to monitor these topics as wells as other economic and geopolitical concerns that may continue to impact markets:

- US hopes for peace talks to be progressing in the war between Ukraine and Russia. A recent news article from the BBC suggests that meaningful progress is being made.[9]
- Unrest continues in the Gaza strip with Israel ending a ceasefire in response to the remaining hostages not being released.[10]
- Many technology companies focusing on Artificial intelligence or AI could lead to growth in digital markets such as cloud and advertising.
- Unemployment: The United States added 151,000 jobs in February, the expectation was 170,000. The government cut its workforce by 10,000.[11]
- Per the St. Louis Federal Reserve Bank, the median (not seasonally adjusted) existing home sales price across the United States was $446,300.[12]
- As of 3/23/2025, the national average price of regular gasoline was $3.126 up from $3.025 as of 12/29/2024.[13] As we head into Spring and Summer months, we expect these prices to seasonally adjust.
- The US personal savings rate ticked up .2% to 4.6% in January 2025 from 4.4% for November, 2024.[14]
- As of November 2024, US consumers collectively owe a record $1.17 trillion in credit card debt per New York Fed research.[15]
- The U.S. Census Bureau and the U.S. Bureau of Economic Analysis announced today that the goods and services deficit was $131.4 billion in January, up $33.3 billion from $98.1 billion in December, revised. The budget deficits of major global economies including the U.S. is approximately $1.83 trillion of 6.4% of Gross Domestic Product (GDP).[16]
- The bird flu may contribute to impact prices of eggs and egg availability as well as other food inventory and prices.[17]
- US small business optimism climbs to a three and a half year high on a surge in consumer confidence and expectations around economic improvements.[18]
- Beijing released a stimulus package to bolster China's $18 trillion economy leading to growing manufacturing.[19]
- China barred metals including gallium, germanium, antimony, and superhard materials for export to the U.S. These metals are components of semiconductors, satellites, and night-vision goggles.[20]

Conclusion

We believe 2025 may continue to be volatile given Trump policies (including tariffs), a slowing economy, possible further rate pauses or cuts, and geopolitical uncertainty. There could also be supply chain risks attributed to the avian flu, war and geopolitical tensions. With services inflation still high, it may take time for the Fed's previous rate cuts to work through the economy. We remain hopeful that we move past the current headwinds soon. While the Federal Reserve has and continues to make every effort to engineer a "soft landing" for the economy and avoid a recession, that is a herculean task to calibrate a $29 trillion economy and we anticipate continued elevated volatility. Volatility is a normal part of market cycles and behavior and can offer opportunities for building wealth to patient long-term investors. Financial markets are resilient and patient investors have historically been rewarded in the long run. Volatility or a downturn are no reasons to exit the market as investors who allow their emotions to dictate strategy can suffer lower returns. It is critical to align investments with goals and needs and then continue to stay on course towards your financial goals (i.e. retirement, college, buying a home) even through volatile markets.

As always, we are available to discuss any questions you may have and review your goals, needs and current plan. When reviewing your goals and needs, it is important to keep in mind that investments in equities/stocks are intended for 3-5 years and beyond. We re-evaluate plans when investor goals, liquidity needs and time horizons change, not due to normal volatility in financial markets. Historically, long-term investors have been rewarded for staying invested despite more volatile times and diversification and asset allocation have historically helped to reduce long-term portfolio volatility.

Asset allocation and diversification do not ensure a profit or protect against a loss in a down market.

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(1) Investment Strategy Report
(2) Daily Market Update
(3) Where are we headed? - Market Charts - Market Charts
(4) Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management – Guide to the Markets
(5) Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data is from January 1944-October 2024.
(6) Source: FOMC Meeting: Key Takeaways. Wells Fargo Investment Institute. March 19, 2025.
(7) Federal Funds Rate History 1990 to 2024 – Forbes Advisor
(8) Mishkin, S. & Cho, J.H. The Barron's Daily. February Home Sales Jump, But It Doesn't End the Slump. March, 21 2025.
(9) Ukraine-Russia war: US hopes for 'real progress' in peace talks, as three killed in Russian strikes on Ukraine - BBC News
(10) CBS News, AP. Death toll in Gaza rises to 50,000, territory's health ministry says, as Israel orders new strikes, evacuations. Retrieved from; Death toll in Gaza rises to 50,000, territory's health ministry says, as Israel orders new strikes, evacuations - CBS News

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(11) Wile & McCorvey. U.S. adds 151,000 jobs, short of expectations, as federal workforce shifts. NBC News. Retrieved from; February jobs report: DOGE federal layoffs show up amid gains

(12) Jan 2025, Table 1. New Houses Sold and For Sale: Not Seasonally adjusted | FRED | St. Louis Fed

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(14) U.S. Bureau of Economic Analysis, Personal Saving [PMSAVE], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/PMSAVE, March 23, 2025. Retrieved from; Personal Saving Rate (PSAVERT) | FRED | St. Louis Fed

(15) Credit card debt hits record $1.17 trillion, New York Fed finds

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(19) https://www.bloomberg.com/news/articles/2024-12-02/china-private-factory-gauge-grows-again-in-sign-of-stabilization

(20) https://www.bloomberg.com/news/articles/2024-12-03/china-gallium-and-germanium-us-export-ban-why-metals-are-key-in-trade-war