



2025 – A Year of Change

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We are one month in and Congress already has a full plate this year. As the new Congress and Presidency begin, their focus may have a significant bearing on investments, especially over the long-term. In this commentary, we want to look at several areas of concern and what may happen to address them.

Below are the top 5 things we think you will want to watch in the financial services space.

Taxes. Tax policy will be front and center, with many individual and small business tax provisions from 2017's Tax Cuts and Jobs Act expiring at the end of this December. Congress and the Trump Administration are looking to extend or make permanent many provisions, as well as adding in some campaign promises. We will likely see tariff implementation to offset part of the cost, as well as reclaiming unallocated funds from the Inflation Reduction Act.

Deregulation. The Trump administration has begun rolling back and pausing many of the Biden administration's regulatory priorities. Additionally, regulation by enforcement will not be as prevalent under the Trump Administration.



Capital Formation. The House Financial Services Committee and Senate Banking Committee want to expand on the progress made on Capital Formation legislation, including expanding access to the markets, small business growth incentives, and tech in the market. We can expect to see legislation around housing as well.

AI and Digital Assets. Congress and the agencies will prioritize an Artificial Intelligence (AI) framework to encourage growth, innovation, and job creation, but will also put in a regulatory structure to inhibit adversaries from threatening national security. Additionally, Congress and the SEC have already announced task forces around digital assets dedicated to developing a comprehensive and clear regulatory framework for crypto assets.

FY 2025 & Debt Limit. Congress will need to address FY 2025 appropriations, which are set to expire on March 14th. Additionally, Congress will need to address the debt limit, which expired on January 1. Treasury is already using “extraordinary measures”, and the “X-Date” could fall in the spring or summer of 2025, depending on tax receipts and disaster relief spending.

(These 5 items are compliments of LPL Financial Advocacy Roundup January 2025. Used with permission.)

We have seen several U.S. Senators and Representatives highlighting the significant government debts that exist, both federal and state. We addressed this in August 2017 in our article [Credit Hurricane Approaching](#) (you can find this on the www.TAGFinancial.com website or read by clicking the link). We recommend re-reading that article, which helps understanding how debt can be built up until the “Minsky Moment” is reached and the house of cards comes tumbling down.

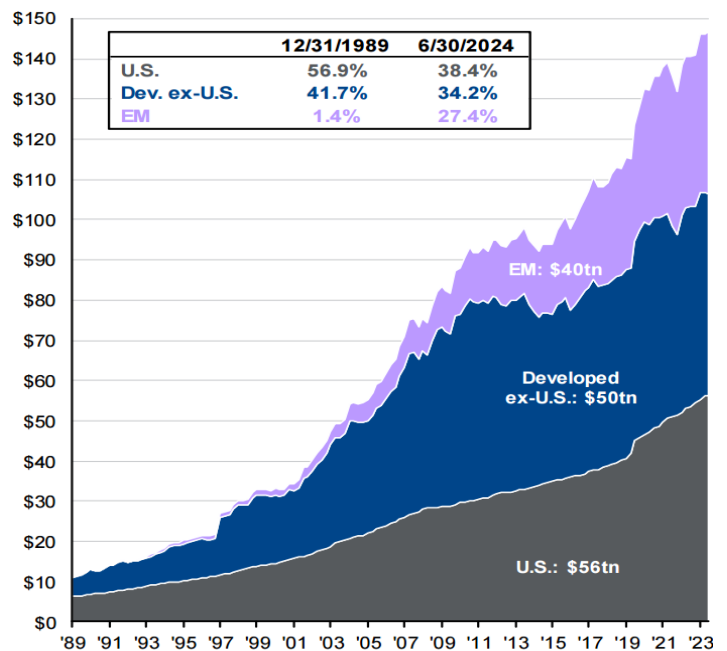
At that time we were astonished that U.S. Federal debt had climbed to almost \$20 Trillion dollars. Since the problem has not been addressed, by January 2025 that debt has increased to over \$36 Trillion dollars, which translates to over \$106,000 for every U.S. citizen. (Source: U.S. Debt Clock.org) Interest payments make up 15% of the U.S budget. The deficit (the amount not covered by various incomes) is 28% of the budget (Source: JP Morgan).

This is not just a concern in the U.S.A. We are seeing a serious increase in debt around the world. In our 2017 article, we showed global debt reaching \$100 Trillion.

Our same source at JP Morgan now shows that global debt exceeds \$145 Trillion.

Global bond market

USD trillions



Source: J.P. Morgan Asset Management; BIS

Congress and the President have noted these concerns and it will be interesting to see what solutions are proposed and hopefully put in place. The equation seems very simple:

$$\begin{aligned} &\text{Income (Revenue)} \\ &\underline{\text{Minus Expenses (Spending)}} \\ &= \text{Net} \end{aligned}$$

Governments have a knack for enjoying spending other people’s money. Cutting government spending is hard to do as cutting expenses takes away from someone’s pocketbook. While we have hopes that the new Department of Government Efficiency (DOGE) may be a step in the right direction, we don’t hold a lot of hope that it will be able to make the level of cuts in spending needed to bring down the national debt.

The other way to increase the Net in our equation is to increase the Income or Government Revenue. Typically, the first place people look is to increase tax rates, typically on “the wealthy.” Unfortunately, this often does not bring in the expected revenue as tax payers find ways around the higher taxes. Check out our article on [Gotta Raise Taxes?](#) for more details on how this seems to work.

Another way is to find new taxes to impose new taxes, such as tariffs. This is being tried as well. You are sure to hear more regarding these proposals. Again, we don't hold a lot of hope that this strategy will be able to make the level of increase in incomes that is needed to bring down the national debt.

As we saw in the 1980's and 1990's – the last time the Federal budget was balanced – raising the national economy with higher incomes across the board seems to work the best. Boosting the U.S. economy, indeed the global economy, can help increase the incomes available for the governments to tax. We don't want to seem all “doom and gloom” about this, although it is a serious concern.

In addition, there is the concern that government retirement programs are also seriously underfunded. According to the U.S. Federal Reserve, as of 2022 (the most recent data on their website) state and Federal government employee retirement systems are underfunded by close to \$125 billion. That does not include the Social Security deficit spending, the topic of the **Social Security Trustees Report 2024**. While we have that Social Security Administration summary report linked on our website (click [here](#)), your time may be better spent

viewing our [Summary of the Trustees Report](#) (click the link).

There have been some recent updates on the Social Security Administration website regarding the new Social Security Fairness Act that passed in December. Take a look at <https://www.ssa.gov/benefits/retirement/social-security-fairness-act.html?tl=5>

We believe that anyone who feels they might be impacted by the new law should visit the Social Security website and possibly contact a Social Security Representative as soon as possible. An important note: one of our clients affected discovered that if they did not apply for benefits previously (likely because they knew under the old rules they would not qualify for benefits), there could be only a 6 month look back for benefits, not the reach back to January 2024 that the law seems to imply. **IF THERE IS A CHANCE THAT YOU OR SOMEONE YOU KNOW MAY RECEIVE ADDITIONAL BENEFITS, YOU NEED TO REACH OUT TO THE SOCIAL SECURITY ADMINISTRATION AS SOON AS POSSIBLE.** Contact information for Social Security is included in the information copied from the SSA website below:

NEW! What should people do now that the Social Security Fairness Act is law?

The Act applies to benefits you get on your own record (retirement or disability benefits) and to spouse's or surviving spouse's benefits on another person's record. What action you need to take depends on your situation and on what type of benefits you qualify for.

If you never applied for retirement, spouse's, or surviving spouse's benefits because of WEP or GPO:

You may need to file an application. The date of your application might affect when your benefits begin and your benefit amount. However, each case is different, and all other Social Security laws and policies, such as benefit reductions for claiming benefits before the full retirement age, the retirement earnings test, and others, still apply.

- The most convenient way to apply for retirement or spouses' benefits is online at www.ssa.gov/apply. Please note that the online application continues to collect pension information until we are able to update it; however, we will not offset the benefit.
- The survivor benefit application is not available online.
- **NEW!** We will take an application by telephone for people who did not previously apply for retirement benefits because of WEP or spouse's or surviving spouse's benefits because of GPO. If you meet these conditions, call 1-800-772-1213 Monday through Friday, from 9:00 a.m. to 6:00 p.m. ET. When the system asks, "How can I help you today?", say "Fairness Act." Then, you'll be asked a few questions. Your answers will help us connect you to a WEP-GPO trained representative to take your claim.

If you are not sure whether you ever applied for retirement, spouse's or surviving spouse's benefits:

You may need to file an application. The date of your application might affect when your benefits begin.

If you are entitled to retired or disabled workers' benefits, and your benefits are currently being reduced by WEP; OR if you are entitled to spouse's or surviving spouse's benefits, and your benefits are currently being reduced or eliminated by GPO

Consider reviewing the mailing address and/or direct deposit information that SSA has on file for you. This will allow SSA to adjust your benefits as quickly as possible. Generally, no other actions are needed at this time.

The easiest way for most beneficiaries to update their address or direct deposit information with SSA, if needed, is online with a personal my Social Security account. There is no need to call or visit SSA. Visit www.ssa.gov/myaccount to sign in or create an account.

What if a person pays their Medicare premium directly to the Centers for Medicare & Medicaid Services due to the Windfall Elimination Provision or Government Pension Offset reduction?

As more attention is being paid to these concerns, we are hopeful that additional steps will be taken to ease the concerns and improve the economy. In addition to plans to increase oil and gas production in the U.S., there are other energy sources that seem to be on the cusp of significant increases, such things as small scale nuclear reactors and geothermal drilling to tap the energy in the earth's core. Exciting technologies such as solid state batteries or Artificial Intelligence (AI) may provide significant boosts to the economy. These are truly exciting times. We at *The Advisory Group* will do our best to guide

you and your finances through the many changes that are likely to come.

If you have any questions or would like to discuss this further, please contact us. As always, we are here to help you navigate your financial future. We don't know what economic "storms" may be coming or when but with our many years of experience and cautious approach, we want to help you get to your destination safely.

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