saltmarsh
Financial Advisors

Investment Update | July 2025

Newsletter

A New Chapter Begins. Rooted in Legacy. Built for What's Next.

Celebrating more than 80 years of service, Saltmarsh proudly introduces a new brand identity that reflects who we've always been and who we're becoming now.

Saltmarsh Financial Advisors and Saltmarsh, Cleaveland & Gund as a whole, has experienced thoughtful growth over the last several decades – expanding our services, deepening client relationships, and welcoming new talent into our firm. With this evolution came the opportunity to align our outward expression with who we are internally. This wasn't about change for change's sake, it was a purposeful, values-led step forward.

Our new brand was shaped by what matters most: our people, our partnerships, and the 33 Fundamentals that guide everything we do. It invites you to join us as we honor our past while shaping a future filled with promise and potential.

Learn More: saltmarshadvisors.com/brand

Dear Clients,

In June, Saltmarsh Financial Advisors began a new chapter under new ownership. We would like to extend a sincere **THANK YOU** for your continued trust and loyalty. Your choice to remain with us means more than words can express.

Throughout the transition, one thing will remain constant: our unwavering commitment to serving your financial goals with care, integrity, and personalized guidance.

We're honored to guide you on your financial journey and look forward to the opportunities ahead, together.

With Gratitude,
Your Saltmarsh Financial Advisors Team

Saltmarsh Joins the Ascend Platform

Ascend, a strategic partner for regional accounting and advisory firms backed by private equity firm Alpine Investors, today announced that it has welcomed another regional leader onto the platform that has profoundly changed the landscape for modern accounting.

Effective June 1, Saltmarsh, became the latest firm to join the Ascend platform. Saltmarsh gives Ascend its first foothold in Florida. The firm brings deep market roots in the region and the people-focused foundational values that are core to Ascend's approach.

"**Our passion for people and excellence is the foundation of our work and drives our client experience.** Ascend's platform is built on the same fundamentals that comprise the 'Saltmarsh Way,' which defines how we work with our clients, strategic partners, and each other." - Lee Bell, Saltmarsh CEO

Learn More: saltmarshadvisors.com/ascend

In This Issue...

Investment Market Summary: January - June 2025

Theme 1: Trade Policy & Tariff Disruption

Significant tariff increases in 2025, followed by escalations, de-escalations, delays, court decisions, and appeals, have created unprecedented market uncertainty. As a result, markets braced for impacts on corporate earnings and inflation. The average effective tariff rate now sits around 15%, the highest since 1936. Market participants are hopeful that continued negotiation will result in few tariffs and a return to stability in the US and around the world.

Market Impact: The S&P 500 entered negative territory for 2025 amid tariff uncertainty, with companies reluctant to expand aggressively. However, by June, the Nasdaq turned positive for the first time since February as investor reactions became more tolerant of tariff developments.

Theme 2: Federal Reserve Policy Pivot

In February, Fed officials expressed concern about tariffs' impact on inflation, with Chair Powell stating that tariffs will raise inflation and lower growth. As a result, Fed officials revised the 2025 inflation forecast upward from 2.8% to 3.1%. At the June 2025 meeting, the Fed held rates steady at 4.25%-4.50%, with markets anticipating one to two cuts in 2025.

Theme 3: AI Sector Volatility & Evolution

DeepSeek Disruption: Chinese startup DeepSeek's launch of a low-cost AI model in late January caused massive tech selloffs, with Nvidia losing a record $593 billion in market value in one day. Since then, shares of Nvidia have recovered much of those losses and trade approximately 3.5% below their all-time highs.

Sector Leadership May Shift: Wedbush analysts predict 2025 will see the AI boom shift from hardware titans like Nvidia to software disruptors, with enterprise consumption beginning to increase. The evolution of AI software should improve efficiency and capacity, similarly to what we have seen in past technological evolutions, such as computers and automobiles.

Theme 4: Geopolitical Risk & Energy Markets

The Israel-Iran conflict erupted in mid-June 2025, causing several days of missile strikes and global market volatility, with the Dow dropping more than 700 points initially before markets stabilized. Oil prices surged during the conflict but subsequently fell as investor concerns eased. This conflict and the level of US participation an items that will be monitored closely by markets over the summer.

Theme 5: International Market Outperformance

International stocks outperformed U.S. stocks in the first half of 2025, with global investors reassessing allocations amid unpredictable U.S. policy moves. Invesco's and Charles Schwab experts' midyear outlooks highlight non-U.S. assets as increasingly attractive amid U.S. policy uncertainty.

Theme 6: Fixed Income Positioning

Bond yields in the 4.5% to 5.5% region are expected to provide positive real returns, with investment-grade corporate bonds, securitized bonds, and municipal bonds presenting opportunities. The Fed projects a shallower rate-cutting path, with markets expecting 3.2% rates by the end of 2026 versus the Fed's current 3.6% rate.

Bottom Line Investment Implications

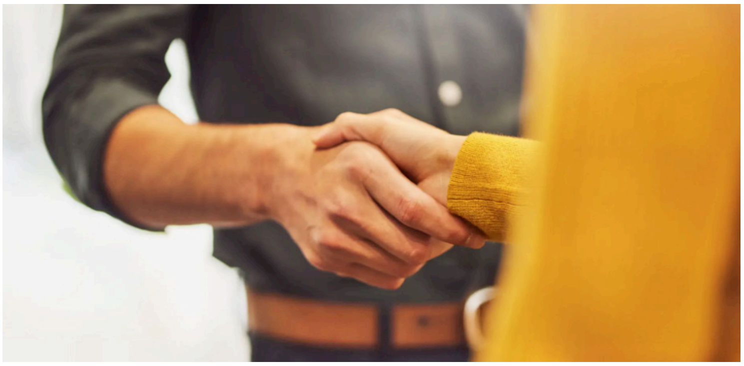
The first half of 2025 has been defined by policy-driven volatility rather than fundamental economic deterioration. While tariff uncertainty and geopolitical tensions created significant market swings, underlying economic resilience and AI adoption trends continue to support longer-term growth prospects. The investment environment favors diversification across regions and asset classes, with particular attention to AI software companies positioned to benefit from the next phase of enterprise adoption.

While value showed early strength in 2025, driven by financials and healthcare, growth has maintained its longer-term leadership trend through mid-year. The performance gap has narrowed compared to recent years, but growth's structural advantages in technology and AI continue to provide support. Growth stocks outperformed value stocks in 2024, and investors anticipate that the trend will continue as the Federal Reserve cuts interest rates.

The key risk for growth going forward is the high concentration in mega-cap tech names and elevated valuations, while value stocks offer better sector diversification and more attractive entry points. The narrow performance gap in 2025 suggests we may be seeing the early stages of a potential style rotation, particularly if economic conditions favor cyclical sectors or if tech valuations become unsustainable.

The Saltmarsh Path

Saltmarsh portfolios are built on broad allocation, and this positioned us well to weather the volatility in 2025. We continue to believe that the value tilt of our investments will yield better downside protection as markets navigate geopolitical uncertainty. That being said, our portfolios still have reasonable exposure to growth and should provide long-term performance that meets the needs of our clients. As always, we recommend remaining diverse across and within multiple asset classes in a way that aligns with your financial plans.



Estate Planning: Why You May Need a Revocable Trust

Estate planning ensures your assets are distributed according to your wishes after death. A will is a common tool for this, but many individuals should also consider adding a revocable trust to their estate plan. Understanding the purposes, benefits, and limitations of a revocable trust - alongside a will - can help determine if it's right for you.

What is a Revocable Trust?

A **revocable trust**, also called a living trust, is a legal entity created during your lifetime to hold and manage assets. You, as the grantor, can modify or revoke the trust while you're alive. It becomes irrevocable upon your death. Most people name themselves as trustee, maintaining control over the trust's assets.

A **will**, conversely, is a document that outlines how your assets should be distributed after death and only takes effect then. While both have a purpose to serve in estate planning, they function differently, and their necessity depends on your circumstances.

Reasons to Consider a Revocable Trust

1. **Avoiding Probate:** One of the primary reasons for having a revocable trust is to bypass probate. Probate is the court-supervised process of validating a will and distributing assets. Probate can be time-consuming, costly, and public. In contrast, assets in a revocable trust transfer directly to beneficiaries upon death, avoiding probate's delays and costs. If you own property in multiple states, a trust can simplify matters, as probate would otherwise be required in each jurisdiction.
2. **Privacy:** Unlike a will, which becomes a public record during probate, a revocable trust remains private. For individuals valuing confidentiality, this is a significant advantage.
3. **Incapacity Planning:** A revocable trust provides seamless management if you become incapacitated. You can name a successor trustee to manage trust assets without court intervention, unlike a will, which only addresses post-death distribution. This ensures your financial affairs are handled smoothly during illness or disability.
4. **Flexibility & Control:** As the grantor, you retain control over trust assets, serving as trustee and beneficiary during your lifetime. You can amend or dissolve the trust as circumstances change, offering flexibility similar to a will, but with added management benefits.

Why You Might Not Need a Revocable Trust

1. **Simpler Estates:** If your estate less than $14MM and the structure is simple, probate may be quick and inexpensive, especially in states with streamlined processes. Some states offer a "small estate" process that bypasses formal probate. A will alone may suffice for modest estates with no complex distribution plans.
2. **Cost & Maintenance:** Often creating a revocable trust involves greater upfront legal fees compared to a will. Trusts also require ongoing maintenance, such as transferring new assets into the trust (e.g., real estate or bank accounts). For individuals with limited resources or simple plans, these costs may outweigh the benefits.
3. **Not a Complete Solution:** Having a revocable trust doesn't eliminate the need for a will. A "pour-over" will is often needed to catch assets not transferred to the trust, meaning you'll still need both documents. Additionally, trusts don't inherently provide tax benefits, as they're subject to estate taxes like other assets.
4. **Time & Effort:** Funding a trust—transferring assets like property titles or accounts—requires effort. If this step is skipped or incomplete, those assets may still go through probate. For those unwilling to manage these details, a will's simplicity may be more appealing.

Who Should Consider a Revocable Trust?

A revocable trust suits individuals with complex estates, multiple properties, privacy concerns, or a need for incapacity planning. It's ideal for those in states with lengthy or costly probate processes. Conversely, if your estate is modest, you're comfortable with probate, or you want to minimize costs, a will alone may suffice.

Ultimately, the right estate planning strategy depends on your assets, goals, and state laws. Combining a will with a revocable trust can offer comprehensive planning, but the decision hinges on balancing convenience, cost, and complexity. For a personalized assessment, we highly recommend consulting an experienced estate planning attorney.

Accumulation: It's More Than 'Just a Phase'

The first phase of financial life is the Accumulation Phase. It is characterized by the initial increase in net worth. For most, this aligns with the early years of their career. The keys to a successful Accumulation Phase are prioritizing goals, maximizing savings, understanding where dollars should be saved, how and when to use credit, and managing risks. The following are some of the basics that should help you identify areas for focus as you begin to build your initial wealth.

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1. Income Source

For most, this means getting a job in your chosen field. For others, this may be the launch of a business. It is common to find early entrepreneurs with full, or part-time, jobs that help

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support the business in its initial stages. But whether your income is 5 figures or 6 figures, how you manage expenses within that income will determine how quickly you arrive at a point of financial independence.

2. Budgeting & Healthy Financial Habits

The adage "It doesn't matter how much money you make. It is how much money you keep" is important. Setting a regular savings goal should be a priority. And even if the amount seems small, simply developing the habit of saving money will serve you well. So, whether you are saving $5 or $5,000 each month, it's the habit of saving that is key.

3. Where to Save, For What

Where you put the savings will matter more as time goes on. Tax-deferred accounts are optimal for retirement. Employer-sponsored retirement plans often have the added benefit of matching a portion of your contributions. For non-retirement assets that you plan to access prior to retirement, consider the timeline in which you may need these assets. If you have near-term goals like the purchase of a home or another important goal, then savings accounts or standard brokerage accounts may be the right choice. Work with a Financial Advisor to determine what type of accounts and investment vehicles are the most appropriate.

4. Credit Use

Deciding if, and when, to borrow money can have significant impacts on your long-term financial health. Borrowing wisely can provide benefits and allow savings dollars to grow at a higher rate than the rate at which you borrow. However, borrowing too much, for too long, or for purchases of depreciating assets, can create a significant disadvantage as the mounting debt and related interest charges mount up.

5. Protection & Risk Management

In the Accumulation Phase your most valuable asset is likely your ability to earn money. This is especially true for young professionals with high-income earning potential. And if you are the primary breadwinner in your household, this is something that needs to be protected. Work with a Financial Advisor to determine if a Long-Term Disability policy may be needed. Having a policy could ensure that long-term plans are not derailed by an unforeseen injury or illness that prevents you from working. Life Insurance may also be something to consider depending on your situation. Your advisor can help determine if Life Insurance would be appropriate for your situation and what type of policy is most economical.

Highly specific and detailed goals are not necessary for success in the accumulation phase. Simply establishing good habits of saving and putting capital in the right vehicles is a solid start. As you reach the second half of your accumulation phase you will want to focus on the details. A financial advisor can assist with a financial plan and make recommendations on the strategies and tactics that are most effective for your situation. With some planning and discipline, you can make the most of your hard work and opportunity.