



WEALTH ADVISORS

TRUST MATTERS.

January 2026

Point of View – Economy – Markets

Important Information

The views and opinions expressed are those of the speaker and are subject to change based on factors such as market and economic conditions. These views and opinions are not an offer to buy a particular security and should not be relied upon as investment advice. Past performance cannot guarantee comparable future results.

Important Information

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be higher or lower.

Results shown assume the reinvestment of dividends.

An investment cannot be made directly in an index.

Investments with higher return potential carry greater risk for loss.

Investing in small companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

Foreign securities have additional risks, including exchange rate changes, political and economic upheaval, the relative lack of information about these companies, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

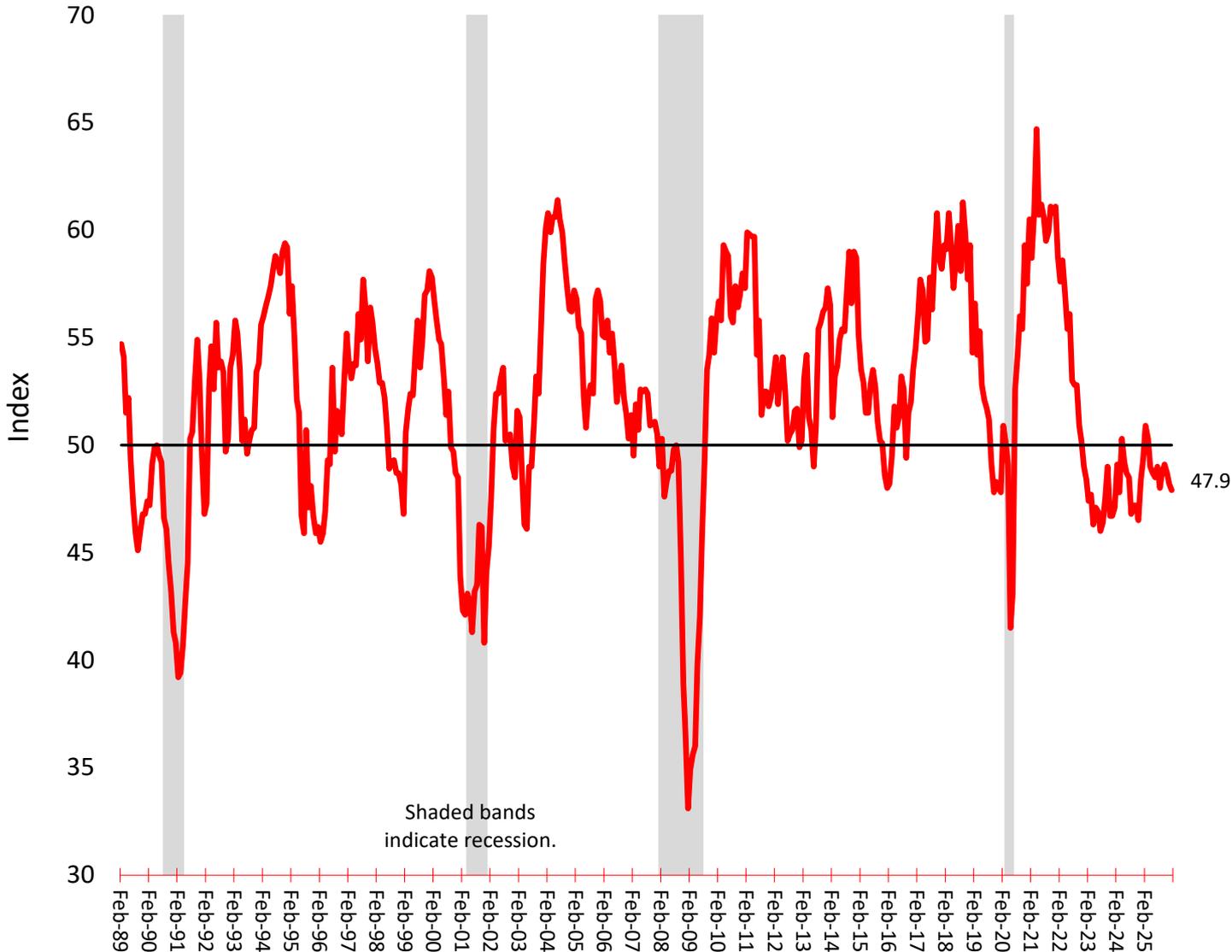
Investing in emerging markets involves greater risk than investing in more established markets such as risks relating to the relatively smaller size and lesser liquidity of these markets, high inflation rates, adverse political developments and lack of timely information.

Fluctuations in the price of gold and precious metals often dramatically affect the profitability of the companies in the gold and precious metals sector. Changes in political or economic climate for the two largest gold producers, South Africa and the former Soviet Union, may have a direct effect on the price of gold worldwide.

Bullet points for January

- Weak jobs
- Weak housing starts
- Services PMI jumped
- Strong Redbook retail sales
- Household net worth jumped
- Strong +4.3% Q3 GDP growth
- Strong +5.1% Atlanta Fed Q4 GDP forecast
- 2.8% inflation (PCED); 2.7% (CPI)
- 2026 & 2027 earnings estimates surge
- Record high stock prices
- High P/E ratio

ISM manufacturing PMI – weak



December at 47.9.

December new orders
47.7.

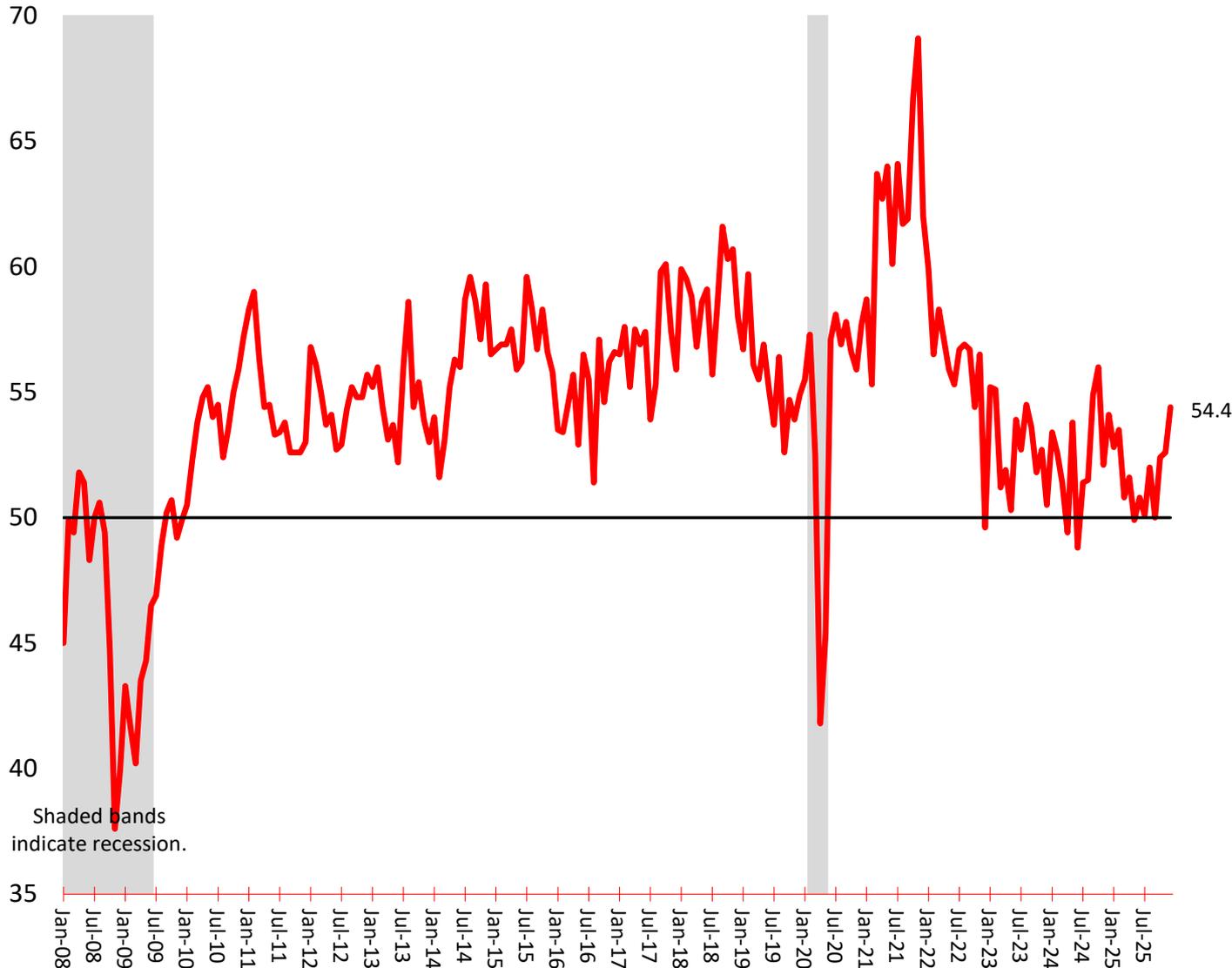
Note the historic
volatility in the
manufacturing PMI.

Note how this indicator
has slumped well below
50 even during periods
of strong economic
expansion, eg. 1995,
1999, 2003, 2013, 2016.

Source: Copyright 2026, Institute for Supply Management. Data through December 2025.

ISM: "A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting. A Manufacturing PMI® above 48.7 percent, over a period of time, generally indicates an expansion of the overall economy."

ISM services PMI – strong



December at 54.4.

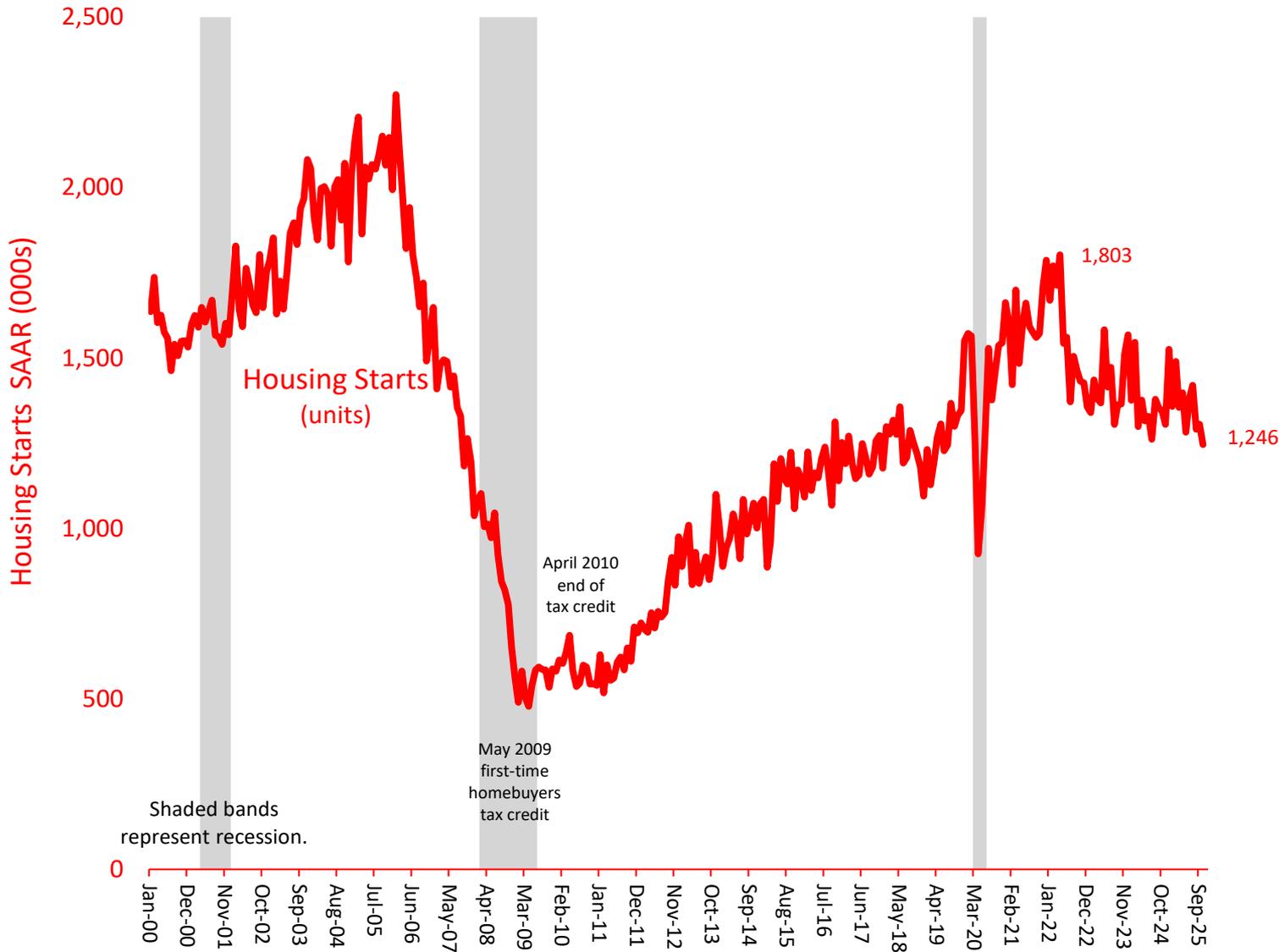
December new orders
57.9.

Services comprise 89%
of the U.S. economy¹
and 91% of total
nonfarm jobs.

Source: Copyright 2026, Institute for Supply Management; data through December 2025. This data series was created in 2008. ISM: "A reading above 50 percent indicates that the services sector economy is generally expanding; below 50 percent indicates that it is generally contracting." "A Services PMI® above 50.1 percent, over time, generally indicates an expansion of the overall economy." ¹Value added as a percent of GDP.

Economic data

Housing starts



1.246 million starts in October.

October permits at 1.412 million.

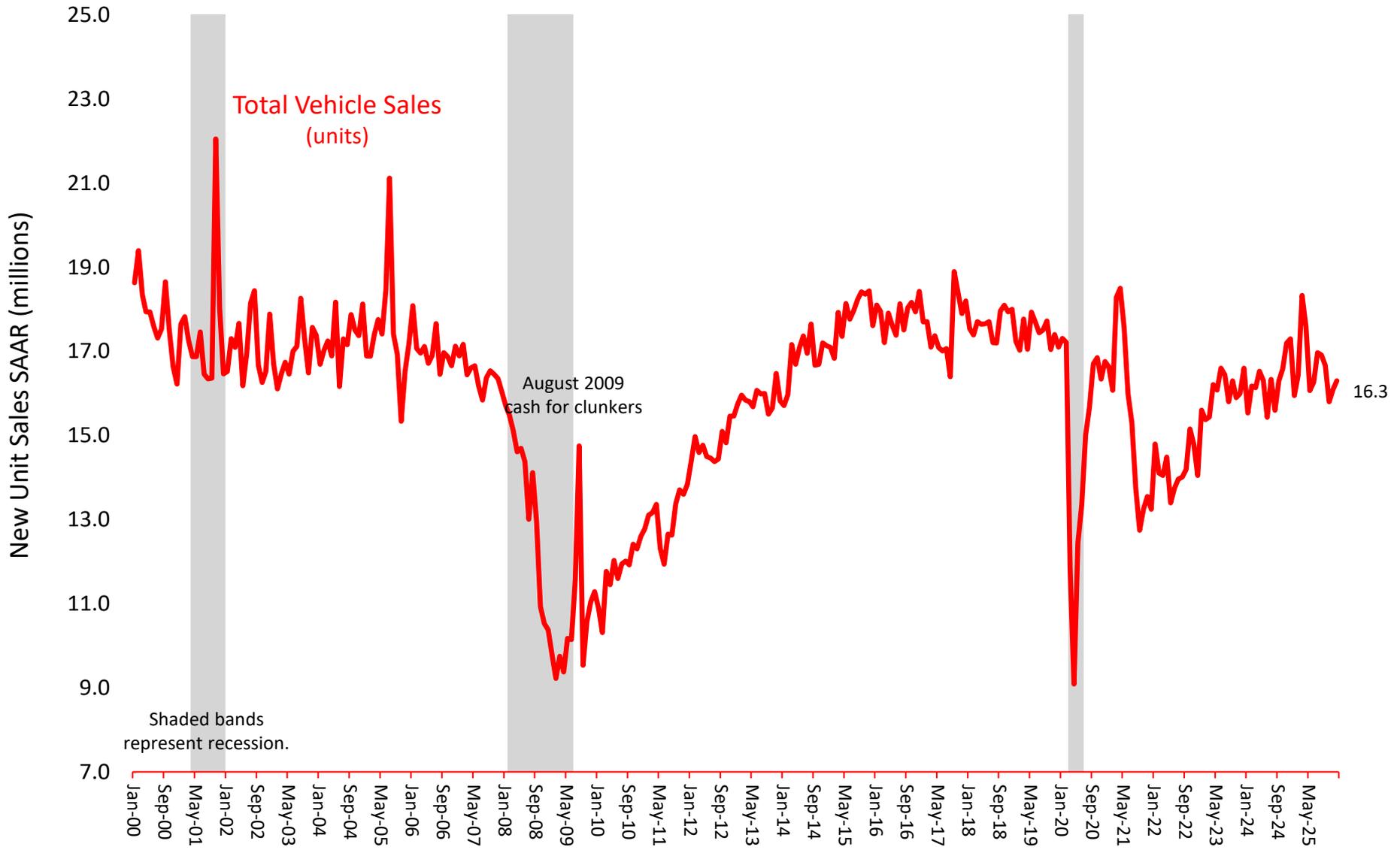
“Housing starts also remain(ed) well below the projected rate of 1.6 to 1.8 million that is consistent with long-term demographics and the replacement of the existing housing stock (Herbert, McCue, and Spader 2016).”¹

Sources: BEA and U.S. Census Bureau. Data through October 2025.

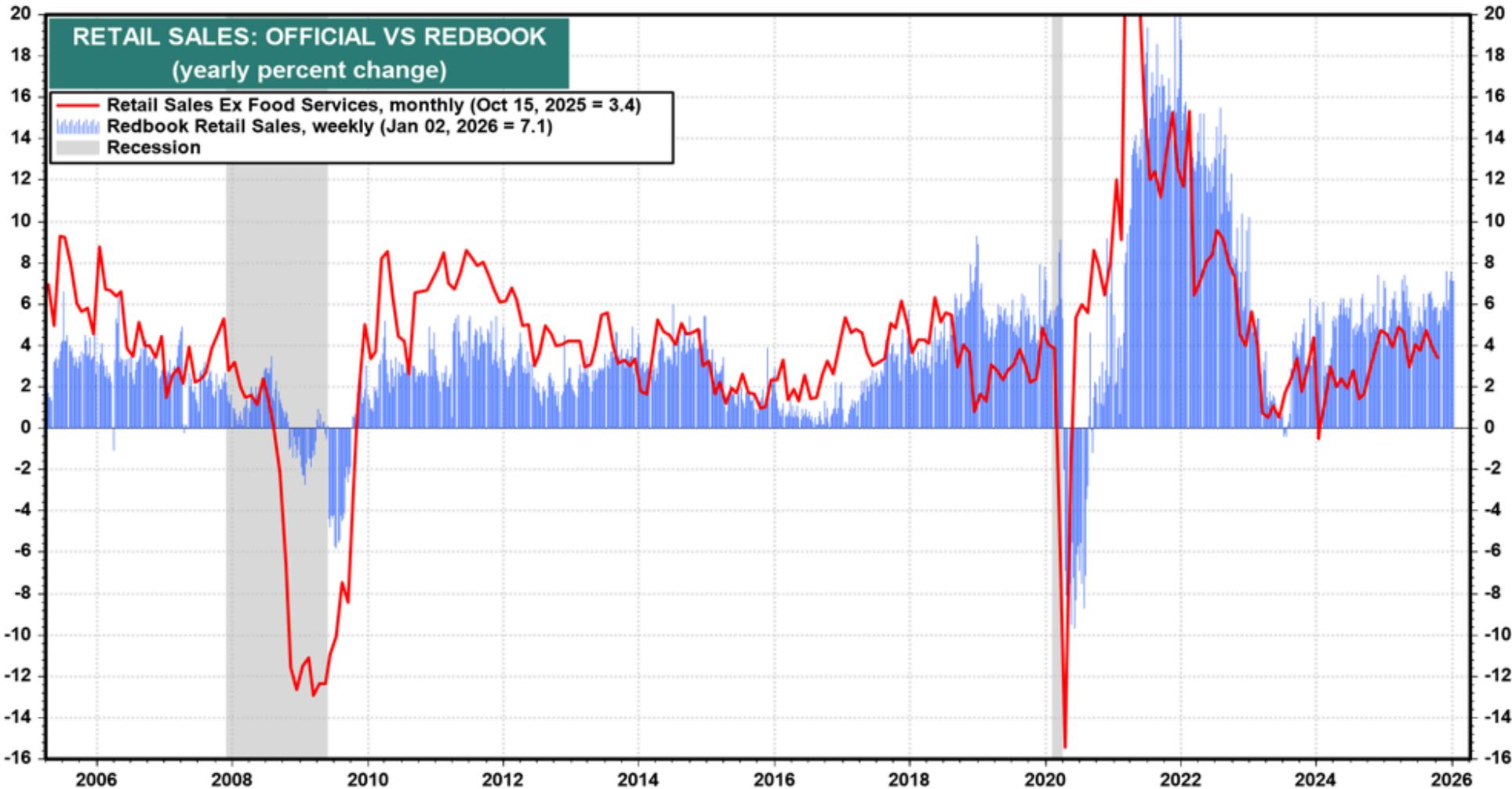
¹ *Economic Report of the President*, Council of Economic Advisors, February 2018

Economic data

Vehicle sales



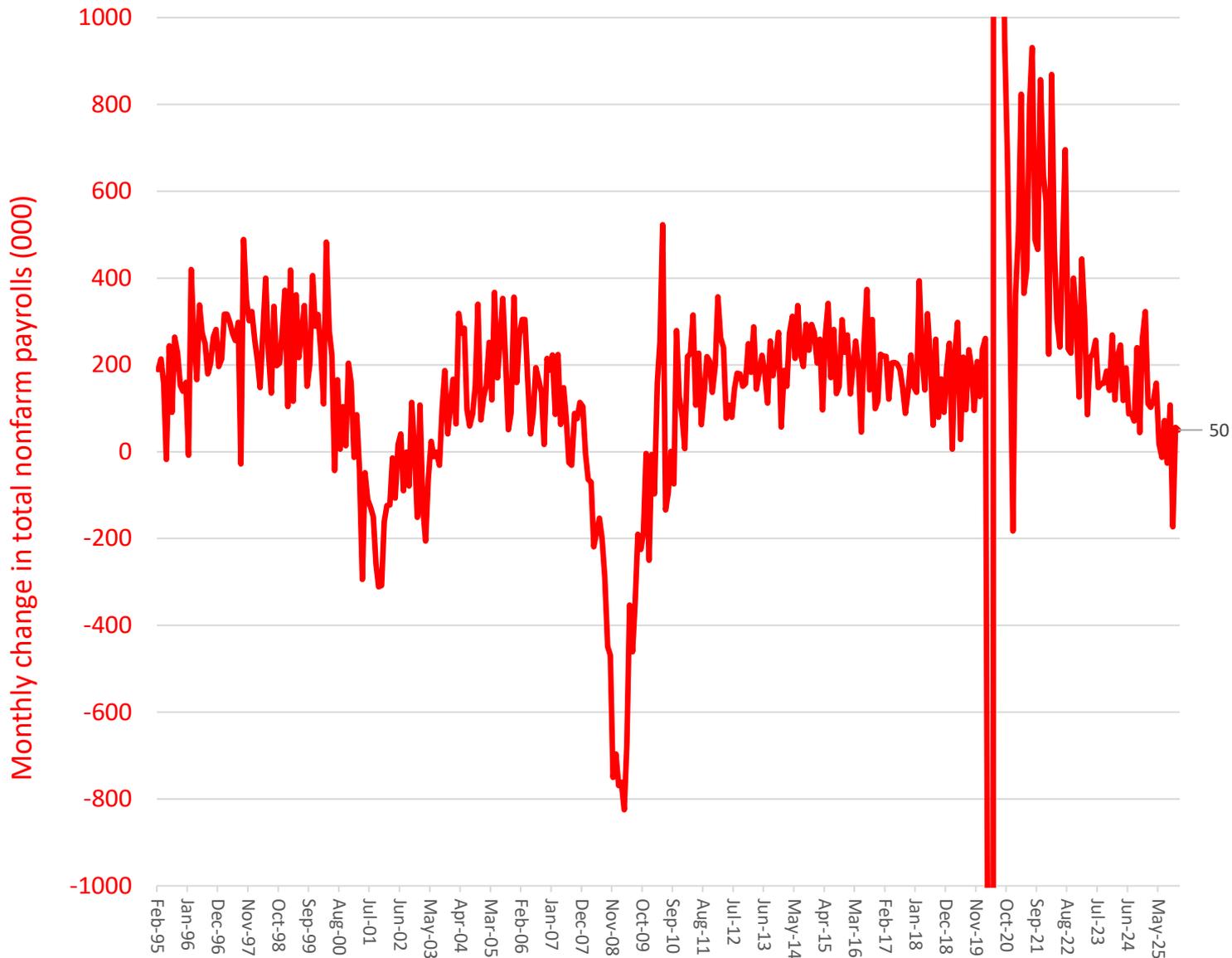
Retail sales – strong



Source: LSEG Datastream and © Yardeni Research. Redbook Research Inc and Census Bureau.

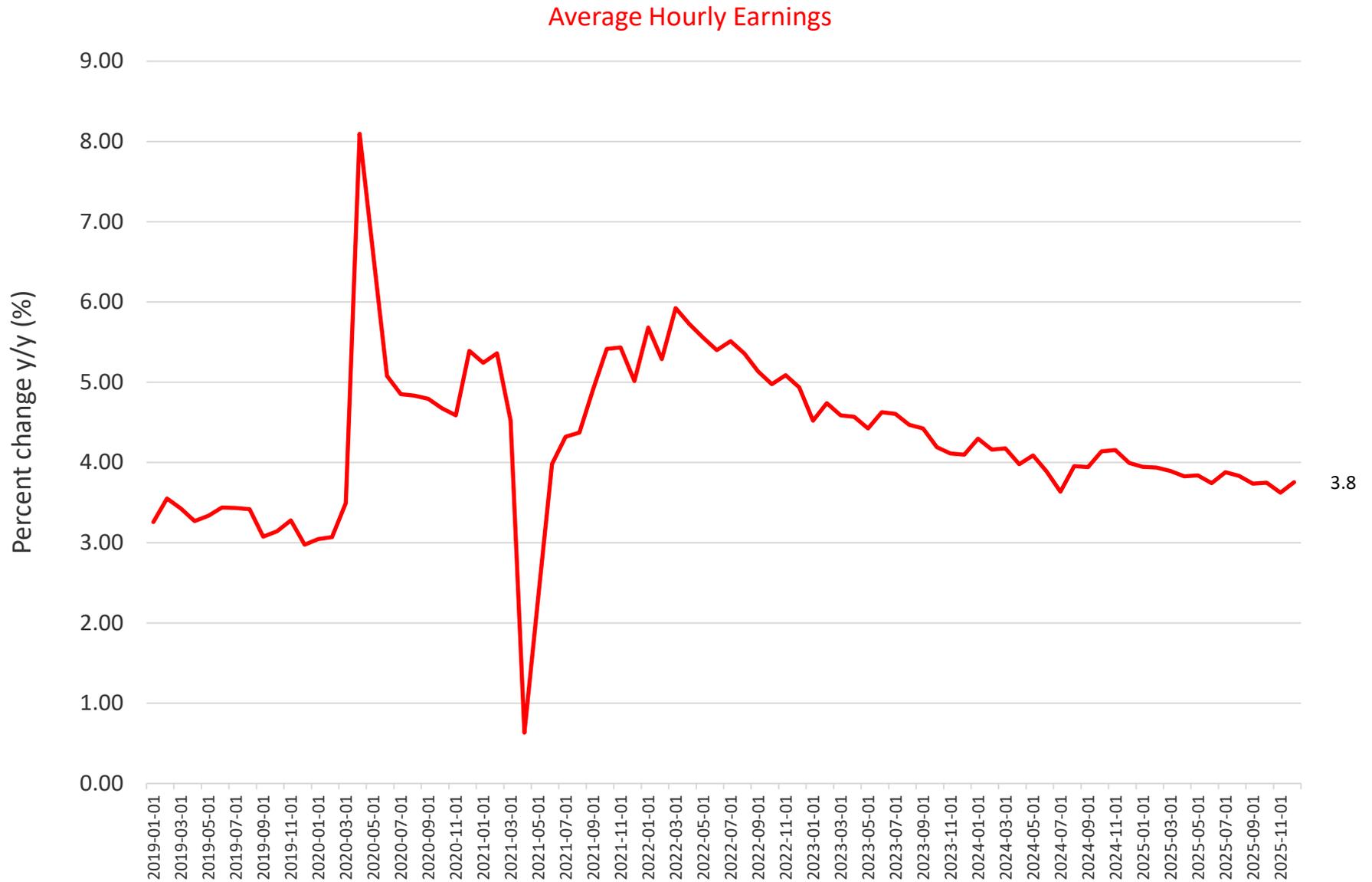
Economic data

Net new job formation – weak



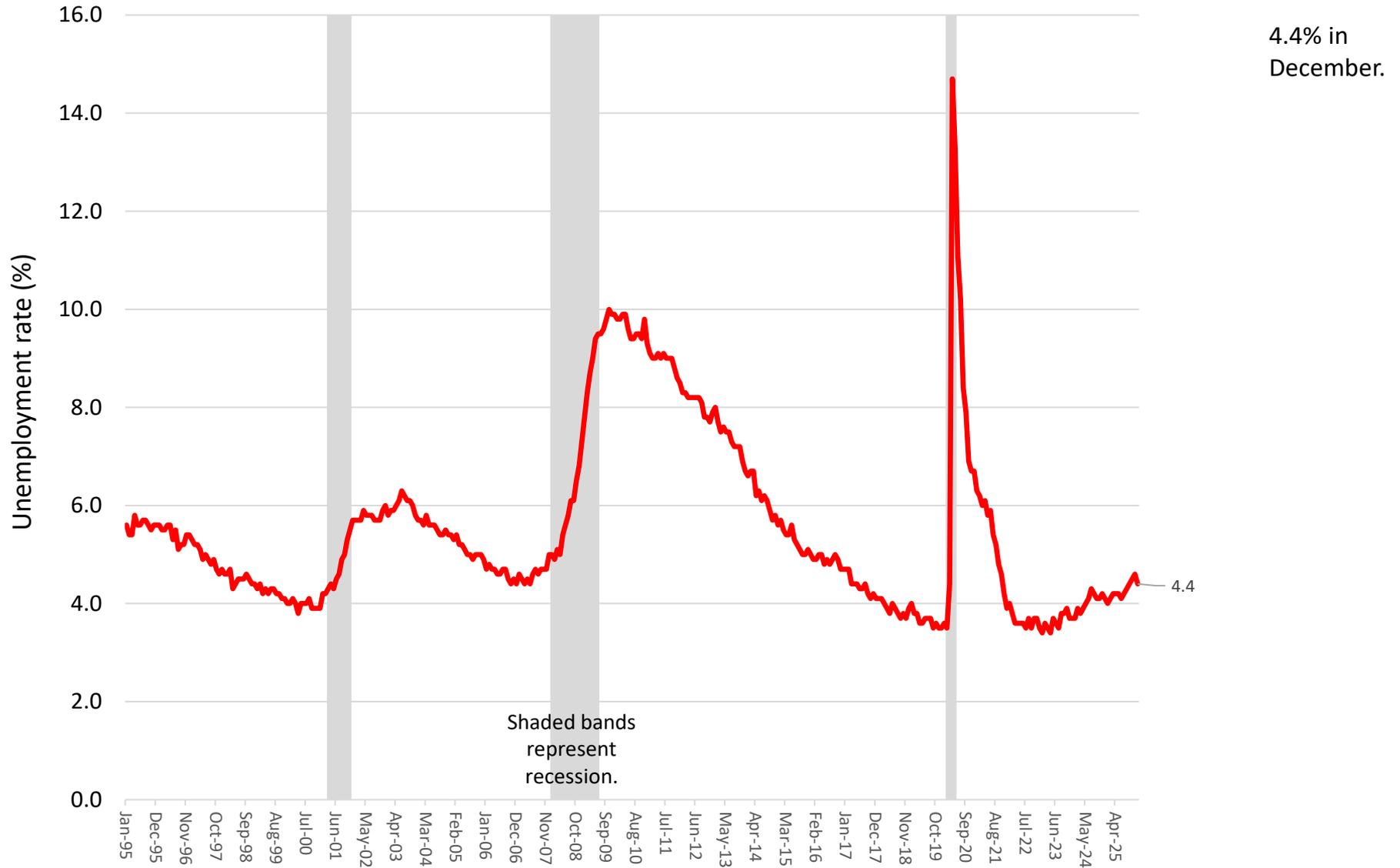
50,000 jobs gained in December on the establishment survey.

Average hourly earnings – y/y rate of change

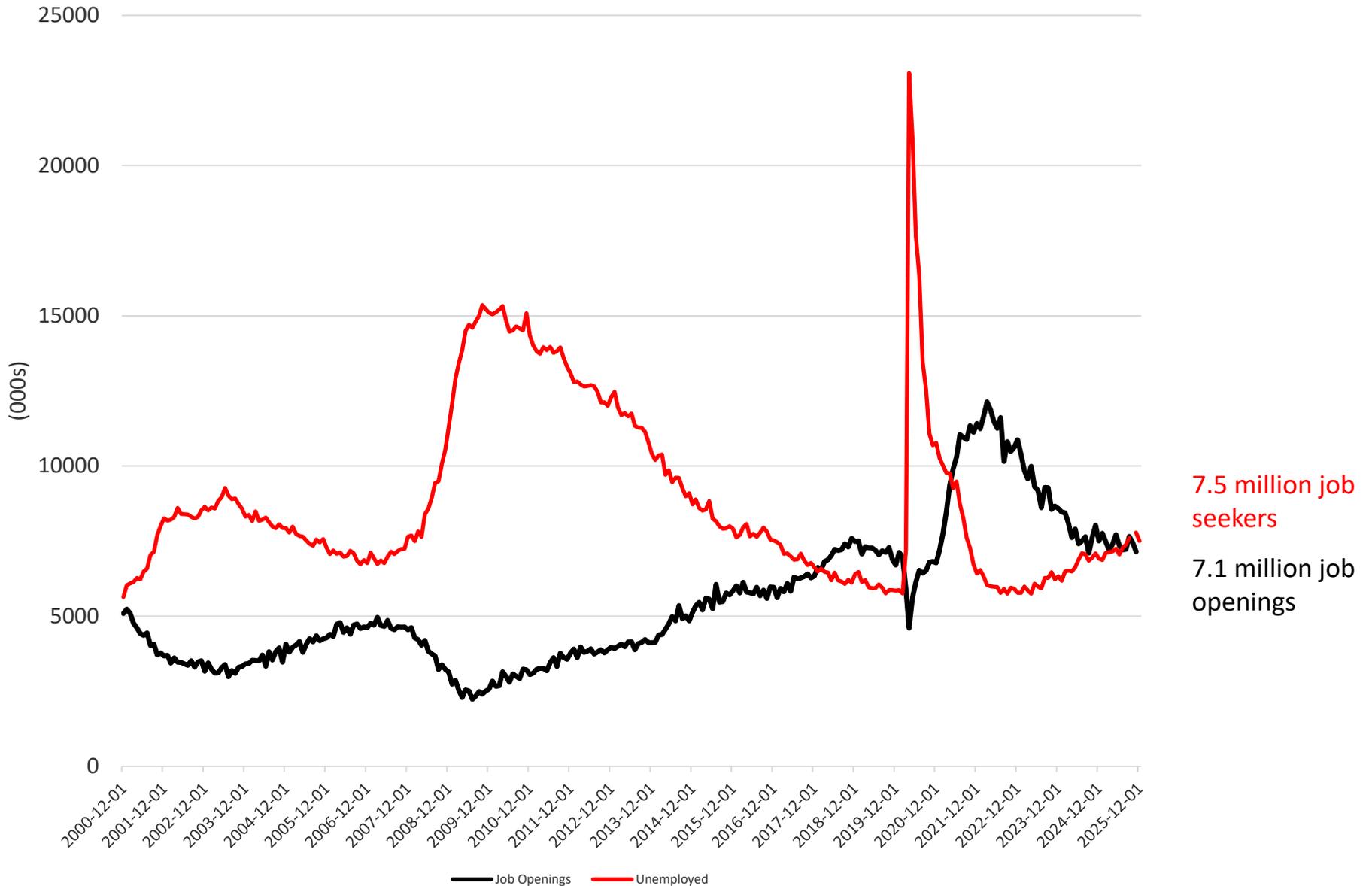


Source: Bureau of Labor Statistics. Data through December 2025.

Unemployment rate



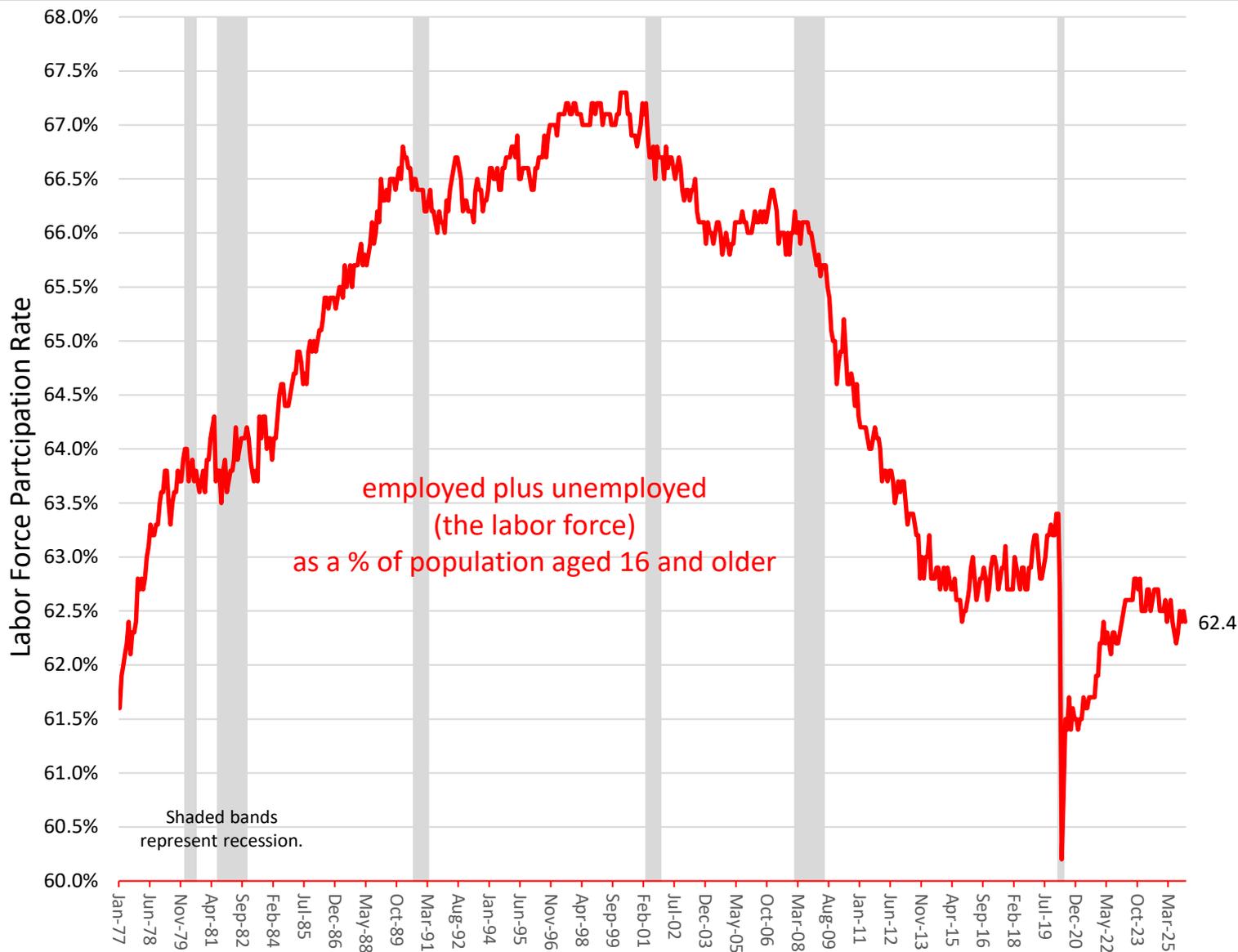
Normalizing after “excess demand” for labor



7.5 million job seekers

7.1 million job openings

Labor force participation rate¹ – sliding lower



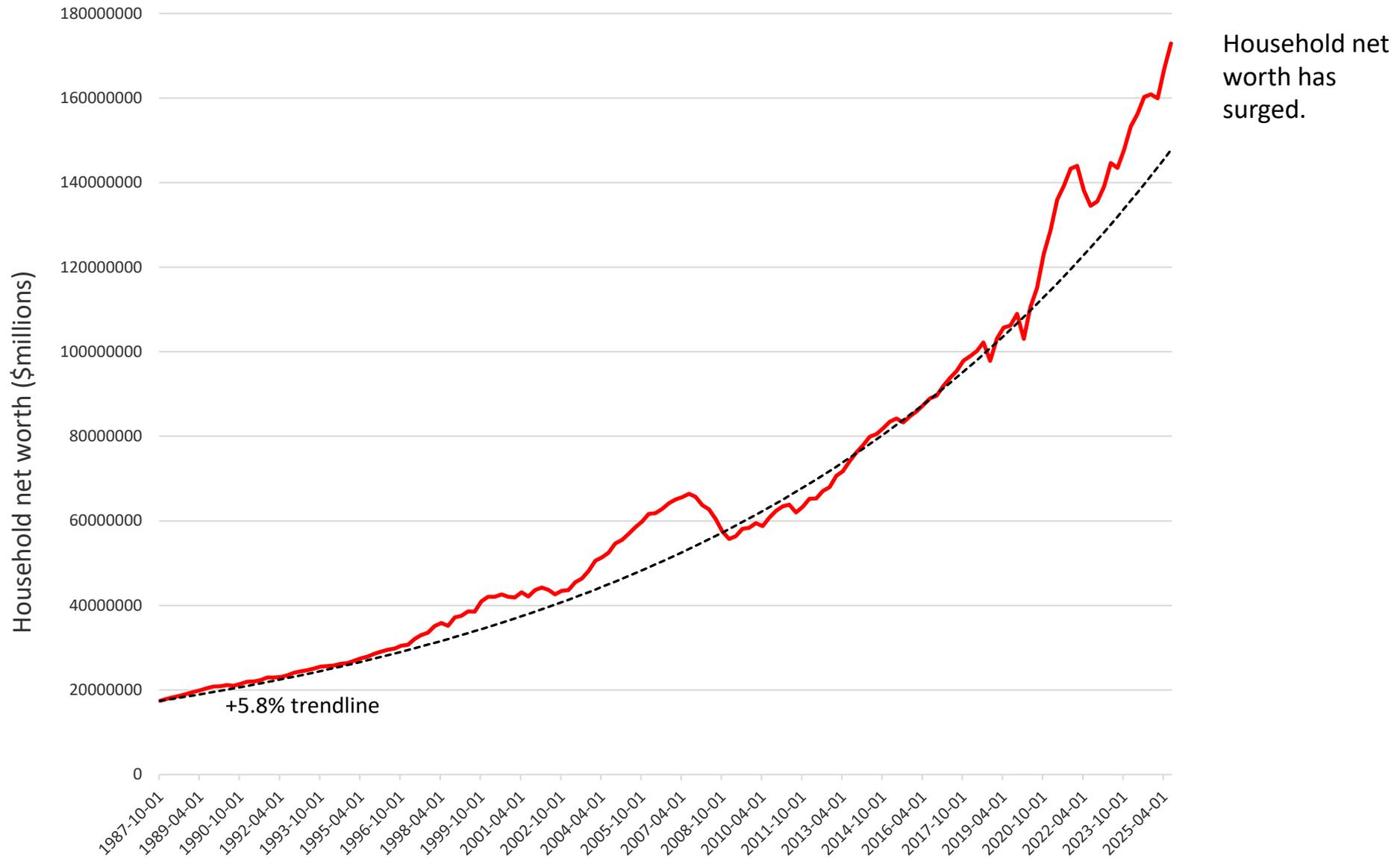
The number of Americans joining and staying in the labor force is declining.

Source: BLS. Data through December 2025.

¹Labor force participation rate: the proportion of the civilian noninstitutional population 16 years of age and older either at work or actively seeking work.

Household balance sheets

Household net worth – the wealth effect



Household net worth has surged.

THE WALL STREET JOURNAL.

Shareholders Drive Economy, But Everyone Else is Wary

Investors' rosy feelings about having a lot more money—at least on paper—are powering spending on restaurant meals, business-class airline tickets, home improvement and more, keeping the broader economy humming.

It's a very different story for everyone else. Americans with large investment portfolios feel markedly better about the economy than those who don't own stocks, according to the University of Michigan sentiment index.

The phenomenon of people spending more when assets they own go up in value is known as the “wealth effect.” Economists have long found that people increase their spending when they gain wealth. For every \$1,000 that their stock portfolio goes up, they might spend \$35 to \$50 more than they would have otherwise, according to research.

Economic data

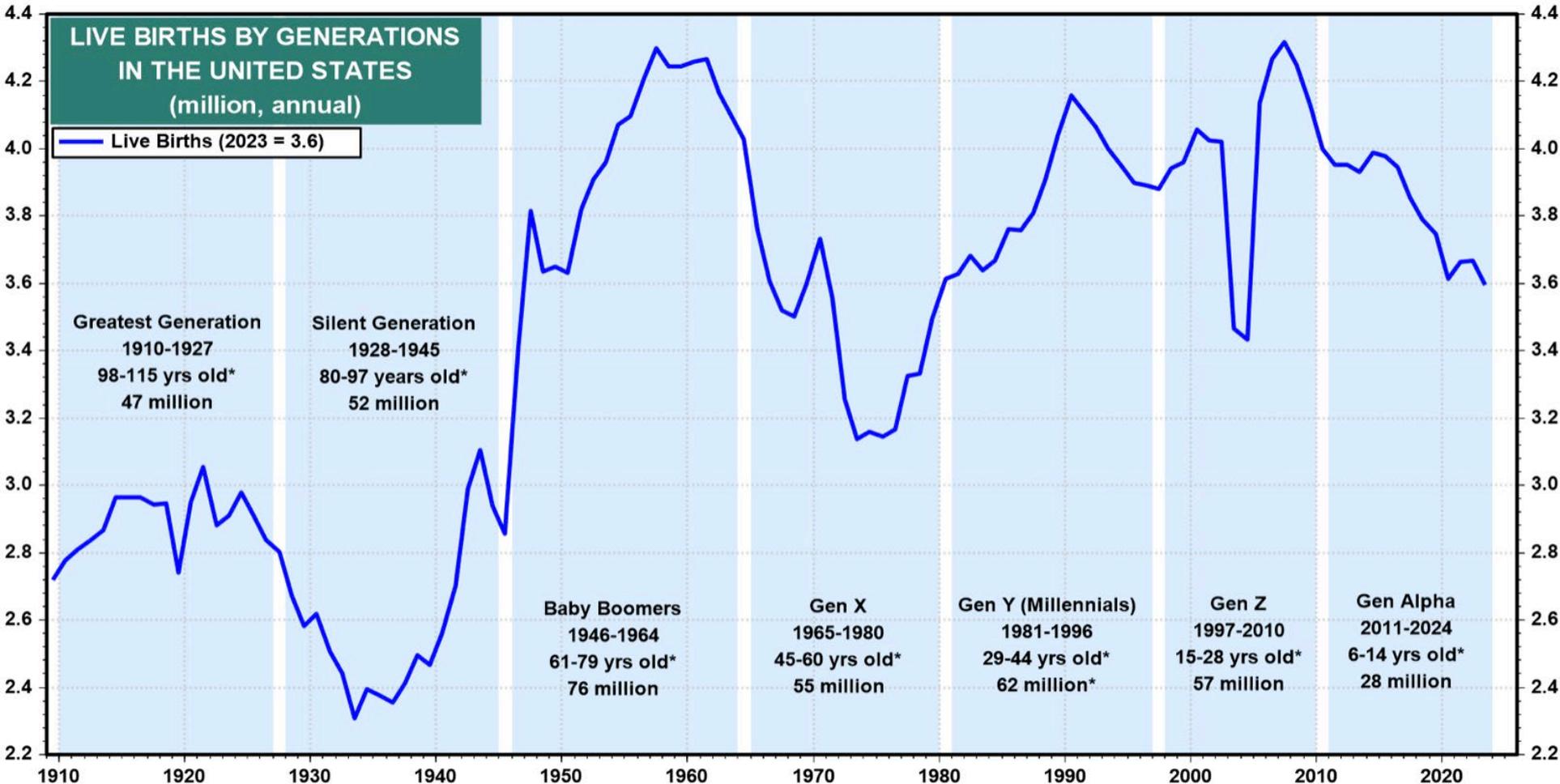
Consumer spending – 3rd quarter GDP growth

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Wealthy Consumers Keep Economy Humming

Household balance sheets

Live births in the U.S.

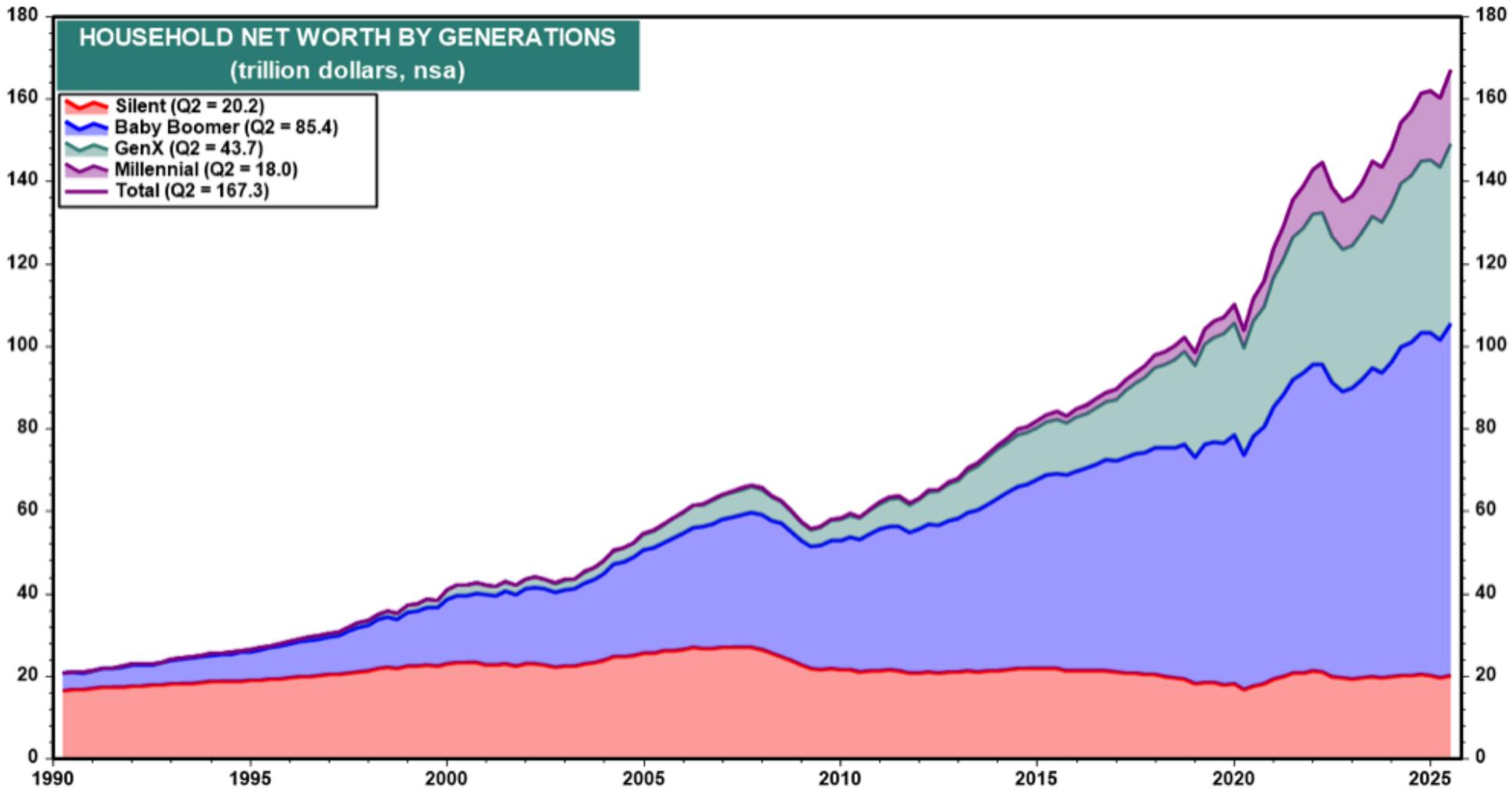


Source: LSEG Datastream and © Yardeni.com.

* Age ranges of generations during 2025.

Household balance sheets

Household net worth



Source: LSEG Datastream and © Yardeni Research. Federal Reserve Board.

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The U.S. Economy's Secret Weapon: Seniors With Money to Spend

Why has consumer spending proven so resilient as the Federal Reserve has raised interest rates? An important and little-appreciated reason: Consumers are getting older. In August, 17.7% of the population was 65 or older, according to the Census Bureau, the highest on record going back to 1920 and up sharply from 13% in 2010. The elderly aren't just more numerous: Their finances are relatively healthy, and they have less need to borrow, such as to buy a house, and are less at risk of layoffs than other consumers.

This has made the elderly a spending force to be reckoned with. Americans aged 65 and up accounted for 22% of spending last year, the highest share since records began in 1972 and up from 15% in 2010, according to the Labor Department's survey of consumer expenditures released in September.

"These are the consumers that will matter over the coming year," said Susan Sterne, chief economist at Economic Analysis Associates.

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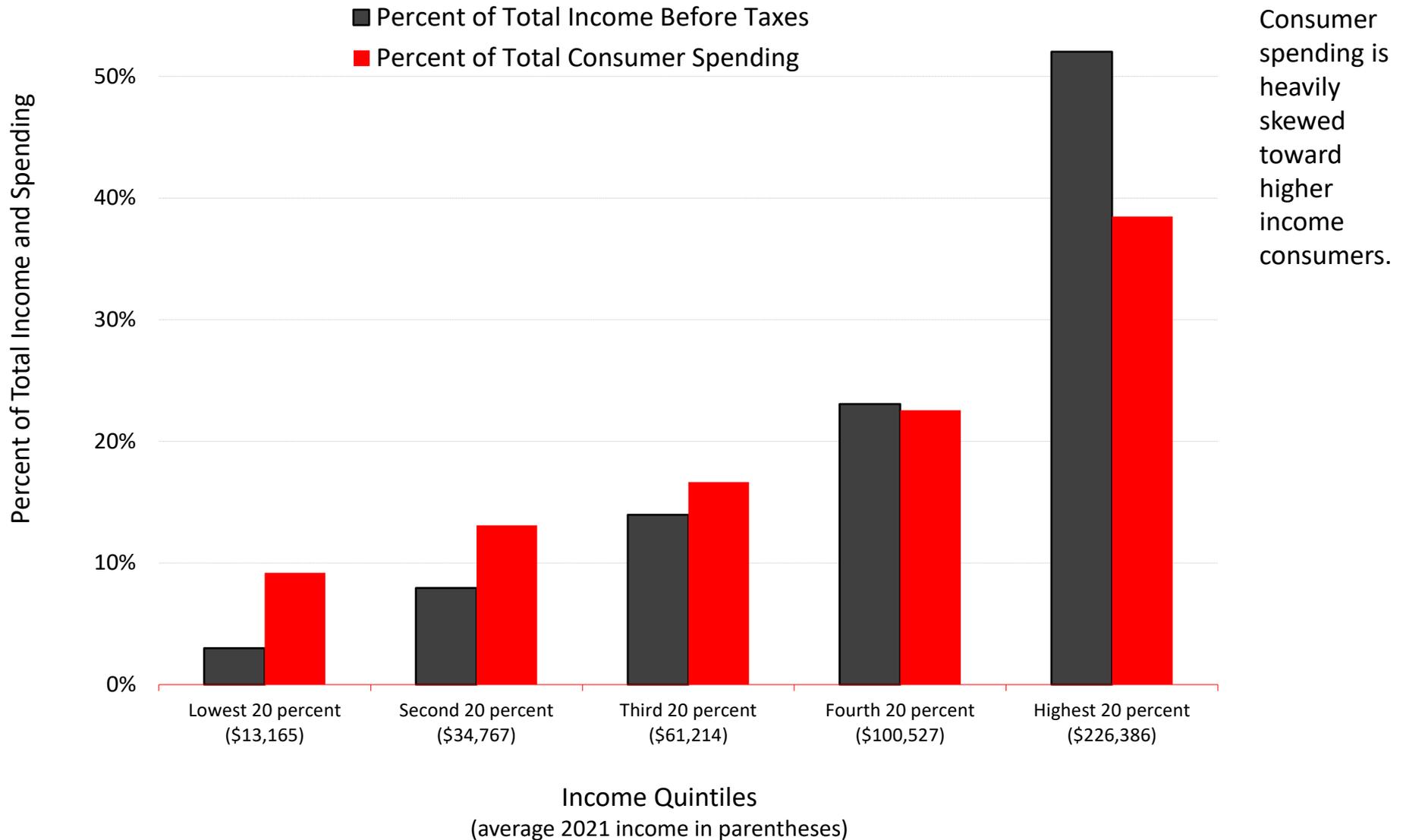
Divergent American Economy Gets More Divided

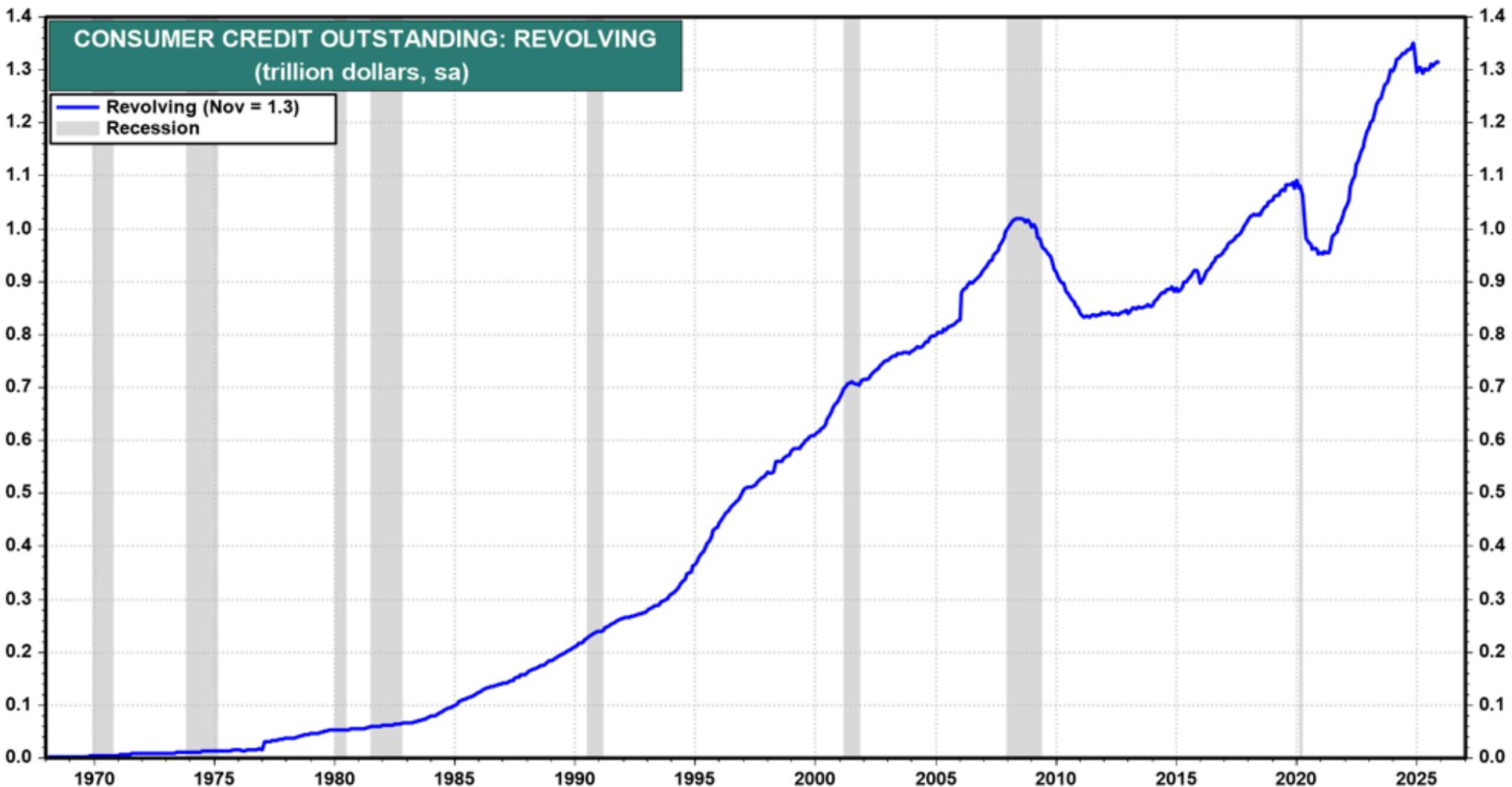
There are two economies in the U.S. right now, and they are moving in different directions.

For high earners and many older people in the U.S., the economy looks robust. They are still spending like gangbusters, and their 401(k) accounts and homes have soared in value. They nabbed 3% mortgages when rates were low. Some might worry about AI eventually coming for their jobs, but for now, their positions look relatively secure.

For many others, momentum has stalled or reversed. The big wage growth experienced by low-income workers during the pandemic has petered out. Those workers are curbing their spending and in some cases are struggling to find jobs.

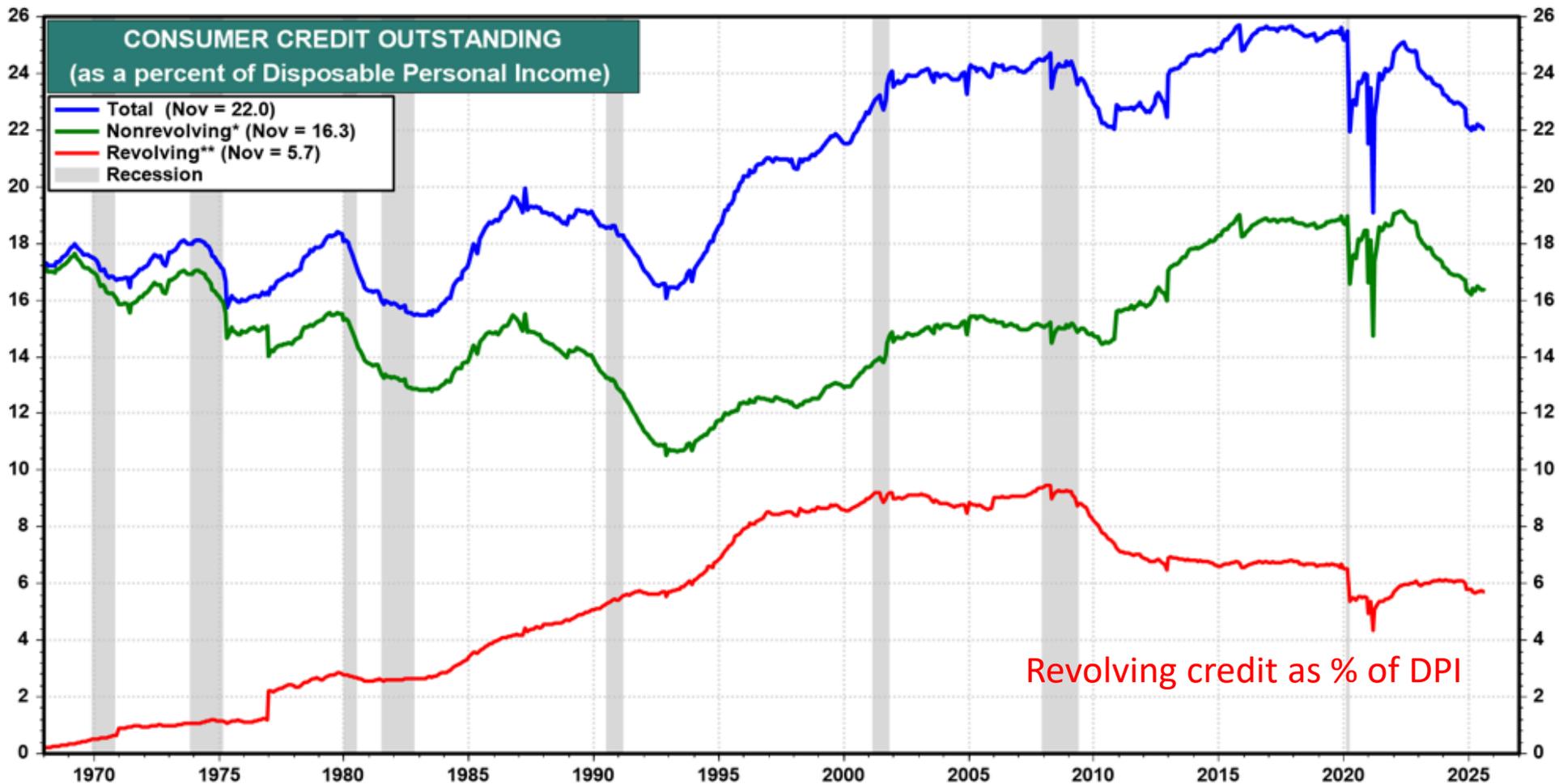
Distribution of consumer income and spending





Source: LSEG Datastream and © Yardeni Research, and Federal Reserve.

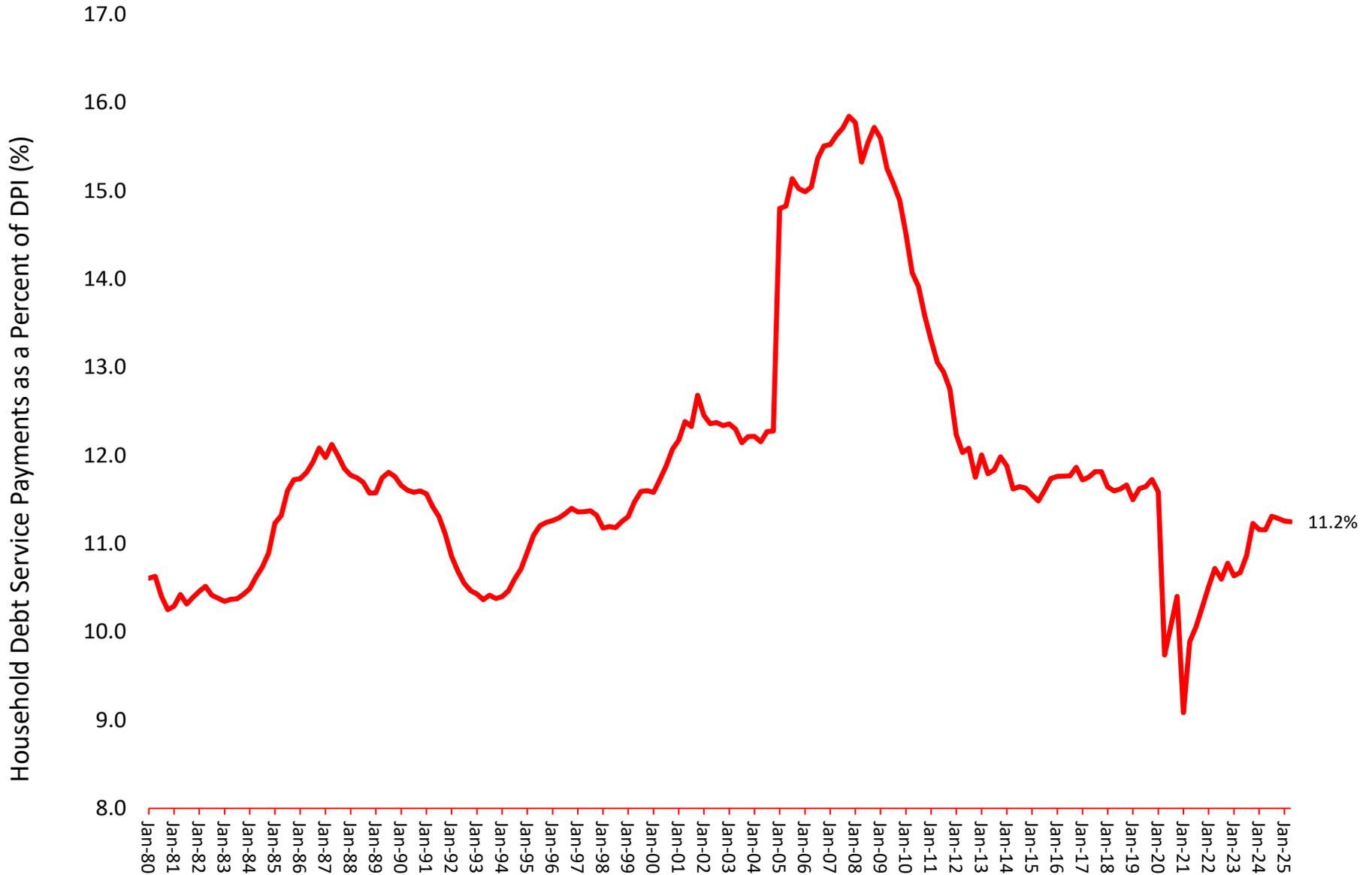
Consumer credit % of DPI



Source: LSEG Datastream and © Yardeni Research, and Federal Reserve.

* Nonrevolving credit includes auto and student loans. ** Credit cards.

Household debt service payments as a % of DPI



Source: Federal Reserve. Quarterly data through June 2025, released September 2025.

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Banks Signal Resilient Economy

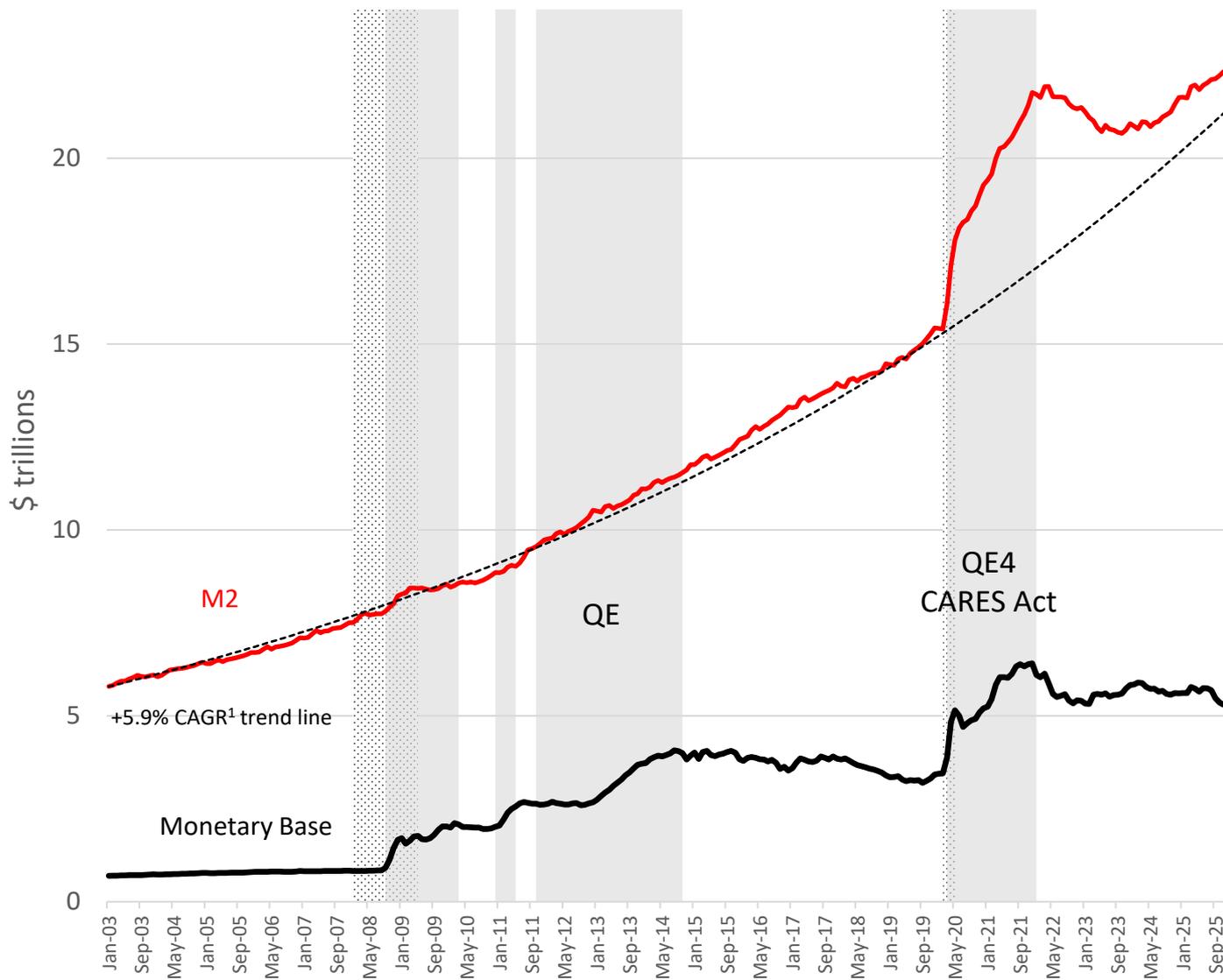
The nation's biggest bankers proclaimed this week that the economy is sturdy, the U.S. consumer is healthy, and they haven't seen much change in recent months.

"You see strong consumer spend and stable deposits and those things just kind of paint a picture of a consistently strong consumer," Wells Fargo Chief Executive Charlie Scharf said.

Card issuer Synchrony Financial , which caters to a range of consumers, including those with lower credit-scores, said spending was still increasing but delinquencies and late payments were down.

"Look, we still think the consumer is in pretty good shape," CEO Brian Doubles said. "They've been very resilient. We're not really seeing any signs of weakness."

The monetary base and the money supply



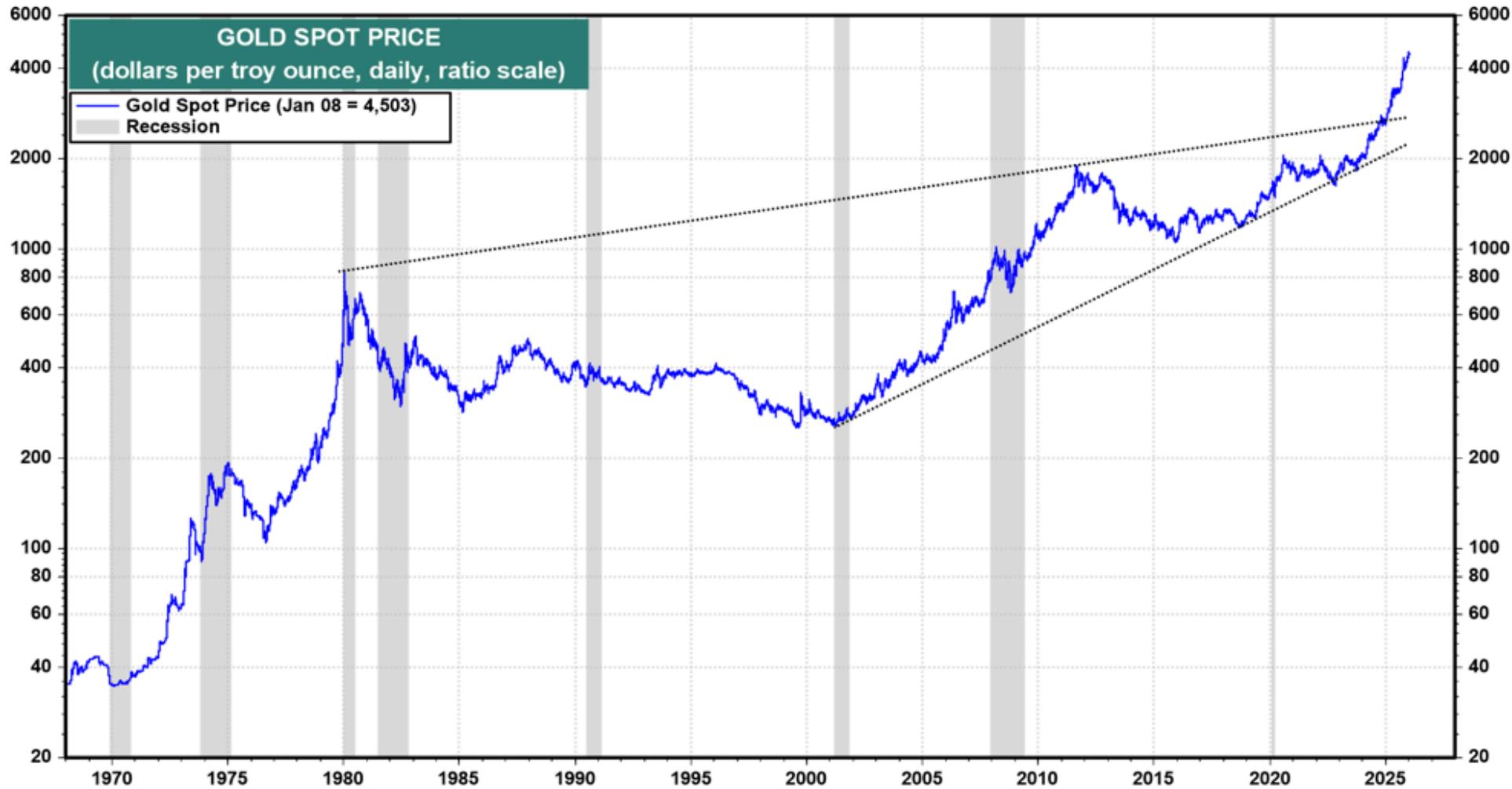
M2: currency held by the public plus checking, savings and money market accounts.

A quadrupling of the monetary base with QE did not affect M2 growth. The CARES Act and subsequent stimulus did ... by putting money directly into consumers' and businesses' accounts.

Monetary base: currency in circulation plus reserve balances (deposits held by banks in their accounts at the Federal reserve).

Federal Reserve policy

Gold



Source: LSEG Datastream and © Yardeni Research. ICE Benchmark Administration, Ltd and Handy & Harman.

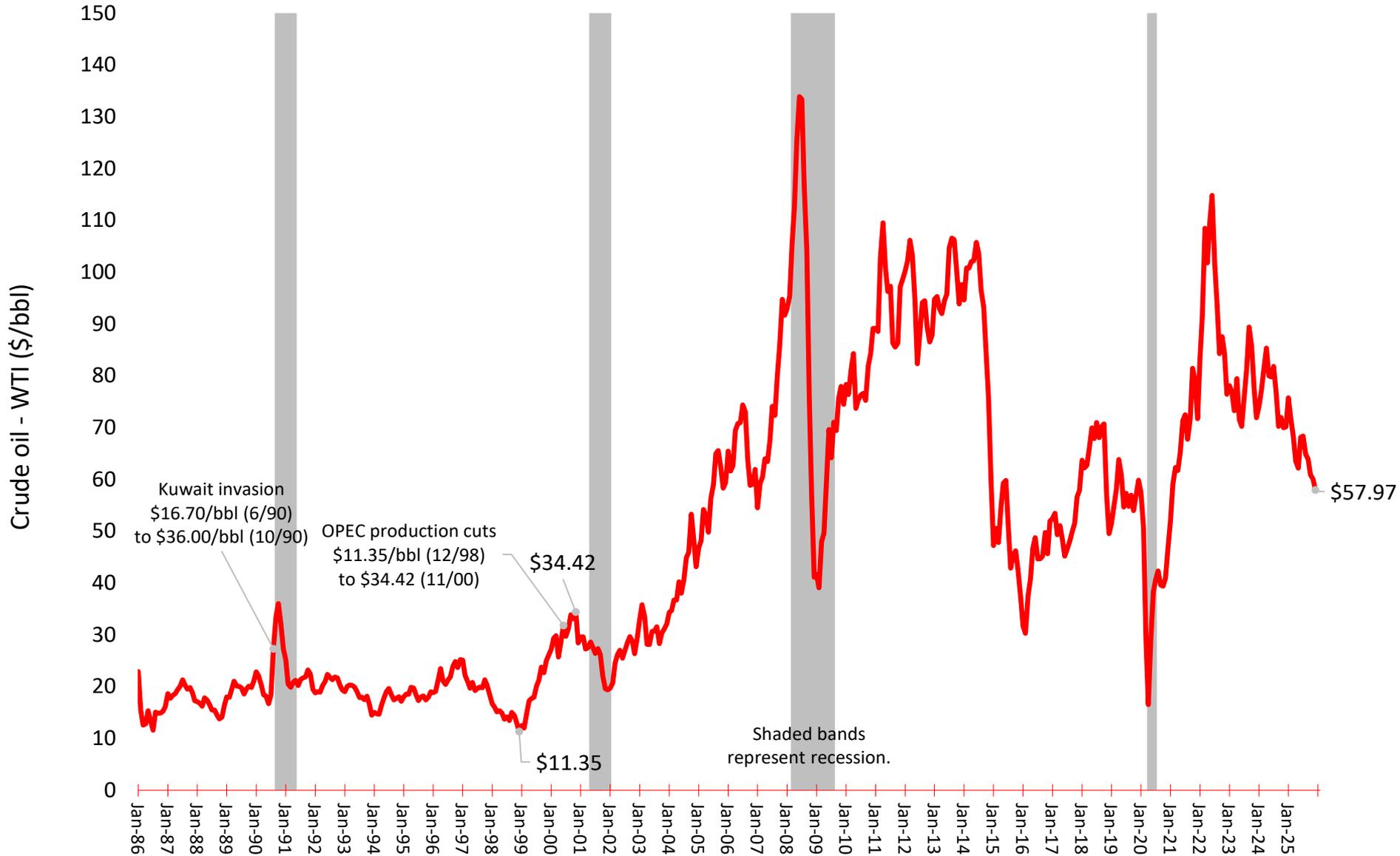
Federal Reserve policy Dollar



Source: LSEG Datastream and © Yardeni Research. ICE Data Services.

Oil

WTI spot crude oil prices



Source: U.S. Energy Information Agency. Data through December 2025.

Oil Gasoline prices

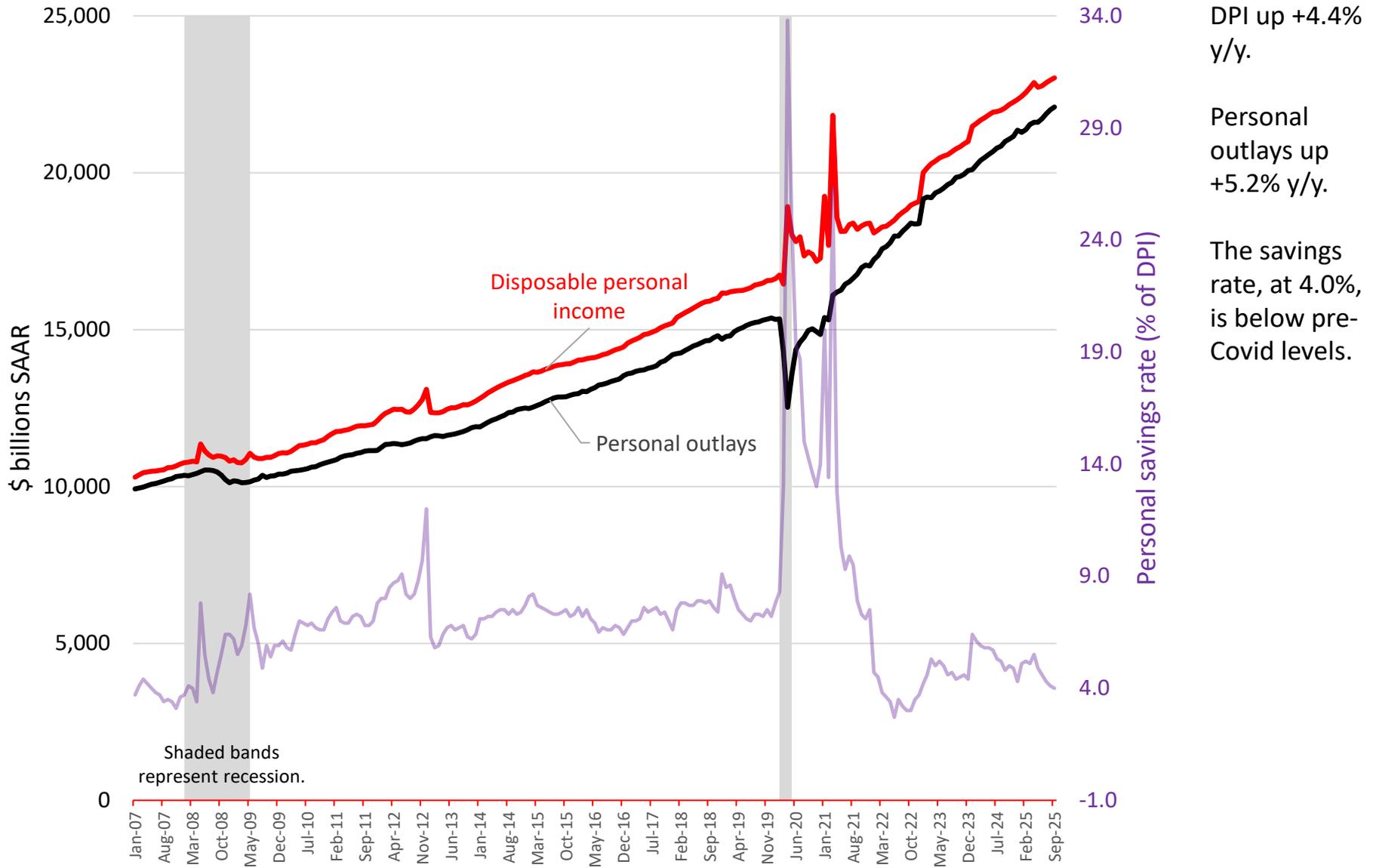


Source: LSEG Datastream and © Yardeni Research. New York Mercantile Exchange.

* NYMEX-RBOB Gasoline.

Consumer income

Disposable personal income, spending and saving



Source: Bureau of Economic Analysis, monthly data through September 2025.

GDP forecast

Atlanta Fed's GDPNow forecast – 4th quarter

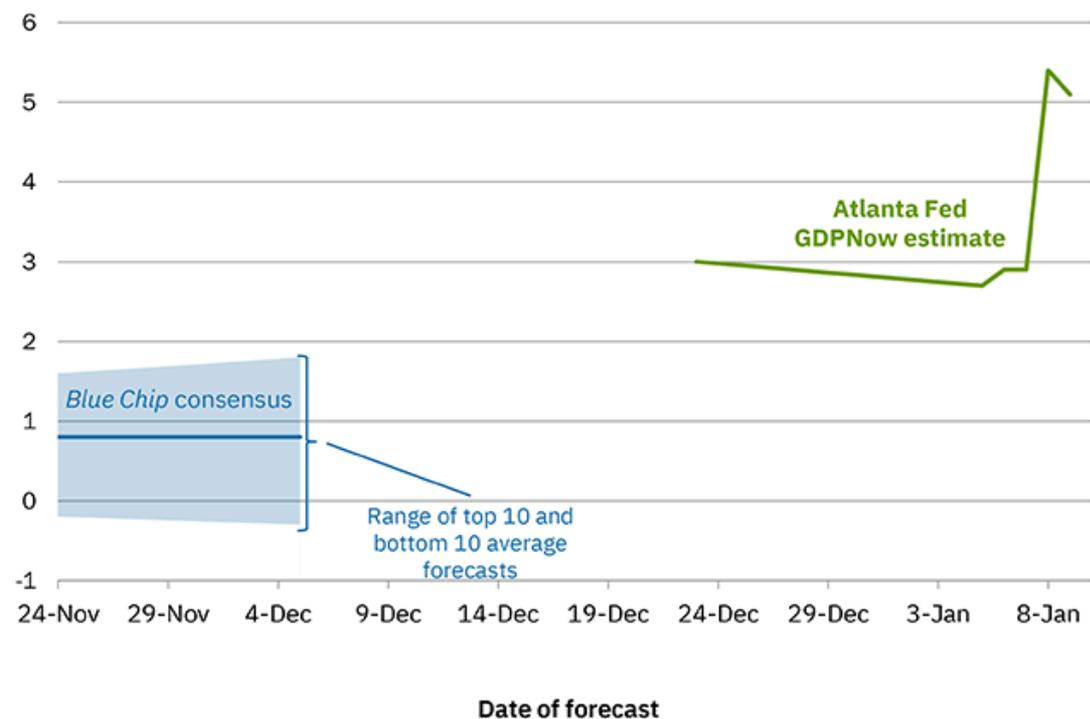
Latest estimate: 5.1 percent — January 09, 2026

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2025 is 5.1 percent on January 9, down from 5.4 percent on January 8. After this morning's releases from the US Bureau of Labor Statistics and the US Census Bureau, the nowcast of fourth-quarter real residential investment growth decreased from 1.5 percent to -5.8 percent.

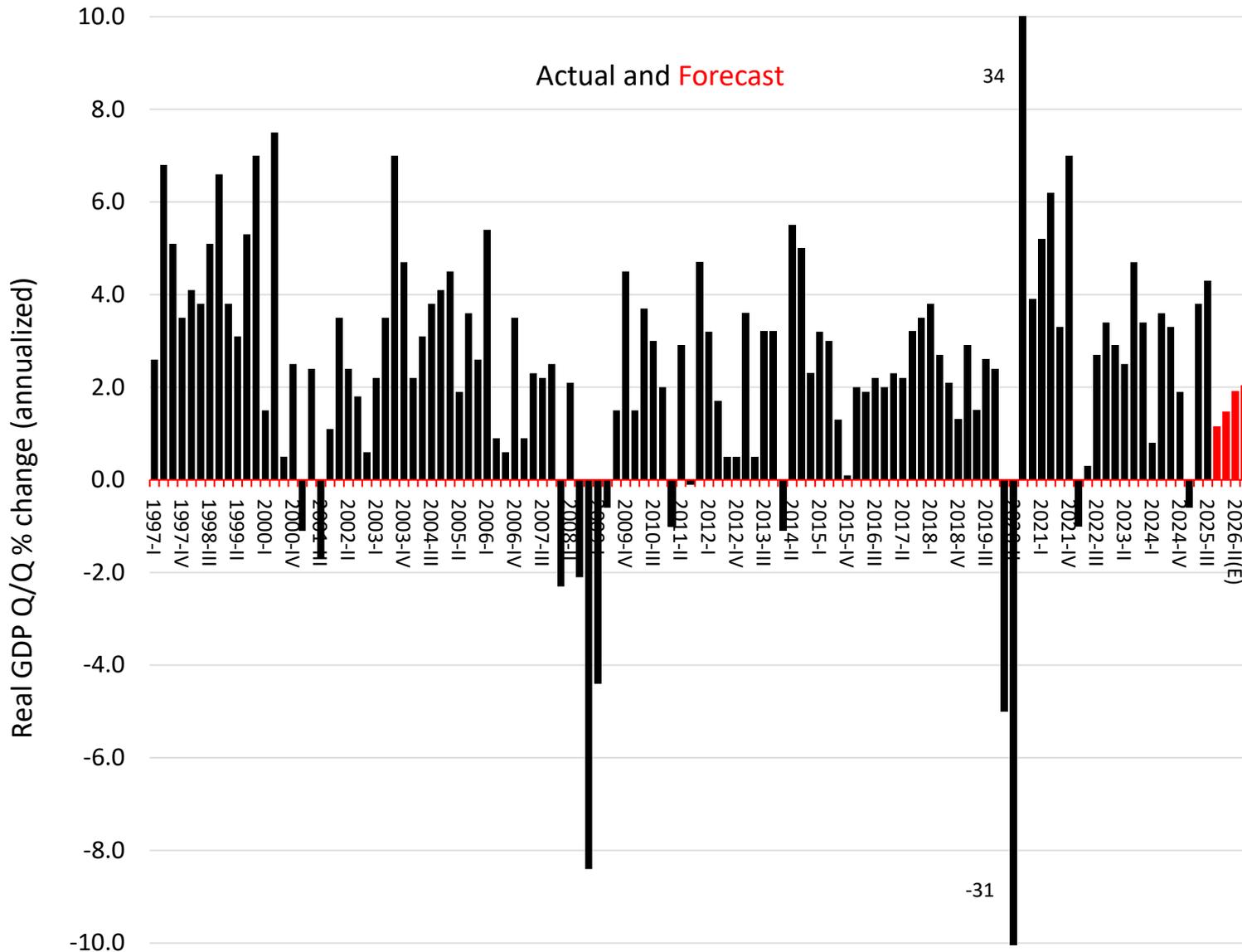
The next GDPNow update is **Wednesday, January 14**. Please see the "Release Dates" tab below for a list of upcoming releases.

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q4

Quarterly percent change (SAAR)



GDP



The 64 economists surveyed in October raised their forecasts from the July survey and see continued growth ahead.

BARRON'S

The U.S. Economy Is Poised to Grow Faster in 2026

The U.S. economy is expected to grow by 1.8% this year ...

Next year could look much the same, with growth in gross domestic product ticking up by 1.9%, adjusted for inflation.

... by the end of next year, economists believe that the U.S. economy will be on firmer ground, with many drivers of weakness fading and the stage set for more growth in 2027.

Consensus GDP forecast

CBO – continued growth expected

Table 1.

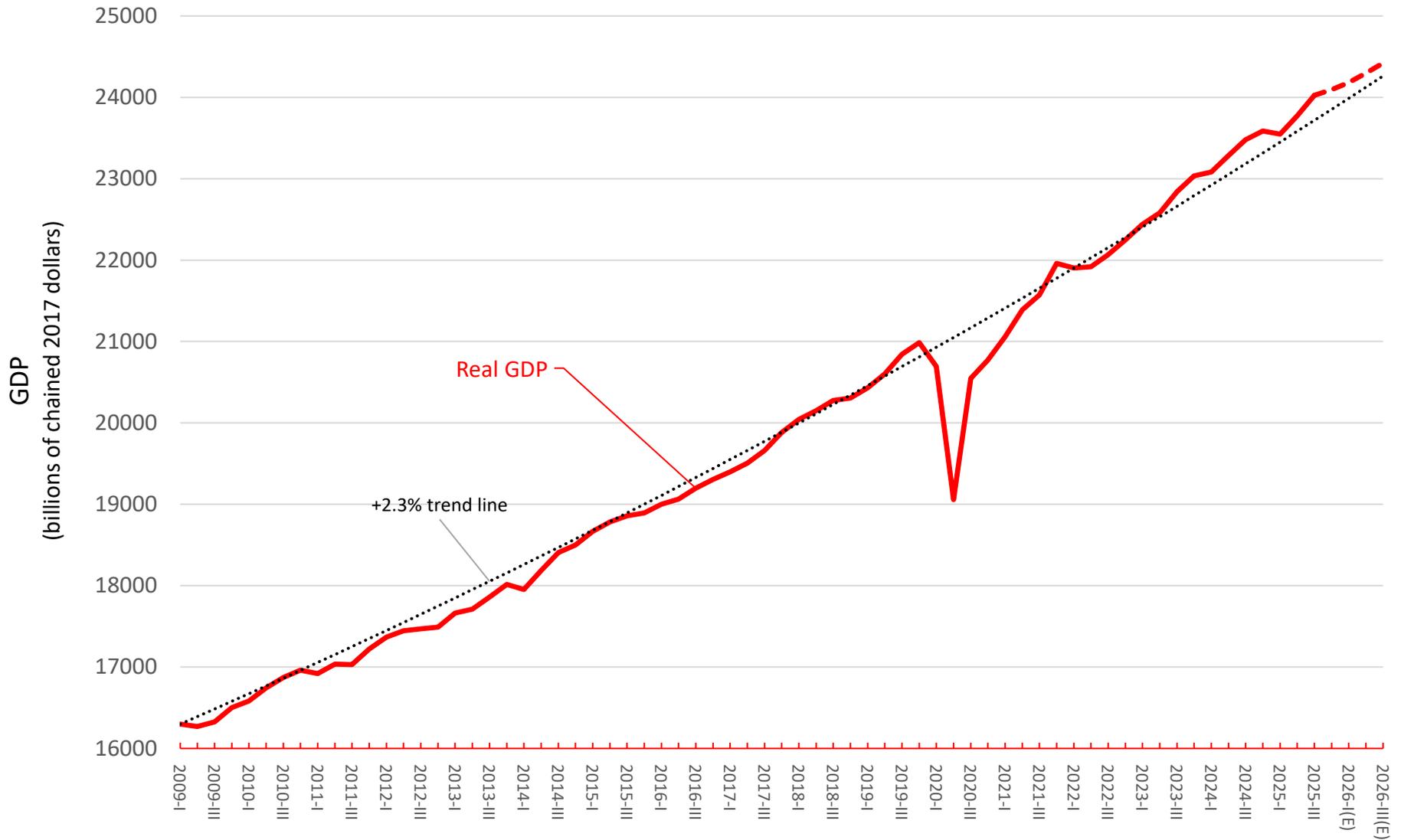
CBO's Economic Projections for 2026 to 2028

Percent

	Estimated, 2025Q4	2026				Estimated, 2025	2026	2027	2028
		Q1	Q2	Q3	Q4				
		Change from previous quarter (annual rate)					Change from fourth quarter to fourth quarter		
Gross domestic product									
Real ^a	1.2	2.9	2.0	2.1	1.9	1.9	2.2	1.8	1.8
Nominal	4.7	5.1	4.8	4.7	4.3	5.0	4.8	4.1	3.9
Inflation									
PCE price index	2.9	3.0	2.8	2.6	2.5	2.8	2.7	2.3	2.1
Core PCE price index ^b	2.9	3.2	2.9	2.7	2.5	2.9	2.8	2.3	2.2
Consumer price index ^c	3.3	3.1	2.8	2.8	2.6	3.0	2.8	2.4	2.3
Core consumer price index ^b	3.4	3.5	3.0	2.8	2.6	3.1	3.0	2.4	2.3
Employment cost index ^d	3.1	3.4	3.6	3.5	3.5	3.4	3.5	3.2	3.1
		Average monthly change over the quarter ^e					Average monthly change over the year ^f		
Payroll employment (thousands)	44	91	127	122	78	87	105	31	42
		Quarterly average					Fourth-quarter average		
Unemployment rate	4.5	4.5	4.6	4.6	4.6	4.5	4.6	4.5	4.4
Interest rates									
Effective federal funds rate ^g	3.9	3.6	3.4	3.4	3.4	3.9	3.4	3.4	3.4
10-year Treasury notes	4.1	4.1	4.1	4.2	4.2	4.1	4.2	4.3	4.3

GDP forecast

2.3% trend rate of growth



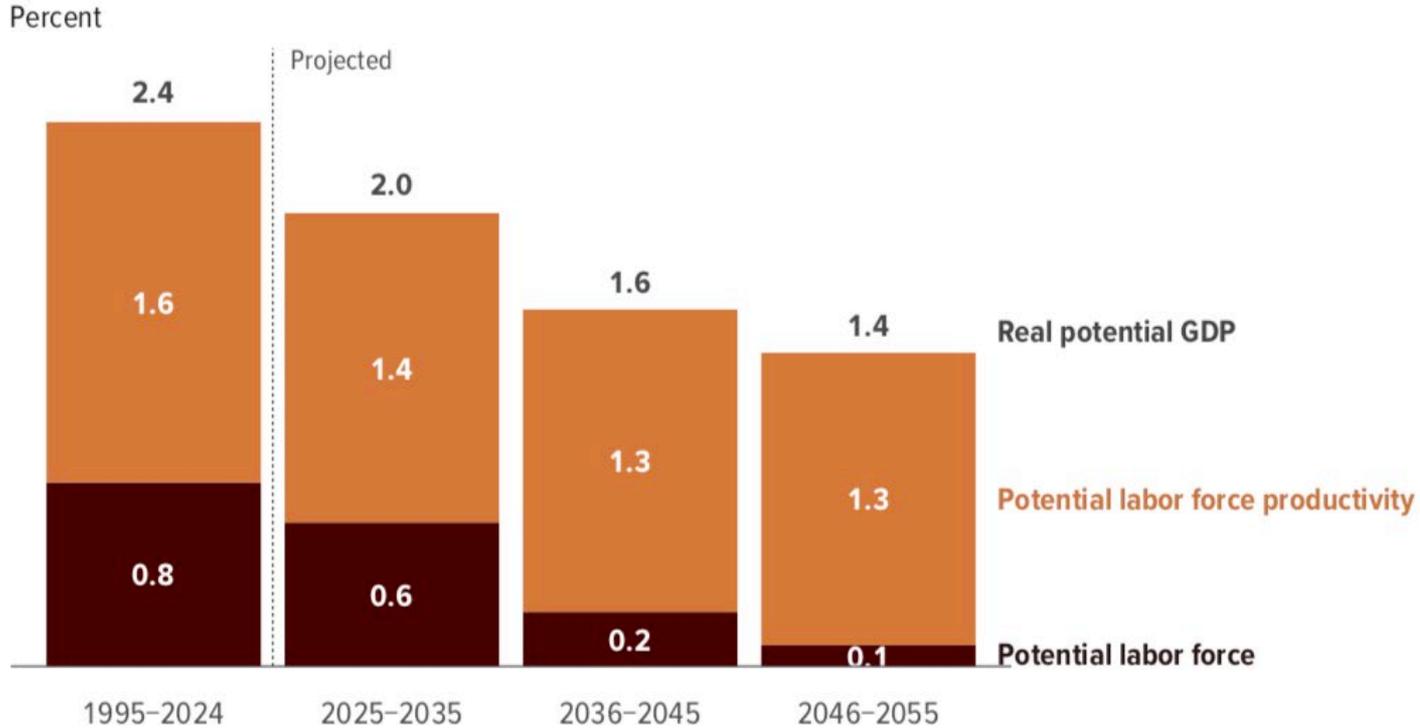
Sources: Bureau of Economic Analysis, actual quarterly data through September 2025. Dotted line represents the forecast from *The Wall Street Journal* survey released October 2025.

GDP growth potential = Δ productivity + Δ labor force

CBO's potential growth calculations

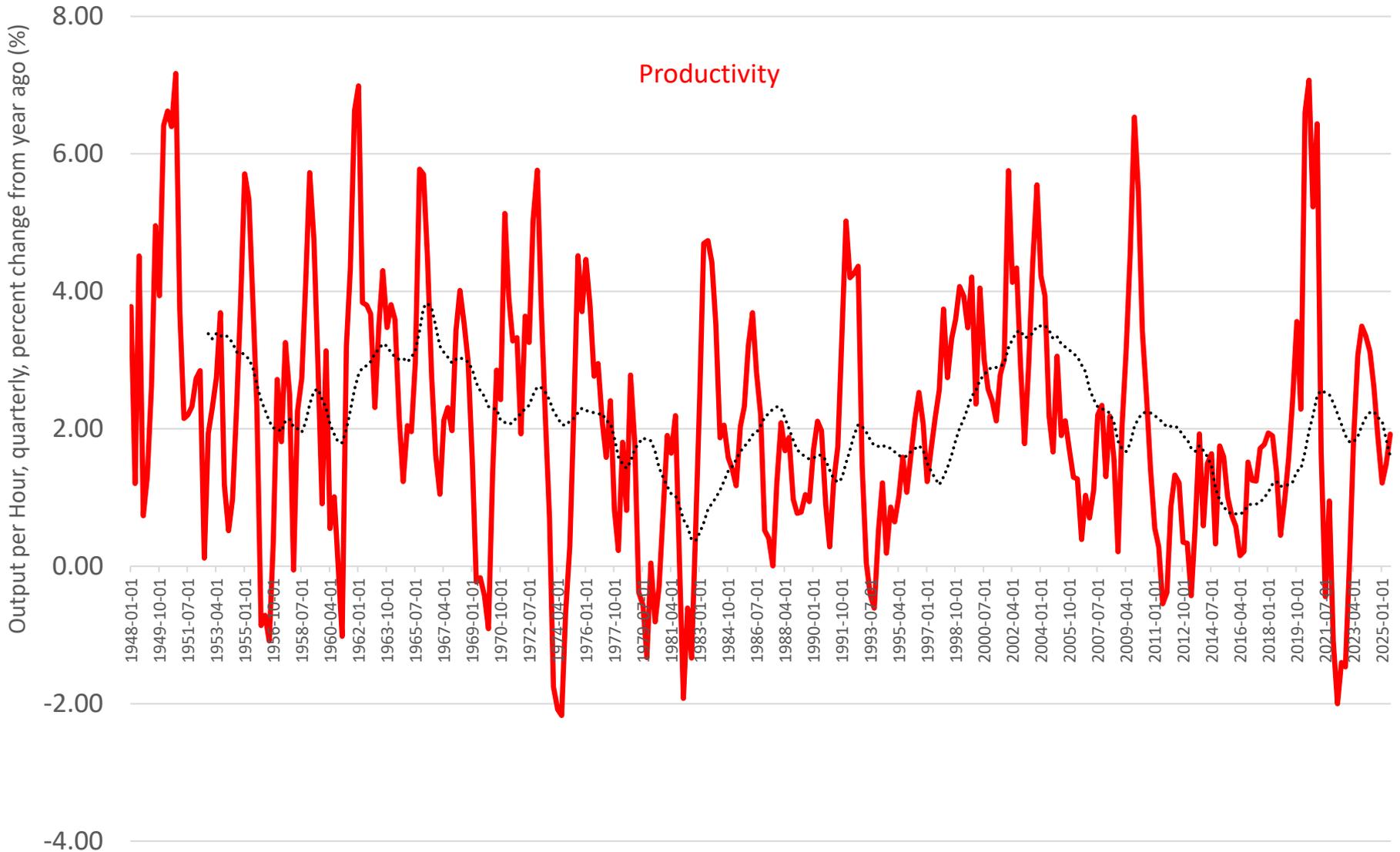
Figure 3-3.

Average Annual Growth of Real Potential GDP and Its Components



Real potential GDP is projected to grow more slowly from 2025 to 2055 than it has, on average, over the past 30 years. That decline is explained by slower projected growth in the size and productivity of the potential labor force.

Economic growth Productivity



Source: FRBSL, quarterly data through September 2025. Dotted line is the 5-year moving average.

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Companies Bet They Can Grow Without Hiring

It's the corporate gamble of the moment: Can you run a company, increasing sales and juicing profits, without adding people?

American employers are increasingly making the calculation that they can keep the size of their teams flat—or shrink through layoffs—without harming their businesses. Part of that thinking is the belief that artificial intelligence will be used to pick up some of the slack and automate more processes.

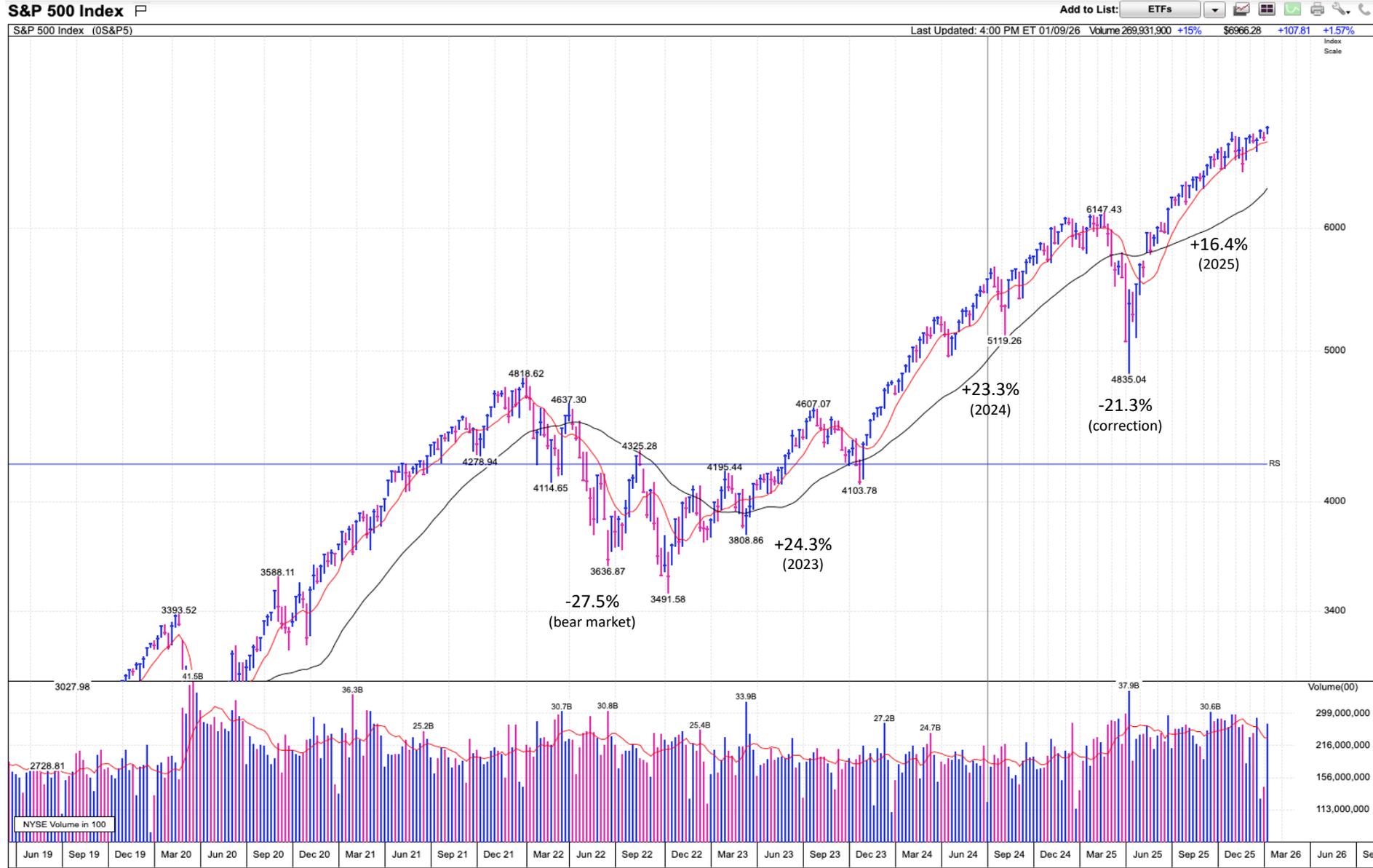
Walmart, the nation's largest private employer, also said it plans to keep its head count roughly flat over the next three years, even as its sales grow.

Stock Market

- Record highs following sharp sell-off in April
- Stocks vs. recessions
- “Parabolic” is normal
- 2025/2026/2027 earnings estimates
- P/E multiple

Stock market

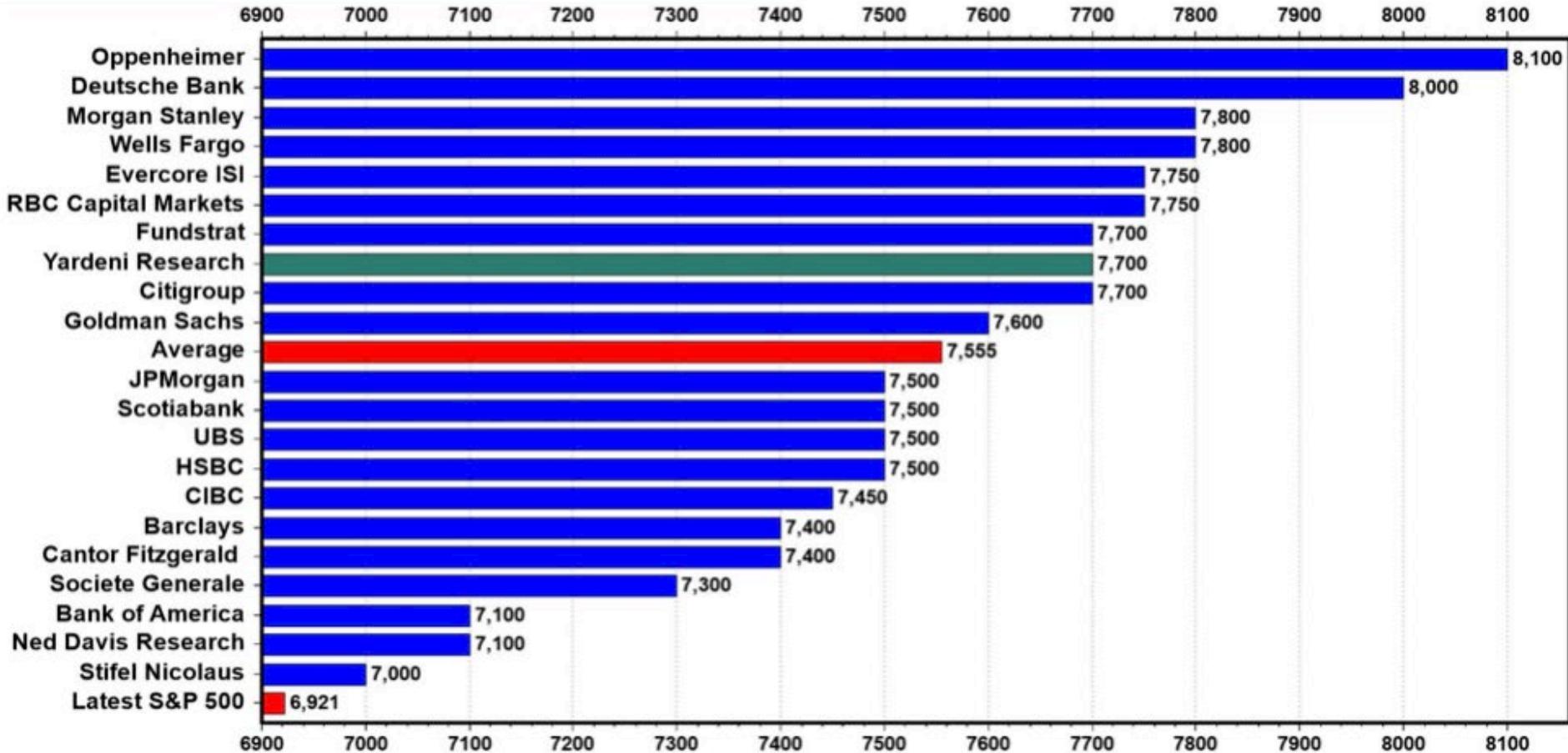
S&P 500



Stock market

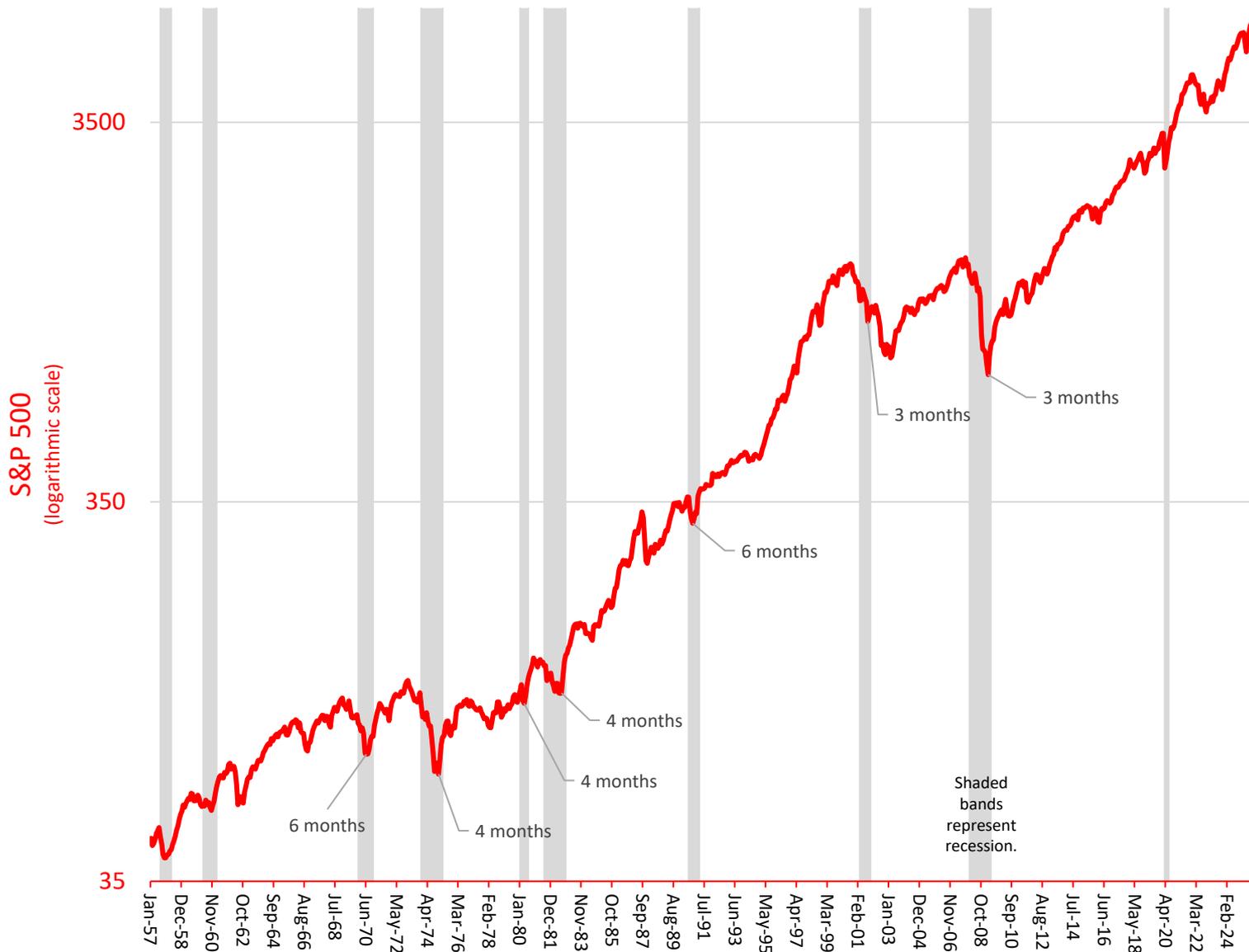
S&P 500 – strategists 2026 targets

S&P 500: WALL STREET'S 2026 YEAR-END PRICE TARGETS (as forecasted in Dec 2025)



Source: LSEG Datastream and © Yardeni Research. Bloomberg.

S&P 500 vs. recessions



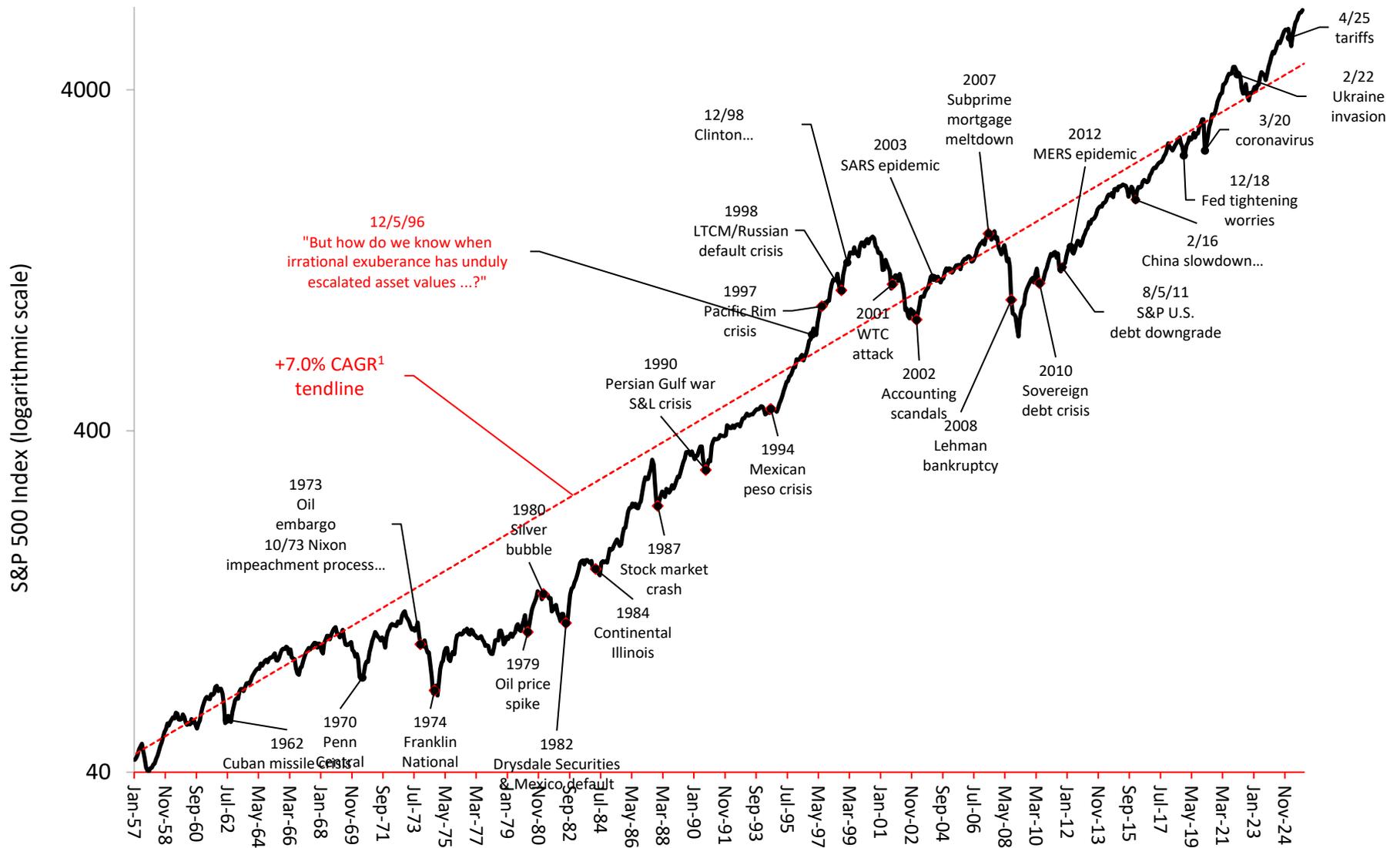
Big declines are associated with recessions.

Stocks often bottom months before recession-end.

Source: Standard and Poor's Corporation, National Bureau of Economic Research. Data through December 2025.

Stock market

S&P 500 and crises

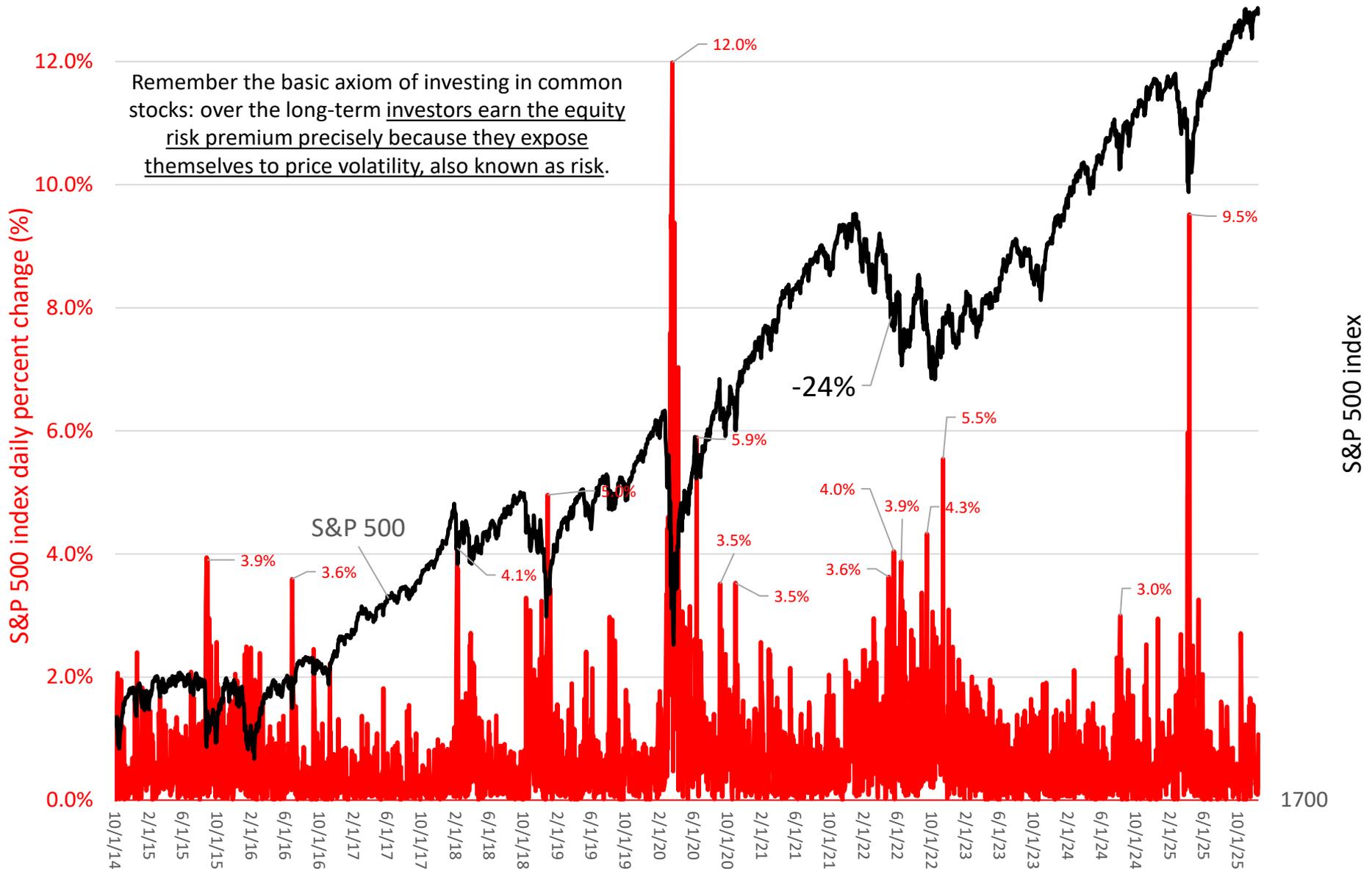


Source: Standard and Poor's. Data through December 2025. ¹ Compound annual growth rate.

Stock market

S&P 500 volatility

Remember the basic axiom of investing in common stocks: over the long-term investors earn the equity risk premium precisely because they expose themselves to price volatility, also known as risk.



Source: Standard & Poor's, data through December 12, 2025.

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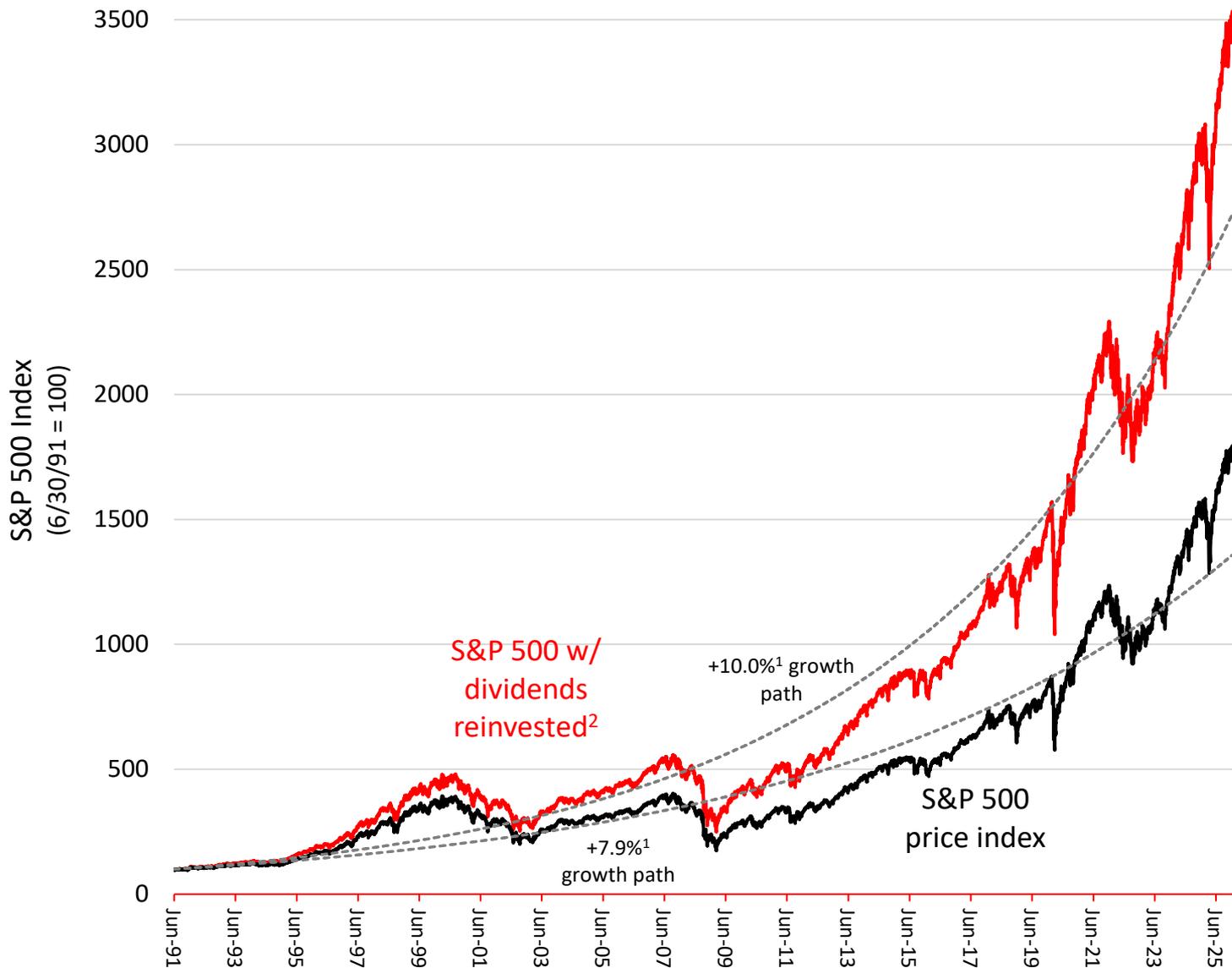
S&P 500



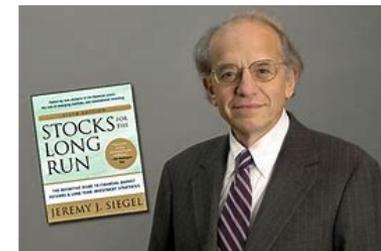
Source: FactSet

Stock market arithmetic

Total return = 7.9% earnings-driven price + 2.1% dividends reinvested



+10% per year S&P 500 total return over the last 30 years is in line with the stock market's long-term returns going back to 1926, or back even further to 1871.³



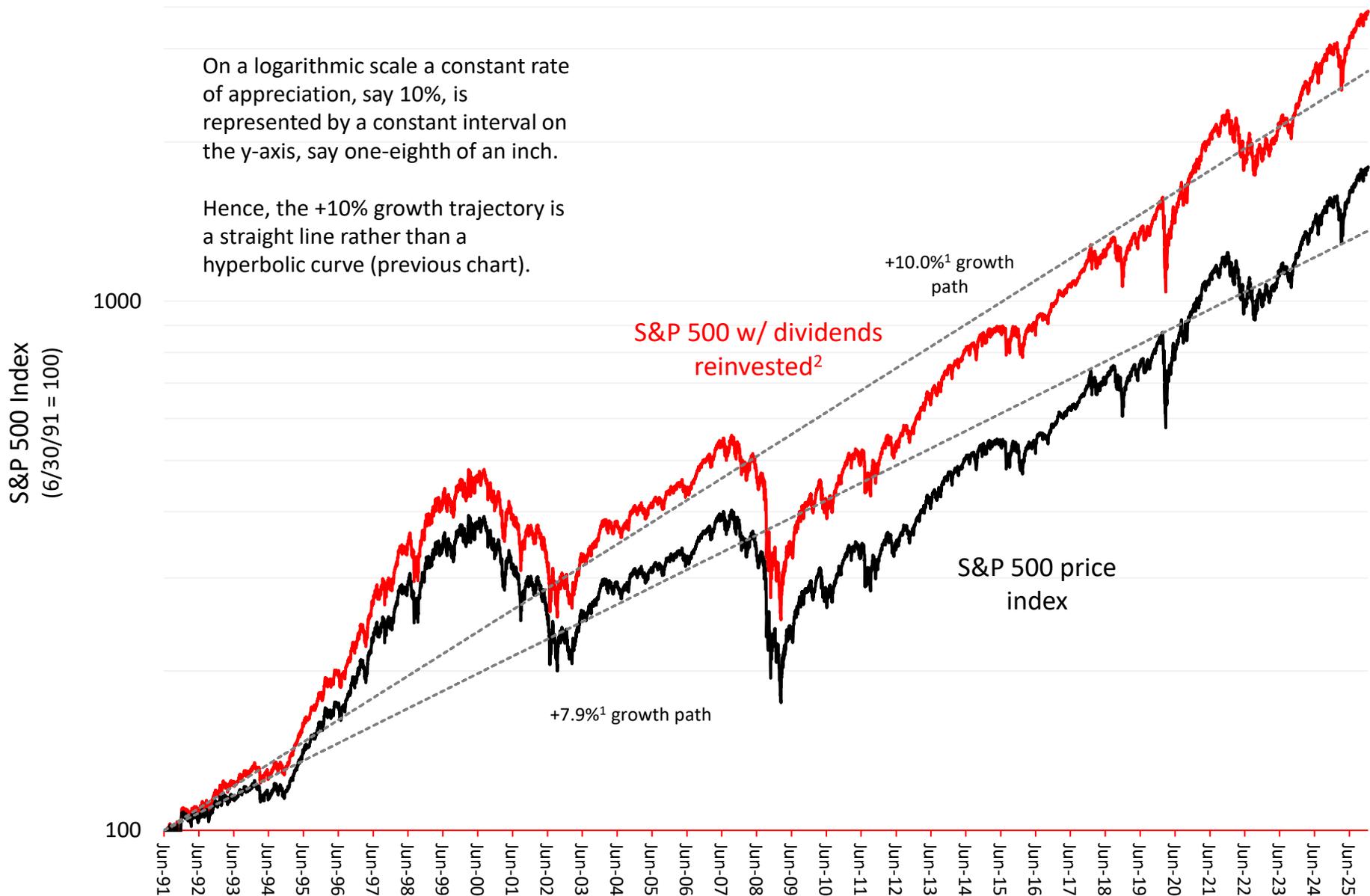
Source: Standard and Poor's. Data through January 9, 2026.¹ Compound annual growth rate. ² S&P 500 total return index. ³ per Professor Jeremy Siegel's seminal *Stocks for the Long Run*, first published in 1994.

Stock market arithmetic

Total return = 7.9% earnings-driven price + 2.1% dividends reinvested

On a logarithmic scale a constant rate of appreciation, say 10%, is represented by a constant interval on the y-axis, say one-eighth of an inch.

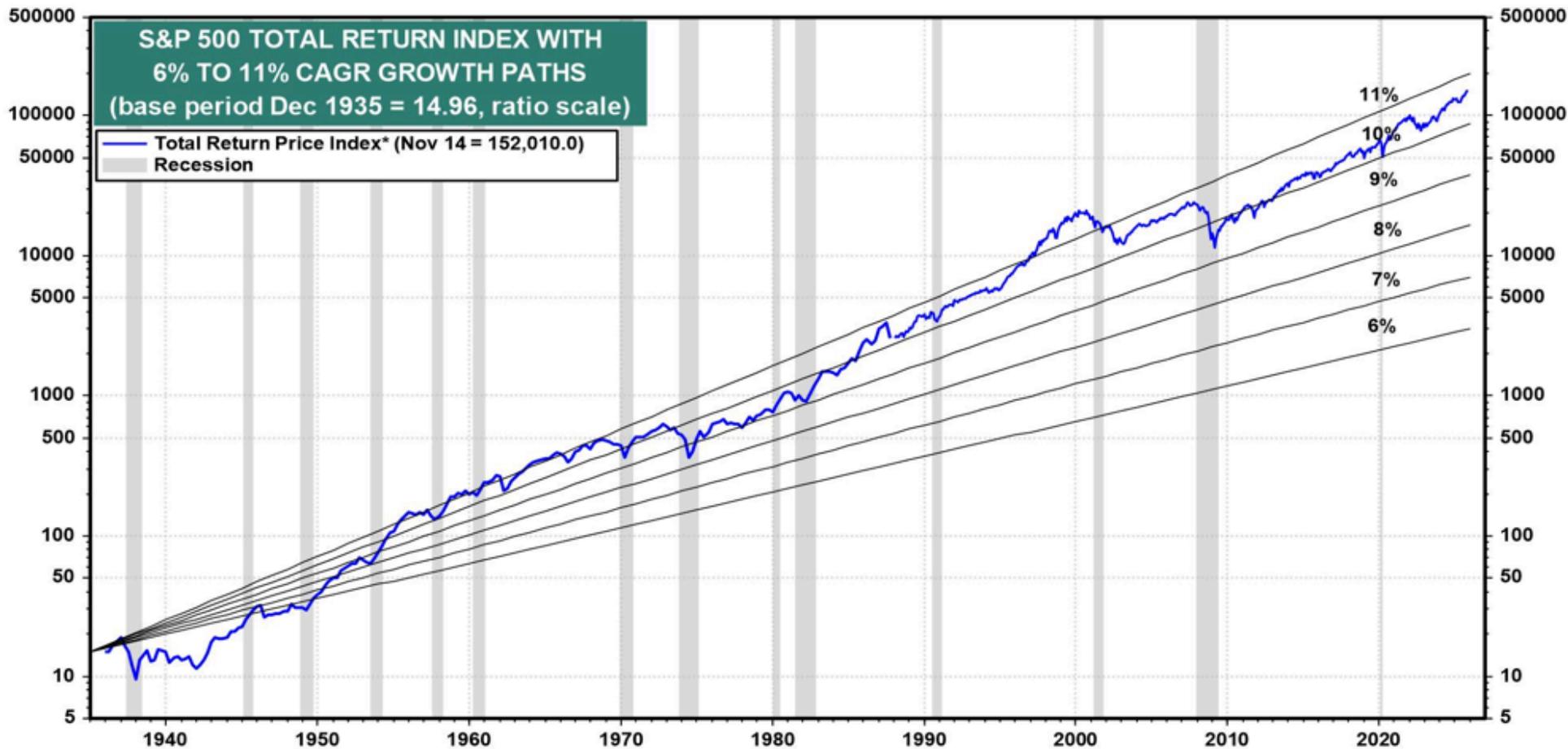
Hence, the +10% growth trajectory is a straight line rather than a hyperbolic curve (previous chart).



Source: Standard and Poor's. Data through January 9, 2026. ¹ Compound annual growth rate. ² S&P 500 total return index.

Stock market arithmetic

S&P 500 total return

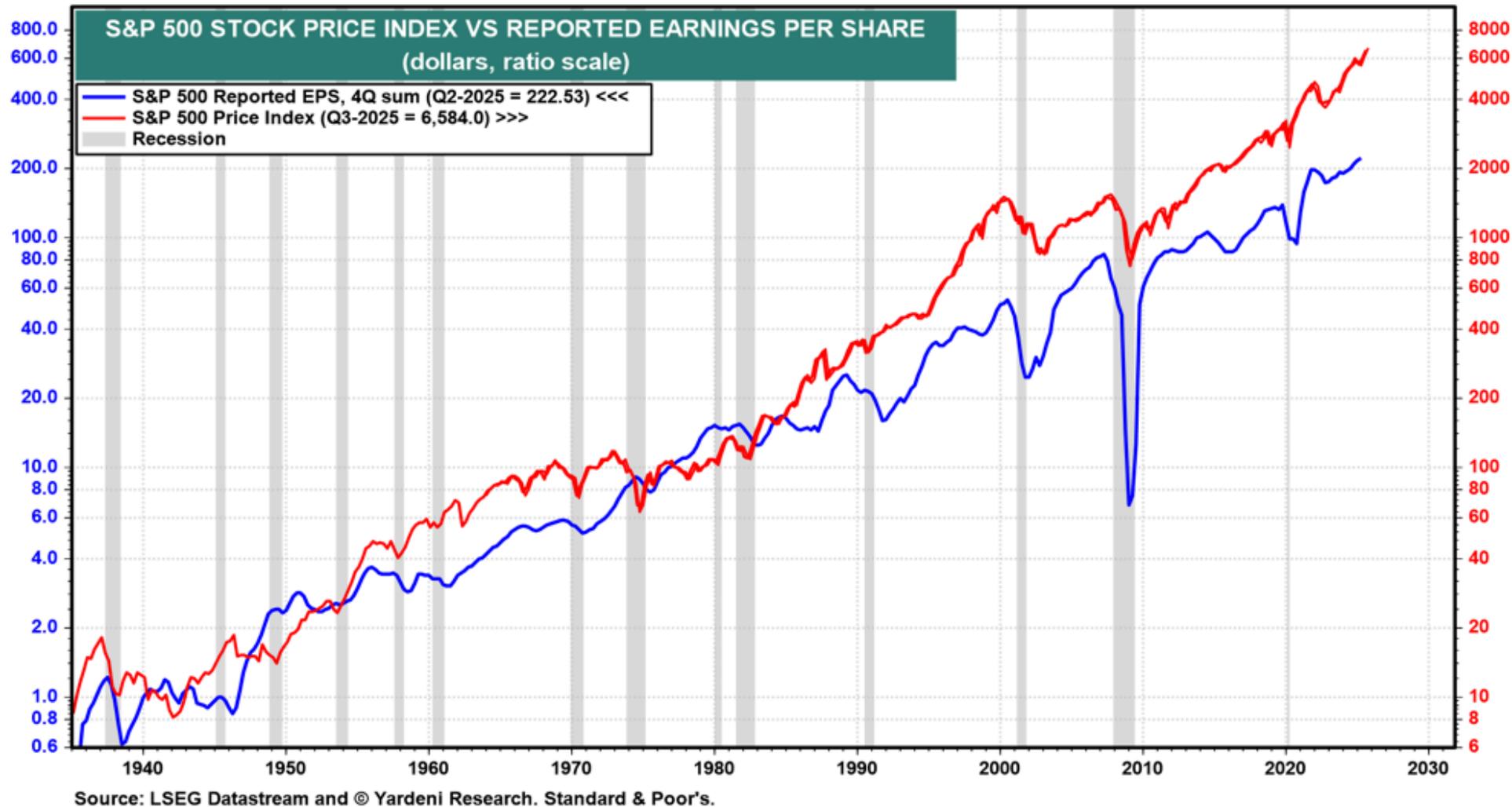


Source: LSEG Datastream and © Yardeni Research. Standard & Poor's.

* Includes reinvested dividends.

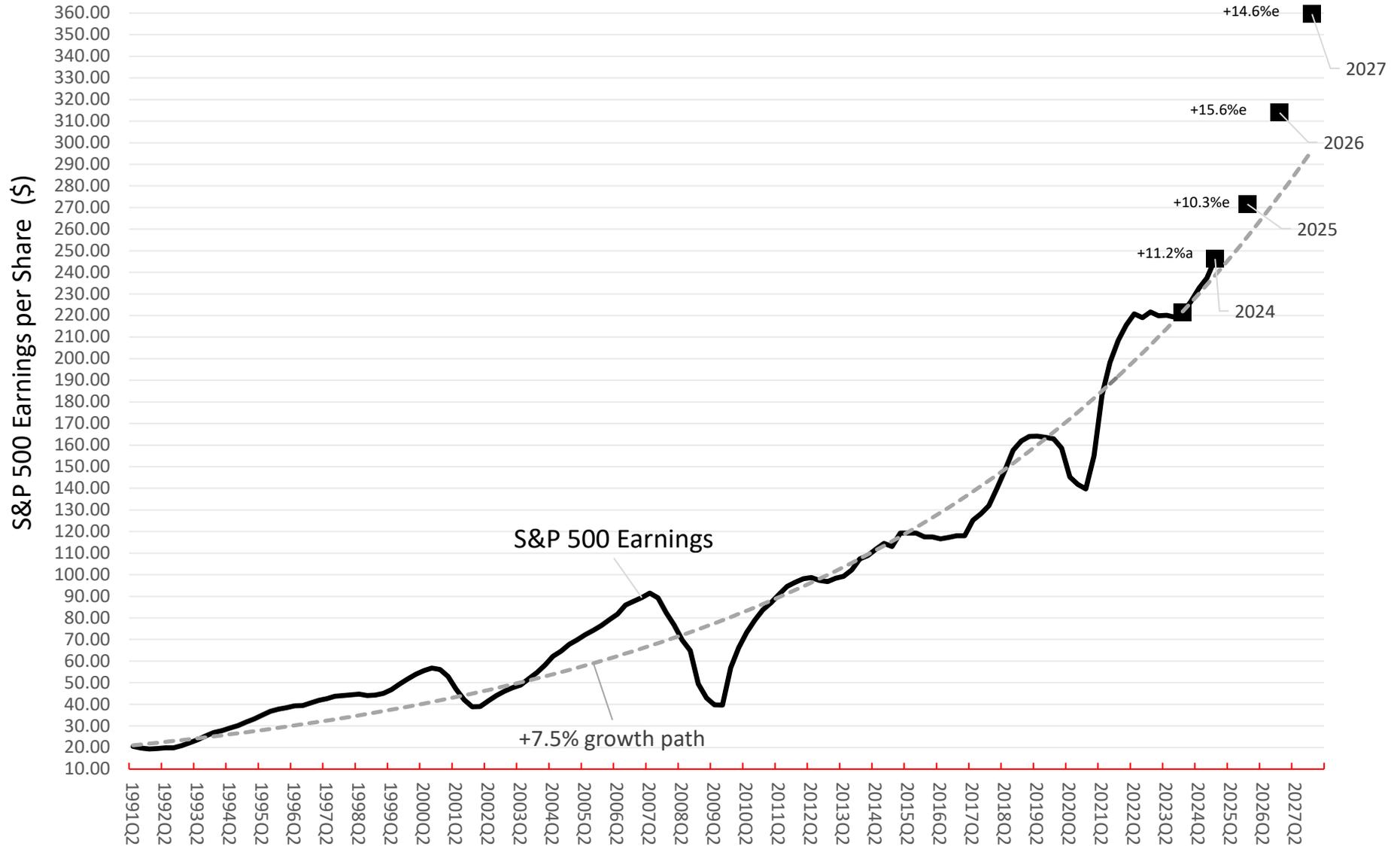
** Using last month of quarter CPI. Compounded monthly using base value.

90 years of S&P 500 earnings growth



Earnings

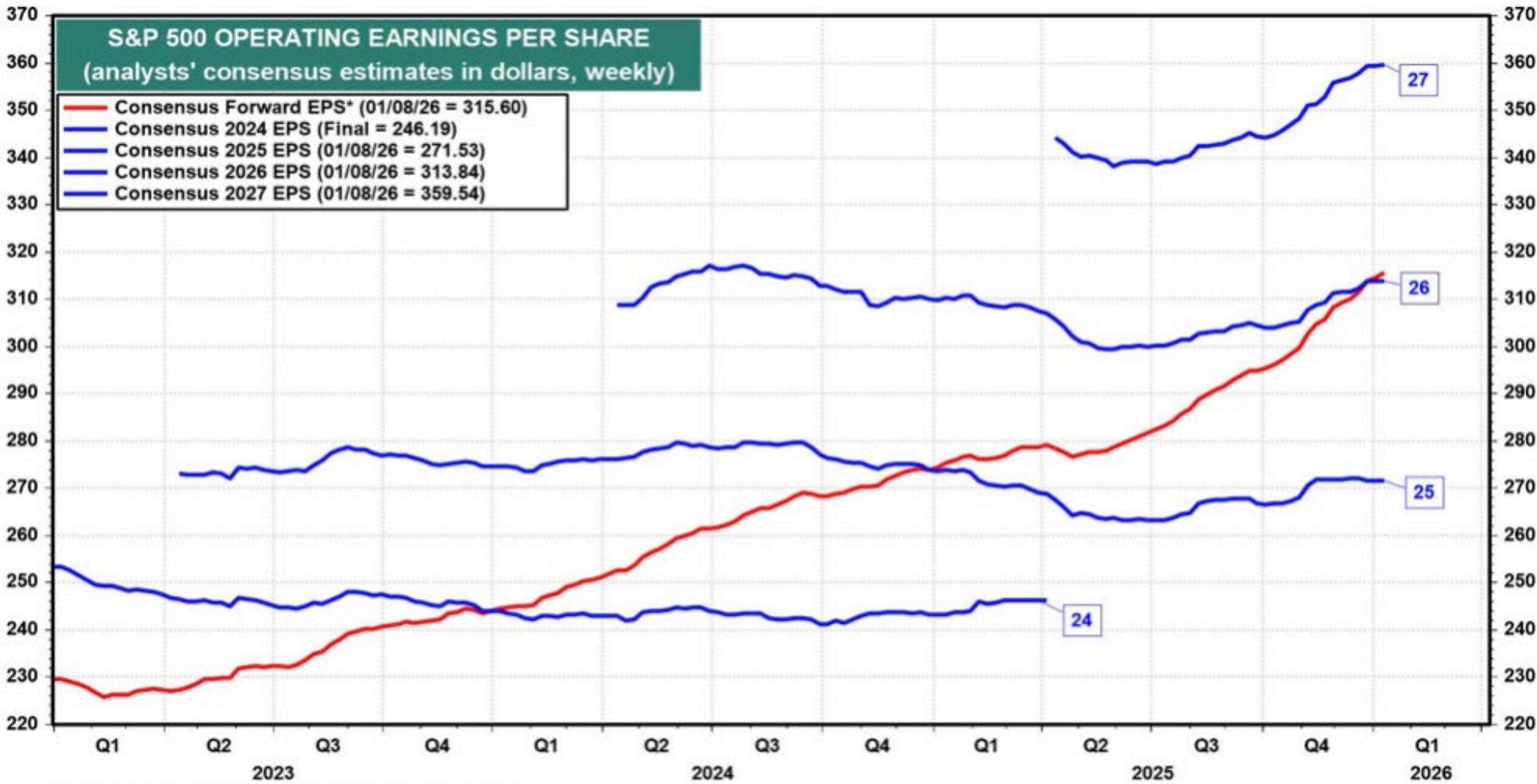
S&P 500 earnings – actual and I/B/E/S estimates



2024 (actual), 2025 (estimated), 2026 (estimated) and 2027 (estimated) bottom-up S&P 500 operating earnings per share as of January 9, 2026: for 2024(a), \$246.19; for 2025(e), \$271.53; for 2026(e), \$313.84; for 2027(e), \$359.54. Sources: Yardeni Research, Inc. and Thomson Reuters I/B/E/S for actual and estimated operating earnings from 2015. Standard and Poor's for actual operating earnings data through 2014.

Earnings

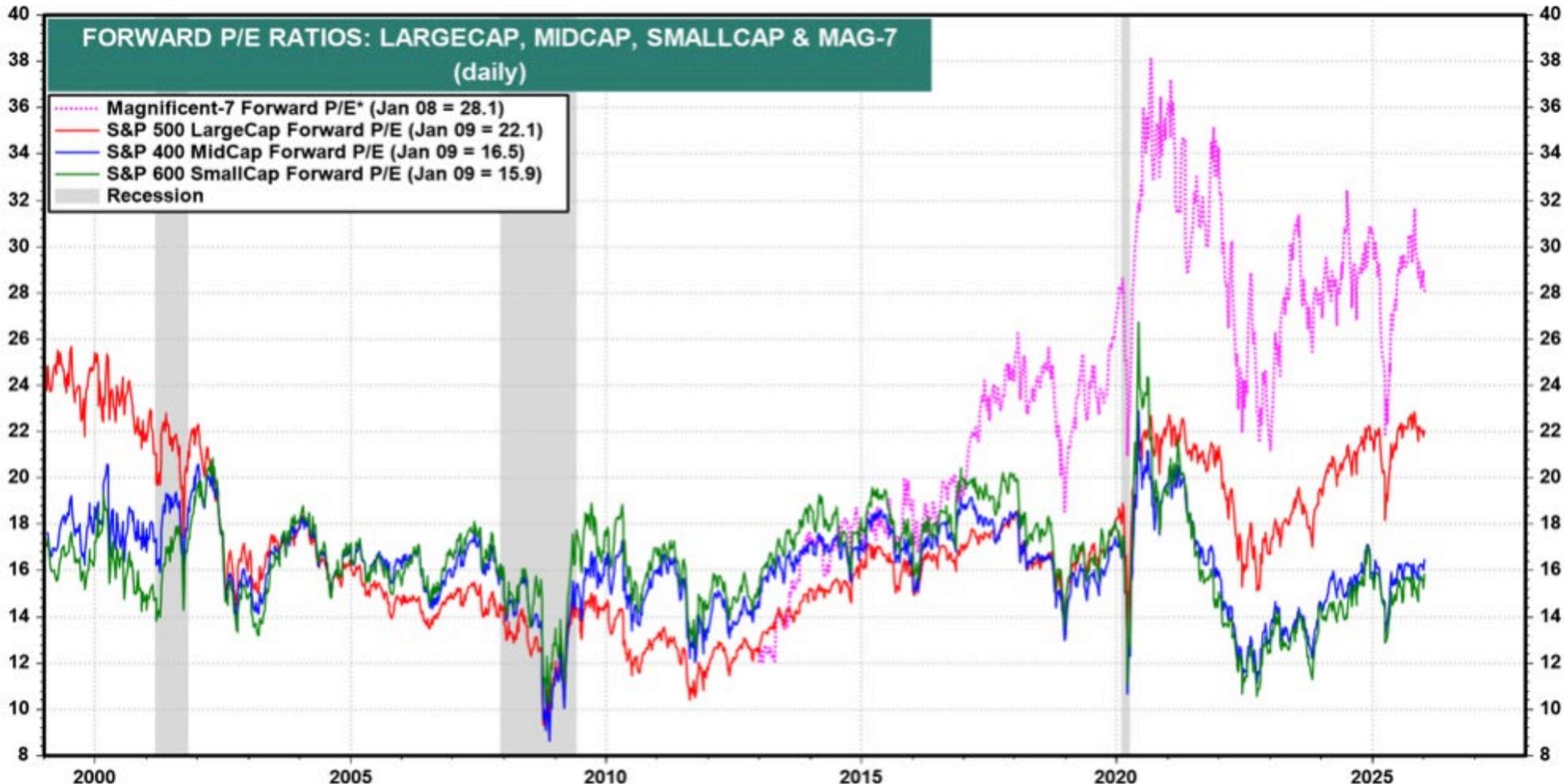
S&P 500 earnings – trend in analysts' estimates



Source: LSEG Datastream and © Yardeni Research.

* Time-weighted average of analysts' consensus estimates for current and coming year.

S&P 500 index forward P/E ratio



Source: LSEG Datastream and © Yardeni Research, and Standard & Poor's.

* Magnificent-7 stocks include Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, NVIDIA, and Tesla. Both classes of Alphabet are included.

S&P 500 index forward P/E ratio



Source: LSEG Datastream and © Yardeni Research and Standard & Poor's.

* Price divided by 52-week forward consensus expected operating earnings per share.

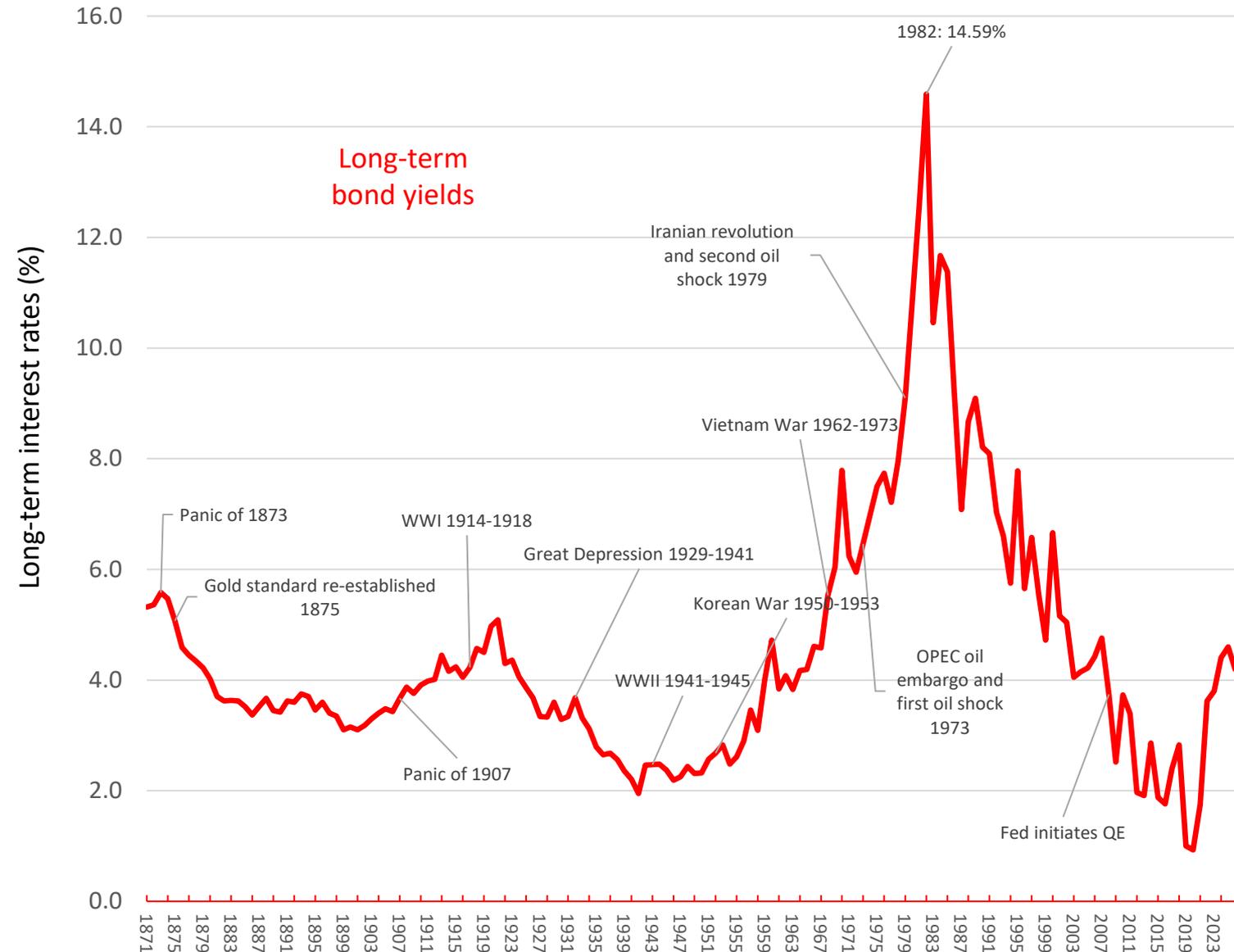
Bond Yields

- Normal yields by historic comparison

Bond yields

U.S. Treasury bond yields

Back to normal from the lowest long-term interest rates in U.S. history.



Source: Online Data Robert Shiller, data through 2016; 10-year U.S. Treasury bond yield data from 2017; data through January 8, 2026.

Federal Reserve

- Cut rates
- Trimmed its inflation forecast
- Boosted its GDP growth forecast
- Dot plot points to 3-1/4% terminal rate
- Dis-inverting yield curve

Federal Reserve Central tendency forecasts

For release at 2:00 p.m., EST, December 10, 2025

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, December 2025

Percent

Variable	Median ¹					Central Tendency ²					Range ³				
	2025	2026	2027	2028	Longer run	2025	2026	2027	2028	Longer run	2025	2026	2027	2028	Longer run
Change in real GDP	1.7	2.3	2.0	1.9	1.8	1.6-1.8	2.1-2.5	1.9-2.3	1.8-2.1	1.8-2.0	1.5-2.0	2.0-2.6	1.8-2.6	1.7-2.6	1.7-2.5
September projection	1.6	1.8	1.9	1.8	1.8	1.4-1.7	1.7-2.1	1.8-2.0	1.7-2.0	1.7-2.0	1.3-2.0	1.5-2.6	1.7-2.7	1.6-2.6	1.7-2.5
Unemployment rate	4.5	4.4	4.2	4.2	4.2	4.5-4.6	4.3-4.4	4.2-4.3	4.0-4.3	4.0-4.3	4.4-4.6	4.2-4.6	4.0-4.5	4.0-4.5	3.8-4.5
September projection	4.5	4.4	4.3	4.2	4.2	4.4-4.5	4.4-4.5	4.2-4.4	4.0-4.3	4.0-4.3	4.2-4.6	4.0-4.6	4.0-4.5	4.0-4.5	3.8-4.5
PCE inflation	2.9	2.4	2.1	2.0	2.0	2.8-2.9	2.3-2.5	2.0-2.2	2.0	2.0	2.7-2.9	2.2-2.7	2.0-2.3	2.0	2.0
September projection	3.0	2.6	2.1	2.0	2.0	2.9-3.0	2.4-2.7	2.0-2.2	2.0	2.0	2.5-3.2	2.2-2.8	2.0-2.4	2.0	2.0
Core PCE inflation ⁴	3.0	2.5	2.1	2.0		2.9-3.0	2.4-2.6	2.0-2.2	2.0		2.7-3.1	2.2-2.7	2.0-2.5	2.0	
September projection	3.1	2.6	2.1	2.0		3.0-3.2	2.5-2.7	2.0-2.2	2.0		2.7-3.4	2.2-2.9	2.0-2.4	2.0-2.2	
Memo: Projected appropriate policy path															
Federal funds rate	3.6	3.4	3.1	3.1	3.0	3.6-3.9	2.9-3.6	2.9-3.6	2.8-3.6	2.8-3.5	3.4-3.9	2.1-3.9	2.4-3.9	2.6-3.9	2.6-3.9
September projection	3.6	3.4	3.1	3.1	3.0	3.6-4.1	2.9-3.6	2.9-3.6	2.8-3.6	2.8-3.5	2.9-4.4	2.6-3.9	2.4-3.9	2.6-3.9	2.6-3.9

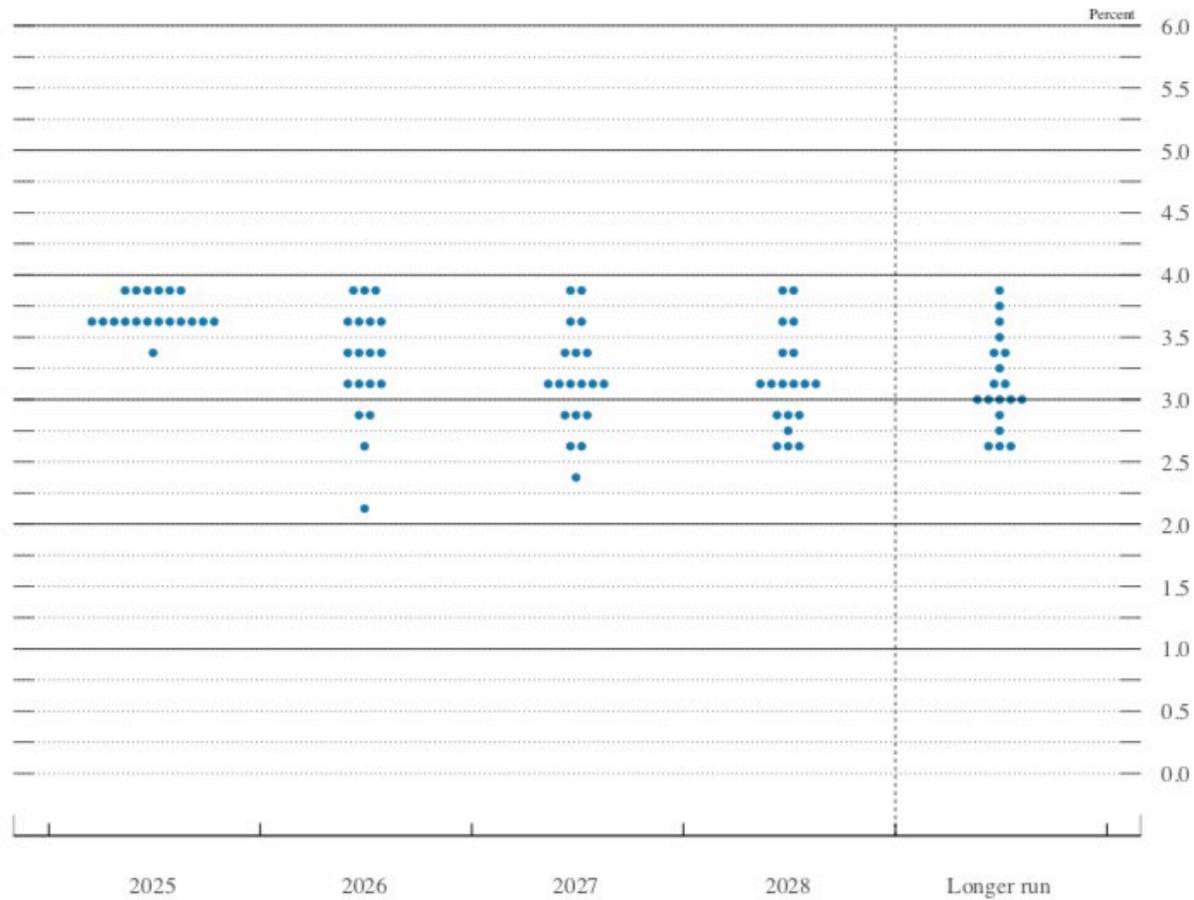
boosted GDP growth forecast

trimmed inflation forecast

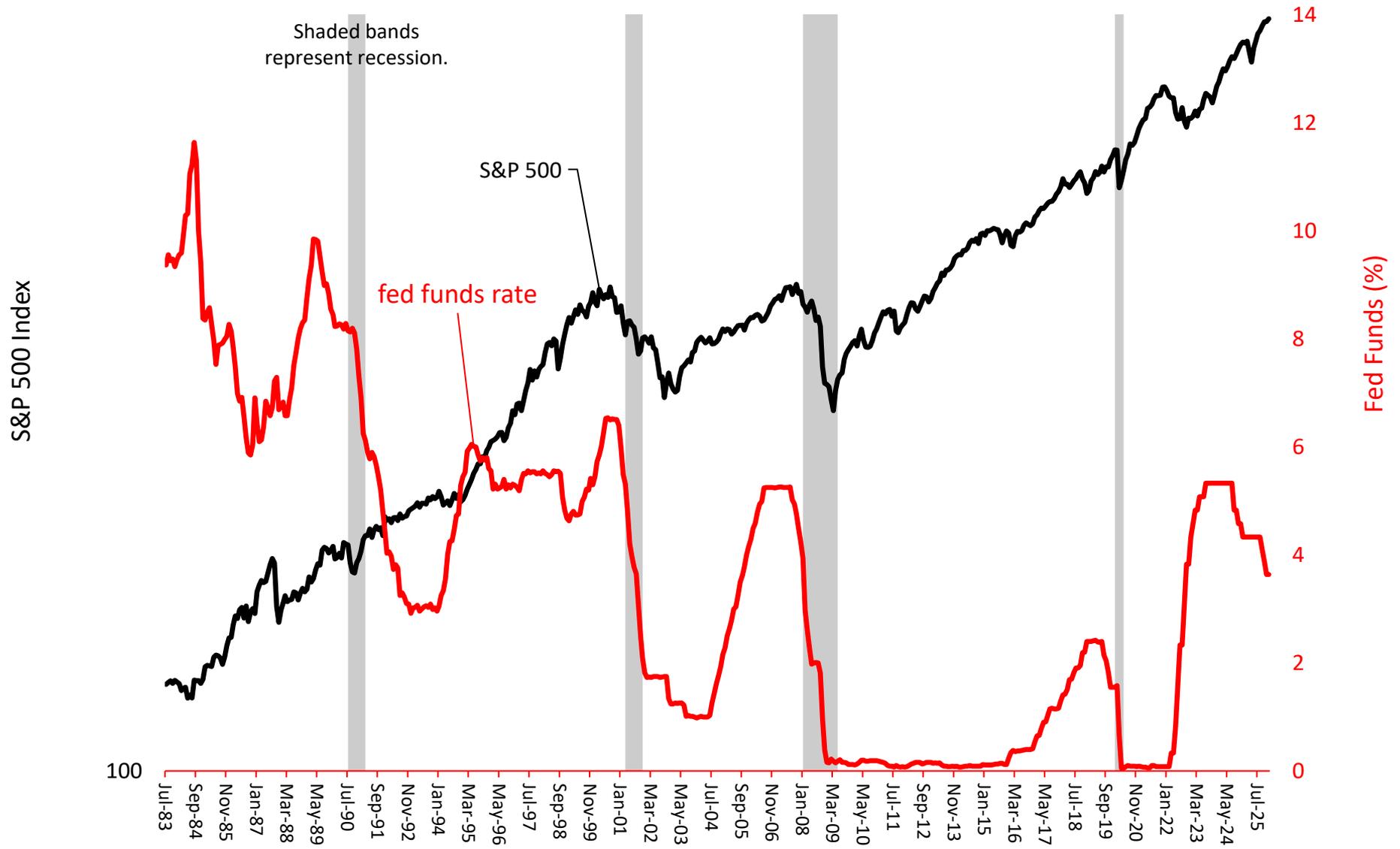
Federal Reserve Dot plot

For release at 2:00 p.m., EST, December 10, 2025

Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate

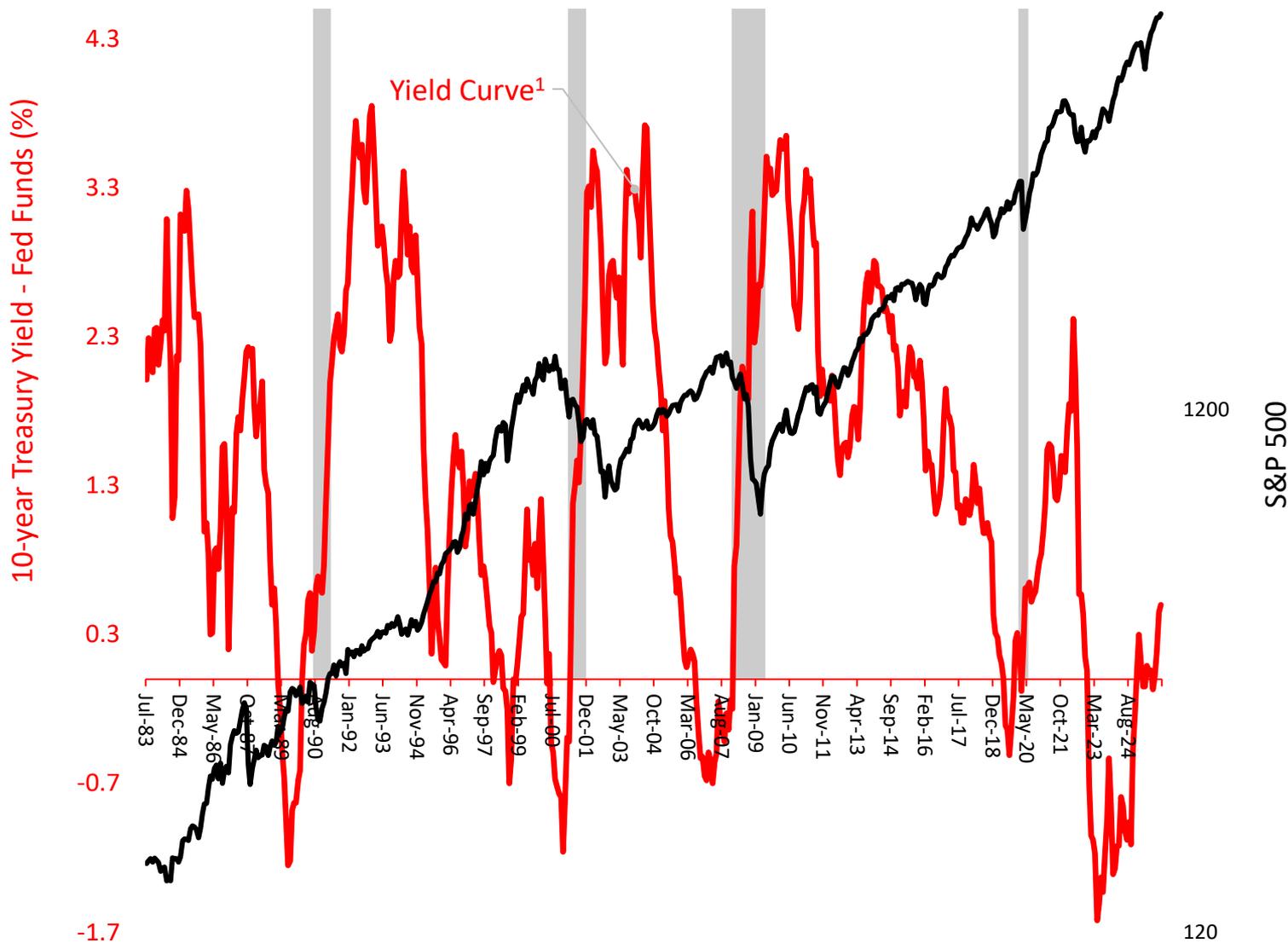


Stock market S&P 500 vs. fed funds rate



Federal Reserve policy

Yield curve vs. the S&P 500



When the yield curve has inverted the economy has usually turned down into recession with a lag of a year or more.

Today, the yield curve is dis-inverting.

Sources: NBER, Federal Reserve and Standard & Poor's. Data through December 2025.

¹The interest rate on the 10-year Treasury bond (long term) minus the fed funds rate (short term).

Inflation

- Year-over-year headline CPI +2.7%, +2.6% core
- Year-over-year headline PCED +2.8%, +2.8% core
- Inflation expectations (TIPS spread)

Inflation

Tariff price hikes

The screenshot shows the top portion of a website article. At the top left is the Tax Foundation logo. To the right are buttons for 'SUBSCRIBE' and 'DONATE', and a search icon. Below these are navigation links: RESEARCH, EXPERTS, DATA, BLOG & COMMENTARY, EDUCATION, EVENTS, and ABOUT US. The article title is 'Trump Tariffs: Tracking the Economic Impact of the Trump Trade War', dated December 1, 2025, with a 45-minute read time. The authors are Erica York and Alex Durante. A 'PRINT' button is visible at the bottom right of the article header.

Table of Contents



Key Findings

- President [Trump](#) has imposed International Emergency Economic Powers Act (IEEPA) tariffs on US trading partners, including China, [Canada](#), [Mexico](#), and the EU. In addition, he has threatened and imposed Section 232 tariffs on autos, heavy trucks, steel, aluminum, lumber, furniture, semiconductors, pharmaceuticals, and copper, [among others](#).
- The Trump tariffs amount to an average [tax](#) increase per US household of \$1,100 in 2025 and \$1,400 in 2026.
- Under the tariffs imposed and scheduled as of November 1, the weighted average [applied tariff](#) rate on all imports rises to 15.8 percent, and the average [effective](#) tariff rate, reflecting behavioral responses, rises to 11.2 percent—the highest average rate since 1943.
- The Trump tariffs are the largest US tax increase as a percent of GDP (0.47 percent for 2025) since 1993.
- Trump's imposed tariffs will raise \$2.1 trillion in revenue over the next decade on a conventional basis and reduce US GDP by 0.5 percent, all before foreign retaliation. Accounting for negative economic effects, the revenue raised by the tariffs falls to \$1.6 trillion over the next decade. The Trump tariffs threaten to [offset much](#) of the economic benefits of the new tax cuts, while falling short of paying for them.

Source: The Tax Foundation, December 1, 2025.

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President Trump signed the One Big Beautiful Bill Act into law on July 4, 2025.

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The Trump administration advocates an “energy dominance” agenda to boost US energy production and lower costs. Its tariff agenda runs directly counter to it.

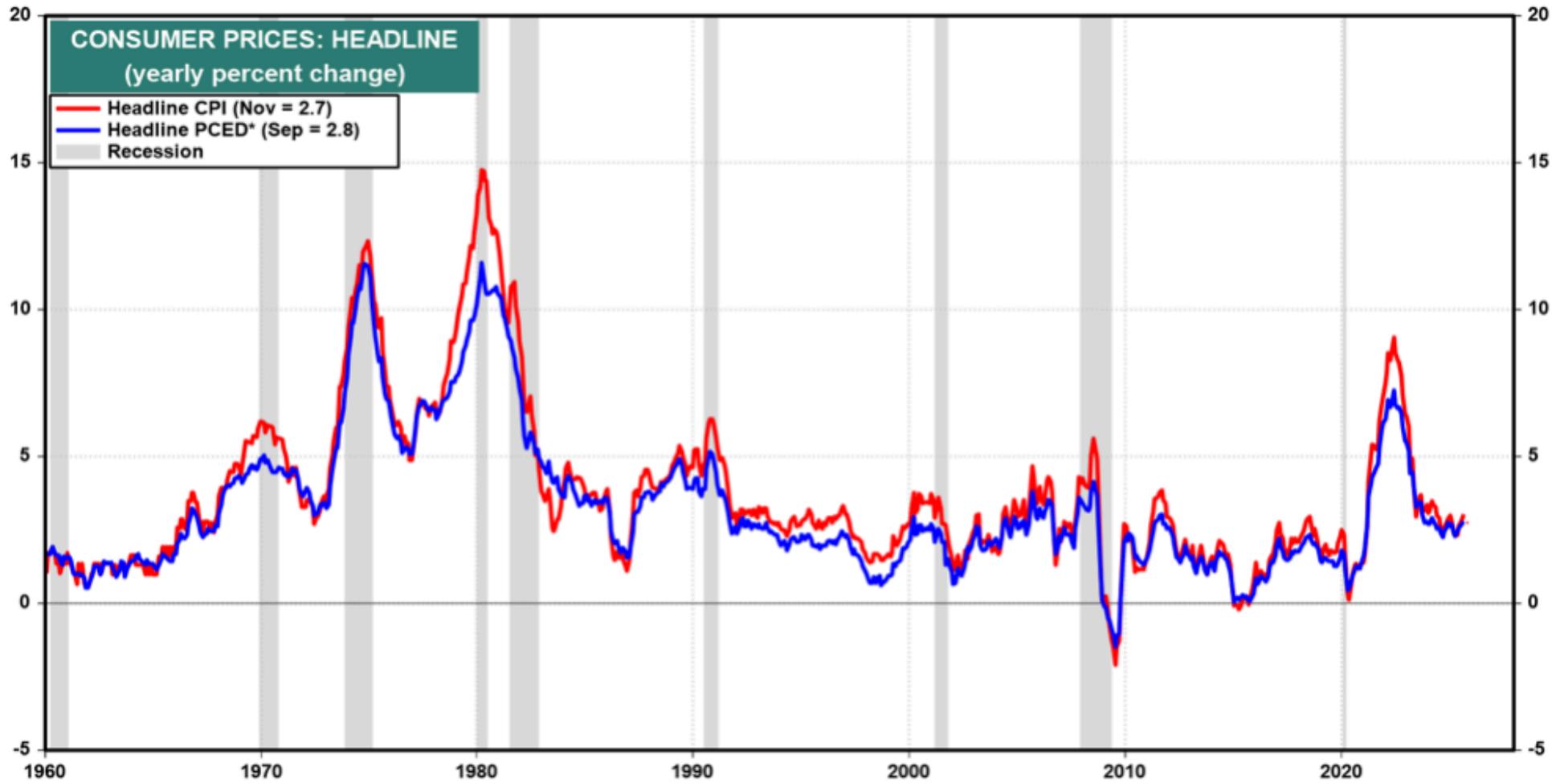
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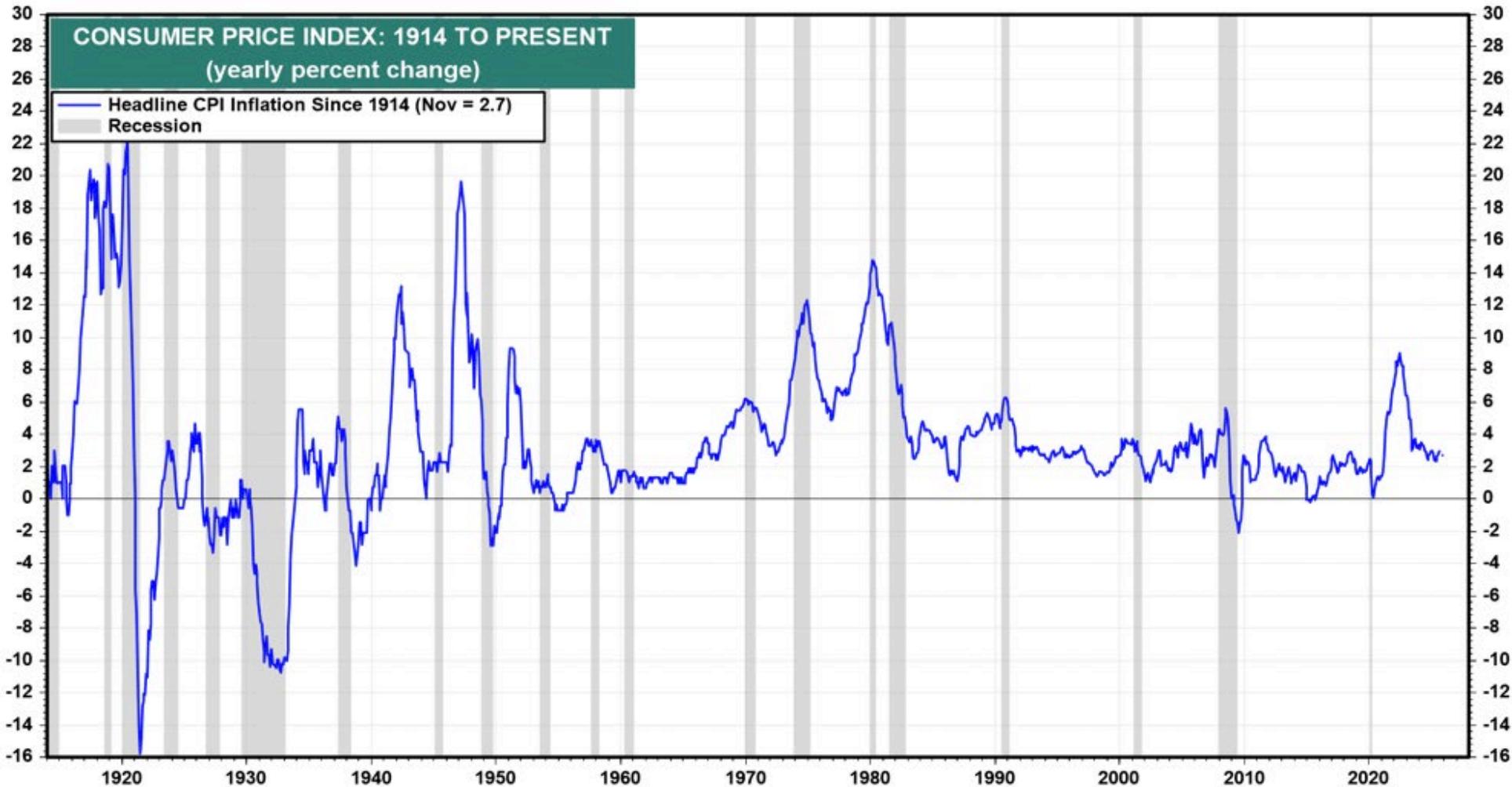
Four Paths for Inflation Re-

Inflation

CPI and PCED

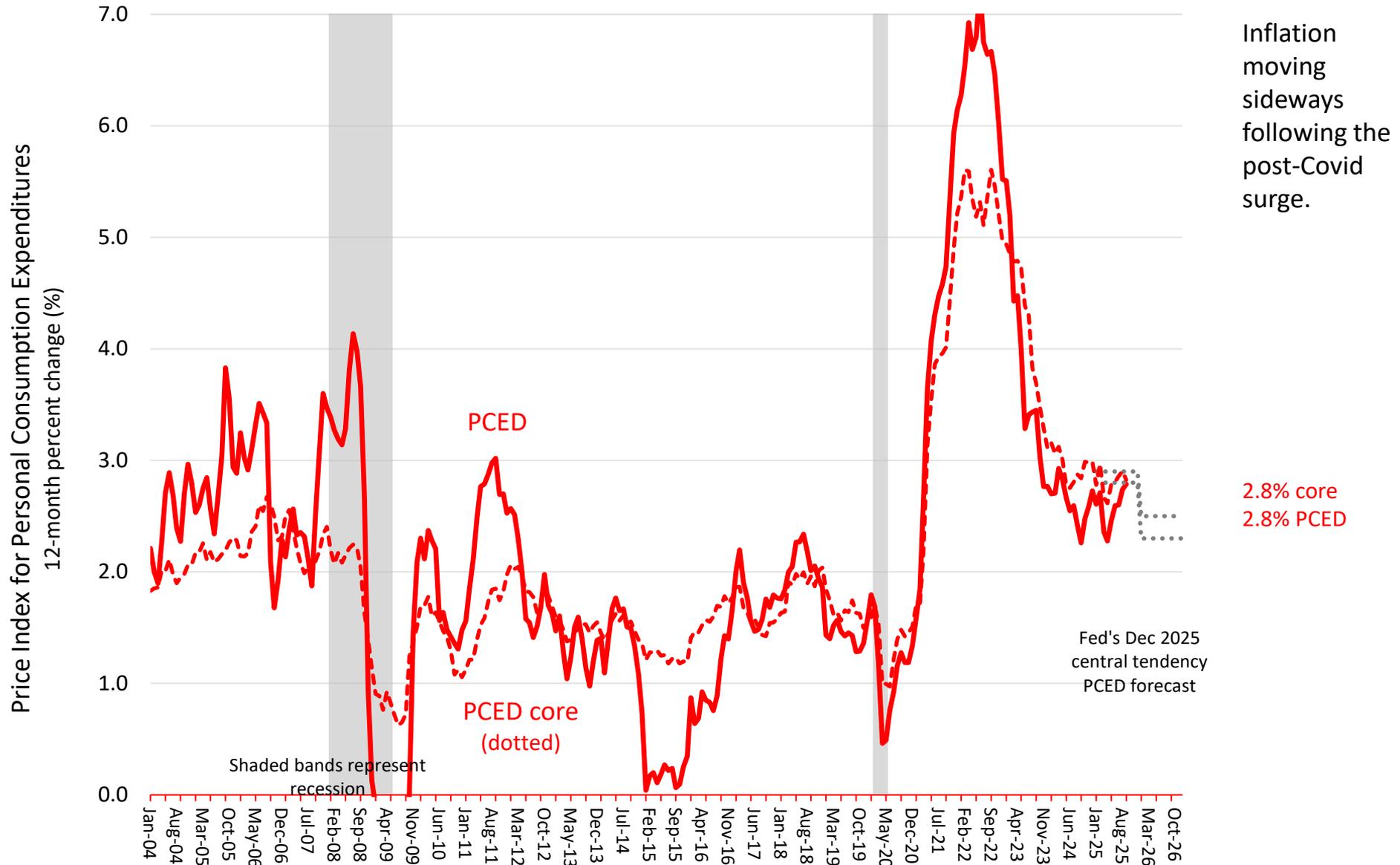


Inflation CPI



Source: LSEG Datastream and © Yardeni Research.

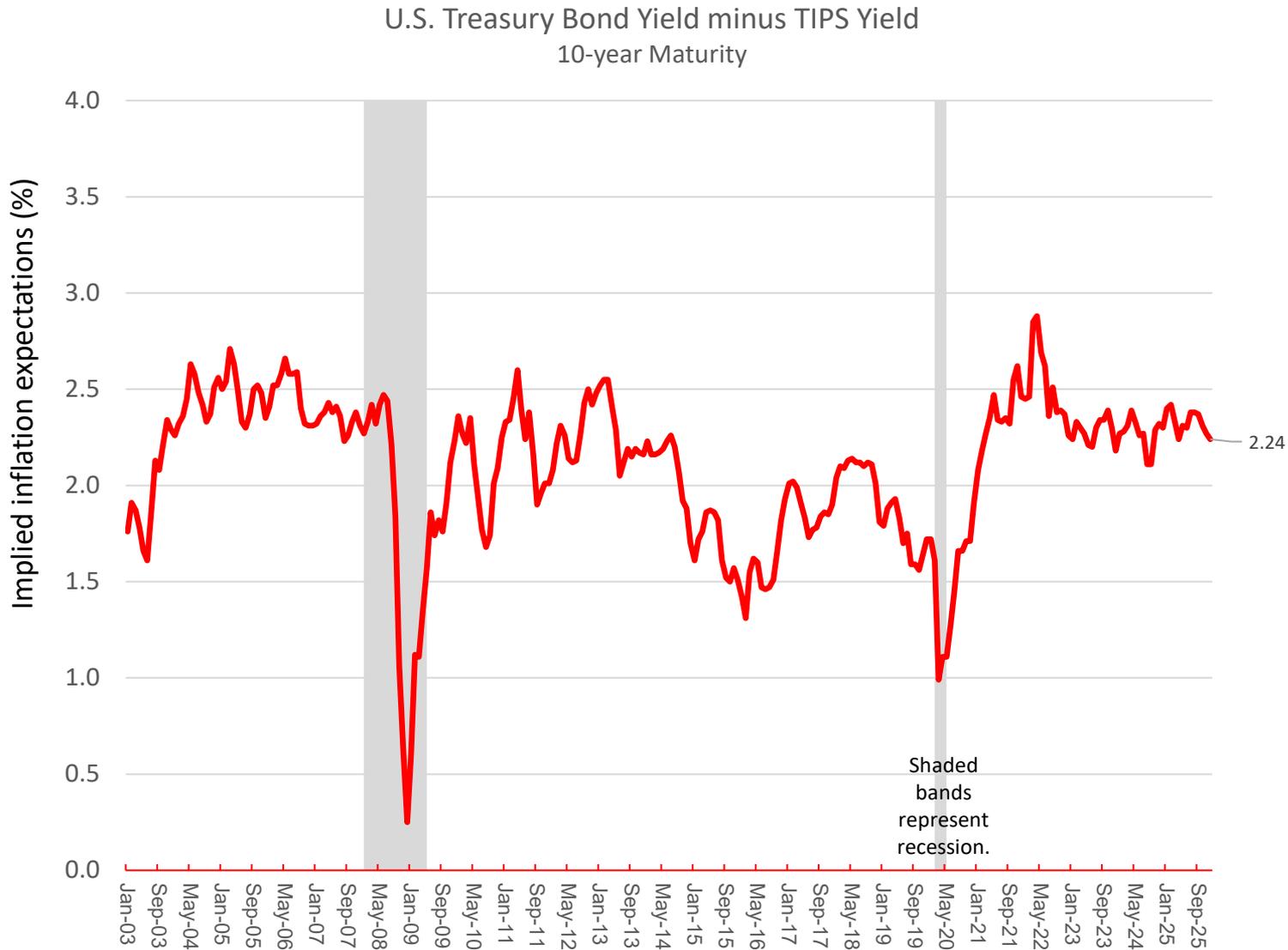
Inflation PCED – headline and core



Source: NBER, Federal Reserve Bank of St. Louis. Data through September 2025.

Inflation

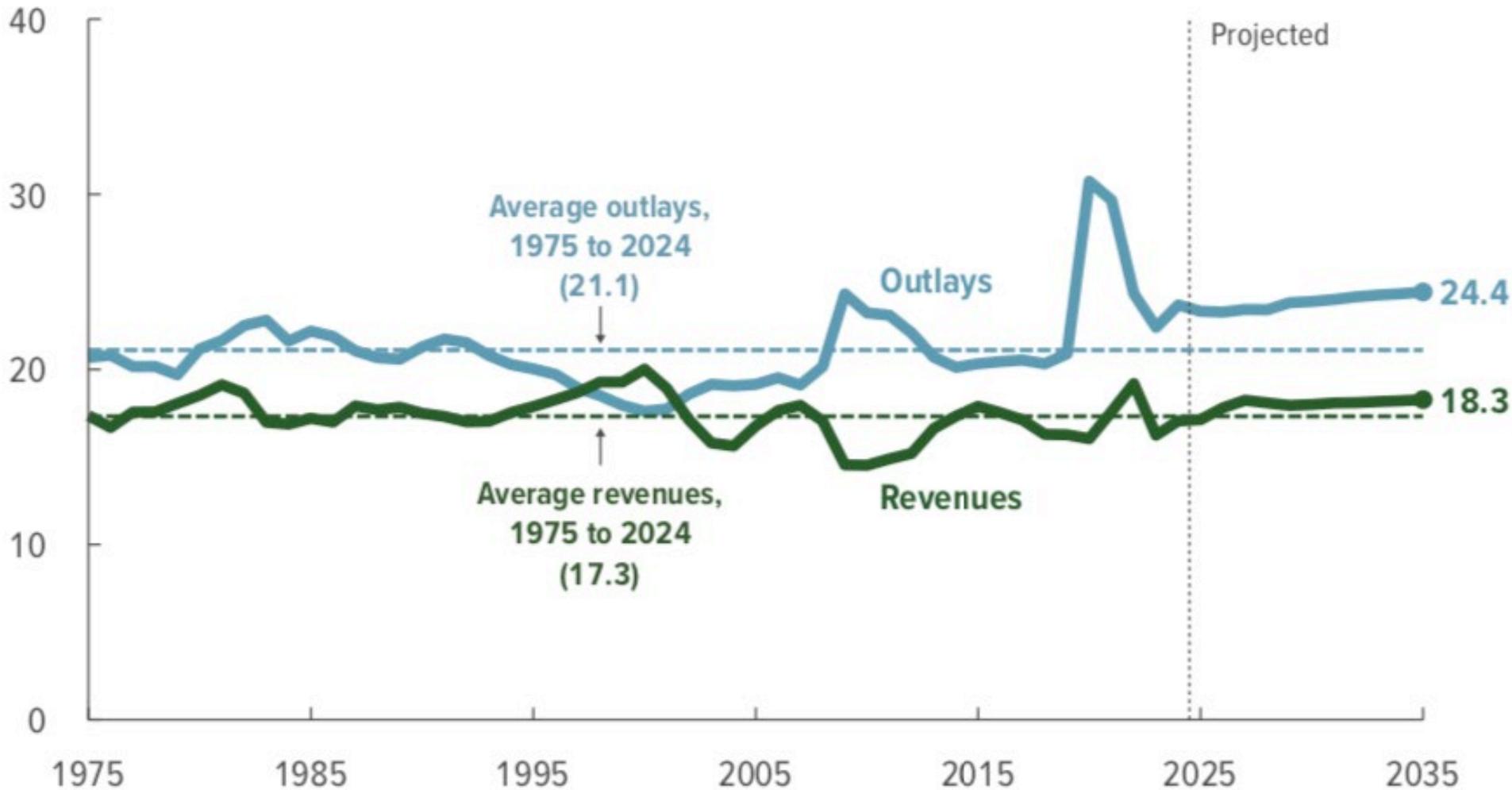
Inflation expectations



The difference between the nominal 10-year Treasury bond yield and the TIPS yield gives the market's opinion for a 10-year inflation forecast.

Federal revenues and outlays through 2035

Percentage of GDP

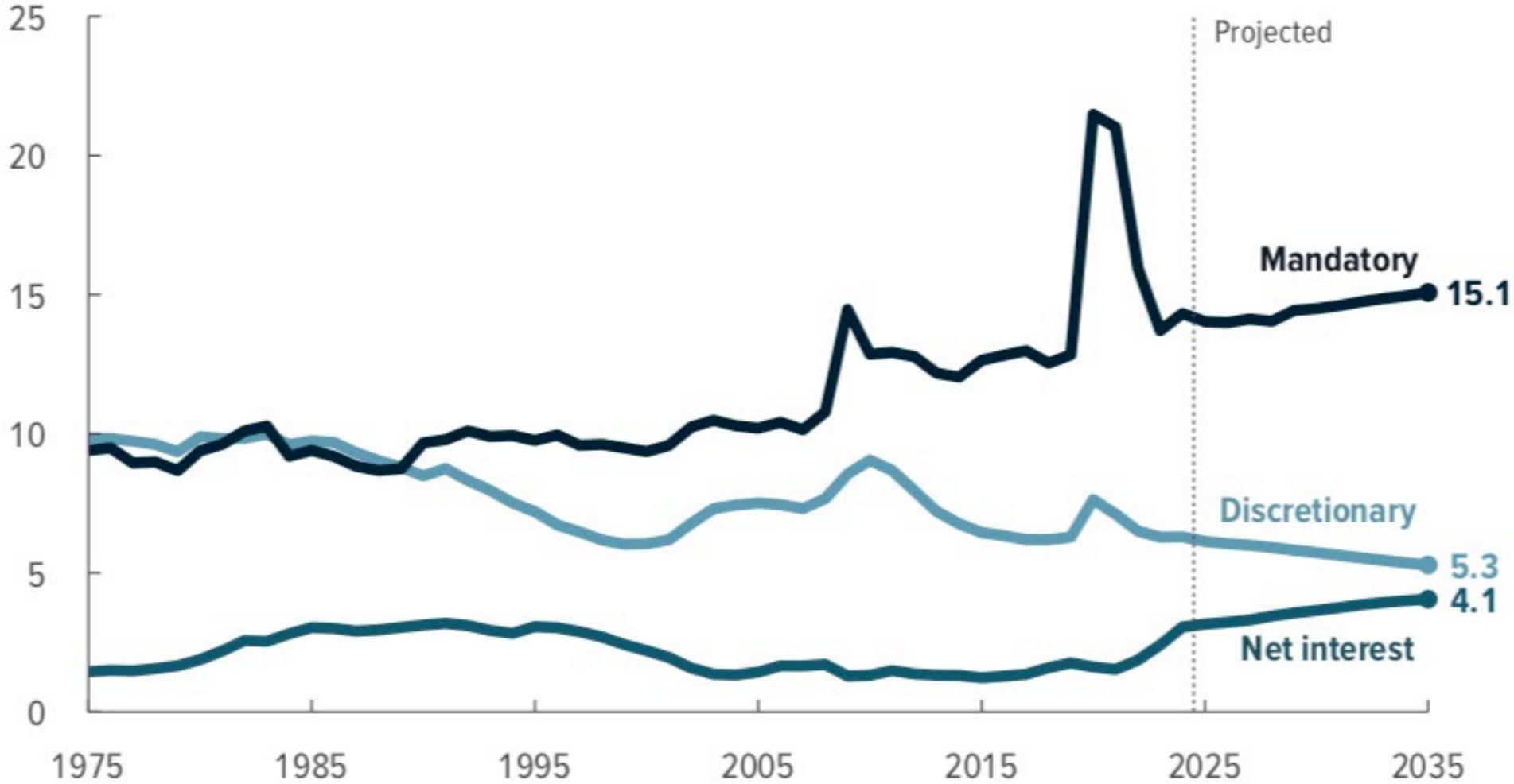


Source: Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035*, released January 2025.

Federal deficit and debt

Federal outlays through 2035

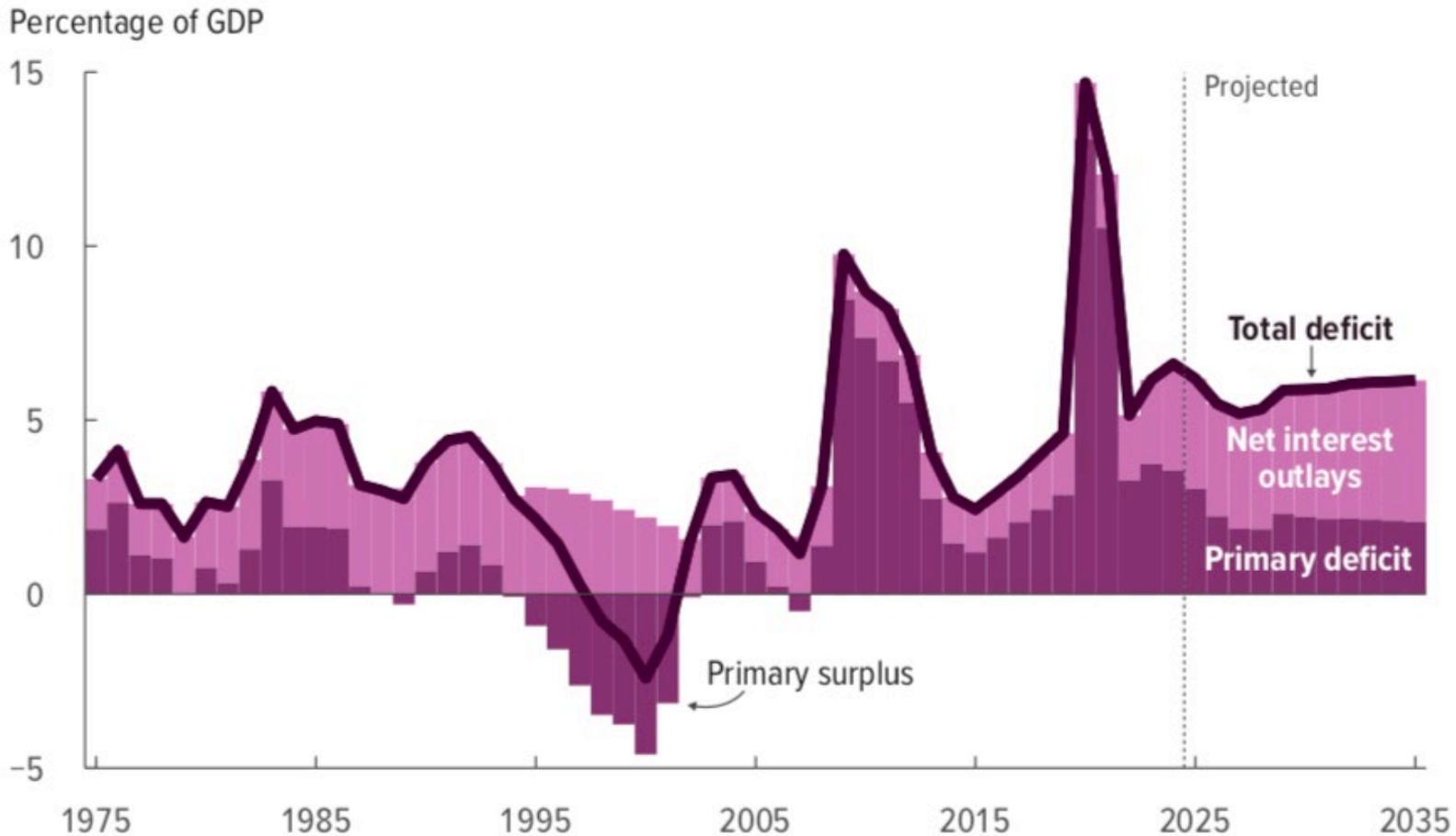
Percentage of GDP



Source: Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035*, released January 2025.

Federal deficit and debt

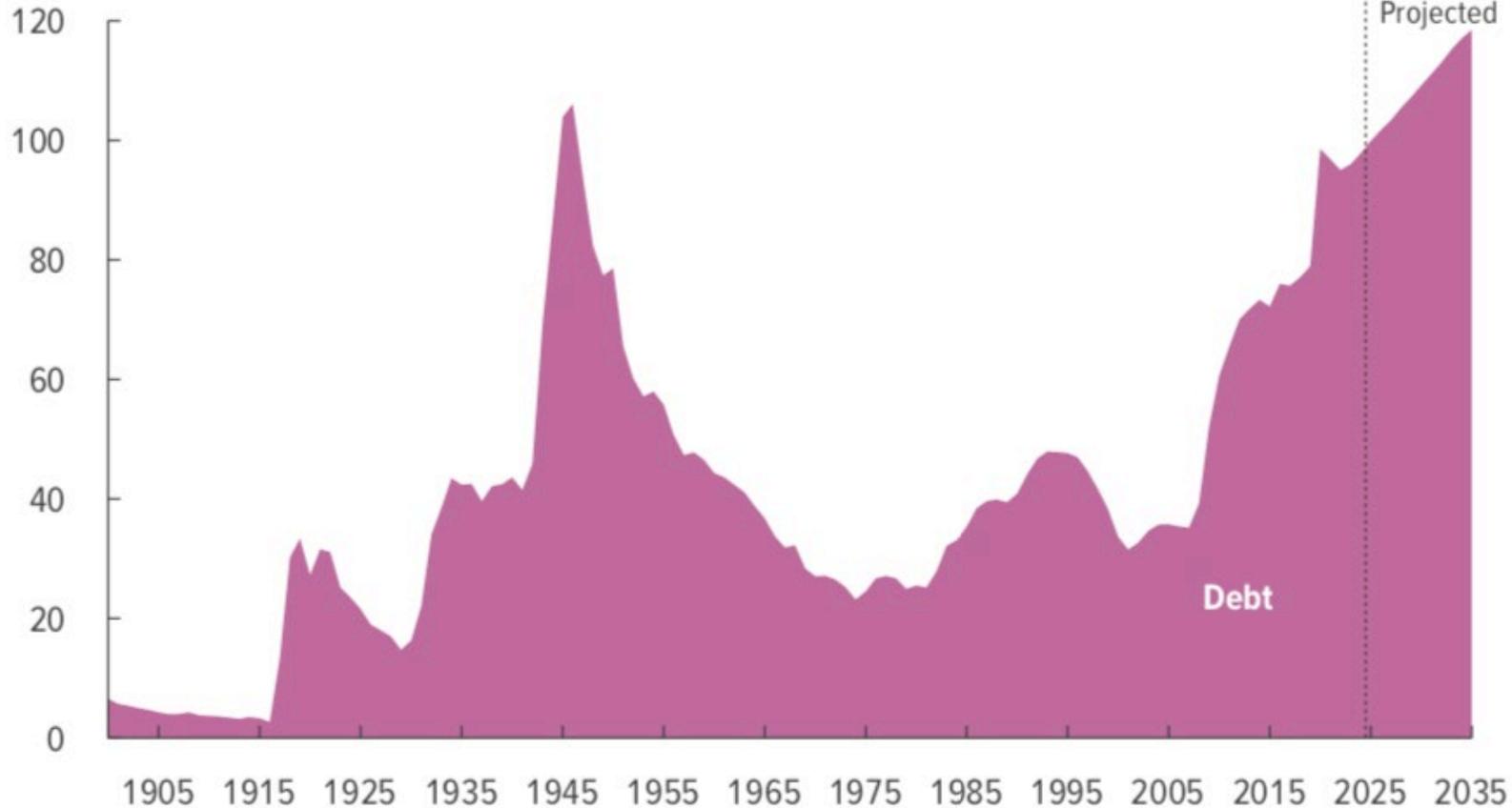
Federal deficits % of GDP though 2035



Net interest becomes the major part of deficits.

Federal debt % of GDP though 2035

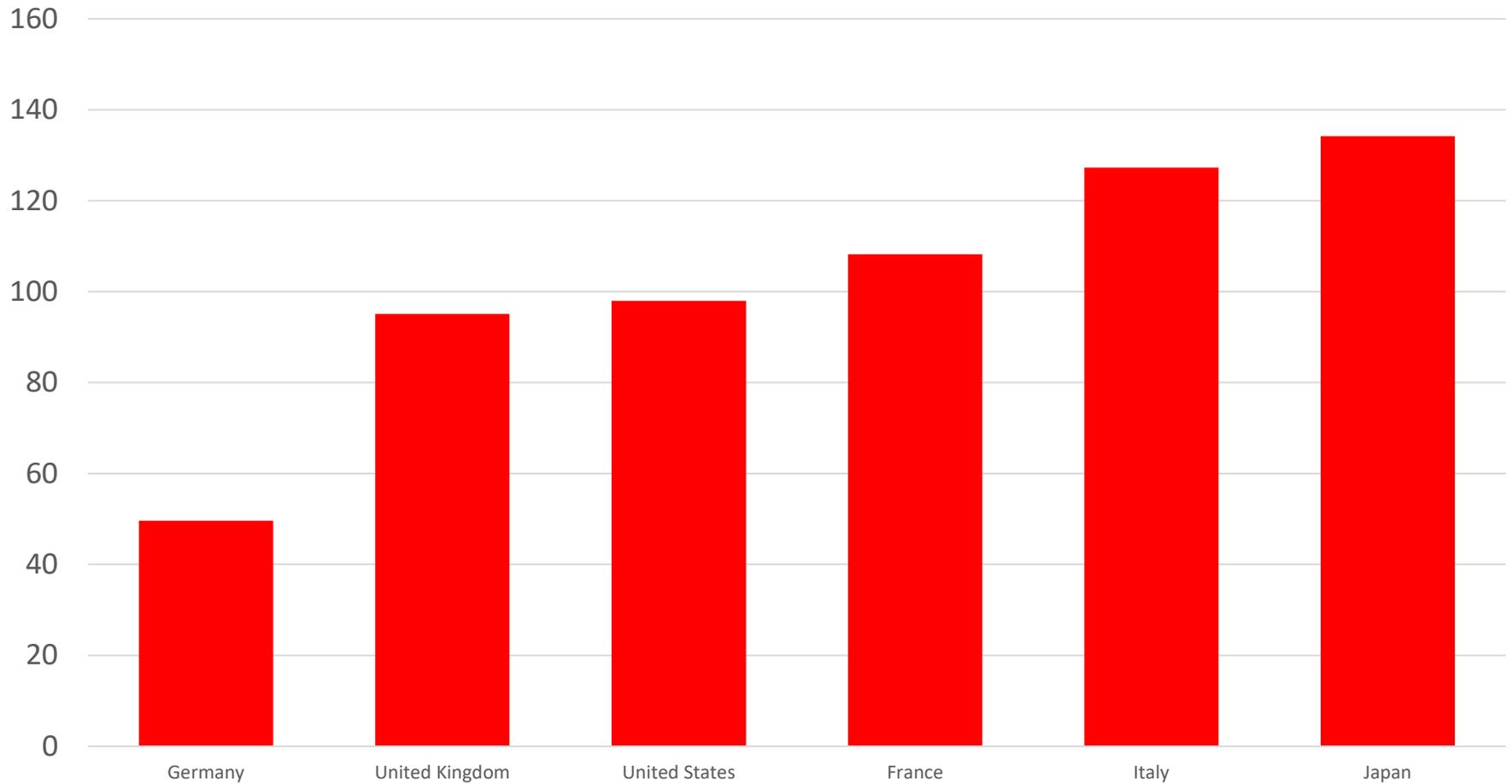
Percentage of GDP



Debt/GDP grows significantly.

Net debt % of GDP selected countries

Net Government Debt % of GDP
2025 estimates



THE WALL STREET JOURNAL.

The Social Security Crisis is Coming

... the Social Security system's trustees in late June sent a signal so alarming that America can't ignore it: Unless lawmakers do something, the system's trust fund will be exhausted in the first quarter of 2033—sooner than earlier reports predicted. The crisis will trigger large cuts in benefits to current and new beneficiaries.

If lawmakers acted tomorrow, restoring Social Security's long-term solvency would require a 22% benefit cut for future beneficiaries, a payroll tax increase to 16%, up from the current 12%, or a combination of benefit cuts and tax hikes.

If we waited until the trust fund was depleted, we would have to cut benefits by nearly 26%, or the payroll tax would have to rise to nearly 17%.

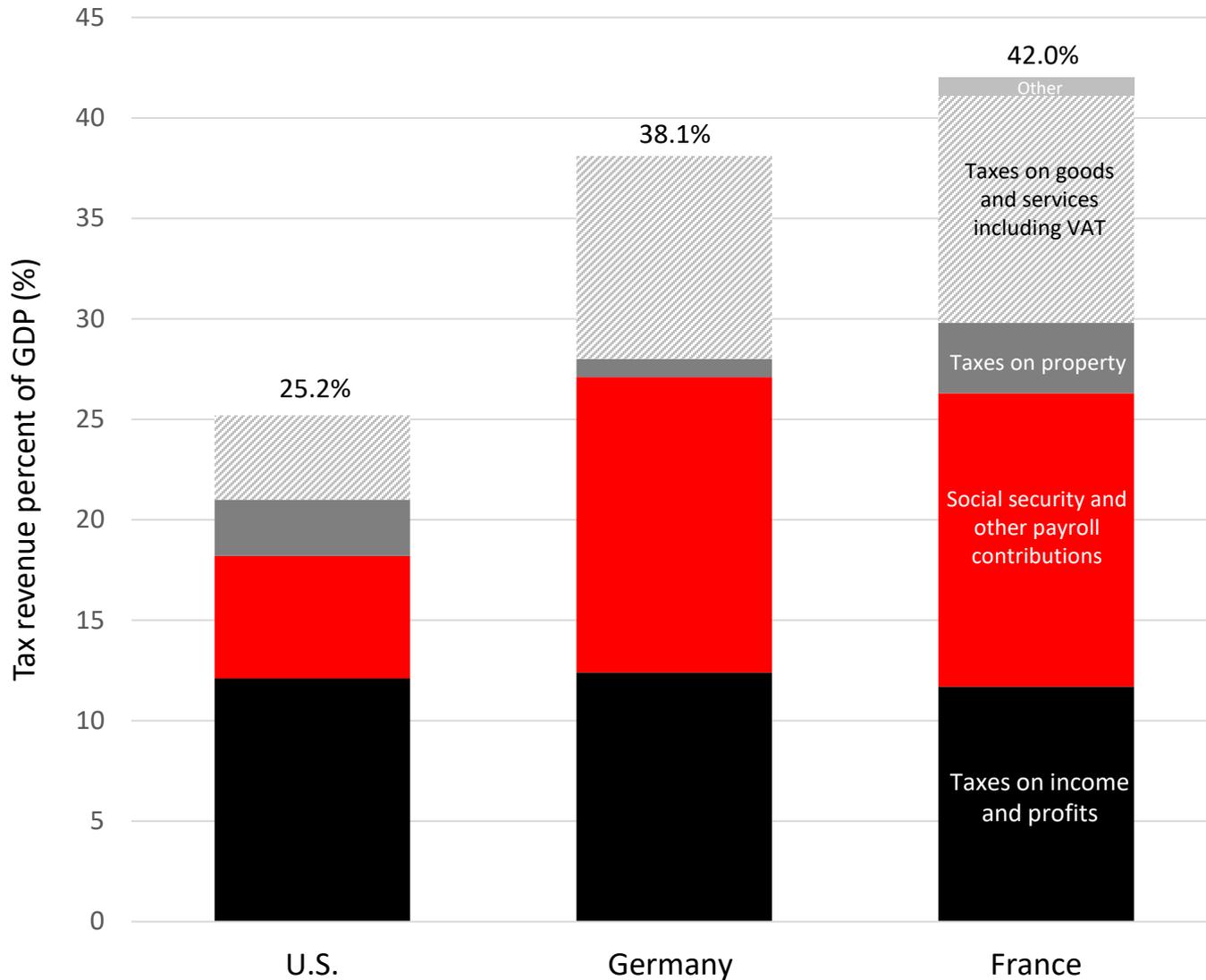
THE WALL STREET JOURNAL.

Big Tax Hikes Are Coming

... These demographic and political realities point to the same conclusion: that increased revenue will be needed to secure these programs for the long term. Americans may be reluctant to see their taxes go up, but they will be even less willing to see their Social Security and Medicare benefits go down.

... Unless the actuaries are too pessimistic, the next president will be forced to address this issue, and so will a Congress that by and large has forgotten how to legislate across party lines.

Tax structure U.S. vs. France and Germany

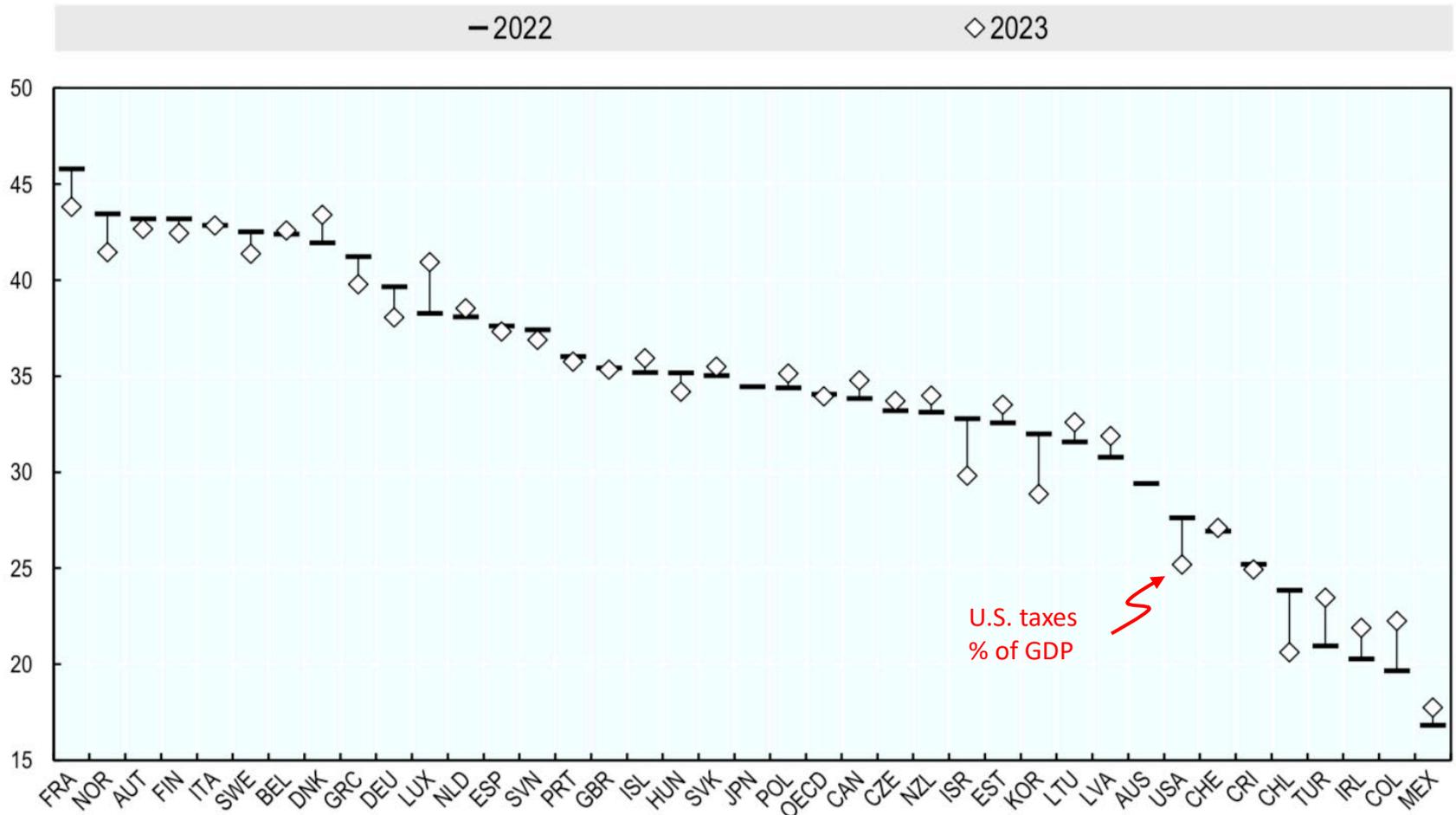


The U.S. has a much lower total tax burden and takes a very different approach to raising tax revenues compared to most other developed economies.

Taxes % of GDP – 38 OECD countries

Figure 1.4. Tax-to-GDP ratios in 2022 and 2023p

Percent of GDP



Source: OECD Revenue Statistics 2024.

Important Information

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The opinions expressed are those of the author, are based on current market conditions and are subject to change without notice.

These materials may contain statements that are not purely historical in nature but are “forward-looking statements.” These include, among other things, projections, forecasts, estimates of income, yield or return or future performance targets. These forward-looking statements are based upon certain assumptions, some of which are described herein. Actual events are difficult to predict and may substantially differ from those assumed. All forward-looking statements included herein are based on information available on the date hereof and Fritz Meyer assumes no duty to update any forward-looking statement. Accordingly, there can be no assurance that estimated returns or projections can be realized, that forward-looking statements will materialize or that actual returns or results will not be materially lower than those presented.

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