LAB Wealth Management LLC

Quarterly Newsletter: Ending September 2025

THE ECONOMY AND STOCK MARKET

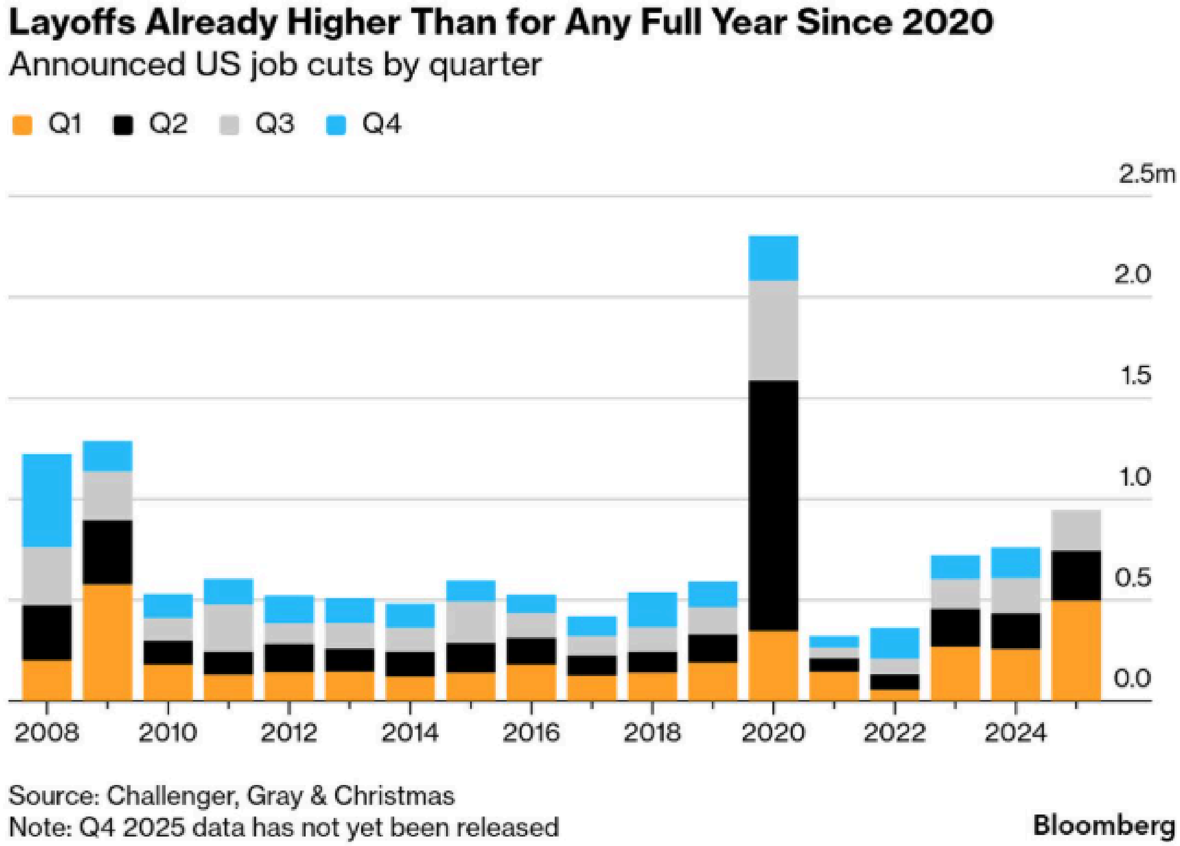
- The U.S. economy continues to surpass expectations with 3Q25 GDP growth expected at over 3.5%. However, growth is expected to slow by the end of the year, with GDP estimated at 1.5% in 4Q25. Full-year 2025 GDP is estimated at 2%.
    - While parts of the economy are strong, we can describe the current situation as a K-shaped recovery, a division where those with assets (investment accounts, jobs, and real estate) are reaping the benefits of growth, while those without continue to struggle to keep up.
    - Some should see relief as the average tax refund is expected to increase to $4,000 due to the recent tax bill. With that, consumer spending should increase in the first half of 2026 and add to GDP growth before declining again.
    - Manufacturing data continues to come in below 50, a slightly negative trend - continued economic contraction in this sector.
- The S&P 500 and other stock market indexes are back at all-time highs after the April tariff drama sell-off. Fueled by corporate earnings and Artificial Intelligence optimism, should this hold, we could end the year with double-digit returns for the third year in a row.
    - Both U.S. stocks (14.5%) and bonds were positive (6%+) for the first 9 months of the year.
    - International markets continue to outpace the U.S., where a weaker dollar (8% decline since January) adds to strong international performance.
    - Note: Based on many analyst models, the stock market is overvalued, but many project the markets could continue to rise in the near term.
    - International developed and emerging markets are less overvalued vs. U.S. stocks.
    - Some caution that we could be in a 'bubble' given the rapid run-up in the stock market this year. There are clear winners, and some parts of the market have broadened out to include more participants outside of the magnificent 7 stocks. The argument against calling this a bubble is that corporate earnings are steady and have increased, and margins are healthy. There's actual cash on balance sheets, interest rates are low, and credit margins are tight.
        - There's $7 trillion in the money market waiting to be deployed - especially given lower interest rates for CDs and Government

notes. Additionally, there's an insatiable appetite for the retail investor to buy the dip.
- The ongoing government shutdown could last into mid-November. Already the second longest (under this president), it could become the longest in history (under this president). A shutdown could lead to avenues to reduce government spending. No shutdown has occurred during a recession, but we have certainly experienced many firsts as of late.

- Some furloughed Bureau of Labor Statistics employees were called back under special order to gather CPI data. This information is required to determine the Cost-of-Living adjustment COLA for the Social Security Administration. The headline CPI report came in last week at 3.0% year-over-year, up from 2.9%. Core CPI softened from 3.1 % to 3.0%.
    - As a result, Social Security benefits will be adjusted by 2.8% for 2026.
    - Tariffs continue to place some pressure on core goods prices, as seen in the gradual upward change. CPI is projected at 3.5% by year's end, an increase from current levels. Significantly higher than the FED's long-standing 2.0% target.
    - Housing costs continue to cool, a deflationary trend.
    - Food prices (eggs any one) have moderated, and energy prices are flat.

LABOR MARKET

- The jobs market remains weak and could continue to decline, with low hirings and low firings being the narrative. However, numerous headlines of layoffs in both the government and the private sector could lead to a higher unemployment rate by year's end.
- The unemployment rate rose 0.1% from August to 4.3% in September (estimated). This figure does not reflect the true picture of reality. For part-time workers due to economic reasons, discouraged workers, and those marginally employed, the unemployment rate jumps to 8.1% (U-6).
- The impact of immigration policy on lower-tiered workers and changes to H-1B Visa to $100,000 present a different set of challenges for the labor force.



INTEREST RATE

- The Federal Reserve Board of Governors voted to cut the benchmark rate 0.25%, as expected. Chairman Powell noted an additional December cut is not guaranteed. If the Fed cuts too quickly, it could have to reverse should inflation dynamics change unexpectedly.
- The current Fed target rate is 3.75 to 4.00%. The full impact of these cuts isn't expected until the 2nd half of 2026.

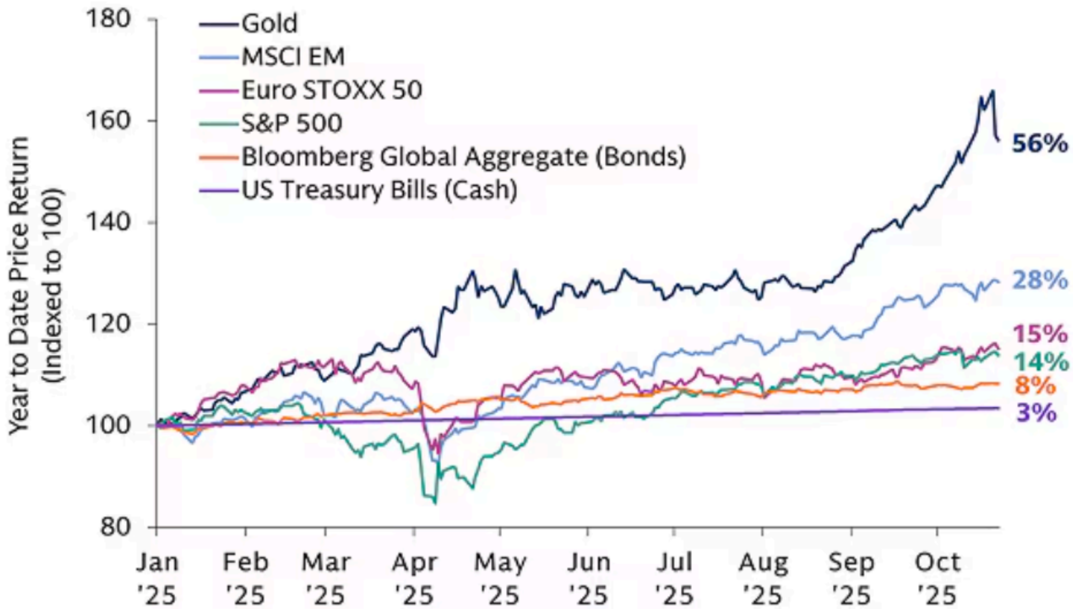
HOUSING

- The 30-year fixed mortgage rate remains above 6%, a continued challenge for the housing market, where many are locked in at rates +/-3%. The housing market is expected to remain soft.

GOLD

- This asset class continues to be in high demand even after a recent correction of 10% from the peak of close to $4,300 an ounce, 2x its value from two years ago.
- These factors account for the price of gold
    - Stagflation (higher interest rates and high unemployment), though not the current situation, remains a concern.
    - Weaker U.S. dollar. Gold is priced in dollars.
    - Threats to the FED independence from the President - he will likely appoint a new chair who could lean on continued easing policies for political alignment.
    - Rising U.S. and other world government debt
        - The US deficit at fiscal year end September 30, 2025, was $1,775 trillion, troublingly high, but $7 billion smaller than the prior year.
    - Central Banks adding gold as a diversifier vs. U.S. Treasuries to de-link from the U.S. dollar. The U.S. can't freeze this asset.

Everything But Cash



Source: Bloomberg and Goldman Sachs Asset Management. As of October 22, 2025. Chart shows year-to-date price returns for a variety of assets. Please see additional disclosures at the end of this presentation. **Past performance does not predict future returns and does not guarantee future results, which may vary.** For Illustrative Purposes Only.

YEAR-END INVESTMENT STRATEGIES

- Schedule a meeting before the end of the first week of December.
- Increase your 401(k) / 403(b) or other deferred retirement accounts to maximize 2025 contributions, if possible.
- Roth Conversions, also known as backdoor Roth, for the 2025 tax year must be processed by December 31. We should have a conversation to determine how this could meet your financial goals by allocating after-tax $ to grow tax-free.
    - This is especially useful for high-income earners where regular contributions are disallowed.
    - Retired investors with traditional IRA accounts could benefit from this strategy as well.
- Required mandatory distributions must be processed by December 31 to avoid penalties. Taxes are often withheld from the distribution to offset your tax

obligation. At age 70, traditional IRA $ can be sent directly from your account to a 501c3 organization (a church, etc.). This money is reported on your taxes, but not taxable directly to you.
- Donor Advised Fund contributions could provide an immediate tax write-off in the current year. Ideally, the money is invested and could grow in the account for later disbursement to your desired 501c3 charity.
- Capital gains harvesting to better manage gains and losses, and rebalance your non-retirement account.
- Review, not just your account's performance, but actual financial and non-financial goals and adjust accordingly.
- Perhaps this was the year you planned to set up a living trust, but did not.

BUSINESS UP-DATES

Friendsgiving - Saturday, November 22, between 1 pm - 7 pm: Stop by to connect and take away some Thanksgiving treats to enjoy. Please RSVP.

Out-of-office time: Holiday travel December 8 through January 14, with limited access to business text and email. All back office items and money distributions will continue uninterrupted by Kayla Brake at Cambridge. I will use this time to travel, rest, and do strategic / vision planning for next year.

The integration providing tax services continues with full conversion planned for January 1, 2026. Another entity, LAB Tax Advisors LLC.

ZOOM SEMINAR:

- **Monthly Zoom Info**: Educated Zoom, usually every 2nd Thursday of each month at 4 PM PST.
  - November 13, 2025 - Market Update and Year-end Planning Strategies
  - December 11, 2025 - Holiday Break
  - January 15, 2026 - Starting the New Year with a Bang

Zoom Archives - **https://www.labwealthmanagement.com/learning-center/**

My Travel Experiences: Pictured: fall colors at a park in Seattle in late October

Thank you for your continued support.

Warm regards,
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