

KREITLER FINANCIAL

# INSIGHTS



## Inside Insights

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## Charlie's Corner

It's been a quarter full of milestones here at Kreitler Financial.

We celebrated Bob Kreitler's retirement with clients and longtime friends. Bob's retirement coincided with the 40th anniversary of his founding Kreitler Financial in 1985. Today, we are a team of 11 (and we're hiring—let us know if you know great people), entrusted by our clients with over a half billion dollars in assets under management as of December 31, 2024. What hasn't changed—and won't—is the set of core values that Bob inspired and our entire team embraces.

I also celebrated my 20th anniversary at Kreitler Financial. We feel truly fortunate to do the work we do. We never take for granted the responsibility of helping people build bigger futures and expand their possibilities. It's a tremendous privilege to share in our clients' experiences, achievements, and challenges. For this, I offer you my sincere thanks.

Life rarely follows a straight path. Little did I know 20 years ago what I had signed up for. The Great Financial Crisis in 2008, a European debt crisis, several bear markets, and the COVID-19 global pandemic have all taught me the same simple truth: the future is unknowable, and yet we must still plan for it, thoughtfully and intentionally, to meet long-term goals.

# Managing Uncertainty In Uncertain Times

Against this backdrop of reflection and milestones, it's worth turning our attention to the economic and policy environment our clients are navigating today.

We're going to address the elephant in the room: the uncertainty introduced by President Trump. This is not a political analysis or an op-ed piece.

Investors and business leaders dislike uncertainty because it complicates decision-making and planning. Today's uncertainty is elevated for two reasons.

The first is the president's governing style. Mr. Trump is exercising sole discretion on major policy decisions, such as tariffs. He also seems willing to take actions without modern precedent. (As of this writing, the outcome of these issues remains unresolved.)

The second is that many of his policy aims are contradictory. For example:

- **Tax Hikes vs. Tax Cuts.** Tariffs on foreign businesses effectively function as new taxes—borne by a mix of consumers and producers. At the same time, the administration has proposed corporate tax cuts to support domestic businesses. Whether those cuts can offset the impact of tariffs is unclear, especially given how many domestic manufacturers rely on imported parts.



- **Economic Growth vs. Government Spending Cuts.** Tariffs represent a drag on growth, and efforts to reduce government spending may further reduce economic activity. A proposed cut in deficit spending from 7% to 3% of GDP implies a 4% drop unless it is offset by growth elsewhere. [Alpine Macro, 3/31/25]

- **Inflation Reduction vs. Deportation of Undocumented Immigrants.** Roughly 8 million undocumented immigrants participate in the U.S. workforce—about 5% of the total labor force. [Alpine Macro, 3/31/25] Deporting them could create labor shortages, especially in hospitality, agriculture, and construction. That could push wages higher and increase inflation.

These factors combine to create a climate of uncertainty. When rules and costs change suddenly, it's hard for businesses to plan—and that affects investors too. Forecasting corporate profits, interest rates, and market returns becomes more difficult.

For individuals, tax policy uncertainty complicates personal financial decisions. If, hypothetically, the cap on state and local tax deductions were removed, mortgage interest might again be deductible for more households, influencing housing choices. Broader tax changes could also affect how much people are willing and able to spend. There is also tremendous uncertainty around estate tax rules that are scheduled to sunset at the end of 2025 unless Congress acts.

Our job isn't to know what should happen or what should have happened, but rather what is likely to happen and guide decisions accordingly.

First, don't let an emotional news cycle—or the inevitable volatility it produces—derail a long-term strategy. In our First Quarter 2025 newsletter, we

wrote that we expected government to be one of the big risks to markets this year, noting, "In our view, headline risk will remain one of the most likely sources of volatility in 2025. Investors will need to separate short-term noise from long-term signals and stay focused on their investment strategies." Long-term investors should look beyond current events and recognize volatility as a potential opportunity to buy great investments at better prices.

Second, we build globally diversified portfolios because we accept uncertainty as normal and recognize that the future is unknowable. U.S. large-cap stocks—especially major tech names—were priced for perfection in 2024, so a correction is not surprising. While The Wall Street Journal ran a front-page story on April 1, 2025—"U.S. Stocks Post Worst Quarter Since 2022 on Threat of Trade War"—we noted that foreign markets as measured by MSCI EAFE were up 7%, and U.S. bonds as measured by Bloomberg U.S. Aggregate bonds index were up 2.8% for the quarter ending March 31, 2025 (Source: YCHARTS). Diversification allows portfolios to benefit from different return streams and helps manage volatility.

Third, when tax policy is in flux, it's difficult to make major tax or planning decisions. The best course may be to create your options now and wait for more clarity before acting.

The best time to prepare for uncertainty is before it arrives. A long-term investment strategy should balance the need to meet short-term cash needs under all conditions while staying positioned to benefit from the long-term growth that stocks and other risk assets have historically delivered.

Uncertainty is part of every investor's journey. But you don't have to navigate it alone. If you'd like to review your plan or discuss how recent developments may affect your strategy, we're here for you.

## Market Summary

During the March FOMC Meeting, The Fed committee decided to maintain the Federal Funds Rate at its current range of 4.25% to 4.50%. Moreover, the pace of Headline CPI Inflation (+2.8% YoY) decelerated for the first time in five months (RJ Monthly Market Review 1Q 2025). FOMC rate changes and inflation have been the story of markets for the past couple of years, but presidential policy changes and tariffs have been the story of 2025 thus far. The economic impact of the Trump Administration policies remains unclear and have raised concerns for the U.S. markets.

Market sentiment has shifted to negative, and volatility has increased in the U.S. equity markets. Despite a solid 4Q 2024 earnings season, U.S. Large cap equities as measured by the S&P 500 index, declined for the first time in six quarters with a return of -4.3% for the period ending March 31st (YCHARTS). This drawdown is mostly driven by the tech sector which returned -12.7% for the quarter (RJ Monthly Market Review 1Q 2025).

Small company stocks, as measured by the Russell 2000 index, returned -9.5% for the year as of March 31st. These stocks tend to be more cyclical, and we would expect volatility in times of economic uncertainty. Outside of the U.S. markets, the story was more positive. European equities outperformed U.S. equities by the widest margin (~15%) since 1988 (RJ Monthly Market Review 1Q 2025). International stocks as measured by MSCI EAFE Index and MSCI Emerging markets Index returned 7.0% and 3.0% respectively, for the quarter (YCHARTS).

Investor flight to safety in Q1 2025 put some downward pressure on bond yields. The 10-year treasury yield declined 35bps points from 4.58% on December 31st of last year to 4.23% as of March 31st. (YCHARTS). The move provided some positive tailwind for fixed income prices with the Bloomberg US Aggregate Bond Index posting a total return of 2.8% for the quarter (YCHARTS).

### Market Return as of March 31, 2025

Asset Class	Index	Year to Date Total Returns
US Stocks	S&P 500 Total Return	-4.3%
	Russell 2000	-9.5%
Foreign Stocks	MSCI Emerging Markets	3.0%
	MSCI EAFE	7.0%
US Bonds	Bloomberg US Aggregate	2.8%
	*Source YCharts Returns as of March 31, 2025	

*"You will be much more in control, if you realize how much you are not in control." - Benjamin Graham*



## MEET OUR TEAM

At **Kreitler Financial**, we believe that our strength lies in the dedication and passion of our exceptional team. Each quarter, we are excited to introduce you to a different member of our talented staff, sharing their unique journey, professional insights, and personal passions. Join us as we shine a spotlight on the individuals who make **Kreitler Financial** a trusted partner in your financial journey.

### BEAU TILLINGHAST - SENIOR FINANCIAL PLANNER

- ▶ **What inspired you to join Kreitler Financial, and what do you enjoy most about your role?**  
Being a part of this team provides the best opportunity for me to build out my passion for improving the lives of clients and the community. My favorite part about my role as a Senior Financial Planner is collaborating with families to build and maintain intergenerational wealth. I enjoy getting to know families and the right planning can have a huge impact on future generations.
- ▶ **How do you stay updated with the latest trends and changes in the financial industry?**  
I read the Wall Street Journal daily. My go-to section is Heard on the Street, which I find to be a great place to read financial analysis and commentary.
- ▶ **What are you most excited about in the upcoming months for our company and our clients?**  
I'm excited about the growth of our team and to continually improve our client services and experience.
- ▶ **What hobbies or activities do you enjoy outside of work?**  
I usually start my day with a jog around my neighborhood in Old Wethersfield. If you see me out on the weekends, it will be exploring New England's outdoors, golfing, or enjoying some ice cream at Robb's Farm in Glastonbury.
- ▶ **What is your favorite book, movie, or podcast, and why?**  
I encourage everyone to read my favorite book titled "Against All Odds" by Alex Kershaw. The book highlights several accounts of bravery of four Medal of Honor recipients who served in the same unit during World War II: Audie Murphy, Maurice Britt, Keith Ware, and Michael Daly. Fun Fact: Daly spent most of his life in Fairfield, CT. I started the book because both of my grandfathers served in the military, and I wanted to learn more about the experiences and sacrifices they made while serving our country.
- ▶ **Where is your favorite travel destination? What is a must-see when someone visits there?**  
My favorite travel destination is Rocky Mountain National Park in Colorado. If you're feeling adventurous, you won't regret the four-mile out-and-back hike to Emerald Lake. The hike is rated "moderate" and there are some beautiful lakes on the way: Bear Lake, Nymph Lake, and Dream Lake.

***At Kreitler Financial, we help change people's lives by helping them dream a future they can't yet imagine, then outline the path to make it a reality.***

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Kreitler Financial, LLC ("Kreitler Financial"), or any non-investment related content, made reference to directly or indirectly in this article will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this content serves as the receipt of, or as a substitute for, personalized investment advice from Kreitler Financial. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. Kreitler Financial is neither a law firm, nor a certified public accounting firm, and no portion of the article content should be construed as legal or accounting advice. A copy of Kreitler Financial's current written disclosure Brochure discussing our advisory services and fees is available upon request. Please Note: If you are a Kreitler Financial client, please remember to contact Kreitler Financial, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services. Kreitler Financial shall continue to rely on the accuracy of information that you have provided.

### POSSIBILISTS & PATHFINDERS

There is no assurance that any investment strategy will be successful or that your objectives will be met. Investing involves risk and investors may incur a profit or a loss. Asset allocation and diversification do not ensure a profit or protect against a loss. Past performance is not indicative of future results. Every investor's situation is unique and you should consider your investment goals, risk tolerance and time horizon before making any investment decision.