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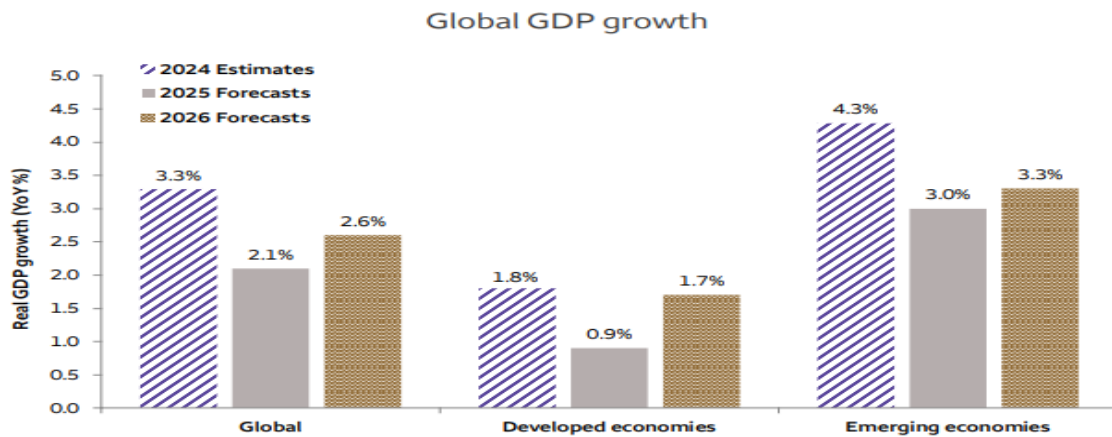
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Second Quarter 2025 Update

Markets have shown resilience despite global uncertainties and experienced a significant recovery since the beginning of the second quarter. From the April lows to the close on June 17th, the Nasdaq swung from -23% to +1.1%, on the S&P500 -18% to +1.7% and on the Dow Jones -14% to -.1%.¹ International still leads the pack with returns of +17.3% as of the end of May.² As mentioned in the previous newsletter, and reiterated in this one, market volatility is part of the investment process and is to be expected. Some of the top headwinds we are currently monitoring include the U.S. entering the Iran-Israel conflict (as of June 23rd there have been three U.S. airstrikes on nuclear sites in Iran³), the continued slowing economy, weakening consumer sentiment and tariff time limit expirations in July and August. Economic conditions still do not point to a recession as reflected in the most recent interest rate pause; additional information regarding this can be found on page two. In terms of growth, the 2025 forecast anticipates more muted returns while 2026 sees slightly higher growth potential⁴ citing subsiding tariff pressures and enhanced global partnerships.⁵ For now, the markets are reacting favorably to good news and recovering from negative headlines which has reinvigorated the tech and growth sector momentum trading. We remain cautiously optimistic on the overall markets in 2025 and expect additional volatility.

Global GDP outlook

We expect the pace of global economic growth to pick up slightly in 2025



Sources: Bloomberg and Wells Fargo Investment Institute. 2024 is the average % change from the same period one year prior (i.e., 2024 versus 2023). The 2024 estimates are from Bloomberg and Wells Fargo Investment Institute as of December 31, 2024. 2025 and 2026 forecasts are Wells Fargo Investment Institute forecasts as of June 16, 2025. GDP = Gross Domestic Product. YoY = year-over-year. Forecasts and estimates are not guaranteed and based on certain assumptions and on views of market and economic conditions which are subject to change.

Source: Wells Fargo Investment Institute Economic and Market Strategy Update. June 2025, p.4.⁶

- The above chart highlights the GDP estimates and forecasts for 2024-2026.

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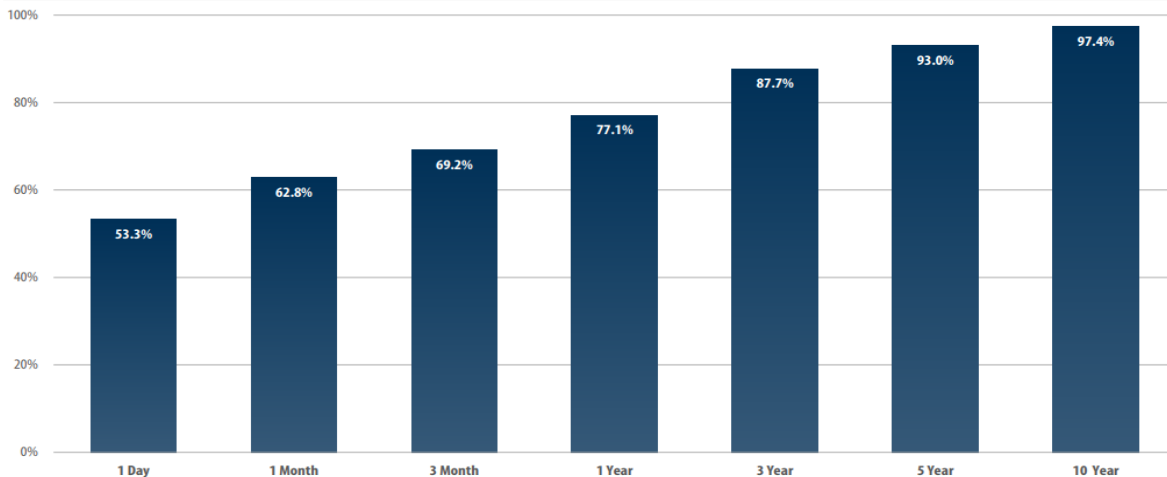
Staying on the Path During Times of Volatility Can Pay Off

Probability of Positive Returns

S&P 500 Index – Since 1937



Investing in the stock market can be volatile. For this reason, we believe it is important to keep proper perspective when stocks rise or fall over short periods of time. History has shown that the odds of achieving a positive return are dramatically increased the longer the investment horizon.



Source: Bloomberg. Data from 12/31/1936 – 12/29/2023. **Past performance is no guarantee of future results.** This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. These returns were the result of certain market factors and events which may not be repeated in the future. This chart is based on the total returns of the S&P 500 Index. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. The index cannot be purchased directly by investors.

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Source: First Trust – Probability of Positive Returns⁷

- The above chart highlights that the longer one is invested, the more likely they are to have a positive return in the markets.

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.

Interest Rates – Wells Fargo Investment Institute. **FOMC Key Takeaways**

The Federal Open Market committee (FOMC or the Committee) left the federal funds rate unchanged at 4.25% - 4.50% for the fourth straight meeting, continuing a pause on the interest-rate-cutting cycle that started in September 2024. The FOMC stated that uncertainty about the economic outlook has diminished but remains elevated and that the Committee was attentive to risks on both sides of its dual mandate. The Federal Reserve (Fed) will continue with the pace of decline of its securities holdings, \$5 billion of U.S. Treasury securities and \$35 billion on agency mortgage mortgage-backed securities each month.

We believe the Fed wants to maintain flexibility on when to deploy further interest rate cuts. In our view, the Fed will may remain on hold until economic data begins to confirm the slow-down story. We believe the Fed will have the opportunity to cut rates later in the year and into 2026 if the

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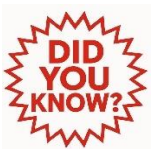
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economic slowdown materializes and as long as inflation allows. Our expectation for only one rate cut in 2025 is below the Fed's current view, but there is considerable disagreement from individual members on the appropriate target range for rates.

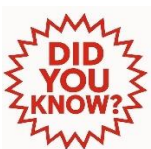
The threat of having both inflation and unemployment rising simultaneously continues to create a big headache for the Fed's interest rate policy. There is still a possibility where the federal funds rate could remain on hold at current levels in the near-term especially if inflation remains sticky.⁸

Federal Funds Rate Changes⁹

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%



- **Do you have cash sitting in a bank account not earning interest?** If so, there may be options available that seek to provide a more competitive yield. Depending on your goals – whether you're saving for a home, planning a remodel or preparing for a big trip to the future – it may make sense to explore short-term, lower risk investment strategies designed to help your money work a bit harder while maintaining liquidity. Please talk with your Financial Advisor to determine what might be appropriate for your situation.



- **Roth Contributions for summer earners.** If you have children who are working and reporting W2 or 1099 income for 2025, they may contribute 100% of their after-tax dollars earned to a

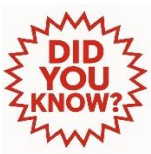
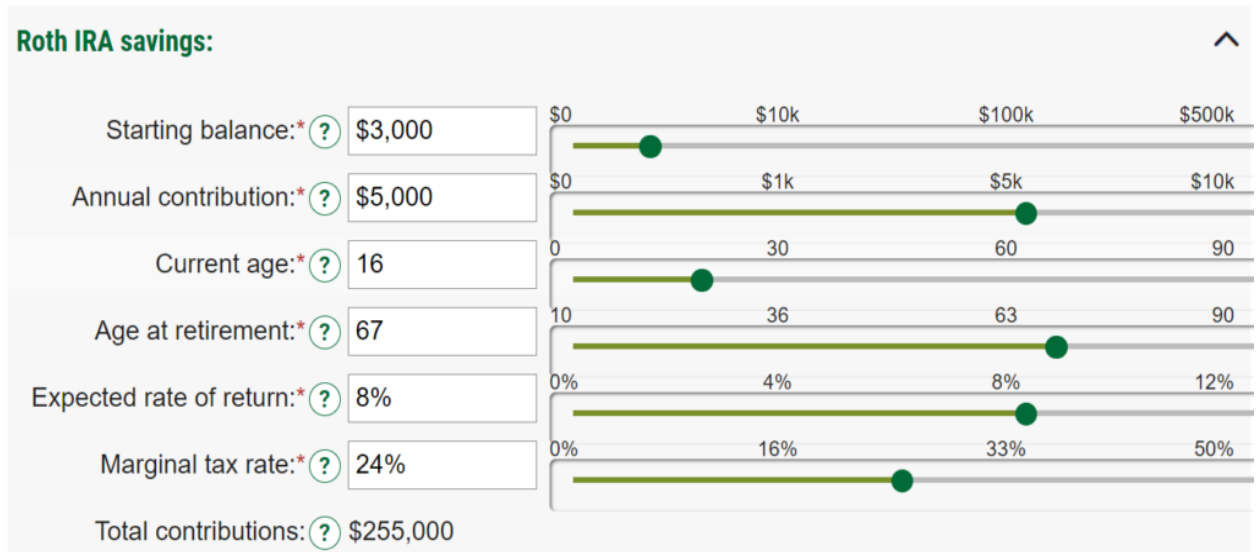
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Roth IRA (if under 18 it would be a Custodial Roth IRA) up to \$7,000. That money grows tax-free for their retirement and starts the discipline of paying their future self first! Below is an example of what can happen when you start investing early.

At retirement your IRA balance could be worth \$3,503,589.



- **Upcoming Seminar:** Early next month, we will send out the details for an Investing Foundations Seminar on July 22nd at 10am PST. We will cover questions such as: What are the stock markets? How much should I save? How do I start investing for the future and my goals? Our Investing Foundations Webinar, designed for younger professionals and the next generation, will seek to help answer these questions on topics rarely taught in school.

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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.

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 maximum allowable contribution for 2025 is \$7,000 with a \$1,000 catch-up over age 50.
- ☐ SEP IRA - \$68,000 contribution limit for 2024 – deadline to contribute was 4/15/25 (or tax filing date). The 2025 contribution limit is \$70,000.

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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.

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

- As of June 23rd, according to Barron's Daily regarding the initial U.S. strikes on Iran, "Tehran's most powerful option to strike back would be to blockade the Strait of Hormuz—through which around 20% of the world's oil flows—likely propelling crude prices above \$100 a barrel. However, such an action would be more damaging to Iran's own economy and that of its biggest oil customer China, than to the U.S. That calculation accounts for the muted reaction in oil markets and safe-haven assets such as gold. The market seemed to be betting both Washington and Tehran will step back from further escalation, disregarding President Donald Trump's musings on potential 'regime change' in Iran."¹¹
- Update on the Russia and Ukraine war: Russia announced that they are heading toward a recession, UN nuclear watchdog says that Ukraine's nuclear plant cannot restart during war. The next round of peace talks is pending.¹²
- Many technology companies focusing on Artificial intelligence or AI could lead to growth in digital markets such as cloud and advertising.
- In May, we saw retail sales fall while import prices were surprisingly flat and export prices declined.¹³
- Unemployment: The United States added 139,000 jobs in May and the unemployment rate was unchanged at 4.2%. Employment is increasing in health care, leisure/hospitality and social assistance. The government continued to cut its workforce.¹⁴
- Housing starts – which is how many houses will be built over an entire year – declined 9.8% to 1.26M from 1.39M. This is a 5-year low which could benefit buyers.¹⁵
- Per the St. Louis Federal Reserve Bank, the median (not seasonally adjusted) existing home sales price across the United States was \$403,700 in March.¹⁶
- As of 6/21/2025, the national average price of regular gasoline was \$3.219 up from \$3.126 as of 03/23/2025.¹⁷ As we head deeper into Summer, we expect these prices to continue upwards.
- The US personal savings rate was 4.9% in April of 2025 down from 5.1% in April of 2024.¹⁸
- Americans' owed \$1.182 trillion at the end of Q1 2025 which is down from \$1.211 trillion in Q4.¹⁹
- The U.S. Census Bureau and the U.S. Bureau of Economic Analysis announced June 5th that the goods and services deficit decreased from \$138.3 billion in March (revised) to \$61.6 billion in April, as exports increased, and imports decreased. The goods deficit decreased \$75.2 billion in April to \$87.4 billion. The services surplus increased \$1.5 billion in April to \$25.8 billion.²⁰
- Rare Earths Reserves: Top 8 Countries. China is still the top producer and holds the largest of the rare earths reserves. The other seven are Brazil, India, Australia, Russia, Vietnam, United States and Greenland.²¹

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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, 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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Eddie Zalayet, CFP®

Managing Director - Investment Officer
PIM® Portfolio Manager
MA International Economics and Finance

Howard Adler

Managing Director - Investment Officer
Senior PIM® Portfolio Manager

Berit Suba, MBA, CFP®

Managing Director – Investment Officer
PIM® Portfolio Manager
Chartered SRI Counselor™
Chartered Retirement Planning CounselorSM

Stephanie Werden, CFP®

Senior Vice President – Investment Officer
Chartered SRI Counselor™
Chartered Retirement Planning CounselorSM

Jack Elton, CFP®

Financial Advisor

**Zalayet, Adler & Suba Private Wealth Management Group
of Wells Fargo Advisors
555 California St Ste 2300
San Francisco, CA 94104
(415) 395-2716**

<https://www.zasprivatewealthmanagement.com/>

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