Fall 2025 Market Perspectives

The big news this quarter was the passage of the One Big Beautiful Bill (OBBBA), which extends the current tax code and makes several provisions effectively "permanent." This matters because the prior rates were set to expire at year-end, risking one of the largest income-tax increases in recent history. Historically, higher taxes can weigh on growth as consumers have less to spend and businesses scale back capital investment. By contrast, OBBBA includes incentives for businesses to invest in equipment, buildings, and other tools needed to grow their business.

Getting next year's tax rules set is also critical for planning. For example, it's hard to map out a Roth conversion strategy without knowing the exact tax implications. A key feature for retirees: beginning this year, the standard deduction for those over 65 increases by more than $1,000, with an additional $6,000 for single filers and $12,000 for married couples. That creates new planning opportunities for many of you.

On the economic front, the Federal Reserve shifted to an easier stance by lowering the federal funds rate in September. Over time, lower rates should reduce borrowing costs and typically support growth. In his remarks, Chair Powell signaled greater concern about the economy's momentum than about finishing the last mile on inflation. We've also seen notable revisions to employment data from the Bureau of Labor Statistics (BLS).

Inflation has eased meaningfully, though not yet to the Fed's 2% target. Housing has been a "stickier" lagging component of inflation but we're finally seeing prices cool in many markets and it will take time for that to flow through the Consumer Price Index.

This year has delivered a constant stream of headlines. Without a long-term plan, it would be easy to get whipsawed. Despite the noise, our International and Emerging Markets positions are up well over 20% year-to-date. If we had panicked when tariffs were announced in April, we would have locked in losses instead of participating in the rebound. Here in the U.S., equities have continued to rally amid excitement over artificial intelligence and its potential to drive productivity and earnings. I'll cover AI more fully in a separate post; its implications may rival—or exceed—the internet revolution. This addition of Market Perspectives has been edited and formatted using ChatGPT.

Beneath the surface, many fundamentals remain healthy. Employment is still solid, U.S. household net worth is at record highs, homeowners have near-record equity, and households have substantially deleveraged since the '08–'09 crisis—levels not seen since the 1960s. Strong balance sheets support continued consumer spending.

In a constantly connected and polarized world, discipline matters. Thirty-six years of serving families in financial services has taught me that we can't let headlines or which party occupies the White House knock us off course. Investors who stick to a prudent, diversified plan and avoid reacting to every news alert are the ones who compound wealth over time. The noise is temporary. Your plan is built for the long run.

Please share any questions or comments.

Brett S Carleton, CFP®, ChFC®

Brett Carleton, CFP®, ChFC®
HERITAGE WEALTH MANAGEMENT
4400 POST OAK PARKWAY, STE 2510
713-871-9800
brett@heritageplanners.com