

Quarterly Newsletter: Ending December 2025

THE ECONOMY AND STOCK MARKET

- J.P. Morgan Commentary
 - Despite tariff headwinds, the government shutdown and restrictive immigration policies, strong AI investment and resilient consumer spending have supported the U.S. economy. Growth may have slowed in 4Q25, but the OBBBA should inject stimulus into the economy via larger income tax refunds, boosting activity early this year. However, as the effects of fiscal stimulus fade and higher tariffs and lower immigration persist, growth could slow again in the second half of 2026.
 - Higher starting yields today suggest that high-quality bonds could deliver solid returns in the years ahead.
 - The inflationary impacts of tariffs have grown more apparent in recent months, with headline CPI rising 2.7% y/y in November, up from 2.3% in April. Importantly, tariffs have yet to fully flow through the data, and their effects should intensify in the months ahead. This, along with fiscal stimulus, could push headline inflation above 3.5% y/y by mid-2026 before it gradually recedes to the Federal Reserve's 2% target.
 - In 2025, dollar weakness, AI investment and resilient consumer spending supported a second consecutive year of 10%+ earnings growth despite nominal economic growth below 5%. This trend should continue in 2026 on the back of solid productivity gains, subdued wage pressures and tax cuts. However, earnings growth is cyclical, and an unexpected dramatic slowdown in economic growth could limit further upside, leaving equity markets vulnerable at elevated valuations.
 - AI enthusiasm has helped propel the U.S. equity market to all-time highs but has had an outsized impact on U.S. mega-cap tech companies. However, these companies' market performance has outpaced their earnings growth, leaving valuations elevated relative to the rest of the market. Long-term investors should consider increasing allocations to other parts of the market in case headwinds arise that could turn the U.S. mega-cap equity boom into a bust.
 - International stocks outperformed their U.S. counterparts by a wide margin in 2025, with local currency returns further boosted by dollar weakness. Even after this rally, international stocks continue to trade at a large discount to their U.S. counterparts. With the dollar expected to weaken further and most U.S. investors likely still overweight domestic equities

despite the ability to access attractive themes abroad, international equities should continue to perform strongly as investors recalibrate portfolios toward a more appropriate long-term asset allocation

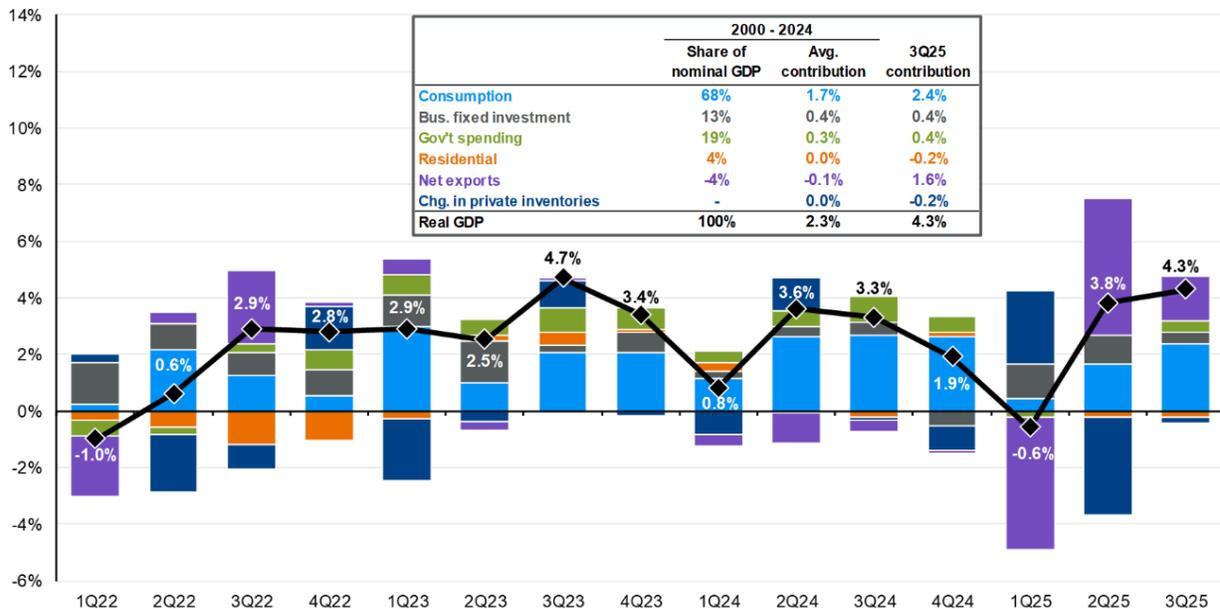
- As elevated valuations, low income and positive stock-bond correlation continue to challenge the 60/40 portfolio, investors should consider alternative assets in the portfolio construction process. There are a wide range of assets in the alternatives landscape, each catering to the different investment objectives of alpha, income and diversification. As such, adding a sleeve of alternatives can meaningfully improve portfolio outcomes and help investors reach their strategic goals.

Components of GDP growth

GTM U.S. 17

Contributors to real GDP growth

Quarter-over-quarter, seasonally adjusted annualized rate



Source: BEA, FactSet, J.P. Morgan Asset Management. Guide to the Markets – U.S. Data are as of December 31, 2025.

LABOR MARKET

- The jobs market in 2025 was cooler but more balanced, with the weakest performance since 2020 (excluding Pandemic Recovery). The year-end unemployment was 4.4% vs. 4.1% in 2024. Monthly jobs added were 49,000 vs.

168,000 monthly adds in 2024. Tariff uncertainty and reduced federal employment were major factors. This is defined as a low-hire, low-fire labor market.

INTEREST RATE

- The Federal Reserve Board of Governors voted in January to maintain Fed Funds Rate at 3.5 - 3.75%. The forecast is for two interest rate cuts in 2nd half of the year.
- Kevin Warsh, former Fed Governor, is nominated to replace Jerome Powell as Fed Chair when his term ends in May. Warsh has done a 180 on some Fed policies, and was considered more hawkish historically in the past. Concerns of Fed independence continue as the current administration added fuel with an unprecedented investigation of Jerome Powell.

TAX STRATEGIES for 2025 RETURN

- Gather all documents
 - Brokerage and bank account 1099-INT, IRA distributions 1099R, Social Security 1099SA, Mortgage 1098, W2, and all other documents to avoid delays with your tax preparer or the need to file an amended return later.
- Still possible to lower taxes and save for retirement
 - Consider a traditional or Roth IRA contribution for 2025 - before April 15
 - Income limits apply
- Ask your tax advisor if you qualify for any of the items from the most recent legislation - The One Big Beautiful Bill
 - New temporary deduction up to \$6,000 for seniors
 - Increases to the standard deduction
 - SALT deduction cap increases from \$10,000 to \$40,000
 - Child tax credit increases to \$2,200 per qualifying child
 - Credit for other dependents made permanent
 - Temporary deduction for cash tips in occupations where tips are customary, up to \$25,000
 - Up to \$12,500 (\$25,000 on a joint return), per year of overtime pay through 2028
 - \$10,000 deduction of car loan interest per year
 - Mortgage interest deduction permanently set to \$750,000 indebtedness
 - Tax-deferred investment accounts for children born between 1/1/2025 to 12/31/2028
 - Limits the deduction amount to 90% of the gambling losses in the tax year
 - Non-itemizers to claim a charitable deduction of up to \$1,000, \$2,000 on a joint return

LAB Wealth Management LLC

- Enhancement to Child and Dependent Care Credit
- Adoption credit enhanced to include \$5,000 refundable portion - indexed for inflation
- 529 additional qualified expenses now include K-12 expenses, limited to \$20,000
- \$5,250 employee exclusion for employer payment of student loans made permanent, indexed for inflation

BUSINESS UP-DATES

Jury Duty - Over the years, I've been exempt for various reasons. But my jury duty card was pulled this week, with no getting out of this one. I will be in civic service for a full 10 business days this month.

Tenth Anniversary - LAB Wealth Management LLC opened as a solo practice in May 2016. Not sure how we plan to celebrate, but we do expect the annual summer BBQ in August.

LAB Tax Advisors LLC - [LAB Tax Advisors.com](http://LABTaxAdvisors.com) A separate entity focused on tax planning and consulting launched on January 1, 2026. We welcome your interest, should you have this need. We already provide this value-added and integrative service to some clients. You are not obligated, nor is this a solicitation for your tax business. For full disclosure, I own the practice and assist the accountant with the files. There are no conflicts of interest with the tax preparer.

Pershing Monthly Statements - There's a \$2 monthly charge for statements (billed quarterly). This is a Pershing-the custodian of your account charge. If you haven't already, please sign up for e-delivery, please do so at netxinvestor.com to avoid this fee. For your reference, the NetXInvestor Partner Support Help Line is **1-888-245-0452**. Let them know you are a client of Leon Augustine, and they will be able to assist you. If you have any questions, please feel free to contact us.

ZOOM SEMINAR:

- **Monthly Zoom Info:** Educational Zoom, usually every 2nd Thursday of each month at 4 PM PST.
 - February 12, 2026 - Financial Planning Basics - Getting to Net Worth and Cash Flow Statement (Budget)
 - March 12, 2026 - Understanding the Universe of Investments
 - April 9, 2026 - Your plan before and after Retirement

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

My Travel Experiences: Pictured: short scenic bikeride along the estuary at the Gulf of Thailand from Dec. 2025.



Thank you for your continued support.

Warm regards,

Leon Augustine Boirard, MBA, CFP®, ChFC®

President/Owner

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