OMEGA Wealth Management
Navigating the human & financial complexity of wealth

NAVIGATING WEALTH

September 2025

Editor's note: As we go to publish this month's newsletter, the data and news are flowing quickly. Please bear with us as we attempt to provide an up-to-the-minute assessment of the economy and markets.

The Picture Begins to Come Together and the Fed's Dilemma (cont.)

Lisa Kirchenbauer CFP®, RLP®, CeFT®, CPWA® President • Founding Partner • Senior Advisor

Last month, we took a break from trying to weigh in on the economy & markets. With the Federal Reserve's meeting, we now start to get a sense of the dilemma the Fed faces, and the approach they plan to take around short-term interest rates.

Lower rates could provide a tailwind to a number of sectors and "juice" the stock market through the end of the year. While the worst predictions around the market have not come true, much of the impact of tariffs hasn't really it made its way through the economy yet. Markets are up - see Jared's update as he fills in for Davis Gardner who is on paternity leave. Rates seem to be going down but what does it all mean? Let's start with…

What we know:

The unemployment picture is looking bleaker: worker supply is down and so is employer demand while productivity is up, confounding the folks at CNBC. On September 9th, the beleaguered Bureau of Labor Statistics reported that in fact, the economy added 911,000 fewer jobs than previously reported for the year ending March 2025. Increasingly it is hard for agencies like BLS to accurately report employment numbers since many businesses are not responding to the traditional surveys. It may be that we need to look more closely at ADP actual payroll numbers to assess the trends moving forward.

Today, on September 17th, the Federal Reserve has elected to cut short-term rates by 0.25%, with two more potential cuts before the end of the year, as they feel that unemployment is becoming a bigger factor in the economy.
Meanwhile, for other reasons, **mortgage rates have dropped fairly significantly** which may help housing, depending on how tariffs play out and how the Administration's immigrant strategy impacts the construction sector. Unfortunately, housing and construction remains a challenging sector for all the obvious reasons.

Modest tariffs are in place for most countries at a minimum of 10%, with China/Canada/India/Mexico and others navigating higher rates, depending on the product. Deals are still being cut. The courts are challenging the President's authority to assess tariffs and there is a chance of them being declared illegal and the monies needing to be returned.

Meanwhile, businesses are beginning to either pass costs on to consumers, especially on smaller item shipments (de minimis rule - watch out for an unexpected bill from Fedex and others!), or to just use the potential tariffs as an excuse to raise prices. And this is where the Fed's job gets tricky. If unemployment is rising, rate cuts make sense.

The Picture Begins to Come Together and the Fed's Dilemma (cont.)

If inflation becomes embedded in costs and then compensation expectations, the Fed should be holding or cutting rates. Ah, to be Jerome Powell right now.

What's up for speculation

While we are beginning to get some data and trends, there is still much for everyone to speculate about:

- Will the Fed deliver on the rates cuts they just indicated at the September meeting?
- Could we go into a recession or stagflation?
- Are inflationary increases one-time or will they be ongoing?
- Have the markets priced in rate cuts, tariffs, etc?
- Is AI propping up the US stock market while changing the labor market?
- Will foreign stock markets continue to significantly outperform the US stock market?

As we approach the holidays, various tariff deadlines come and go, and corporate earnings come in, we should continue to get a sense of the direction of the economy, but the wild card is how the stock market weighs this information and what is prioritized and ignored. In case all this is leaving you unsettled, check out Jared Jones' piece on "Planning With Deep Uncertainty". Along with some background on navigating times of great unknowns, he provides a thoughtful framework for the unknowable.

As we head into the Fall, we will continue to monitor the news and economic developments while also beginning to incorporate the One Big, Beautiful Bill Act (OBBBA) into our tax planning with you and your tax advisor. Stay tuned!

Taking a Break: The Benefits of a Silent Meditation Retreat

In August, I had the chance to revisit SpiritRock, a Zen Buddhist Retreat Center in Marin County, CA. For four days or so, I basically didn't speak, had no phone, didn't journal or read. It's meant to be an inner journey.

Many people I have shared the experience with can't imagine silence for one day, let alone four, and not having your phone or access to the outside world. In this overstimulated and highly politicized environment, the break was just what I needed. You'd be surprised how nice the silence is. Besides a few lectures and instructions, our teachers guided through a rotation of sitting, walking, working, eating, and moving meditation. There are chairs, plenty of cushions to help you get comfortable.

At first, the inner world is often loud. And then, slowly, your mind starts to quiet, and you begin to be at peace with yourself. The "monkey mind" doesn't go away permanently, but it settles. On the other side, I find that I'm a much better listener, I'm calmer and less pulled into much of the drama of day-to-day life. Having taken these retreats several times over the last 10 years, I can see my progress and my ability to just sit still, in silence.

If you're retreat-curious, feel free to reach to me for some tips and suggestions.

What does it mean to live a life without regrets?

As we dive deep into our financial planning work, we often find that there IS a regret...somwhere. Sometimes it's a missed opportunity or a lost relationship. sometimes it's seemingly unfixable. Read more in my blog HERE.

Planning with Deep Uncertainty

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Partner, Senior Advisor

As humans we crave predictability. We rewatch favorite movies, cherish traditions, and find comfort in routines. This desire to have predictability runs deeper than habit; it's wired into our psychology.

A 2016 study at University College London touched on this idea. Participants playing a computer game felt more anxious when there was only a chance of receiving a mild electric shock than when they knew for certain they would get one. Their bodies betrayed this discomfort: sweating palms, dilated pupils, spiking stress levels. Our brains would often rather brace for bad news than sit in suspense.

Experiencing uncertainty is also unique to each of us. We have different uncertainty comfort zones across various aspects of life. Some people feel perfectly comfortable gambling their life's savings on a business venture, but would never consider skydiving. Others might climb mountains without hesitation but experience extreme anxiety about financial market volatility.

The Two Faces of Risk

Statisticians distinguish between two types of uncertainty: aleatory and epistemic. Strip away the Greek terminology, and you're left with **randomness** and **knowledge gaps**. A roll of the dice represents pure randomness. The existence of intelligent life in the universe is also uncertain, but only because we don't know it yet, not because it's random.

We deal with life's uncertainty by creating models - simple versions of reality that help us understand complex situations. Think of political polls, weather forecasts, and yes, financial plans. These models make the world easier to grasp.

> We deal with life's uncertainty by creating models...that make the world easier to grasp.

To create these models, we have to make assumptions that aren't completely accurate. Sometimes we know assumptions are wrong, and sometimes they're just educated guesses. As statistician George Box wisely said, "All models are wrong, but some are useful." Good models don't eliminate uncertainty; they just help us understand it better.

When Models Break Down

Most uncertainty operates within boundaries we can estimate. That's why meteorologists forecast tomorrow's weather with decent accuracy, and financial planners show whether you're on track for retirement.

Sometimes, however, there's so much disagreement about what the future might hold that experts can't even agree on basic assumptions and models no longer are useful. Decision scientists call this deep uncertainty, and it's everywhere in 2025.

DEEP UNCERTAINTY TODAY

Economic Policy Whiplash

Trade and economic policies have shifted so frequently this year that it's widely reported businesses are struggling to plan and offer guidance. Models that worked last year are broken. Tariffs announced in the spring have since fluctuated unpredictably, with implementation levels shifting from original projections. Their future remains uncertain as legal challenges work through the courts. Business leaders are left trying to navigate policy waters that change direction with each news cycle.

The AI Revolution

Recent college graduates describe a job market where entry-level positions seem increasingly scarce, while companies openly acknowledge that AI is replacing roles across industries. For many young professionals, artificial intelligence isn't just a new tool: it's rewriting the entire playbook for career advancement.

Personal Disruption

Then there's the deeply personal layer: a health diagnosis, sudden job loss, or the death of someone close. These moments exemplify deep uncertainty because they don't just test your resilience: they upend your entire framework for living.

Deep uncertainty typically manifests as:

- **Black swans:** Rare, unpredictable events that blindside us
- **Perfect storms:** Multiple forces colliding simultaneously

A Framework for the Unknowable

How do you plan for something that, by definition, resists neat modeling?

1. **Quantify where possible.** Even rough probability estimates can break the spell of worst-case thinking. Numbers anchor perspective and prevent anxiety from running unchecked.

2. **Deploy your red team.** Military red teams stress-test strategies by imagining worst-case scenarios. In your financial life, your advisor should play this role, asking uncomfortable "what if" questions.

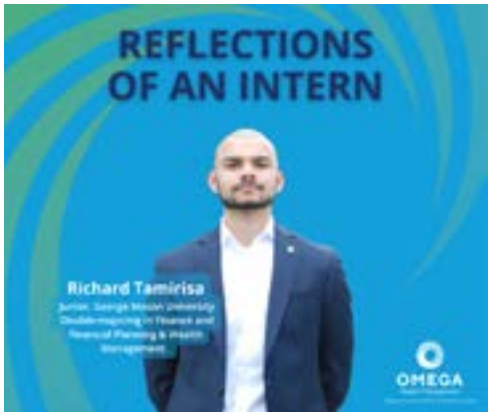
3. **Think like a fox, not a hedgehog.** Philosopher Isaiah Berlin, in his famous 1953 essay "The Hedgehog and the Fox," distinguished between hedgehogs (who view the world through a single defining idea) and foxes (who draw on a wide variety of experiences and mental models). Hedgehogs filter everything through one framework, while foxes embrace complexity and multiple perspectives. In uncertain times, fox-like thinking with its emphasis on adaptability and cognitive flexibility beats the hedgehog's stubborn adherence to a single narrative or worldview.

4. **Build resilience layers.** Resilience acts as your buffer against uncertainty. Financially, this might mean cash reserves or diversified investments. Personally, it could involve strengthening community ties or maintaining grounding routines.

5. **Embrace iterative decision-making.** Uncertainty responds best to small, reversible steps rather than grand plans. Take measured actions, learn from feedback, and adjust accordingly.

Uncertainty will always thread through our lives. Sometimes it's shallow enough to model with confidence; other times it runs so deep that the ground seems to shift beneath our feet.

The goal isn't to eliminate uncertainty: that's impossible. Instead, we must prepare for it, build resilience against it, and keep moving forward even when the destination remains unclear. In a world of deep uncertainty, adaptability becomes our greatest asset.Wu wei isn't inaction. It's intentional action.



Reflections from our wonderful intern, Richard:

When I started my internship with Omega Wealth Management, I had come in at a unique point in time when Jared was on sabbatical and Saki was getting ready to go on maternity leave. Read more HERE.

Editor's Note: We realize the data below doesn't reflect the most current market fluctuations and down trend. We still share the data through the previous month as part of our monthly summary.

Jared Jones CFP®, CeFT®, CIMA®, RLP®
Partner, Senior Advisor

Economic Trends

- **GDP Growth:** The U.S. economy expanded at a 3.3% annual rate in Q2, a sharp reversal from the contraction in the first quarter. Growth was fueled by lower imports, as businesses rushed orders ahead of tariffs, along with steady consumer spending and rising investment in artificial intelligence. Still, private investment posted its steepest decline since the pandemic, and most economists expect growth to slow to around 1.1–1.4% in the second half of 2025.

- **Labor Market:** The labor market is showing mixed signals. August payrolls grew by just 22,000, while the unemployment rate edged up to 4.3%. In addition, the Bureau of Labor Statistics revised earlier job reports down by more than 900,000, underscoring weaker momentum and pointing to cooling consumer spending, especially among middle- and lower-income households.

Market Performance

U.S. equities notched fresh highs in August, led by mega-cap tech and AI beneficiaries, while value and cyclicals participated. On a total return basis for the month and year-to-date (YTD) through 8/31/25:

- **S&P 500: +2.0%** in August; **+10.8% YTD**
- **Dow Jones Industrial Average (TR): +3.42%** in August; **+8.30% YTD**
- **Nasdaq-100 (TR): +1.0%** in August; **+11.9% YTD**
- **MSCI EAFE (Net TR, USD): +4.26%** in August; **+22.79% YTD**

While domestic benchmarks remain in all-time high territory, investor sentiment was tempered by persistent policy uncertainty around tariffs and fiscal expansion.

Consumer and Business Sentiment

Confidence indicators turned lower in August. The **Conference Board's Consumer Confidence Index** slipped to **97.4**, with expectations dropping below levels that often precede recessions. The **University of Michigan Sentiment Survey** also weakened, falling to **58.2**, while year-ahead inflation expectations rose to **4.8%**. The Board's **Leading Economic Index** fell for the fourth straight month, maintaining a negative growth rate and signaling caution ahead.

Federal Reserve and Interest Rates

Inflation remained a central concern. **Core PCE,** the Fed's preferred measure, rose **2.9% year-over-year** in July, its fastest pace since February. Headline CPI also ticked up, though producer prices were softer. Against this backdrop, the Fed held rates steady in a **4.25–4.50%** range in August, with markets now anticipating a potential quarter-point cut at the September meeting. The **10-year Treasury yield** ended August at **4.23%**, while the **30-year mortgage** rate hovered near **6.5%**.

Key Takeaways

The economy continues to walk a fine line: growth remains positive, but job softness, cooling sentiment, and renewed inflation pressures complicate the outlook. With markets at elevated levels, a disciplined approach emphasizing **quality, resilience, and diversification** remains prudent. Favoring companies with strong balance sheets, stable earnings, and pricing power—particularly those positioned in AI-related growth areas—can help balance opportunity with protection as we enter the final quarter of 2025.

CONGRATULATIONS!

2025 BEST of NoVA Northern Virginia MAGAZINE

Our own Lisa Kirchenbauer and Jared Jones were selected "best of" in financial planning. This list is compiled from nominations by our peers, then vetted by Northern Virginia Magazine, so it's a wonderful honor to be included!

The Top Financial Professionals listing is determined by a survey to all Northern Virginia financial professionals, asking them to recommend other financial professionals whom they would refer to friends and family. NorthernVirginia Magazine vets each nomination by consulting various publications to determine the list of winners.

OMEGA Wealth Management

Navigating the human & financial complexity of wealth

WE HAVE RE-BRANDED!

If you haven't heard, we are excited to share that:

We Want to Change the Face of Wealth Management

This month, Omega Wealth Management launched a new look, website, and message:

Helping multi-generational families navigate the human and financial complexity of wealth for a life without regrets.

Read more HERE • Watch video from Lisa

WELCOME BABY GARDNER

The Team at Omega is excited & pleased to announce the birth of Davis Gardner's son, Graham Britt Gardner, on September 6th, coming in at 5 pounds 8 ounces and 18.5 inches long.

Mother and baby are doing well.

As part of our commitment to being a human-centered firm, Davis will be off on paternity leave this fall. In the meantime, we have reassigned tasks and will have the rest of our Advisory Team supporting the clients that he works with. Davis's email will be monitored by Rachel Braddock while he is out.

If you have any questions, please feel free to reach out to Rachel or one of the Omega Advisory Team.

Please join us in congratulating Davis and his wife, Bailey, on the birth of their son!