

QUARTERLY NEWSLETTER

THIRD QUARTER 2025

In this Q3 newsletter, we discuss market performance, the One Big Beautiful Bill Act, and provide a primer on education expense planning, including 529 account features.

Year-to-Date Asset Class Returns (1/1/2025 through 06/30/2025)

Equity Indices	Asset Class	2nd Quarter	2025
S&P 500 Index	U.S. Large Capitalization	10.94%	6.20%
S&P MidCap 400 Index	U.S. Medium Capitalization	6.71%	0.20%
S&P SmallCap 600 Index	U.S. Small Capitalization	4.90%	-4.46%
Russell 3000 Index	U.S. Equity	10.99%	5.75%
MSCI Europe, Asia & Far East	International - Developed	12.07%	19.92%
MSCI Emerging Markets	International - Emerging	12.20%	15.57%
Fixed Income Indices			
Bloomberg US Agg Float Adj. Index	U.S. Bond Market	1.22%	4.00%
Current Yields		Yield - Quarter End	
Treasury 1 Year	U.S. Treasury	3.96%	
Treasury 5 Year	U.S. Treasury	3.79%	
Treasury 10 Year	U.S. Treasury	4.24%	

The market's rapid rebound from April's lows highlights the value of having patience and discipline during periods of volatility. The sharp 'Liberation Day' selloff proved to be short-term, driven by forced selling and headline-driven fear, rather than a sign of weakening fundamentals or lasting damage to the U.S.'s global economic standing. The swift equity markets recovery has opened a more favorable window to further diversify across market capitalizations and geography, especially with trade policy and geopolitical uncertainty still posing threats.

In our view, the bigger risk from tariffs lies in their potential to weigh on global growth, as supply chains adjust and business confidence potentially wavers. One area to monitor will be Federal Reserve policy over the second half of the year. Will they look past any short-term inflation pressures produced by tariffs and proceed with their forecasted "a few" rate cuts? Fed chair, Jerome Powell, has communicated concerns about growth and employment. This outlook reinforces our long-term portfolio allocations for maintaining exposure across various asset classes and quality fixed income securities, as markets may be underestimating disinflation, growth risks, and the possibility of recession.

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Recent Legislation

On July 4th, the One Big Beautiful Bill Act was signed into law. This tax legislation, among other things: (a) raised the limit on the deductibility of State and Local Taxes (SALT) to \$40,000 (will revert to the current \$10,000 in 2030 and begins phase out for taxpayers with more than \$500,000 of income); (b) made 'permanent' (without a scheduled sunset) the lower individual tax rates enacted as part of the 2017 Tax Cuts and Jobs Act (TCJA); and (c) increased the estate and gift tax exemption to \$15 million in 2026. These provisions provide greater tax planning certainty for 2025 and beyond by settling the ambiguity that came with the potential December sunset of the TCJA.

Education Expense Planning

We are still in the dog days of summer, but fall is just around the corner. Next month, college and private school tuition bills will arrive just in time for kids to go back to school. Below are some highlights on education expense planning:

- » A 529 plan account will allow investments to grow tax free and be withdrawn tax-free as long as the funds are used for qualified education expenses.
- » Qualified education expenses include college tuition, fees, books, computers, room & board, student loans (up to \$10,000), and up to \$10,000 a year for tuition at K-12 private schools (state law varies on K-12 expenses, there may be state tax on those withdrawals).

- » Under specific conditions, 529 funds can be rolled over into a Roth IRA account for the beneficiary: lifetime limit of \$35,000; annual contribution limits apply; 529 plan must be open for at least 15 years prior to a rollover; funds must have been in the account for at least 5 years prior to a rollover and the beneficiary must have earned income.
- » When considering which state 529 plan to use, determine if your state provides any tax deduction for using your state specific 529 plan. Also, compare costs, investments options and plan administration prior to selecting a plan.
- » In the state of Virginia, if you are over 70 years old, your entire 529 contribution is tax deductible on your Virginia state tax return. If you are under 70, you can deduct up to \$4,000 per account per year.
- » The earlier you fund a 529 plan, the more aggressive you can be with your asset allocation and the longer you will have for tax-free growth. In 2025, you can gift up to \$19,000 per year without having to file a gift tax return. Additionally, the 529 "Super Fund" provision allows investors to gift up to \$95,000 in 2025 to jump start a 529 account without having to file a gift tax return.
- » While Roth IRA accounts are primarily designed for retirement savings, you can fund higher education expenses without penalty or tax from contributions to your Roth IRA account.

Please do not hesitate to reach out to us for additional information on education expense planning. We will be happy to coordinate with your CPA on specific tax implications.

Until next time....

We hope everyone had an opportunity to unwind, relax and spend time with your loved ones over the Fourth of July holiday weekend. We consider it a privilege to help you, your family and friends gain financial Clarity, Confidence and Control.

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