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Third Quarter 2025 Update

Markets continued their upward momentum through the third quarter, with major indices reaching historic highs. From July through mid-September, the S&P 500 surged past 6,600, the Dow Jones Industrial Average broke through 46,000, and the Nasdaq Composite posted its second consecutive quarter of gains, fueled by strong earnings from tech leaders and optimism around artificial intelligence adoption.[1] This rally reflects broad investor confidence, supported by resilient corporate fundamentals and anticipation of a more accommodative monetary policy stance.

International markets also participated in the rally, though gains were more modest compared to Q2. Global equities benefited from easing inflation pressures and improving financial conditions, particularly in Europe and Asia.[2] However, sentiment remains fragile amid ongoing trade policy uncertainty and geopolitical tensions.

A key development this quarter was the Federal Reserve's (Fed's) decision on September 17 to lower interest rates by 25 basis points, marking its first rate cut of 2025. The new target range of 4.00%–4.25% reflects the Fed's response to slowing job growth and persistent inflation.[3] While the labor market remains relatively strong, the Fed cited "elevated uncertainty" and rising downside risks to employment as justification for the move. Markets responded with cautious optimism, interpreting the cut as a proactive step to support continued expansion.

Despite the strong Q3 performance, we remain mindful of several headwinds. These include the potential reimplementation of paused tariffs, continued geopolitical instability in the Middle East, and weakening consumer sentiment, particularly in the U.S. and EU.[4] Inflation expectations remain mixed, and while global growth forecasts have been revised slightly upward, the outlook for developed economies remains muted.[5]

Looking ahead, we maintain a cautiously optimistic view for the remainder of 2025. While volatility is expected to persist, especially around policy decisions and global trade developments, the market's resilience and the Fed's shift toward easing provide a constructive backdrop for long-term investors.

Investment and Insurance Products:

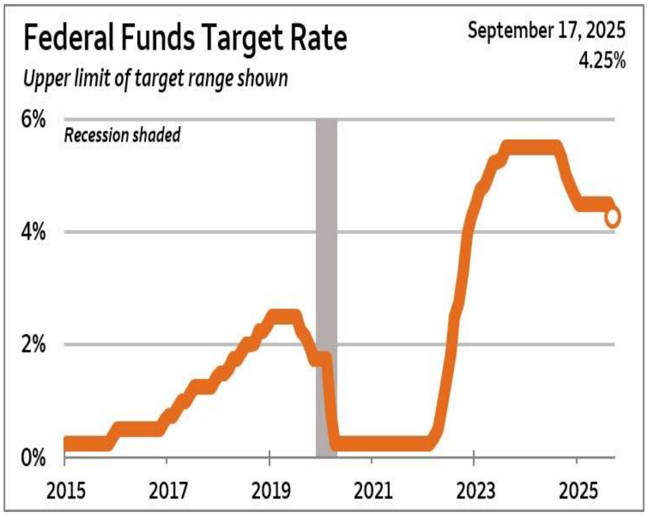
NOT FDIC Insured	NO Bank Guarantee	MAY Lose Value

State of the Markets – Four Signals Above the Noise
Darrell L. Cronk, Chief Investment Officer and President of Wells Fargo Investment Institute, recently published a detailed report highlighting four key market signals that can be difficult to interpret amid a backdrop of elevated and complex factors. Below is a summary designed to help readers better understand these signals and stay focused on what matters—remaining "above the noise."

- **Fiscal clarity** - Amid political division and trade noise, recent legislation from both parties has brought rare fiscal clarity and long-term investment incentives. Expanded tax benefits, infrastructure funding, and support for domestic manufacturing and innovation are creating tailwinds for businesses and consumers alike. Combined with a shift toward deregulation, these policies offer a clearer path forward for markets, helping investors focus on fundamentals over headlines.
- **AI revolution** – The artificial intelligence (AI) revolution is unfolding faster and more broadly than past innovation cycles, with spending on supporting infrastructure projected to reach trillions by 2030. Early signs of transformation are visible across sectors — from tech and utilities to industrials — as companies ramp up capital investment to meet rising demand. With AI's reach expanding and energy needs surging, we may be at the start of a powerful capex super-cycle that could reshape markets for years to come.
- **Monetary policy direction** - While media attention often focuses on Fed leadership changes, the more important signal is the direction of monetary policy. Historically, rate cuts without recession have been strong catalysts for market growth. With the Fed projecting a 100-basis point reduction through next year and no clear signs of economic stress — such as widening credit spreads or weakness in Financials — current conditions suggest stimulus without crisis. That clarity in policy direction, rather than composition noise, is what matters most for investors.
- **Market breadth expansion** - While recent market gains have been driven by a handful of mega-cap stocks, the expansion of market breadth signals a healthier and more sustainable rally. Equal-weighted indices show broader strength across sectors, and with substantial cash still on the sidelines, falling rates could prompt renewed investment into equities and other assets. Rising merger-and-acquisition activity and initial public offering (IPO) volume further support the case for continued market momentum beyond the noise of concentration risk.[6]

Interest Rates – Wells Fargo Investment Institute. *FOMC Meeting: Key Takeaways*
In support of the Federal Open Market Committee's goals (the Committee), which are price stability and full employment, the Committee lowered the target range for the federal funds rate by 25 basis points to 4.00%-4.25%. Uncertainty about the economic outlook remains high. The Committee is attentive to the risks to both sides of its dual mandate but the downside risk to employment has risen.
It's worth noting that the threat of having both inflation and unemployment rising simultaneously continues to create a big headache for the feds interest rate policy. While the Fed is poised to continue rate cuts, there is a possibility that tariff inflation concerns force an early end to the cutting cycle.[7]

There is an expectation of two more rate cuts of .25% this year, and one (on the conservative end[8]) to three cuts in 2026[9]. Nine of the 19 members believe the year will end with an upper bound of 3.75%.[10]



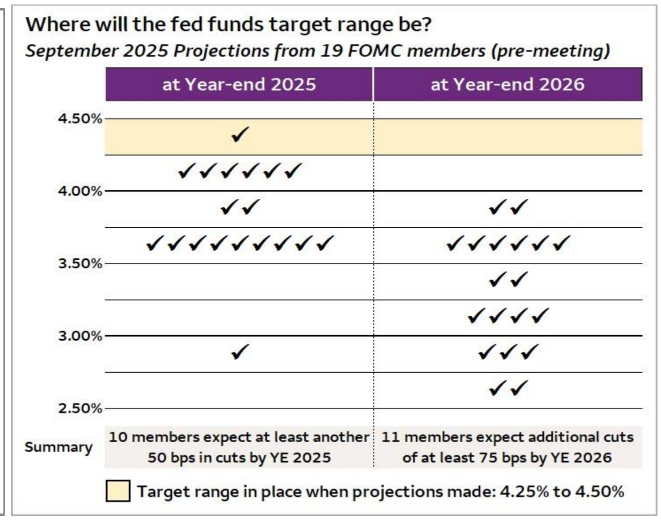


Fig 1 & 2 – Wells Fargo Home Mortgage – September 17, 2025[10]

Federal Funds Rate Changes[11]

FOMC Meeting Date	Rate Change	Federal Funds Rate
17-Mar-22	25	0.25% to 0.50%
5-May-22	50	0.75% to 1.00%
16-Jun-22	75	1.50% to 1.75%
27-Jul-22	75	2.25% to 2.50%
21-Sep-22	75	3.00% to 3.25%
2-Nov-22	75	3.75% to 4.00%
14-Dec-22	50	4.25% to 4.50%
1-Feb-23	25	4.50% to 4.75%
22-Mar-23	25	4.75% to 5.00%
3-May-23	25	5.00% to 5.25%
26-Jul-23	25	5.25% to 5.50%
18-Sep-24	-50	4.75% to 5.00%
7-Nov-24	-25	4.50% to 4.75%
18-Dec-24	-25	4.25% to 4.50%
17-Sep-25	-25	4.00% to 4.25%

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DID YOU KNOW?

- **CFP® Professionals** – Our team includes four CERTIFIED FINANCIAL PLANNER™ professionals, each dedicated to providing in-depth financial analysis and personalized guidance. Using our advanced eMoney platform, we help you visualize your current financial picture and plan confidently for the future. We include conversations on estate planning strategies, social security income strategies, retirement needs analysis, Long-Term Care policies and other insurance solutions, the sale of a business, lending needs (home or other large purchases), philanthropic endeavors and more! Please reach out to your advisor with questions.

DID YOU KNOW?

- **Upcoming Financial Seminar – tentative date is Thursday, October 23rd at 11:30 AM PT and the topics are:**
    - Maximizing Employer Retirement Contributions before year end.
    - Annual Enrollment Tips: Choosing additional benefits beyond medical and retirement plans.
    - Required Minimum Distributions (RMDs): What you need to know (if applicable).
    - Charitable Giving Strategies: Qualified Charitable Distributions (QCDs) and Donor Advised Funds.
    - Estate Planning: Making a 2025 gift to a beneficiary.
    - Beneficiary Reviews: Ensuring your accounts and estate documents are up to date.
    - Capital Gains & Losses: Reviewing your year-to-date estimates.
    - **Special Guest Speaker:** Health Savings Accounts (HSAs) & Health Retirement Accounts (HRAs). Learn how to optimize these accounts for long-term healthcare planning.

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

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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

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 distribution) -and-
- The second by December 31, 2026 (satisfies 2026 required distribution)

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:

- 401(k) and 403(b) and governmental 457(b) plans - For 2025, the maximum contribution under age 50 is $23,500. The catch up is $7,500 for age 50 and over. The catch-up (age 60-63 by 12/31) is $11,250 ***this is new*.**
- Traditional and Roth individual retirement account (IRA) funding – For 2025, the maxium allowable contribution is $7,000 with a $1,000 catch-up for age 50 and over.
- 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.

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 an IRA without a 10% additional tax. Can also take distributions from IRAs without a 10% additional tax.
- 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)

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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 link below 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 well as other economic and geopolitical concerns that may continue to impact markets:

- As of September 2025, U.S.–Iran relations remain strained following a series of escalations. The U.S. has imposed new sanctions targeting Iranian oil sales and cryptocurrency transactions, aiming to disrupt Iran's financial networks that support its military and the Islamic Revolutionary Guard Corps (IRGC). Iran, meanwhile, has resumed cooperation with the U.N. nuclear watchdog after months of blocked inspections, hoping to avoid further Western sanctions. These developments follow a deadly 12-day war with Israel earlier this summer, which killed over 1,000 civilians and several top Iranian officials, deepening regional instability and fueling diplomatic tensions.[12]
- Update on the Russia and Ukraine war: the war remains intense and deeply destabilizing. Ukraine has launched counterattacks in the northeast, achieving modest territorial gains that challenge Russia's narrative of unstoppable advances. Meanwhile, European nations have announced new sanctions aimed at weakening Russia's energy revenues and global business operations. President Putin has proposed extending nuclear arms caps with the U.S. for one more year, signaling a limited diplomatic overture amid ongoing hostilities. The conflict

continues to devastate Ukraine, isolate Russia from the West, and fuel global economic uncertainty.[13]

- Unemployment: the U.S. economy added just 22,000 jobs in August, marking a slowdown in hiring momentum. The unemployment rate ticked up to 4.3%, reflecting modest labor market softening. Job gains were concentrated in health care, leisure and hospitality, and social assistance, while government employment continued to decline.[14]
- Housing starts – U.S. housing starts fell 8.5% in August to a seasonally adjusted annual rate of 1.31 million units, reflecting continued pressure from affordability challenges and high financing costs. Single-family starts declined 7% to an annual rate of 890,000, marking the lowest level since July 2024. Multifamily starts, including apartments and condos, dropped 11.7% to a pace of 417,000 units. Despite the slowdown, builders are cautiously optimistic as mortgage rates have begun to ease ahead of expected Fed rate cuts.[15]
- Per the St. Louis Federal Reserve Bank, the median (not seasonally adjusted) existing home sales price across the United States was $405,800 in August.[16]
- As of 9/24/2025, the national average price of regular gasoline was $3.163.[17]
- The US personal savings rate was 4.4 in July of 2025 up from 4.3 in July of 2024.[18]
- Americans' owed $1.182 trillion at the end of Q1 2025 which is down from $1.211 trillion in Q4.[19]
- On September 4, 2025, the U.S. Census Bureau and the U.S. Bureau of Economic Analysis announced that the goods and services trade deficit increased from $59.1 billion in June (revised) to $78.3 billion in July. This change was driven by:
    - An increase in the goods deficit of $18.2 billion, bringing it to $103.9 billion
    - A decrease in the services surplus of $1.1 billion, lowering it to $25.6 billion
    - Exports rose slightly to $280.5 billion, while imports increased more significantly to $358.8 billion.[20]
- China remains the top producer and holds the largest reserves of rare earth elements, with 44 million metric tons of rare earth oxide equivalent 1. The other seven countries with reserves exceeding 1 million metric tons are: Brazil – 22 million metric tons, Vietnam – 22 million metric tons, Russia – 21 million metric tons, India – 6.9 million metric tons, Australia – 4.2 million metric tons, United States – 2.3 million metric tons, and Greenland – 1.5 million metric tons.

  This ranking reflects both the strategic importance and potential future influence of these countries in the global rare earths market.[21]

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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