Q4 2025

KREITLER FINANCIAL

INSIGHTS

Charlie's Corner

As expected, we have a surprise government shutdown.

This is just one part of what seems like a never-ending drumbeat of negative news. Tariffs, political friction, Federal Reserve uncertainty, and global tensions are reported daily, yet stock markets have continued to rise. The S&P 500, international equities, and bonds have all delivered positive returns through the first three quarters of the year, with the S&P 500 up 14.8% and global markets as measured by the MSCI EAFE index is up 25.7% year-to-date as of September 30th (YCHARTS). Even though many expected a shutdown, markets remained resilient.

What is an investor to do? We remind ourselves to focus on what we can control and accept that many forces will always be beyond our control. Much of what we read in the press is noise. Our job is to search for the signal beneath that noise. Not all things that are urgent are important.

Back to our shutdown. It is disruptive and rattles confidence, particularly if you are one of the estimated more than 750,000 employees furloughed. Imagine, if you will, that we are 10 years in the future, thinking back on past events and whether this event (or any other) resulted in consequential long-term changes. Past shutdowns, such as 2013 and 2018, caused only temporary

- Continued on Page 2

Continued from Page 1 -

volatility and no lasting damage. A prolonged event could create broader consequences, but if history is a guide, the bigger risk was the debt ceiling. Congress already addressed that earlier this year, reducing the chance of systemic disruption. For long-term investors, this type of perspective is essential.

Signals are hard to find and harder to interpret. The US debt $37.4 trillion [as of 9/8/25: Congressional Joint Economic Committee] and growing. As of September 30, the U.S. dollar has fallen about 9.8% year-to-date as measure by the DXY dollar index [YCHARTS]. Other concerns include rapidly changing trade and economic policies, which make it difficult for companies to plan. High market concentration with the top ten S&P 500 companies represent roughly 38 percent of the index and close to 20 percent of global market capitalization is another concern.

History does not repeat, but it often rhymes. Shutdowns, wars, inflation cycles, and recessions have all challenged investors, yet markets have continued to compound wealth. Growth assets, particularly stocks, have been powerful engines of long-term wealth for those who did not need immediate access to their capital. Investors who endure volatility are typically well rewarded. Still, today's concentration in technology names and market valuations at their highest levels since the early 2000s. The top 10 companies in the S&P 500 account for 40.4% of the market capitalization of the index as of September 30th. (J.P. Morgan Guide to the Market 4Q 2025). This concentration suggests the need for tempered expectations. At the same time, the promise of artificial intelligence and significant investment in new technologies may set the stage for future advances in science, health care, and economic growth.

Markets rarely react in predictable ways. In 2020, a global pandemic shut down the world economy, yet equity markets ended the year higher. This is why we rely on strategy rather than forecasts. Human behavior often works against us: markets are one of the few places where people want less of something when it gets cheaper. Rising markets draw us to the past winners. Falling markets scare us into selling what may be the best values. Many investors lock in permanent losses by selling in downturns. Equally damaging is the temptation to wait for clarity and then never investing at all, leaving money idle on the sidelines.

The best way to manage this uncertainty is through disciplined strategy and diversification. Diversification allows us to participate in the upside while spreading risk across opportunities. It helps balance capturing long-term returns with protection against inevitable setbacks. So far, 2025 has rewarded diversification into global stocks. International stocks as measured by MSCI EAFE index returned 25.7%, versus a 14.8% return for S&P 500 (YCHARTS).

The future is unknowable. Strategy prevents short-term noise from overwhelming long-term discipline. It is how we commit to the long term while building portfolios that can absorb short-term disruptions without derailing our goals. We invest with strategy not because we know what the future brings, but because we cannot know the future and yet must still live with the results.

As always, thank you for your trust.

Charlie

New Haven READS

Our Fall Social in September was such a special event because of you!

We want to give a big shout out for all the contributions toward New Haven Reads. Together we raised over $7,200 in support of this great organization!

Market Summary

The Federal Reserve's September decision marked the first rate cut of the current cycle, reducing the federal funds rate by 25 basis points. Although tariff pressures continue to pose potential upside risks to inflation, evidence of cooling in labor demand was the basis for starting to cut rates. Furthermore, GDP growth remains positive but is decelerating and the Feds economic projections points to two more rate cuts by year-end.

Solid Q2 earnings, expectation of more rate cuts, and the continuation of AI enthusiasm have pushed U.S. equity markets to new highs. The S&P 500 returned approximately 8.1% during Q3 2025 (YCHARTS) and hit the most record highs in a quarter since 1998. Concentration in mega-cap tech companies continues to be a concern. Seven companies (Magnificent-7) account for 45% of the year-to-date returns for the S&P 500 as of September 30th (RJ Quarterly Market Review 3Q 2025)

Small company stocks, as measured by the Russell 2000 index, outperformed U.S. large stocks in Q3 2025 with an index return 12.4% (YCHARTS). After a slow start to the year, small-company stocks regained momentum as investors anticipated that lower interest rates would favor more cyclical small companies in a rate cutting cycle.

International markets continue to outpace the U.S. this year. Emerging markets stocks returned 11% for the quarter (YCHARTS). Year-to-date as of September 30th, MSCI EAFE and MSCI Emerging Markets have returned 25.7% and 28.2%, respectively (YCHARTS). European equities continue to outperform the U.S. by approximately 14% year-to-date and have had the best start to a year vs. the U.S. in at least 25 years (RJ Quarterly Market Review 3Q 2025). Potential dollar weakness and cheaper international valuation may continue to be favorable for international stocks going forward.

For the quarter ending September 30th, Treasury bonds returned 1.5% and the Bloomberg US Aggregate Bond Index posted a total return of 2.0% (YCHARTS). Positive returns were driven by the Fed cutting rates, slowing economic growth concerns, and better than expected inflation.

Market Return as of June 30, 2025

Asset Class	Index	Quarter Total Returns	Year to Date Total Returns
US Stocks	S&P 500 Total Return	8.1%	14.8%
	Russell 2000	12.4%	10.4%
Foreign Stocks	MSCI Emerging Markets	10.9%	28.2%
	MSCI EAFE	4.8%	25.7%
US Bonds	Bloomberg US Aggregate	2.0%	6.1%
*Source YCharts Returns as of September 30, 2025			

"But investing isn't about beating others at their game.
It's about controlling yourself at your own game." - Benjamin Graham

Q4 2025

We had such a great time at our Fall Social at Zinc here in New Haven.

Feel free to try the Apiarist (a nod to our founder, Bob Kreitler) or the Cannella Novella signature cocktails at home!

The Apiarist:

- Barr Hill Tom Cat Gin
- Fruitful Passionfruit Liqueur Matchbook Distilling
- Strawberry Amaro Wing Dance Apiary
- Honey Syrup
- Fresh Lemon

Cannella Novella:

- Remus Bourbon
- Meletti 1870
- Elsewhere Blood Orange Aperitivo
- Homemade Cinnamon Syrup
- Fresh Lemon

What You Need to Know Before Year-End:

Key Tax Changes from the One Big Beautiful Bill Act of 2025 Congress has finalized sweeping tax legislation under the One Big Beautiful Bill Act of 2025.

Here are six key changes - and the planning opportunities they create before year-end:

Individual Tax Rates Made Permanent

What changed:
The current individual income tax brackets are now permanent, removing the sunset that was scheduled for the end of 2025.

Why it matters:
Reduced need to accelerate income into 2025 to avoid higher rates in 2026. For most, this simplifies year-end income planning.

New, Higher SALT Deduction Cap

What changed:
The state and local tax (SALT) deduction cap increased from $10,000 to $40,000, with a gradual phase-out for higher-income households.

Why it matters:
Taxpayers may want to revisit whether to pay 2025 state and local taxes this year or wait until 2026, depending on income level and deduction visibility.

SALT Deduction Phase-Out for High Earners

What changed:
The new SALT cap phases out beginning at $500,000 of income, creating an effective marginal tax rate greater than 45% for some.

Why it matters:
Higher earners with income flexibility might benefit from planning income (e.g. Roth conversions, retirement account distributions) around the new phase-out.

Charitable Giving Deduction Floor Added

What changed:
Starting in 2026, charitable deductions will only apply to amounts above 0.5% of AGI.

Why it matters:
Taxpayers who itemize may lose some deductibility and could benefit from accelerating planned contributions into 2025.

Estate Tax Exemption Made Permanent at $15 Million

What changed:
The estate tax exemption is now permanently set at $15 million per person (indexed for inflation).

Why it matters:
This removes the uncertainty on whether the limit exemption would revert to $7 million at the end of 2025, avoiding a rush to complete complex estate plan changes before the end of the year.

Expanded Tax Benefits for Small Business Owners

What changed:
Enhancements to the pass-through business deduction, bonus depreciation (permanent 100% bonus depreciation on most property acquired after 1/19/2025), and the qualified small business stock (QSBS) exclusion—now up to $15 million—create new tax advantages.

Why it matters:
Business owners may have expanded opportunities to improve after-tax returns through entity structure and timing decisions, or to free up capital for reinvestment.

If any of these changes could affect your personal or business tax planning, now is the time to explore options. We encourage you to contact us and your tax advisor before the window closes on 2025.

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.

POSSIBILISTS & PATHFINDERS