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NAVIGATING WEALTH
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2025: A Whirlwind Year in Review

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As we head into the holidays, it's hard to summarize a year that felt more like five. Despite economic and geopolitical turmoil, financial markets are finishing the year strongly (as of this writing). Check out Davis Gardner's investment review for the full rundown. With the Federal Reserve's December rate cut, markets are relieved and, barring surprises, may tick a bit higher before year-end.

Here are key highlights from 2025 and what we're watching for in 2026:

January–March:
A change in Administration shifted market focus toward deregulation, growth policies, and potentially lower interest rates—factors expected to boost the economy and markets.

April–June:
April brought the so-called "Liberation Day" or "Tariff Tantrum," as President Trump announced a higher-than-expected and evolving tariff plan. U.S. markets dipped while international markets rallied, then rebounded strongly by June. Consumer sentiment began its gradual decline even as the broader economy remained resilient. Higher-income households with strong equity and housing wealth continued to support consumer spending. The Fed held steady while markets anticipated cuts later in the year.

July–September:
The "One Bill Beautiful Bill" (OBBB) passed, creating new opportunities for taxpayers and business owners. By August, the labor market showed signs of cooling, prompting the Fed to tee up fall rate cuts. Small-cap U.S. stocks surged, widening an already strong 2025 rally. Meanwhile, tariff uncertainty persisted and the Federal Government headed toward a shutdown over economic and healthcare policy.

October–December:
The Fed delivered its first fall rate cut. At the same time, the Federal Government entered a record-long shutdown (Oct. 1–Nov. 12), affecting consumers, economic data, and healthcare premium decisions. Uncertainty persists around tariff and Fed policy. Consumer sentiment remains low, unemployment may be understated, and markets continue to rally. Small businesses are feeling the pressure of a softening labor market, tariff ambiguity, and elevated borrowing costs. Tariff impacts have been somewhat muted by falling U.S. services costs. There is growing concern about a potential "private credit" bubble reminiscent of 2008–09, as well as the AI investment boom. See Jared Jones' insights for more on AI.

As a former international relations student, it feels remiss not to acknowledge the global highs and lows of the year. The U.S. public remains split on whether things are fine—or whether a 2026 recession is looming.

2025: A Whirlwind Year in Review (Cont.)

What we've learned:

- Stay invested and diversified, and ensure you have adequate conservative reserves (with us and at the bank) to weather downturns.
- Proactively manage cash yield and consider tax-free income depending on your bracket. Additional income can affect Medicare premiums and interact with new tax opportunities.
- 2025 tax planning matters. Many Omega clients will again be able to deduct more state and local taxes. The Treasury anticipates large refunds; we'd rather help you avoid overpaying in the first place.
- The political environment is not the economy—and neither is the stock market. The disconnect between political headlines and market performance has been striking this year.

As we look toward 2026, we're focused on:

- The Fed's short-term rate path and its effects on markets, long-term rates, and the economy
- How a new Federal Reserve Chair may shape fiscal policy
- Whether employment is truly weakening—and if a recession follows
- The real impact of generative AI on productivity and jobs
- Whether AI investments have gotten ahead of themselves
- How ongoing business mergers will affect consumers
- Whether the Supreme Court may rule against the Administration's tariffs—and what comes next
- Whether international stocks will continue to outperform U.S. stocks

There's even more on the horizon, but know that we are actively analyzing all of these factors as we shape your 2026 strategy. As we send this newsletter, our immediate focus is on tax planning and helping you take the right year-end steps for your financial well-being.

Lastly, on a more personal note: This fall we lost a professional friend and long-time mortgage partner, Greg Protiva, at just 55. He leaves behind a wife and three young adult sons. Many Omega clients worked with Greg over the years—he's responsible for my own 2.5% mortgage. His loss is a reminder of what matters most: health, family, friends, and the impact we leave behind. As you enter the holidays, hug your loved ones and share your goals for 2026 with us so we can support you fully.

With deep gratitude for our team, our clients, and our strategic partners,
~ Lisa

Your AI Bubble Primer

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

Looking back on 2025, it is clear that everyone saw something different. As Lisa mentioned in her piece, this year has been...interpretive. When nothing lines up neatly, our brains assume something bad must be lurking beneath the surface. And even though your year-end statements may look strong, it is completely normal to feel a little anxious that the clock could strike midnight and everything turns back into a pumpkin.

Read more...

THE INVESTMENT BRIEF

Davis Gardner
CFP®, CeFT®, RLP®
Lead Advisor

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.

Market Performance

Major stock indices were mostly positive in November, returns softened by a down month for technology stocks. Here's where things stood as of the end of the month:

Here's where things stood as of the end of the month:

- **S&P 500:** +0.2% in November; +17.8% YTD
- **Dow Jones Industrial Average (TR)**: +0.5% in November; +13.9% YTD
- **Nasdaq-100 (TR)**: -1.6% in November; +21.8% YTD
- **MSCI EAFE (Net, USD):** +0.62% in November; +27.4% YTD

Healthcare and communications drove returns for the month. International developed markets continue to outpace the U.S. for the year.

Economic Data & Interest Rates

The Fed cut interest rates again at their December meeting by another 0.25%. Benchmark rates now sit in the 3.5% - 3.75% range, the lowest in three years.

Uncertain economic data stemming from the government shutdown remains a factor. Revised data on hiring is expected to be lower than initially reported, a major reason for this month's rate cut. By cutting rates, officials hope to spur job growth. The Fed expects to have better data at January's meeting, including updated inflation readings which have not yet been reported for November.

The 10-year Treasury yield ended slightly lower in November at 4.02%. The average 30-year mortgage rate remains in the low 6% range.

Consumer Sentiment

Sentiment lowered further in November, according to University of Michigan's survey, dropping from 53.6 to 51. Consumers continue to feel the impact of high prices with holiday shopping in full swing.

Key Takeaways

Major stock indices continued to grow, despite a pullback in the technology sector which makes up a large percentage of the U.S. market. Year-to-date returns remain in double digit territory across the board.

For conservative investors who have been comfortable holding excess cash yielding close to 4%, it may be time to consider a bond strategy. In a decreasing interest rate environment, bonds typically yield more than cash.

While Chairman Powell has indicated a return to Fed's "wait and see" approach toward rate cuts, many experts expect another 1-2 cuts in 2026. The picture should become clearer as updated labor market and inflation data become available over the next month.

Recommendations - Books & Resources

From Lisa...

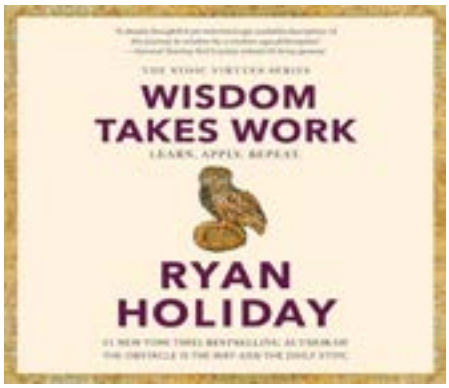
StoryWorth

This would be a wonderful Christmas gift to older family members to share their life's history. The app sends prompts via email and eventually ties it altogether into a nice book. The key is to NOT wait too long to send to loved ones so that they can share their memories.

https://welcome.storyworth.com/

From Jared...

Wisdom Takes Work
by Ryan Holiday



In our AI world wisdom is becoming increasingly elusive. The book looks at how some of the greats like Montaigne, Joan Didion, and Abraham Lincoln developed and applied wisdom in everyday life. It also paints a cautionary tale of how current well-known figures (you can probably guess who) are increasingly "unwise" in their approaches.

Courtesy of the Wall Street Journal...
10 Subtle Signs that you are Ready to Retire