

September, 2025

Dear Client,

As the summer passes, we look ahead toward cooler weather and the upcoming Holiday Season that will be fast approaching. The stock market, so far this year, has weathered some early year volatility and has settled down significantly, as major indices have pushed back toward all-time highs. With all of the noise, predictions of recession on the horizon, fears of slowing earnings growth, tariff and inflation concerns, the financial news flow is unabated. As John Kenneth Galbraith famously observed, “There are two kinds of forecasters: those who don’t know, and those who don’t know they don’t know.”

I recently read a great book by Barry Ritholtz, titled **How Not To Invest**. He stated: “A well thought out financial plan should NOT be dependent upon guessing what will happen in the future. A broad allocation model that is Core & Satellite: Mostly passive indexes, plus whatever ornaments that you might want on the tree. Cut the useless, distracting noise in your media diet.” I could not agree more on this, as it is our investing philosophy here at Pearson Financial. I’m proud to say that our clients have done very well when cutting through the useless distracting noise, and adhering to a long-term investing plan of “holding asset classes to benefit from long term value creation and compounding.”

The S&P 500 index is up close to 13% for the year through Q3, 2025. The Dow is up close to 9% and the Nasdaq, approximately 17%. Developed International and Emerging markets are up close to 25%, YTD. (I mention that because International had lagged for over a decade). The Federal Reserve has cut interest rates by .25% for the first time since December of 2024. That places the Fed Funds rate in a current range of 4.00% to 4.25%. With additional rate cuts possible by the end of 2025, Treasury and CD rates have dropped a bit, but can still be a good option for some. As rates trend downward, Shorter-term Bond ETFs may make sense as well.

I also want to cover some changes in the tax law, due to the passage of the OBBBA 2025 (One Big Beautiful Bill Act of 2025) enacted on July 4, 2025. (I have outlined some points that may be of interest to you – pulled directly from Ed Slott’s **IRA Advisor Newsletter**).

(OVER)

- The reduced Federal Income taxes, originally enacted in the 2017 Tax Cuts and Job Act, are extended permanently.
- Standard Deduction increased to \$15,570 for individuals, \$31,500 for married filing jointly.
- There is a new \$6,000 addition to the standard deduction for seniors aged 65 and older, for years 2025-2028. (Per person) – so a married couple over age 65 can deduct \$12,000, in addition to the normal standard deduction. (Note, there are income phaseouts that start at \$75,000 for individuals and \$150,000 for married filing jointly, and completely phases out at \$175,000 individual and \$250,000 for filing jointly).
- The SALT (State and Local Tax) Deductions for Itemizers is increased to \$40,000, effective for 2025-2029, with a 1% increase each year. This deduction begins phasing out at \$500,000 of income for both married and single and completely phases out at \$600,000, reverting back to a \$10,000 deduction.
- Effective in Tax Year 2026 – taxpayers taking the standard deduction will now be able to make a deductible charitable contribution, up to \$1,000 for individuals and \$2,000 for married filing jointly.
- Some additional changes to 529 Plans expand how families can use their educational savings; including Test fees for standardized and college entry exams, credential programs and vocational studies, academic tutoring and educational therapies, support for diagnosed learning issues, including ADHD. In 2026, account holders can increase their total K-12 annual withdrawal amount from \$10,000 to \$20,000, per student.

Qualified Charitable Donations (QCD's) from IRAs continue to be a great option for charitable giving. Donor Advised Funds (DAF) are also a great option to make a large upfront contribution, receive an immediate tax deduction, and then use the DAF to give over time. Also, Donor Advised Funds can be used to offset a year with significantly higher income. Roth Conversions, done slowly over time, continue to be a great option to get more money converted without bumping up into higher tax brackets.

We want you to remember that there are many tools in the toolbox that can be used to help accomplish your financial goals. So please do not hesitate to talk with us about some of these strategies, and as always, for any questions or concerns that you may have.

Sincerely,



Bryan Bastoni, CFP  
CERTIFIED FINANCIAL PLANNER