

bouchey
FINANCIAL GROUP

2025

State of the Economy

In Loving Memory of Susan Bouchey



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In Loving Memory of Nicole Gobel



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State of the Economy Agenda

Today we will discuss:

- Introduction
- State of the Firm
- Economic Outlook
- Tax Policy Update
- Market Outlook & Portfolio Perspectives
- Q&A

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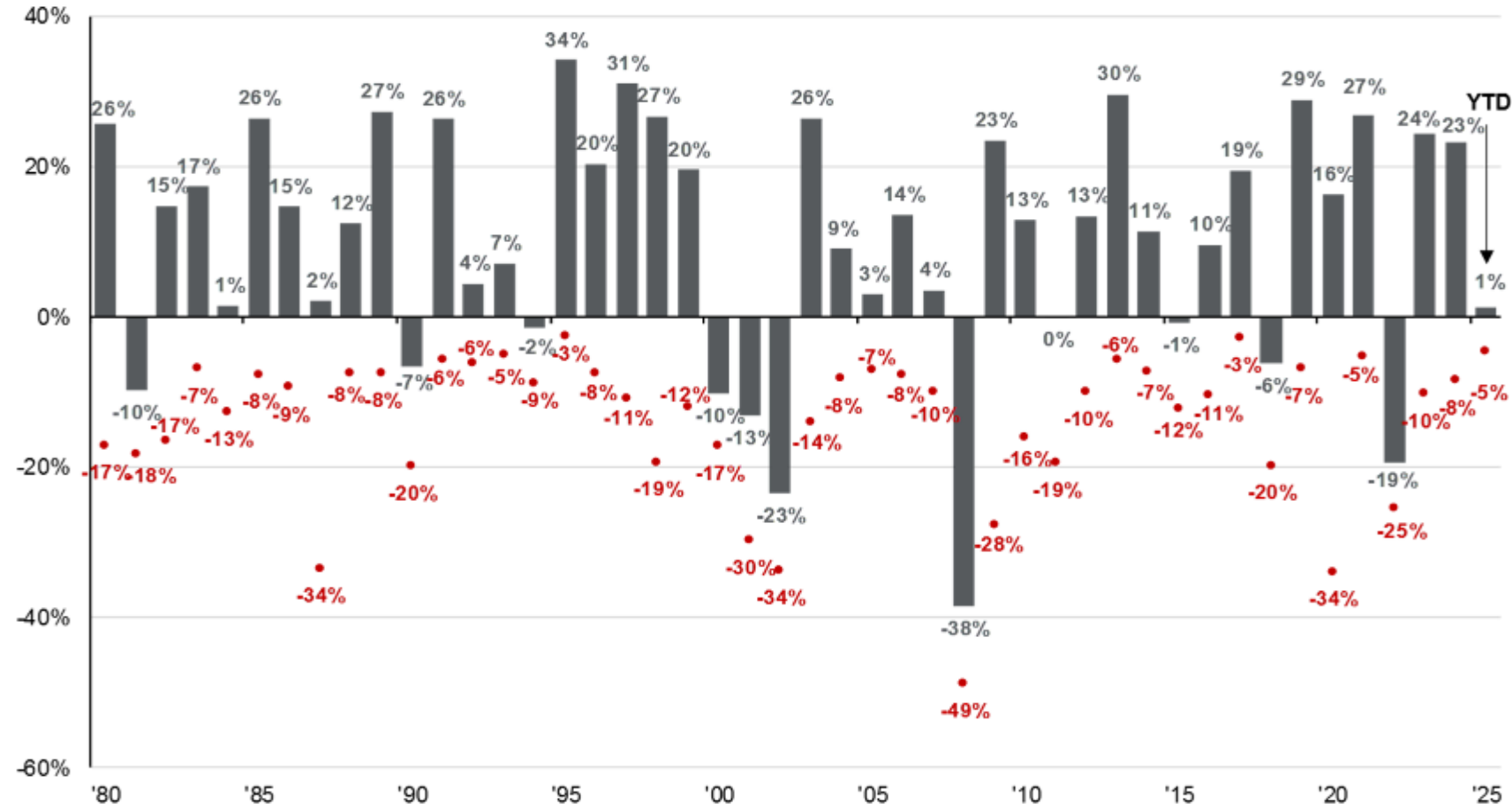
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Average Intra Year Market Decline is 14%

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.1%, annual returns were positive in 34 of 45 years



Source: : JP Morgan



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State of the Firm



John Millet, CPA

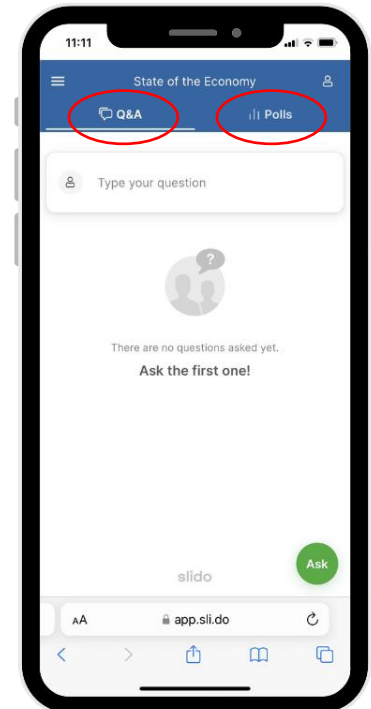
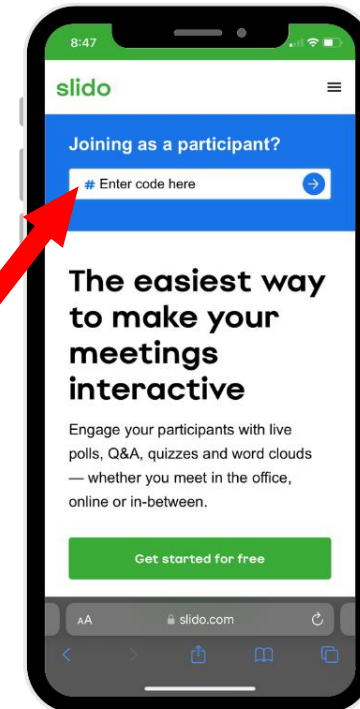
Polling – We want to hear from you!

- Participate in Live Polling
- Ask questions using the Q&A Section



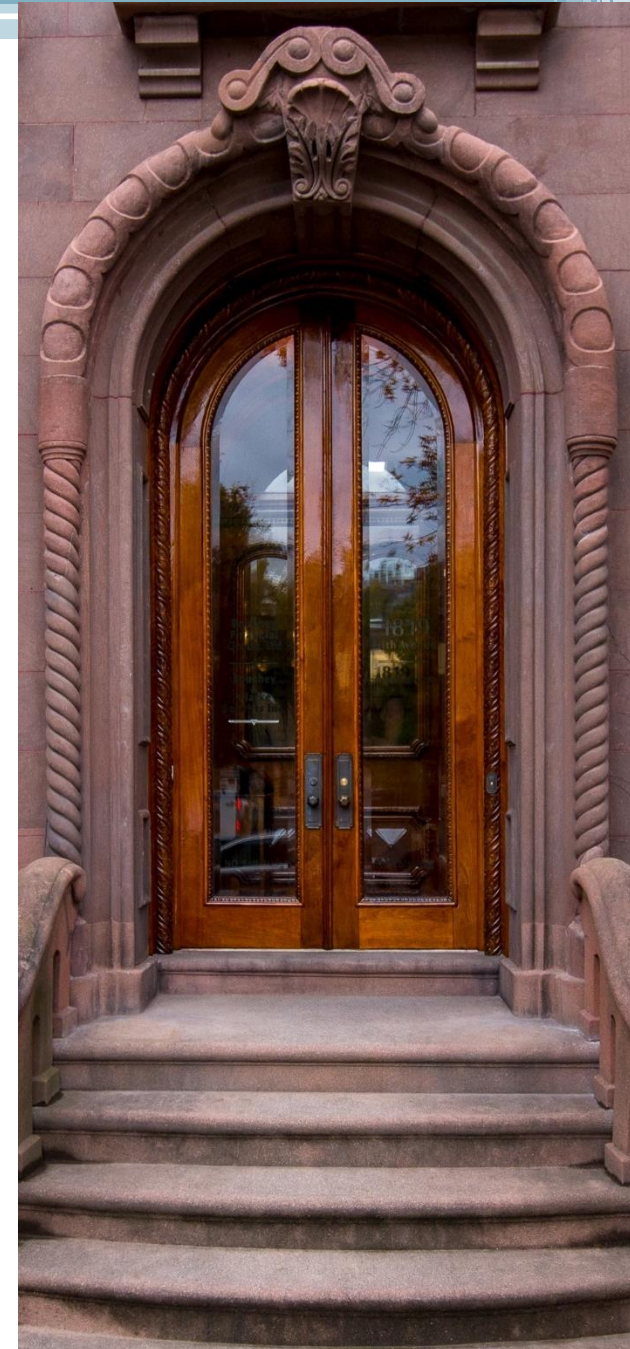
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Or Navigate to **Slido.com**
and Enter Code **2706640**



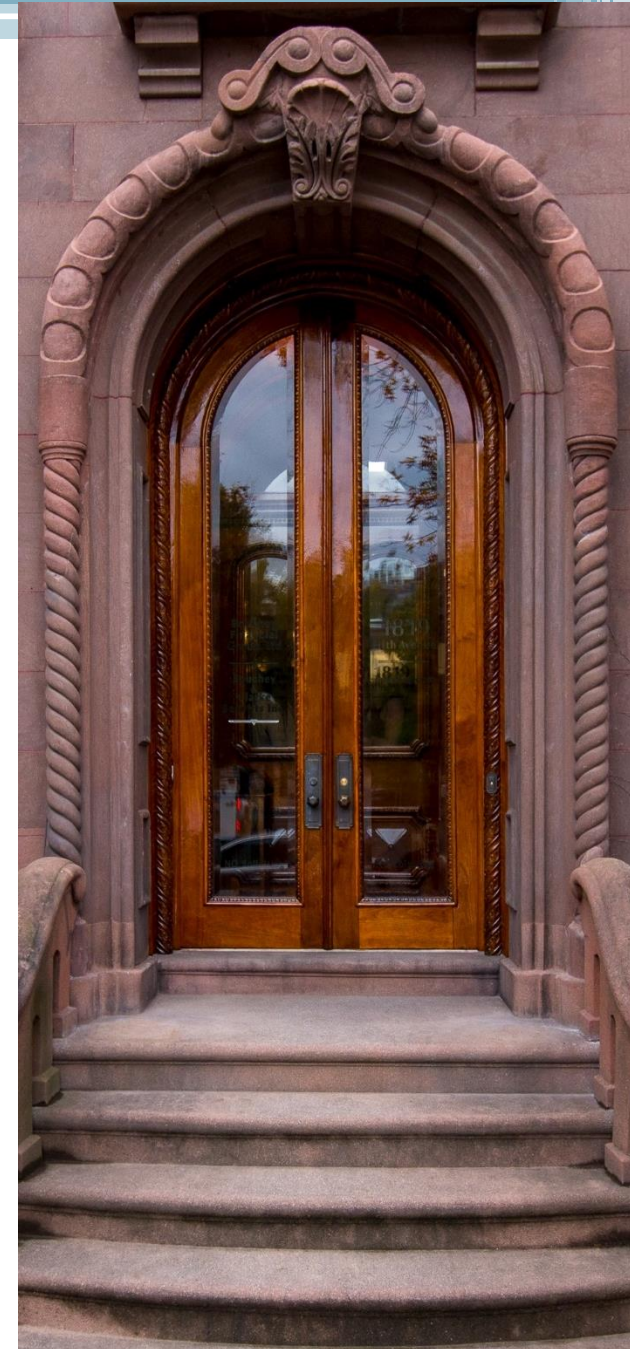
Bouchey Financial Group's Culture

- 35 Years of Trust, Integrity and Client First
- Built an exceptional team of 19 dedicated professionals
- Strong leadership for stability, continuity, and excellence
- Continue to recruit top talent - They make a difference!
- Navigating unforeseen circumstances with strength and success
- Setting high standards and achieving our team goals



Our Firm Growth – Enhancing the way we serve you!

- Smart, sustainable growth
- Expanding team and firm capabilities – to benefit our clients
- Specialized expertise & innovative strategies
- EOS – Organizational structure for continued success
- Unwavering commitment to maintain our strong culture & values



Cyber Security – A Collective Responsibility

We are all in this together!!

- Our Clients
- Bouchey Financial Group
- Charles Schwab



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Your Opinion and Feedback Matters

The more we listen, the stronger we become.

- Thank you for participating in our 2024 Client Survey!
- Thank you for making client referrals.
- Please continue to engage with us – 2025 Client Survey, meetings, phone calls, webinar, radio, etc.

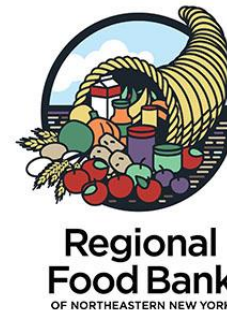
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Continuing our Commitment to Community and Giving Back

- Financial commitment to local not-for-profits
- Board leadership and involvement
- Team engagement and group volunteer days



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Thank you to some of our sponsors!



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Economic Outlook



Harmony Wagner, CFP[®], CPWA[®]

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What has you most concerned this year?

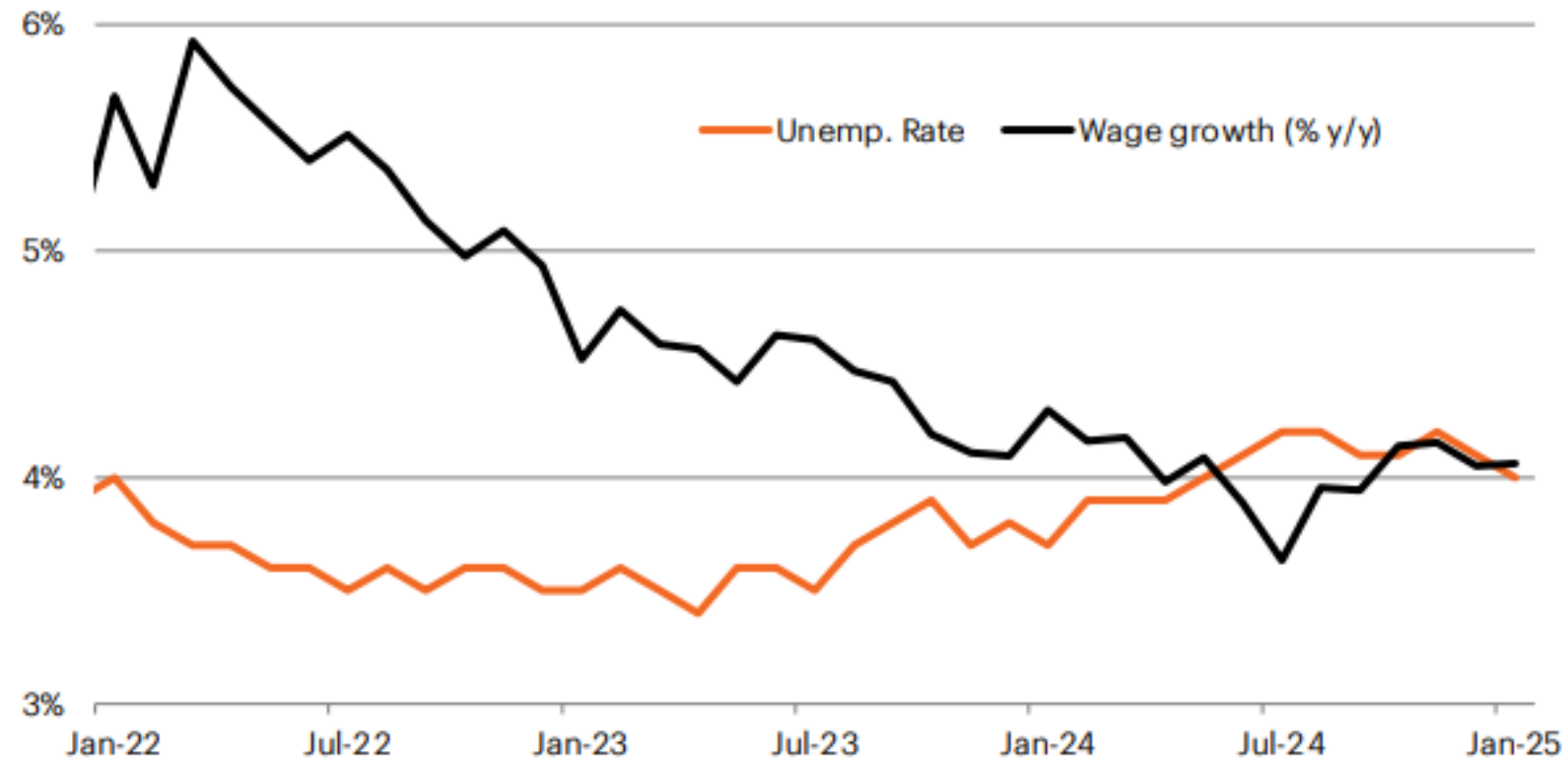
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An Economy That is Resilient

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Continued Strength in US Labor Market

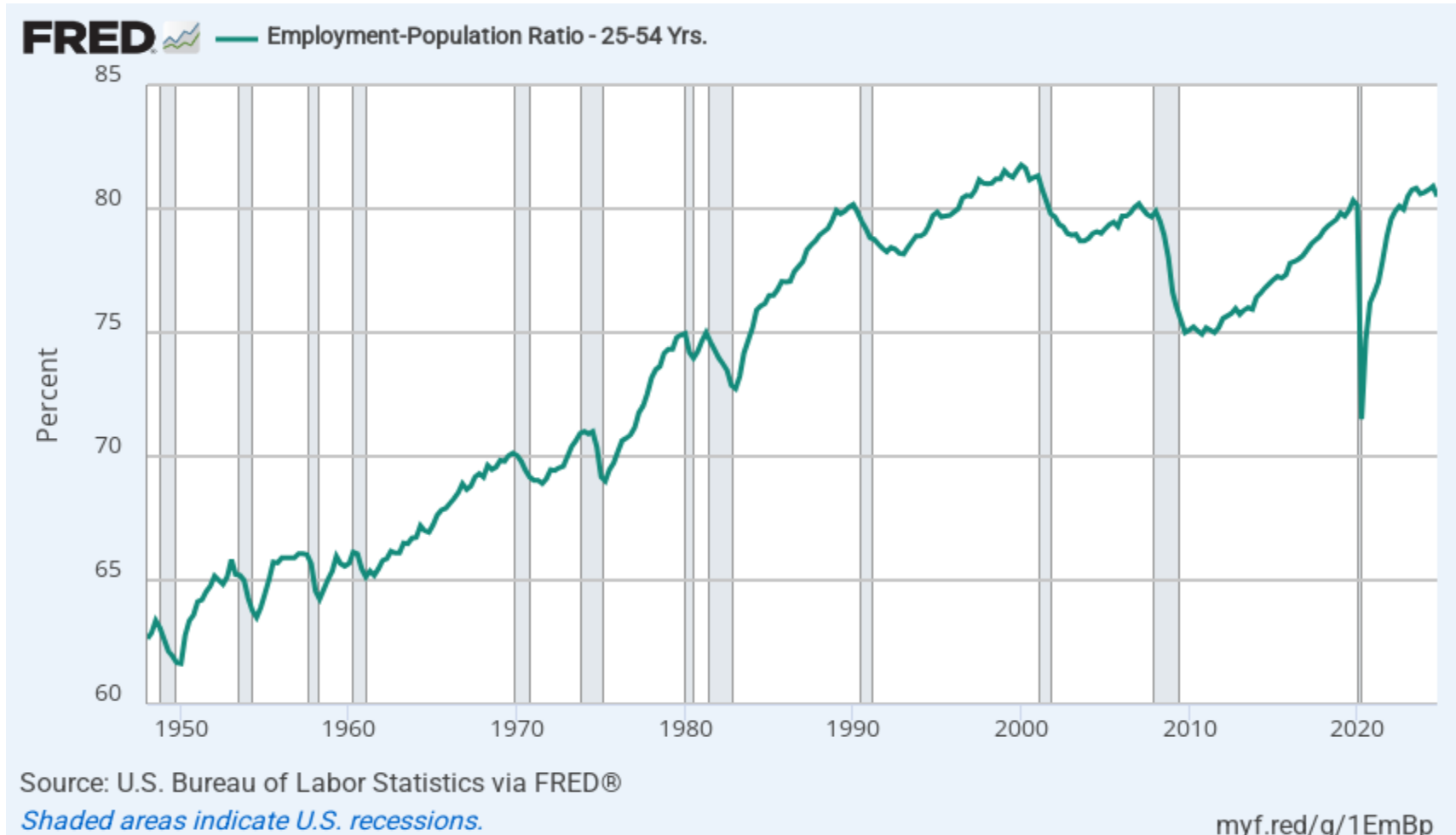
Unemployment rate and wage growth



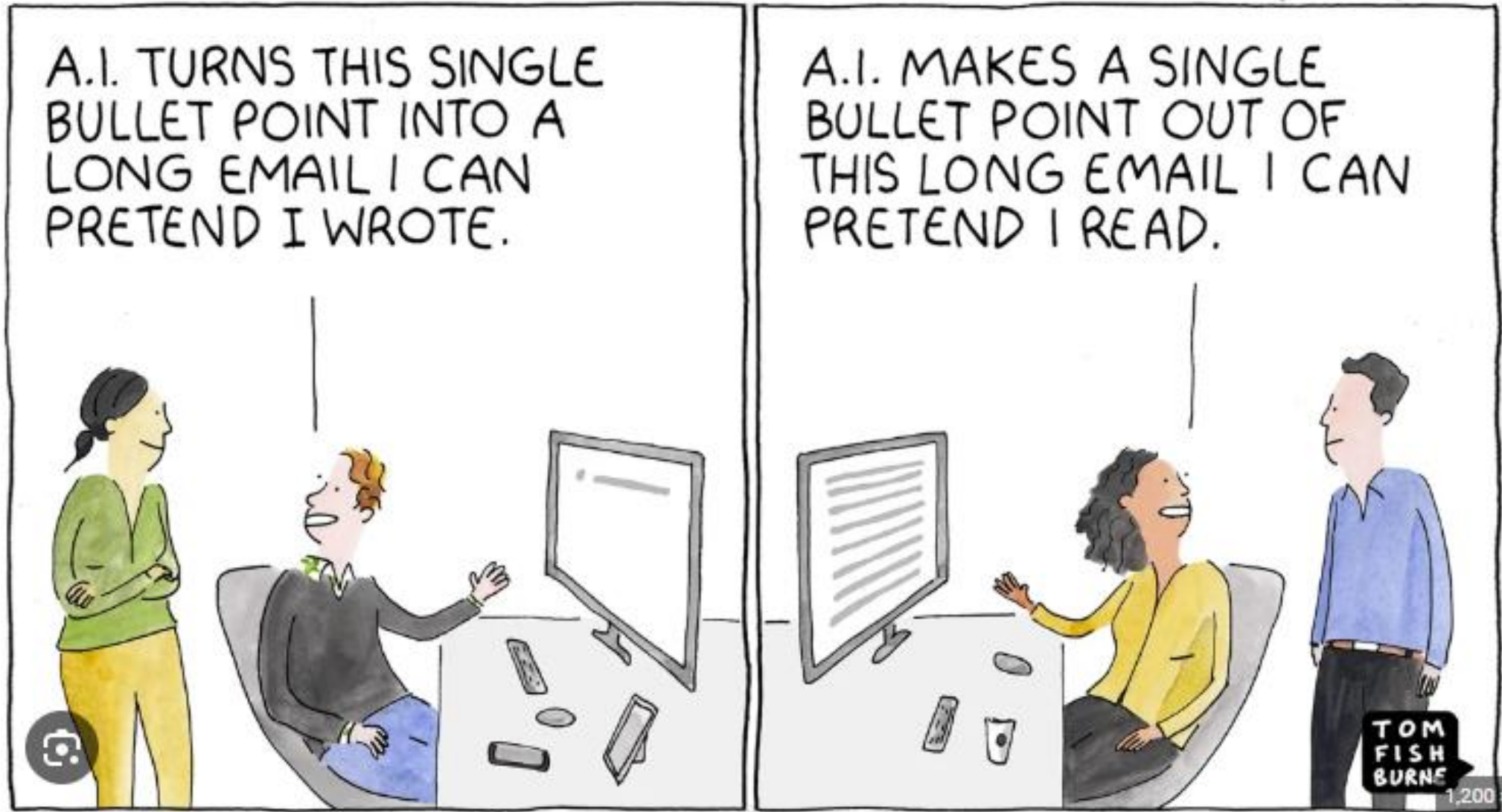
Source : U.S. BLS, as of January 31, 2025

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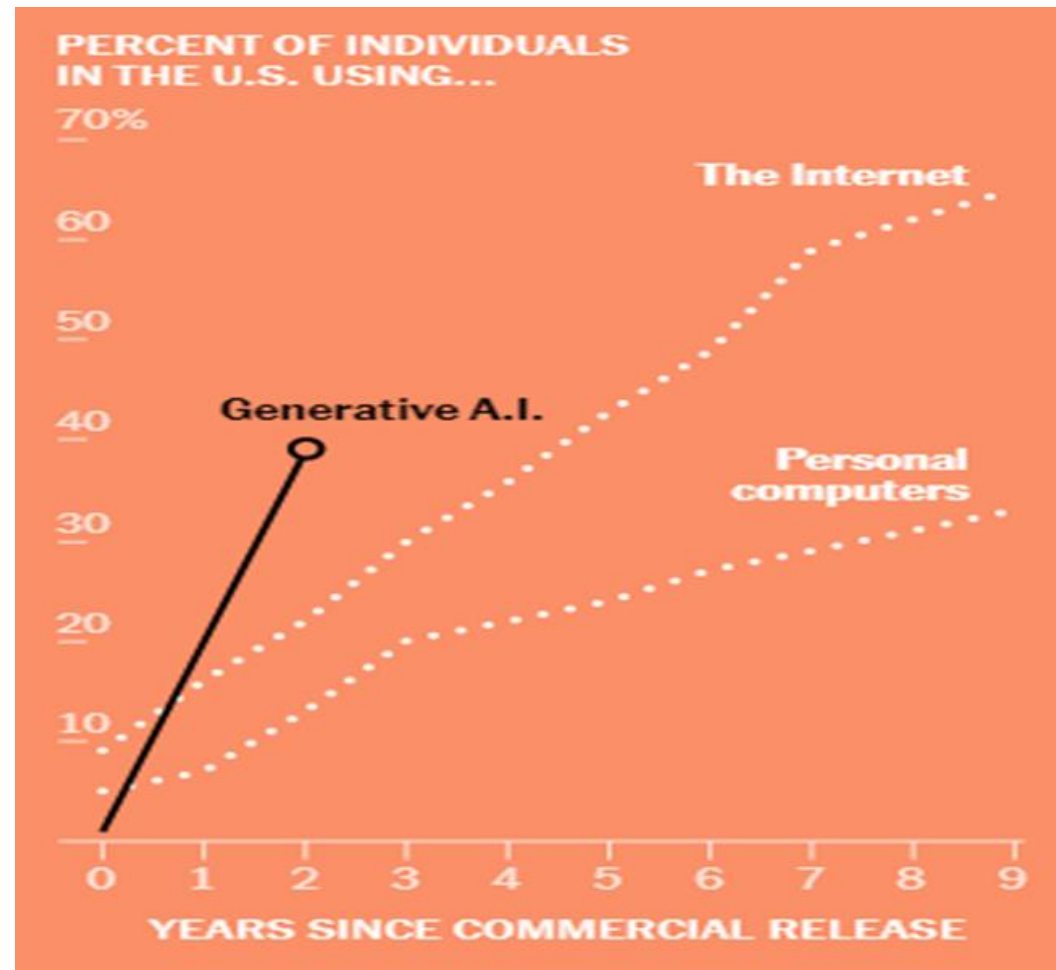
Prime-Age Employment to Population Ratio



AI Productivity Improvements – A Learning Process



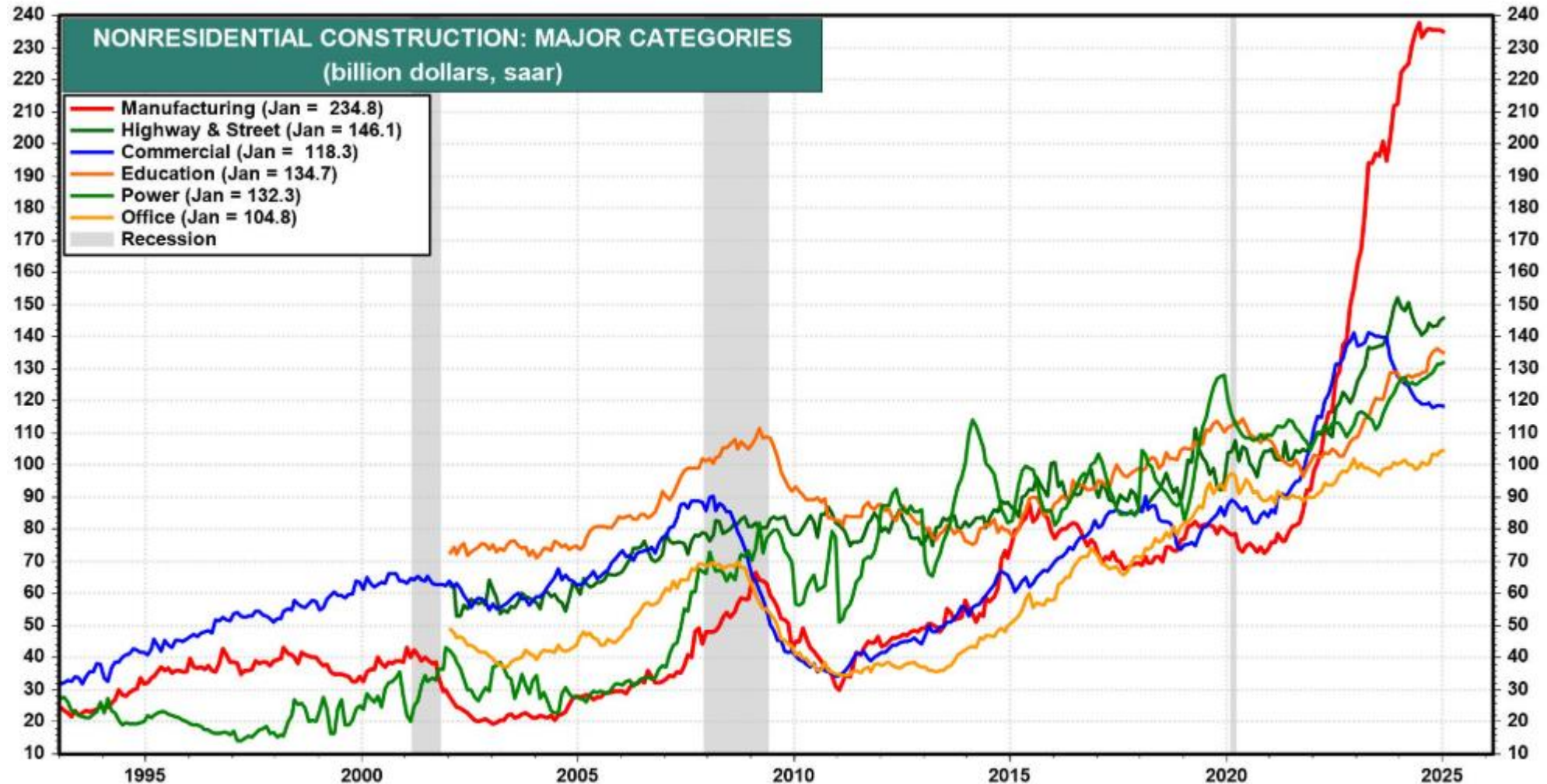
Adoption of AI



Source: : JP Morgan

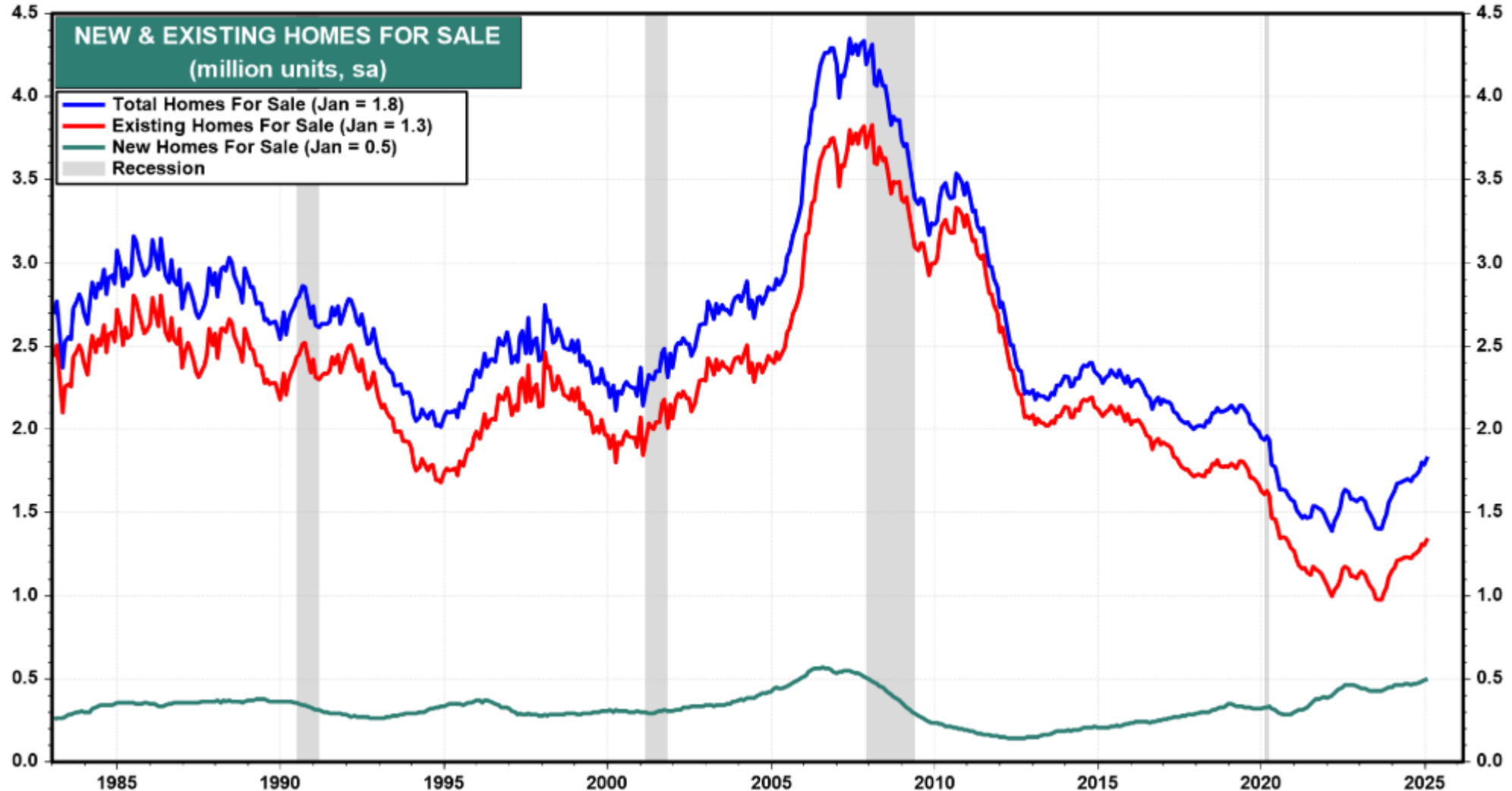
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US Manufacturing for Technology is Booming



Source: LSEG Datastream and © Yardeni Research.

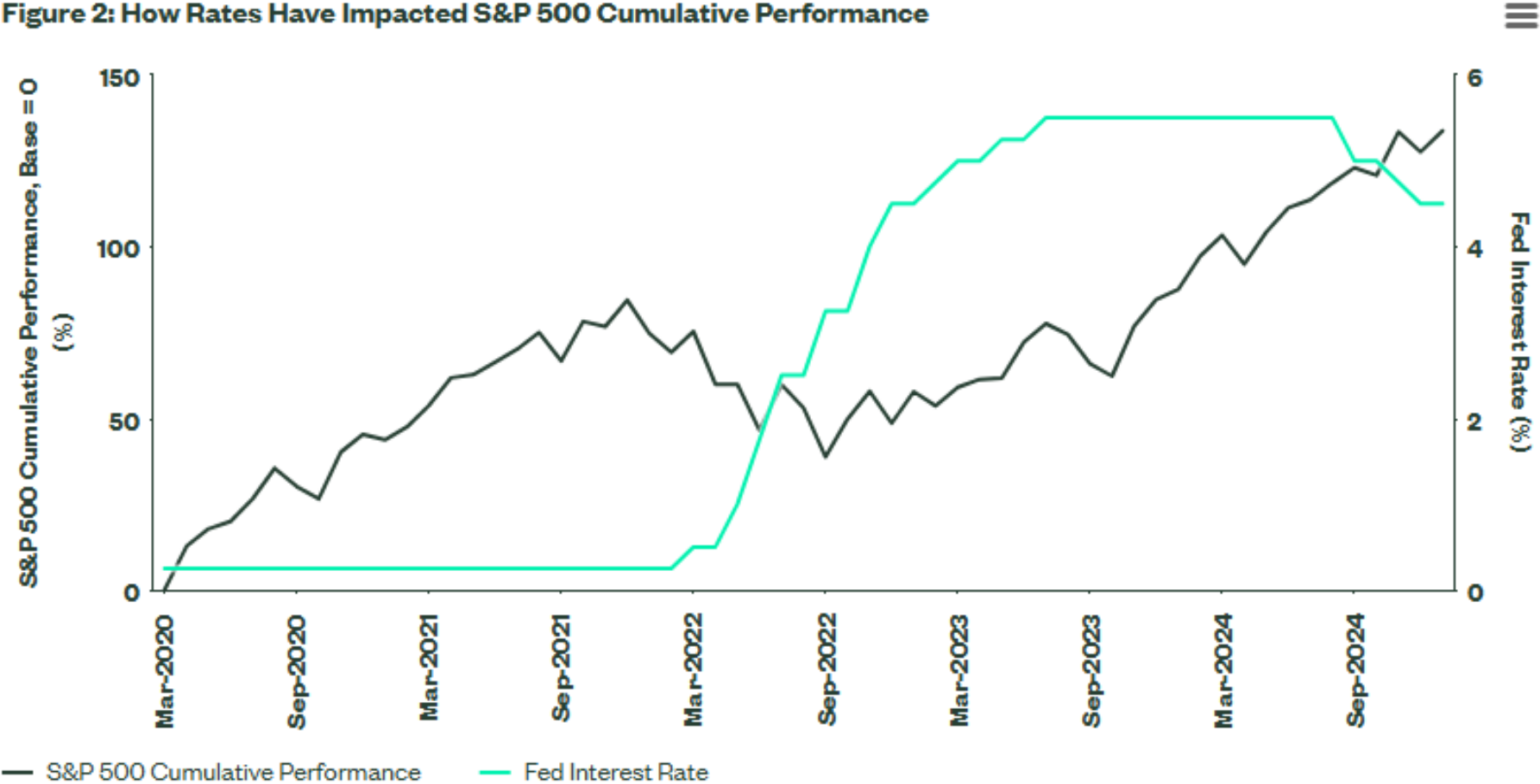
The Housing Market Still Lacking Supply



Source: LSEG Datastream and © Yardeni Research.

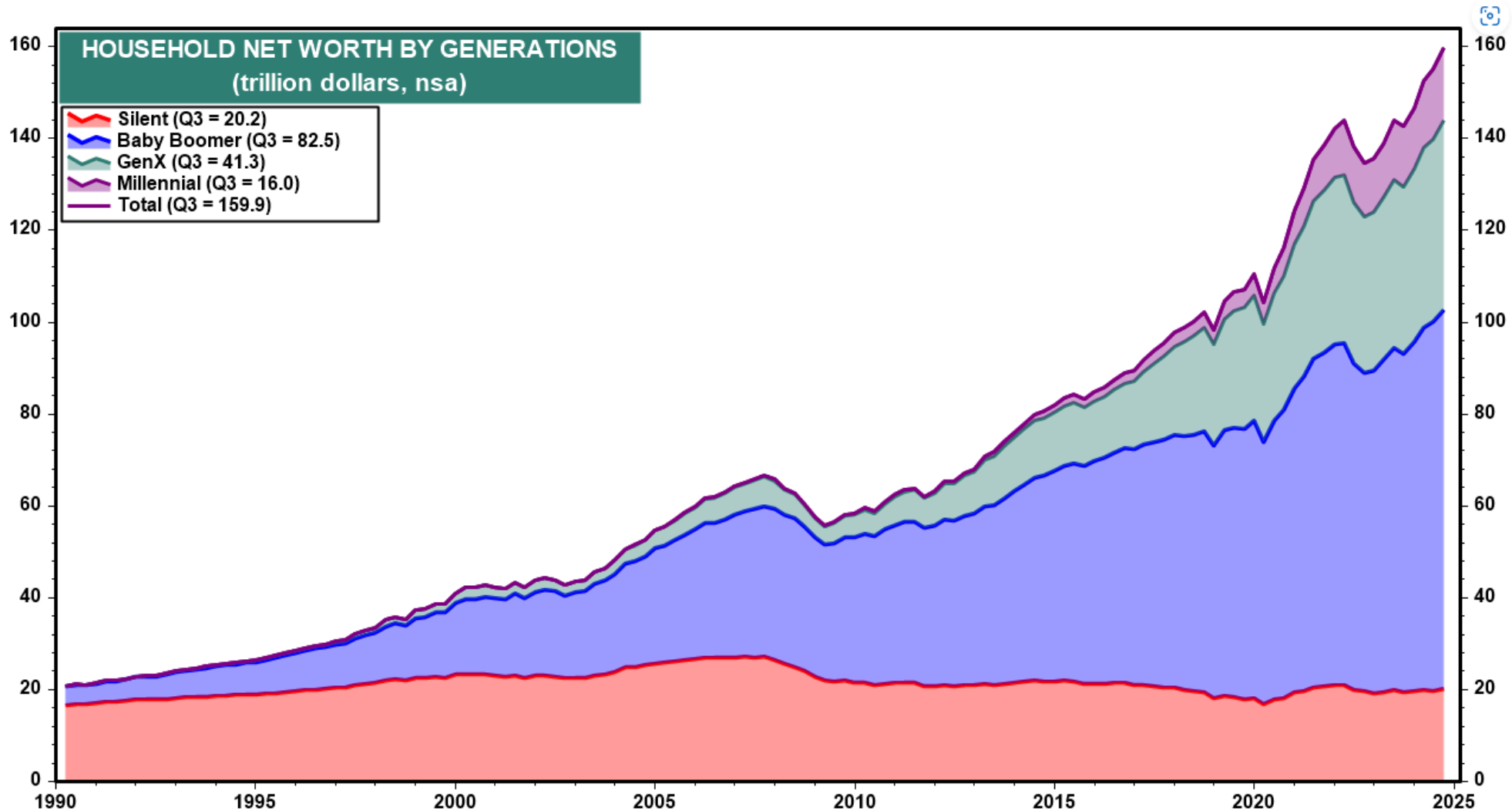
Markets Prefer Flat or Decreasing Rates

Figure 2: How Rates Have Impacted S&P 500 Cumulative Performance



Source: : U.S. BLS, as of January 31, 2025

Net Worth – Driving High-End Consumer Spending



Source: LSEG Datastream and © Yardeni Research. Federal Reserve Board.

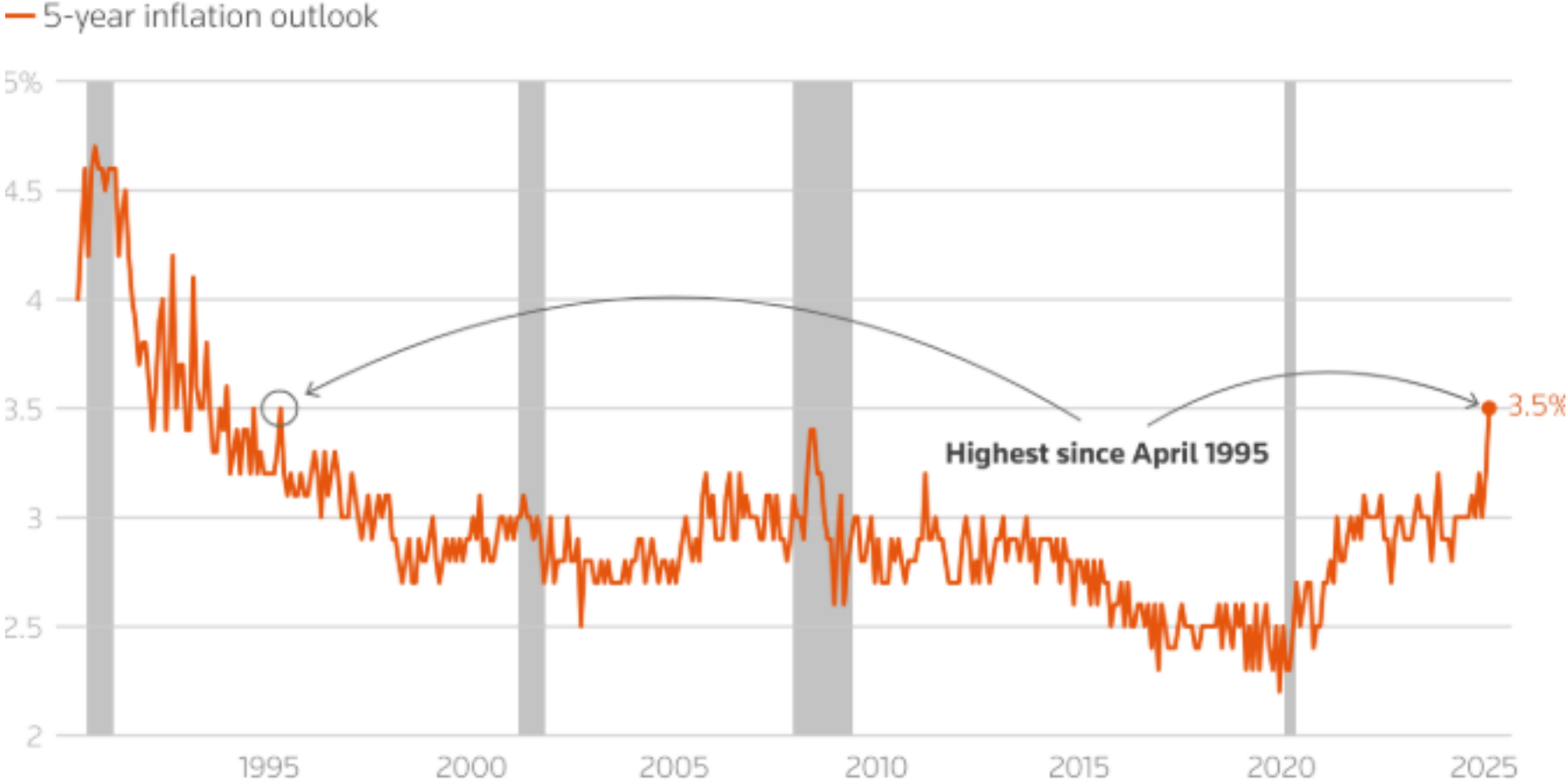
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Where Are The Challenges to The Economy



Martin Shields, CFP[®], AIF[®]

Inflation Expectations are Increasing



Source: : Goldman Sachs

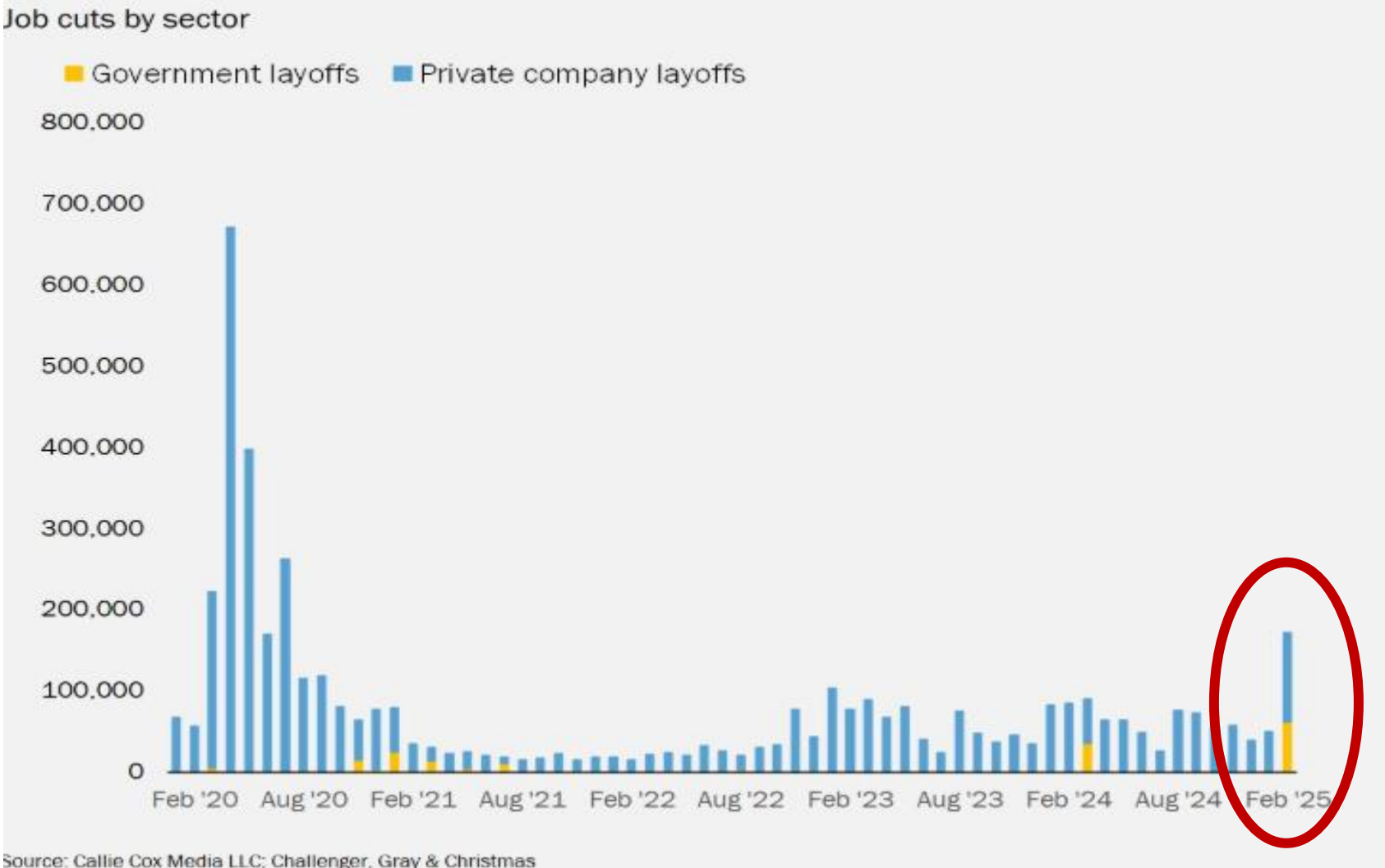
A Sharp Drop in the Service Index in Jan & Feb

U.S. Services Purchasing Managers Index (PMI)



Investing.com

Announced Job Cuts have Increased



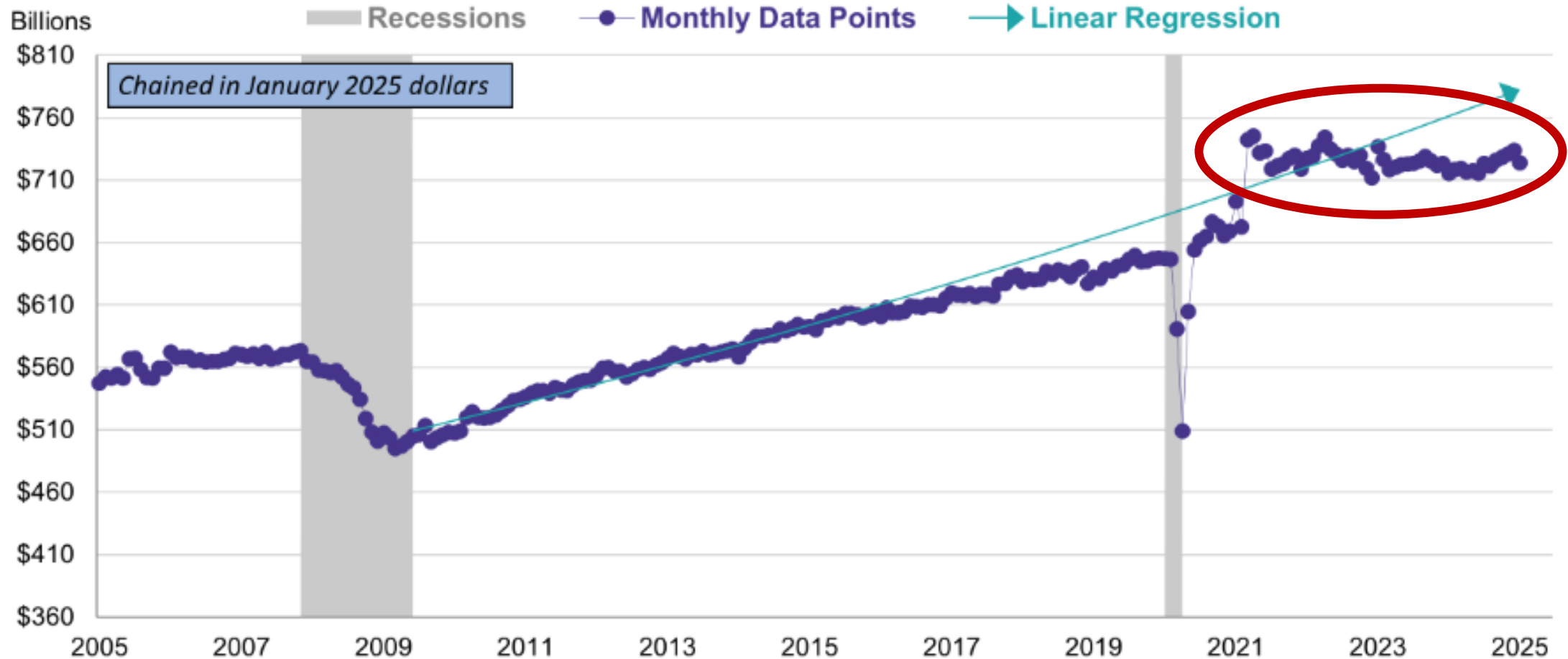
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Retail Sales – Flat Since 2022, Declined in Jan & Feb

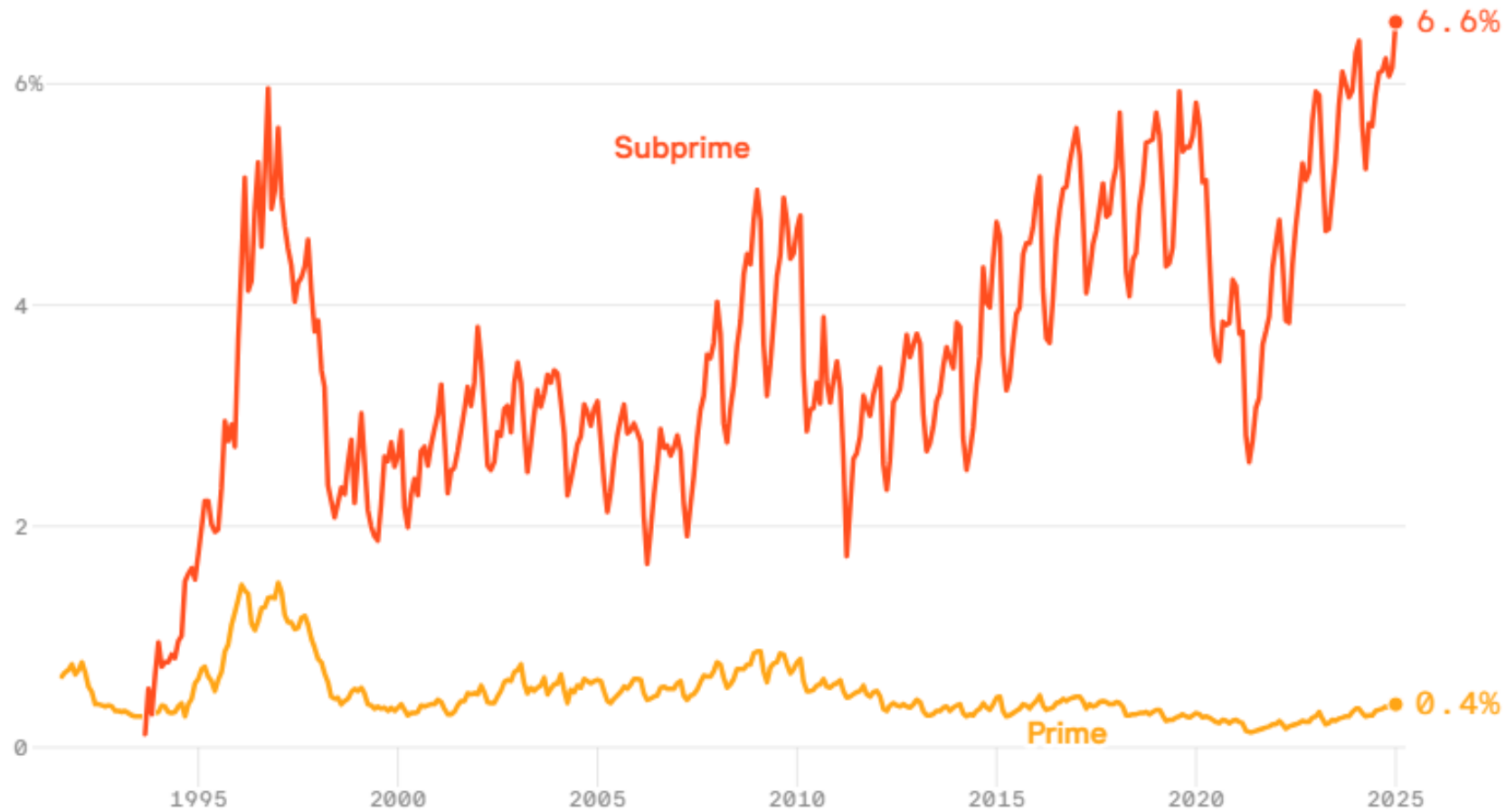
VettaFi Advisor Perspectives

advisorperspectives.com

Real Retail Sales Since the End of the Great Recession



Auto Loans 60+ Days Delinquent Increases



Data: [Fitch Ratings](#); Chart: Axios Visuals

The Impact of Tariffs

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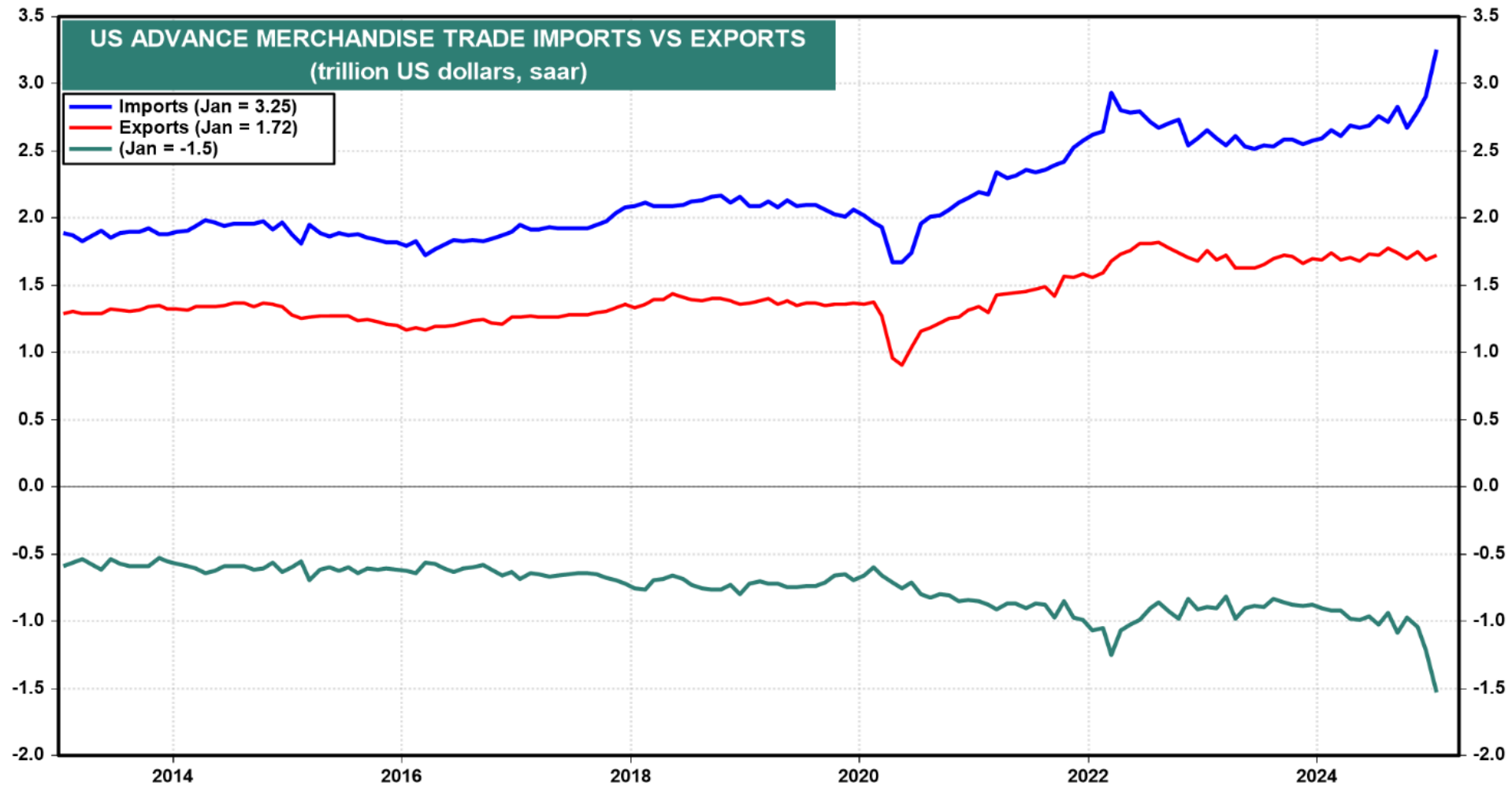
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Have you cut back, or considered cutting back on spending given some of the uncertainty around tariffs and the economy?

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The Primary Reason to Implement Tariffs

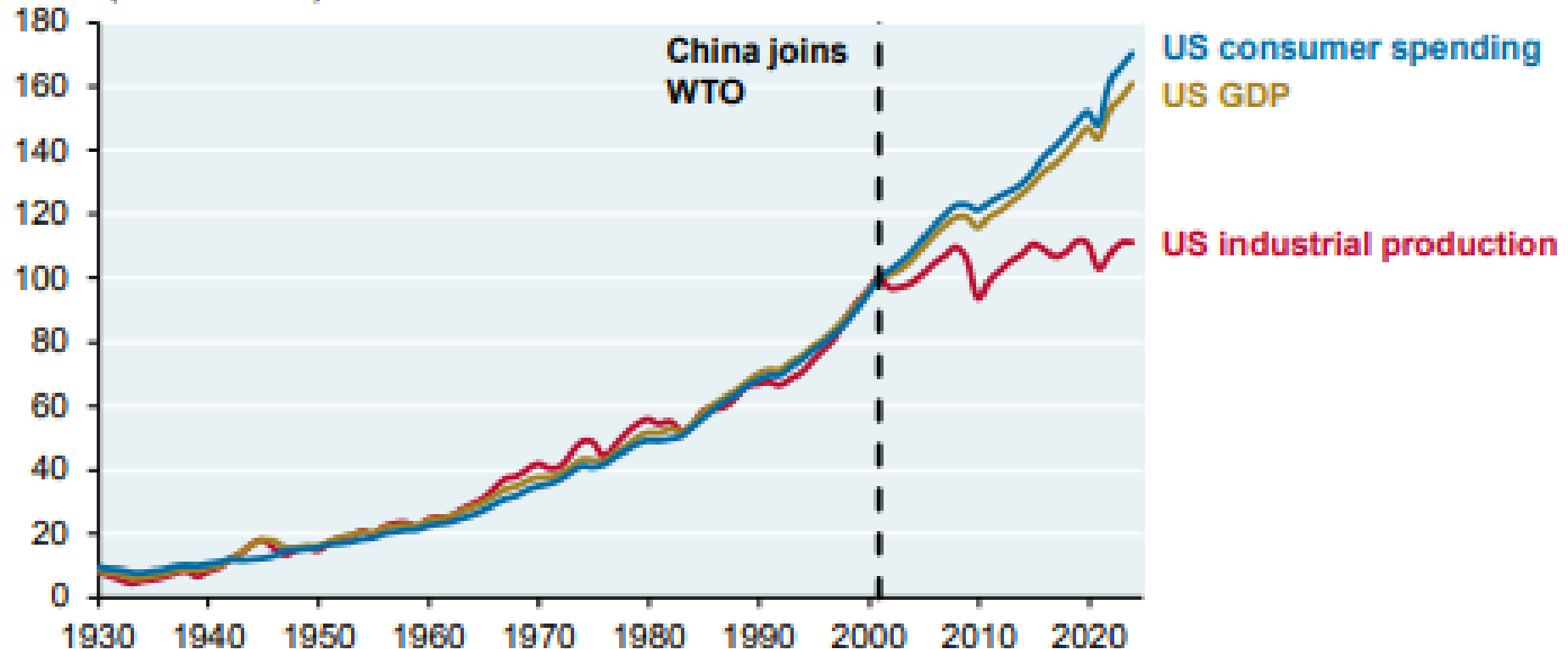


Source: LSEG Datastream and © Yardeni Research.

Stark Change in Manufacturing Starting in 2000

The Silence of the Plants

Index (100 = 2000)



Source: BEA, Federal Reserve, JPMAM, 2024

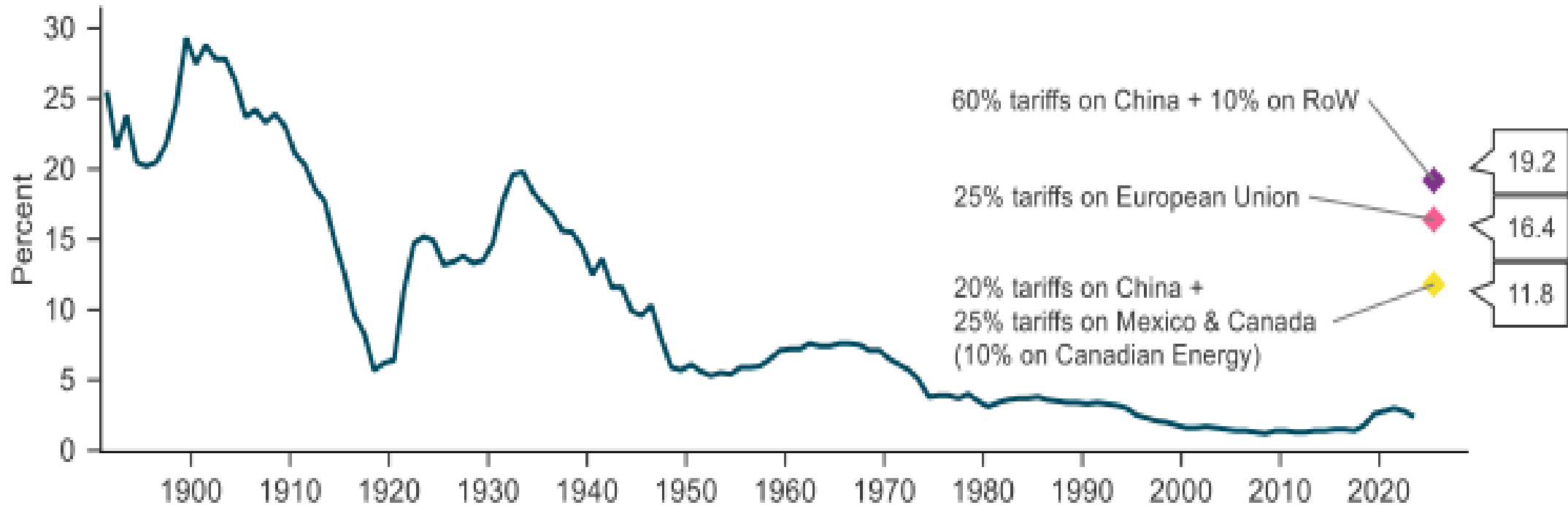
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Proposed Tariffs a Dramatic Change

Effective tariff rate; US trade policy implications; mutually exclusive scenarios



Data as of March 4, 2025.

Source: Investment Institute, Macrobond.

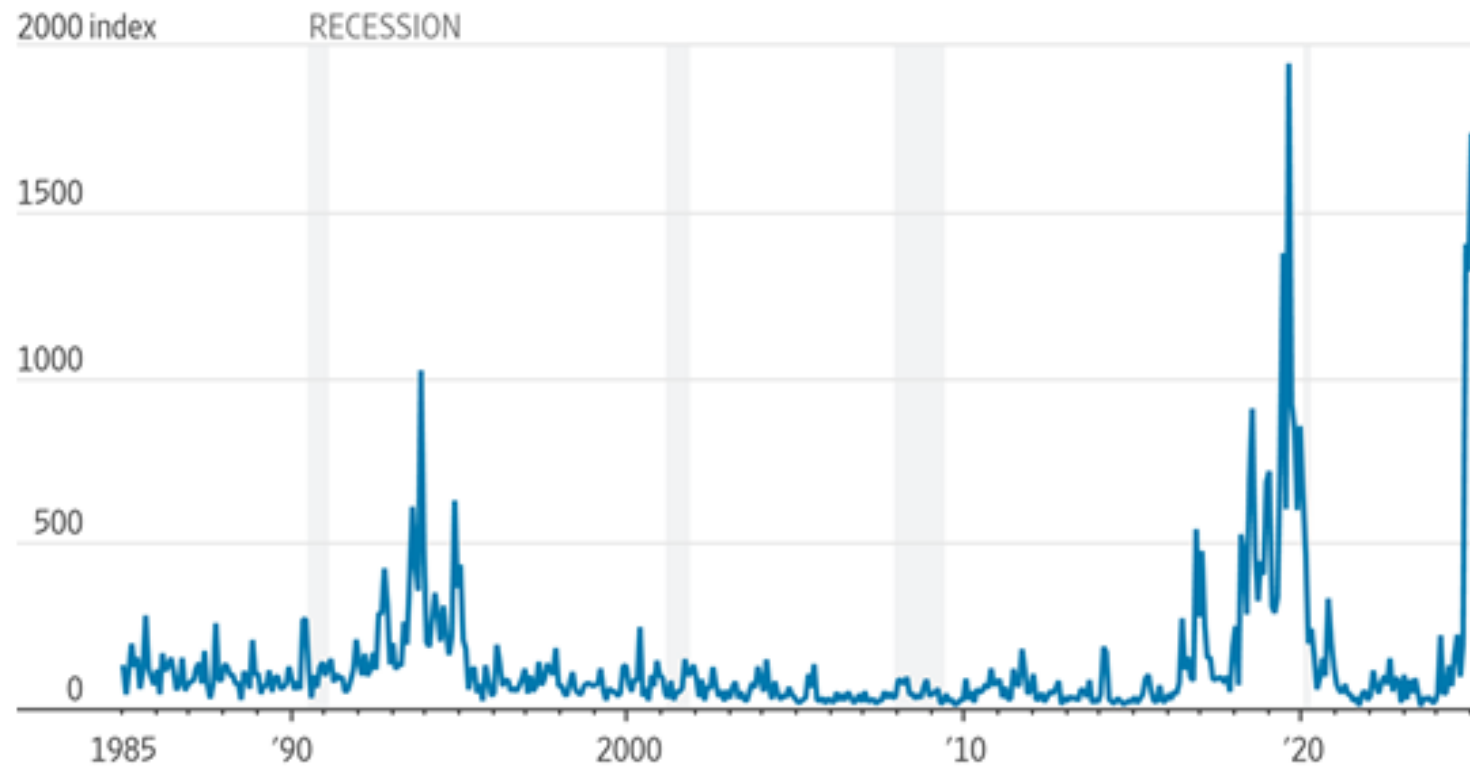
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The Problem - Businesses Prefer Certainty

Trade-policy uncertainty index



Note: Monthly data through January

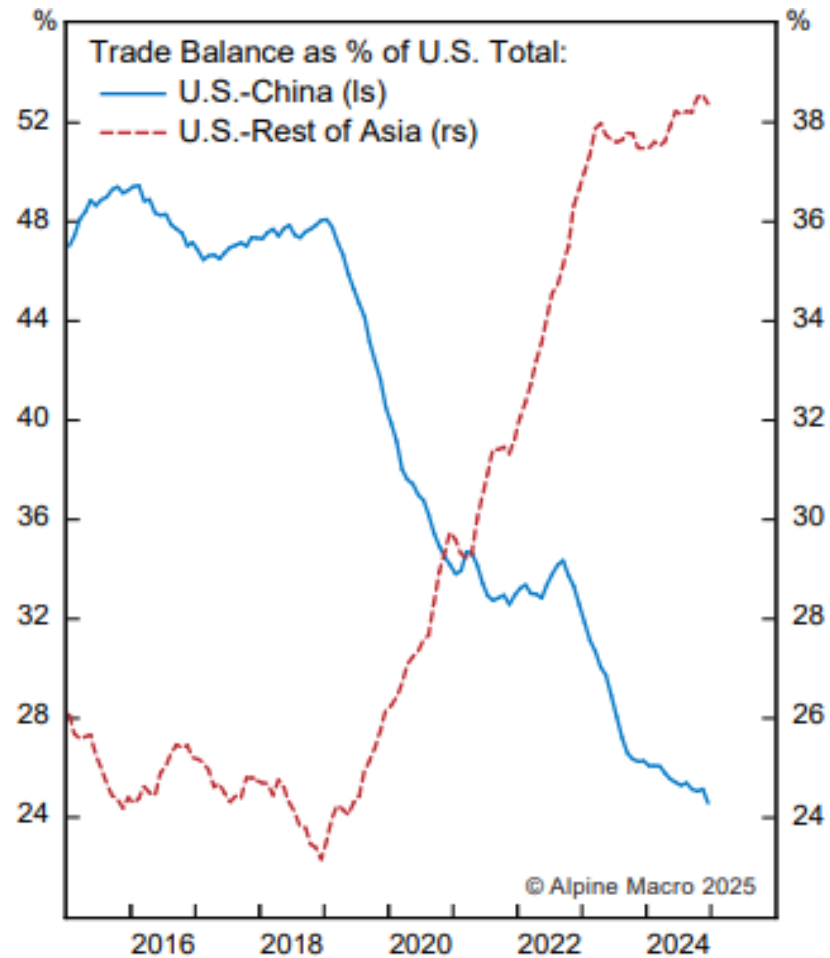
Source: Scott Baker, Nick Bloom and Stephen Davis via St. Louis Fed

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Tariffs – A Game of Whack-a-Mole



Source: U.S. Census Bureau

Source: Goldman Sachs

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Market Following Pattern from 2019



Tax Policy Update



Vincenzo Testa, CPA, CFP®, ECA

Tax Impacts

401(k) Contribution Changes (SECURE 2.0) – 2025

- Increased Catch-Up Contributions (Ages 60-63)

2025 401(k) Contribution Limits			
 MELD FINANCIAL INDEPENDENT WEALTH MANAGEMENT	2024	2025	Increase
Employee	\$23,000	\$23,500	\$500
Employee + Employer	\$69,000	\$70,000	\$1,000
50+ Catch Up	\$7,500	\$7,500	\$0
60 – 63 Catch Up	N/A	\$11,250	N/A

 *For informational purposes only. Check with your employer for plan documents explaining eligibility, contributions, vesting, and other plan provisions.

Tax Impacts

Continuation of the Tax Cuts and Jobs Act (TCJA) Provisions

- Trump aims to extend the tax legislation from the 2017 TCJA which is set to expire after 2025



**TAX CUTS &
JOBS ACT**

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Sunset of TCJA

Changes to Individual Tax Rates

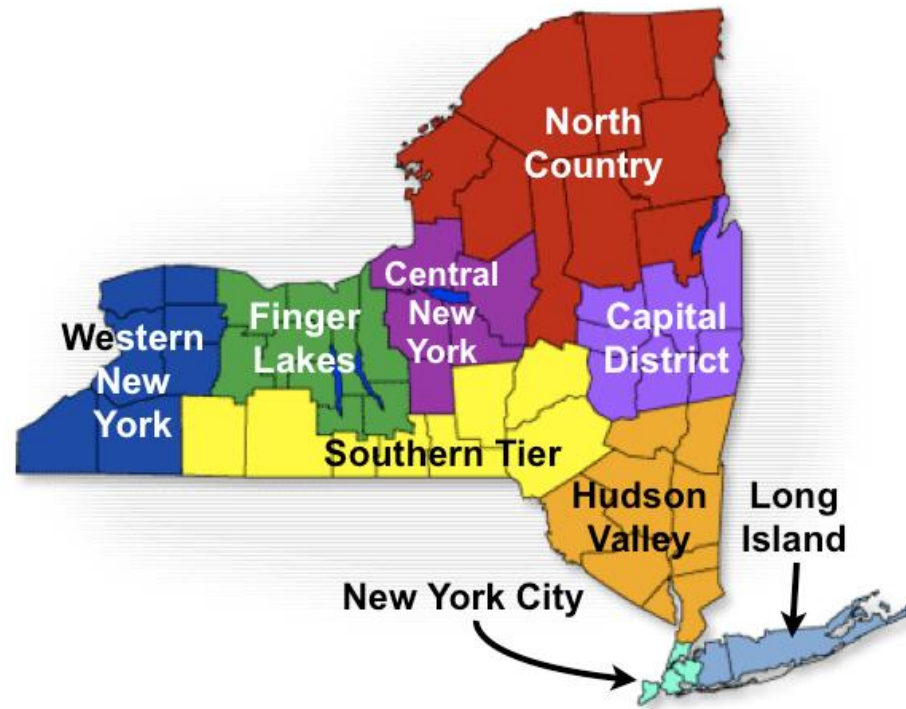
- **Tax brackets will increase:**
- **Top rate** increases from **37%** → **39.6%**
- More taxpayers may fall into the **Alternative Minimum Tax (AMT)**

Brackets Based on Taxable Income	Current Law Tax Rates
\$0 – \$9,325	10%
\$9,325 – \$37,950	15%
\$37,950 – \$91,900	25%
\$91,900 – \$191,650	28%
\$191,650 – \$416,700	33%
\$416,700 – \$418,400	35%
\$418,400+	39.6%

Sunset of TCJA

State and Local Tax (SALT) Deduction

- Current \$10,000 cap on SALT deductions will expire
- Taxpayers in high-tax states (CA, NY, NJ, etc.) may benefit from the return of full deductions.



Sunset of TCJA

Estate and Gift Tax Exemptions

- Current exemption is historically high (~\$13M per person)
- Post-2025: Could drop back to ~\$5-6M

Standard Deduction & Personal Exemptions

- Standard deduction nearly doubled under TCJA
 - 2025 expiration means it may shrink
- Personal exemptions were eliminated — could return

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2016** OMB No. 1545-0074 IRS Use Only-

For the year Jan. 1–Dec. 31, 2016, or other tax year beginning _____, 2016, ending _____, 20

Your first name and initial **Samuel P** Last name **Taxpayer**

If a joint return, spouse's first name and initial **Felicity Q** Last name **Taxpayer** Apt. no. _____

Home address (number and street). If you have a P.O. box, see instructions. **789 Tuxedo Drive**

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). **Bronxville NY 10708**

Foreign country name _____ Foreign province/state/county _____ Foreign postal code _____

Filing Status Check only one

1 Single

2 Married filing jointly (even if only one had income)

3 Married filing separately. Enter spouse's SSN above and full name here. ▶

4 Head of household (with qual the qualifying person is a chil child's name here. ▶

5 Qualifying widow(er) with

Exemptions **6a Yourself.** If someone can claim you as a dependent, **do not** check box 6a

b **Spouse** (2) Dependent's (3) Dependent's (4) if child under age qualifying for child tax cr (see instructions)

Portfolio Positioning



Paolo LaPietra, CFP®

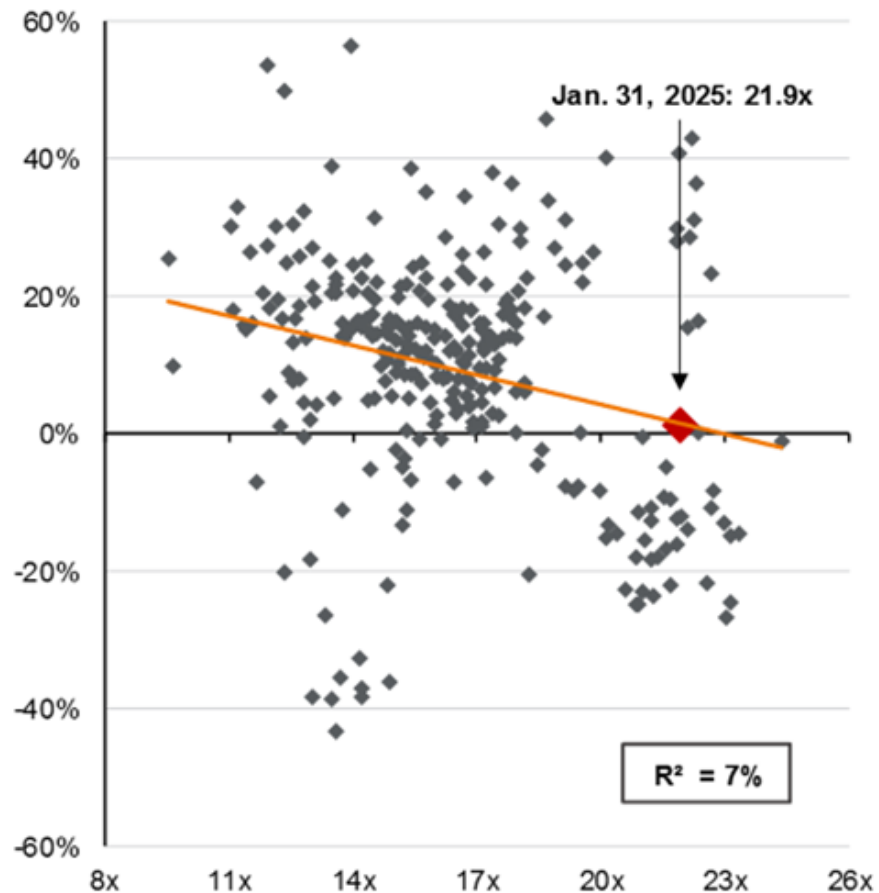
Current Valuations

S&P 500 Index: Forward P/E ratio

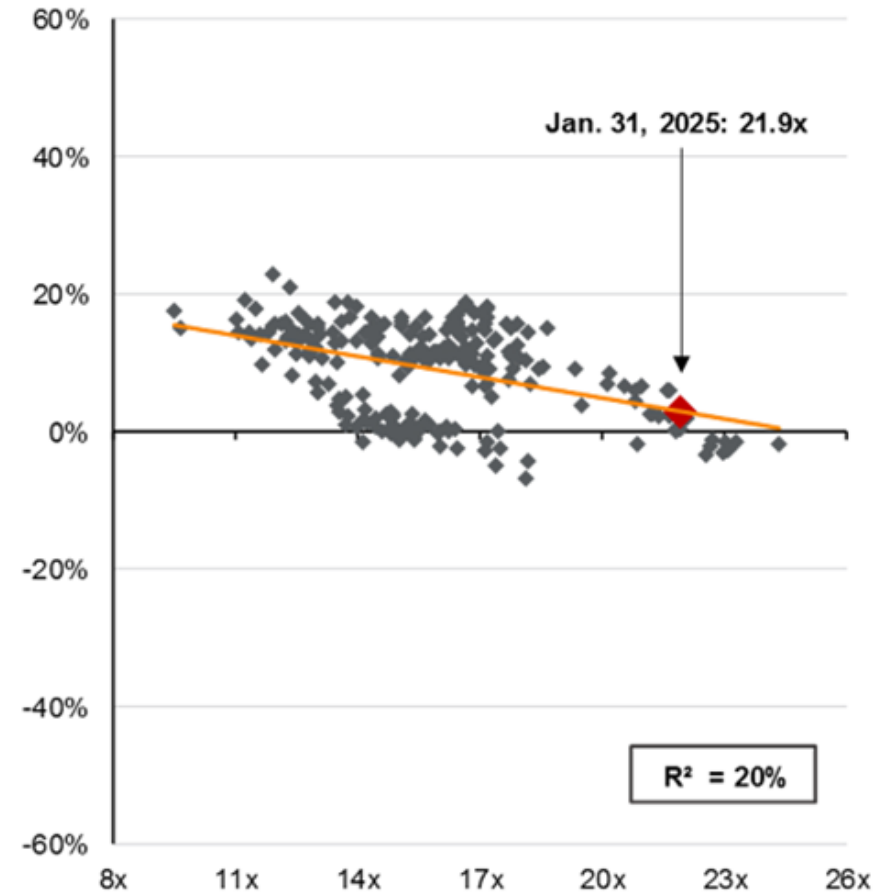


Why It Matters

Forward P/E and subsequent 1-yr. returns
S&P 500 Total Return Index

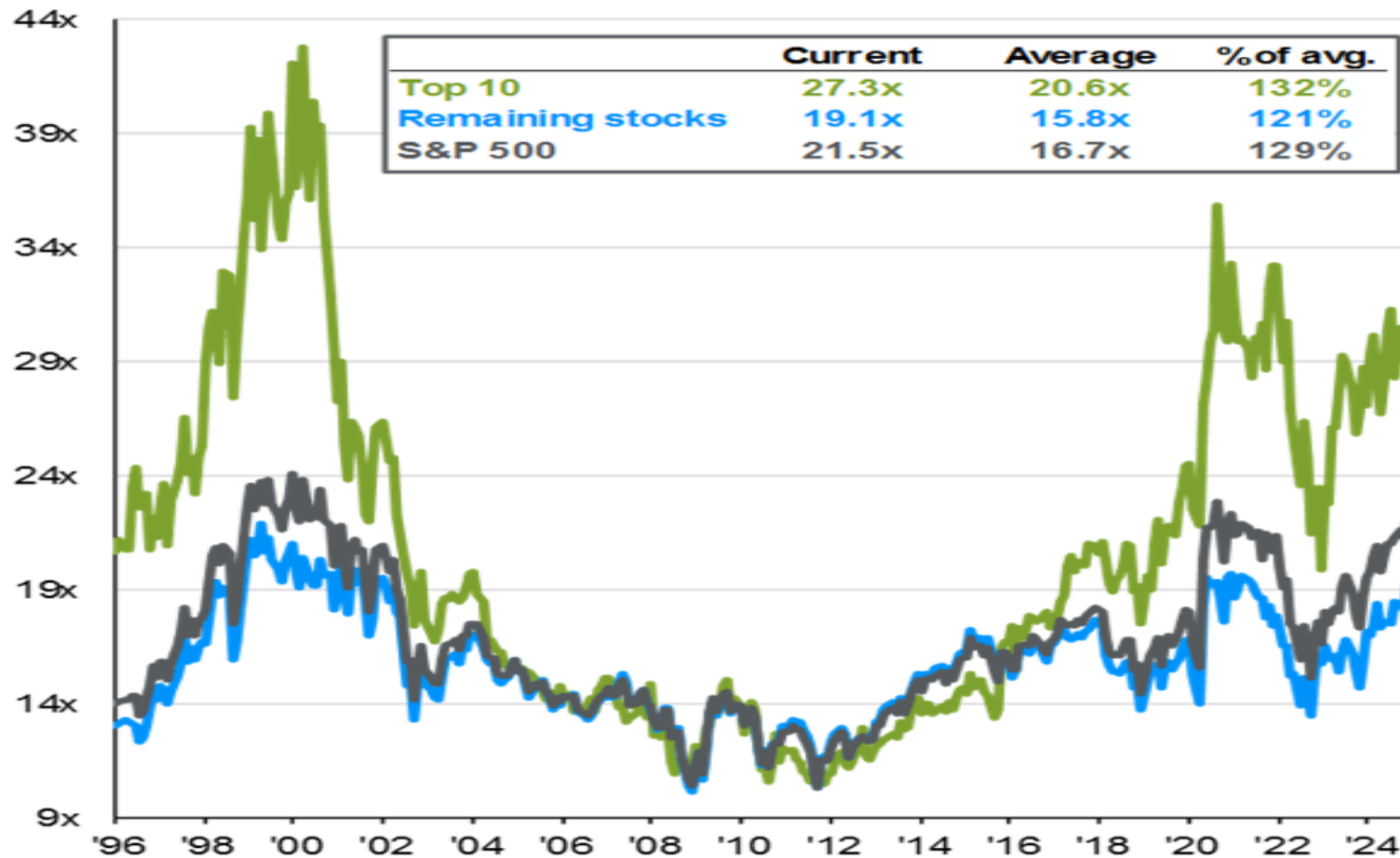


Forward P/E and subsequent 5-yr. annualized returns
S&P 500 Total Return Index



Opportunity Outside Top 10

P/E ratio of the top 10 and remaining stocks in the S&P 500
Next 12 months, 1996 - present



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BFG Tactical Equity Positions

PE Ratios & Returns				
Symbol	Name	PE Ratio	2022	*2025
Top 10	S&P 500 - Top 10	51.16	-37.15%	-8.62%
SCHD	Schwab US Dividend Equity ETF	17.64	-3.24%	4.40%
DUHP	DFA Dimensional US High Profitability ETF	27.89	-11.84%	1.72%
DGRW	WisdomTree US Quality Dividend Growth Fund	24.13	-6.36%	1.26%

DUHP backfilled DURPX for 2022

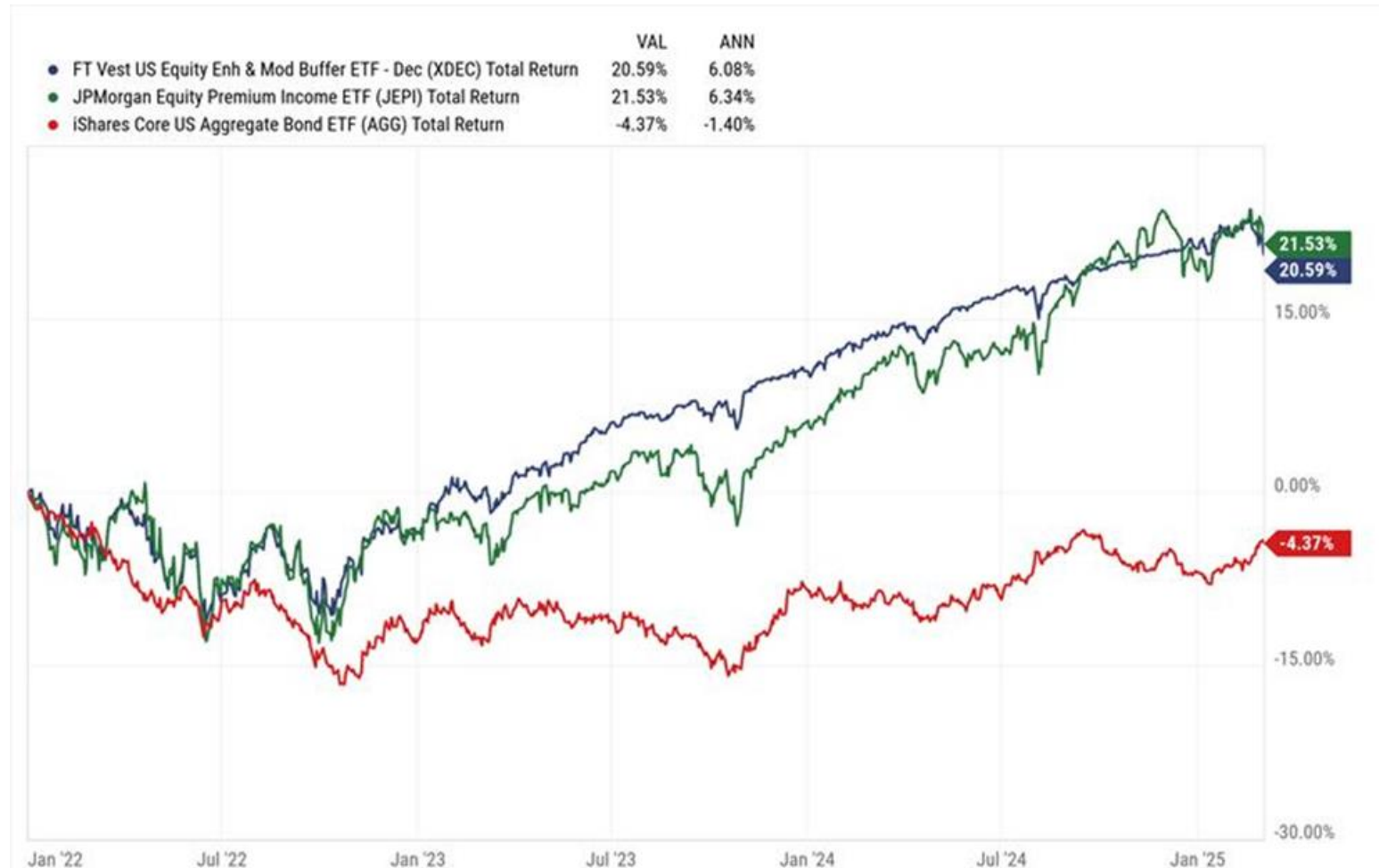
**Indicates as of 3/7/25*

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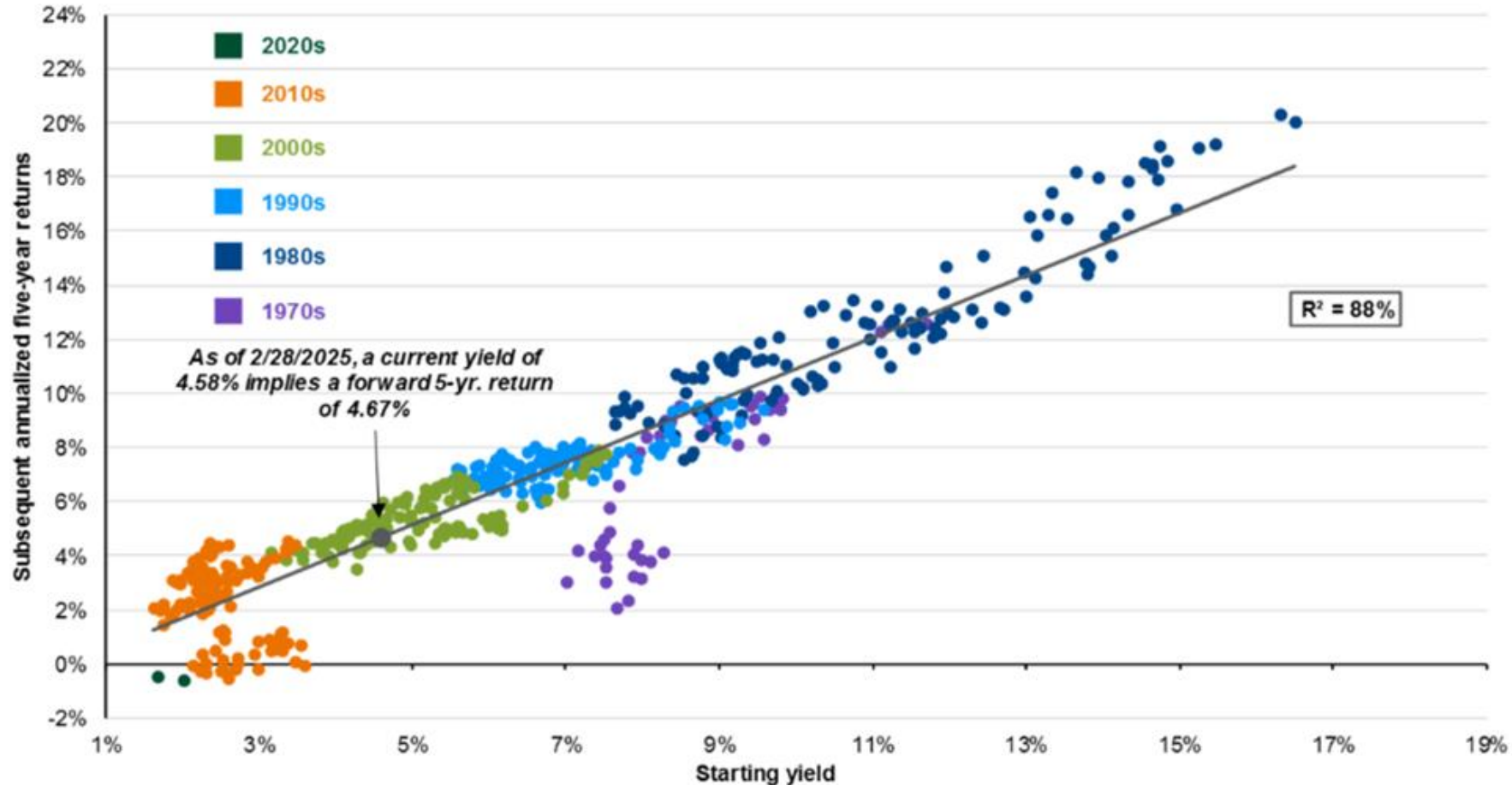
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Continued Outperformance from Alternatives



Attractive Outlook for Bonds

Yield-to-worst and subsequent 5-year annualized returns
Bloomberg U.S. Aggregate Total Return Index



Market Perspective & Outlook



Ryan Bouchey, CFP[®], CPA

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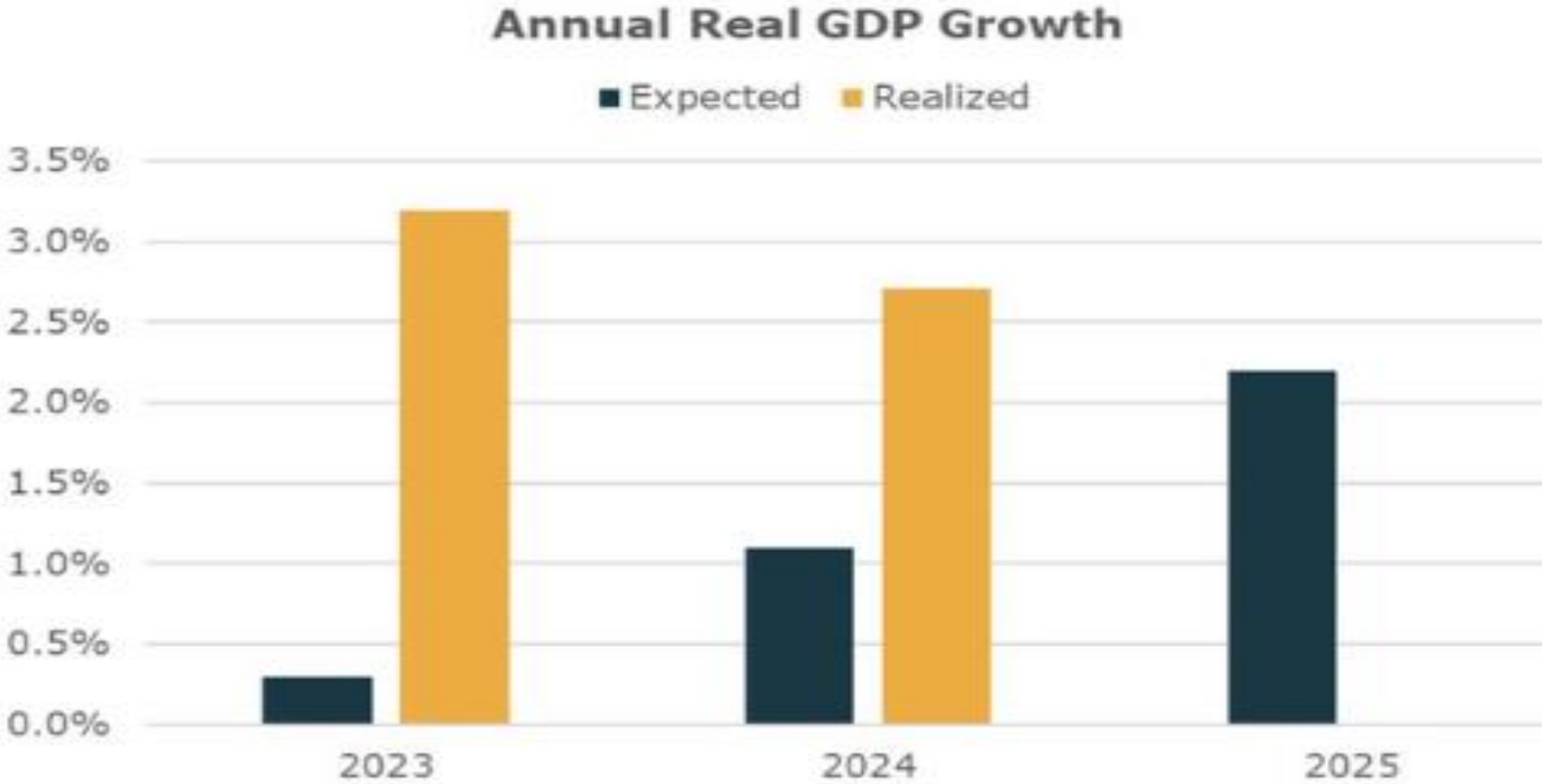


What is your market expectation for 2025?

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Market Expectations vs. Reality

And Why This is Important



Source: Bloomberg and FRED

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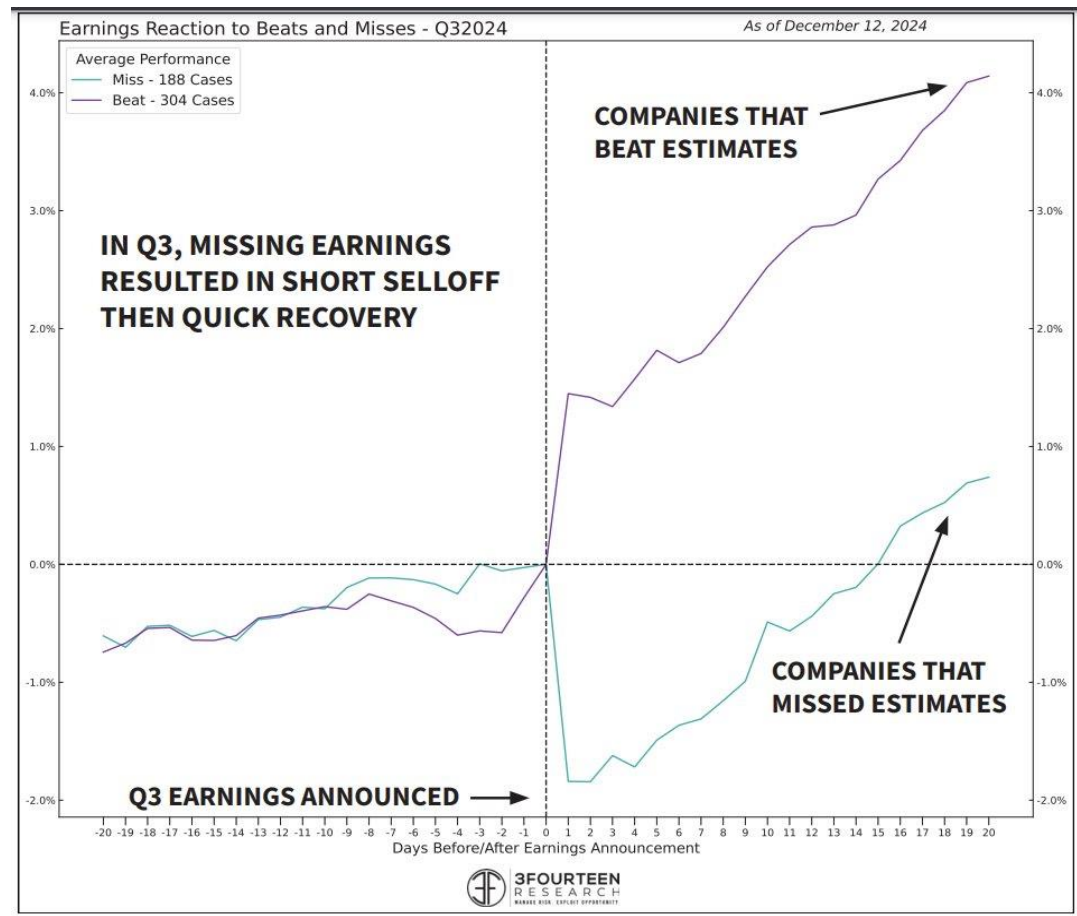
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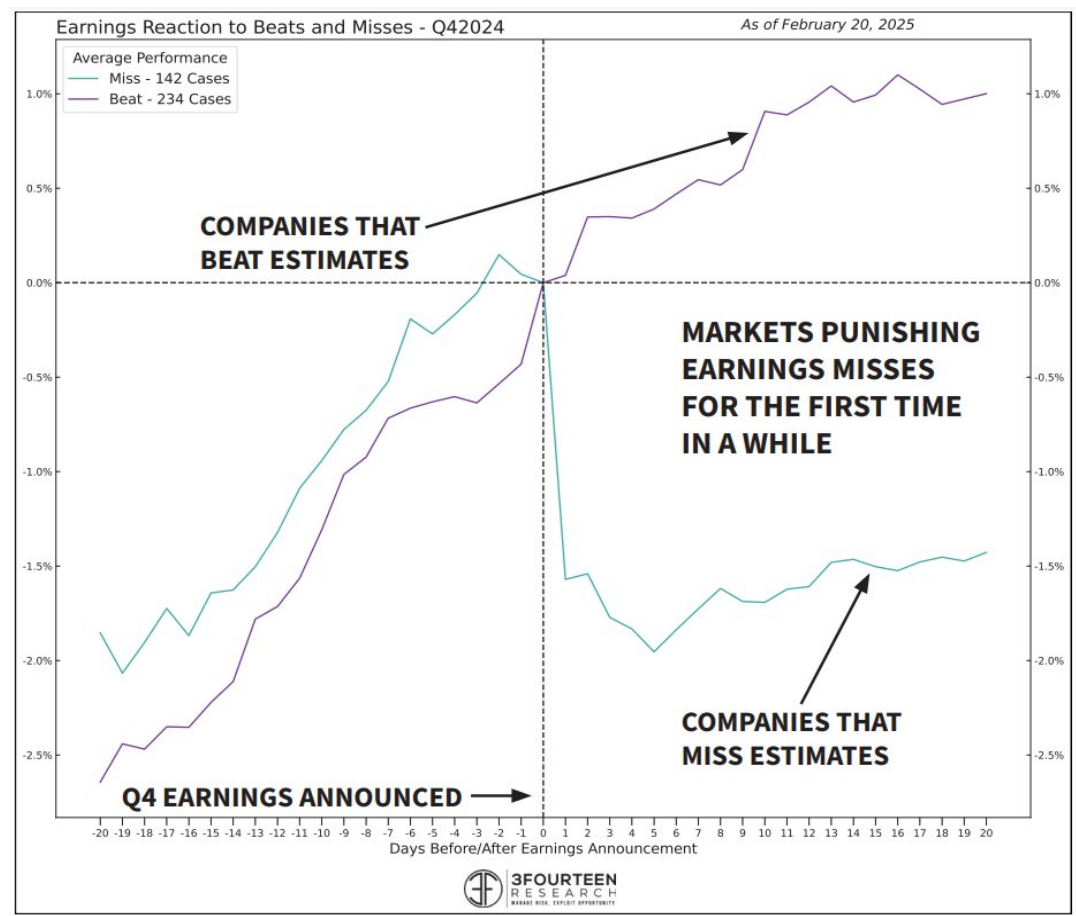
Earnings Matter Again

Impact of Q4 earnings

Q3



Q4

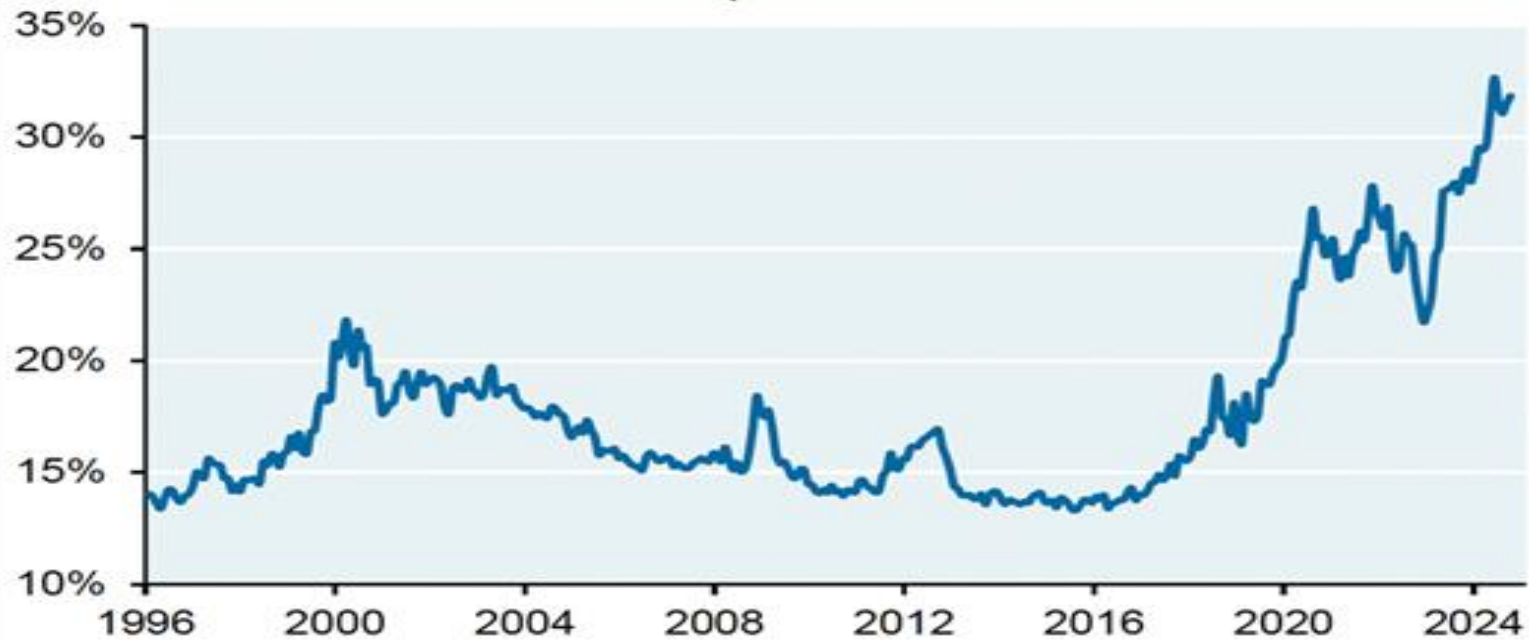


Current Mag 7 Environment

Concentration Risk?

Figure 1: Market Cap of the 7 Largest Companies in the S&P 500

Percent of total index market cap



Source: FactSet, JPMAM, November 30, 2024

Source: *Cembalest*

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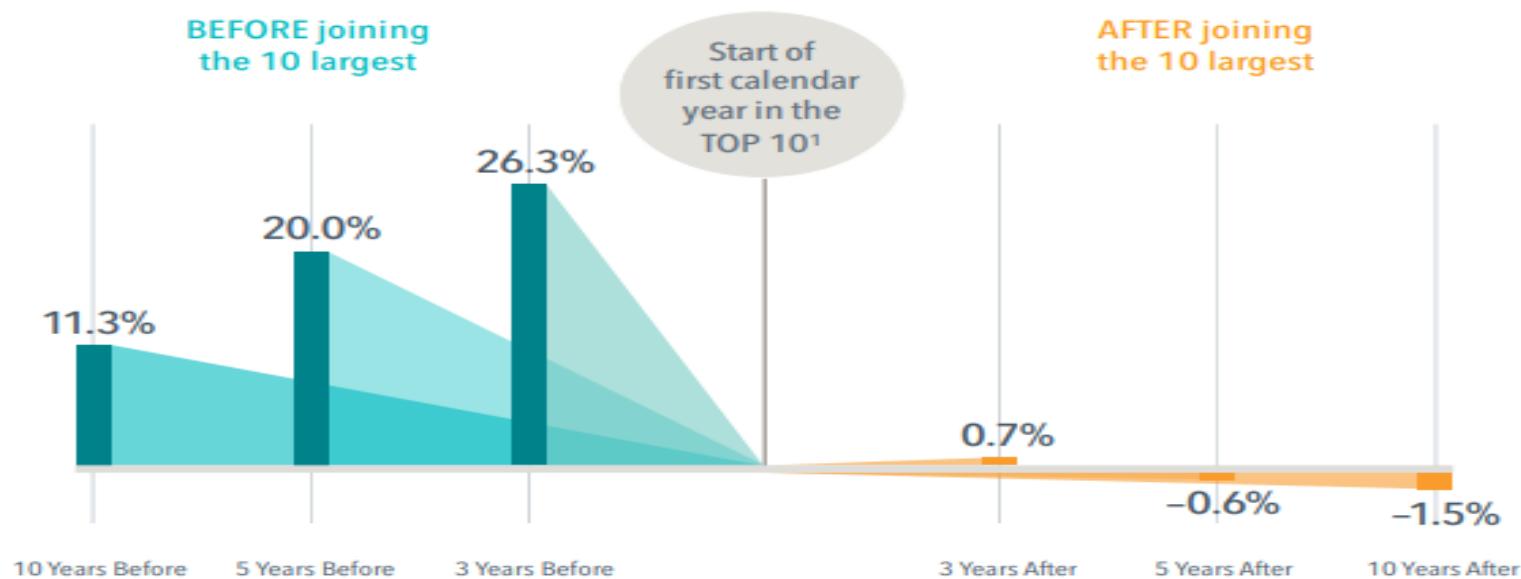
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Impact of the Largest Companies

Leaders in Bull Markets – Can it Last?

AVERAGE ANNUALIZED OUTPERFORMANCE OF COMPANIES BEFORE AND AFTER THE FIRST YEAR THEY BECAME ONE OF 10 LARGEST IN US
Compared to Fama/French Total US Market Research Index ,1927–2021



1. Ten largest companies by market capitalization.

2. Returns are measured as of start of first calendar year after a stock joins Top 10.

Government Concerns

Potential for Short-term Volatility

Areas of Concern

- **Tariffs**
 - Creates market uncertainty
 - Potential for inflation
 - Deflationary from corporate impact
- **DOGE & Cuts to Spending**
 - Long term - good
 - Short-term – could create volatility
 - Economy has been helped by government budget deficits

U.S. tariff rate on aluminum and steel imported from Canada

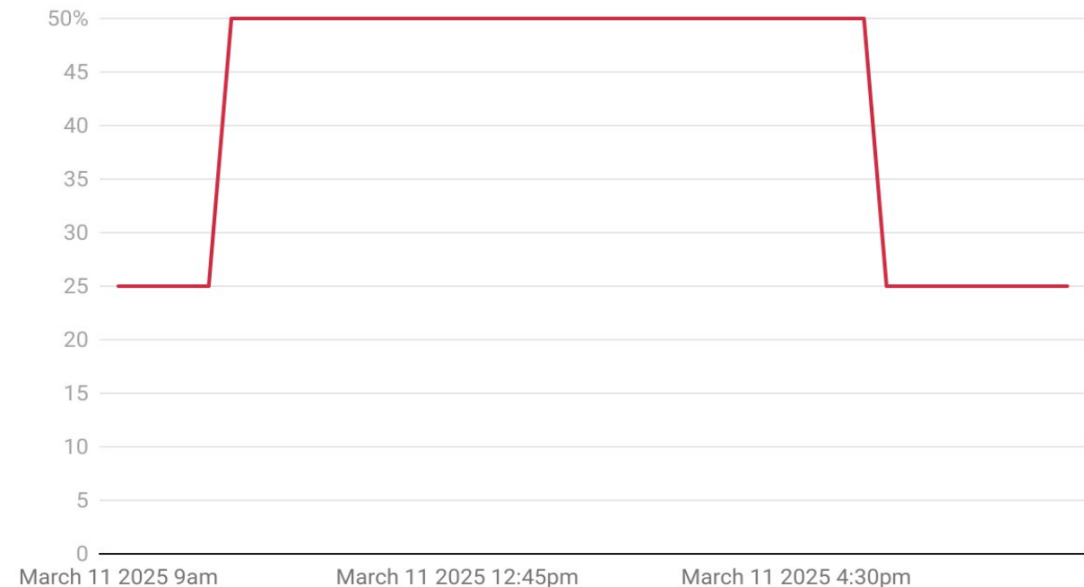
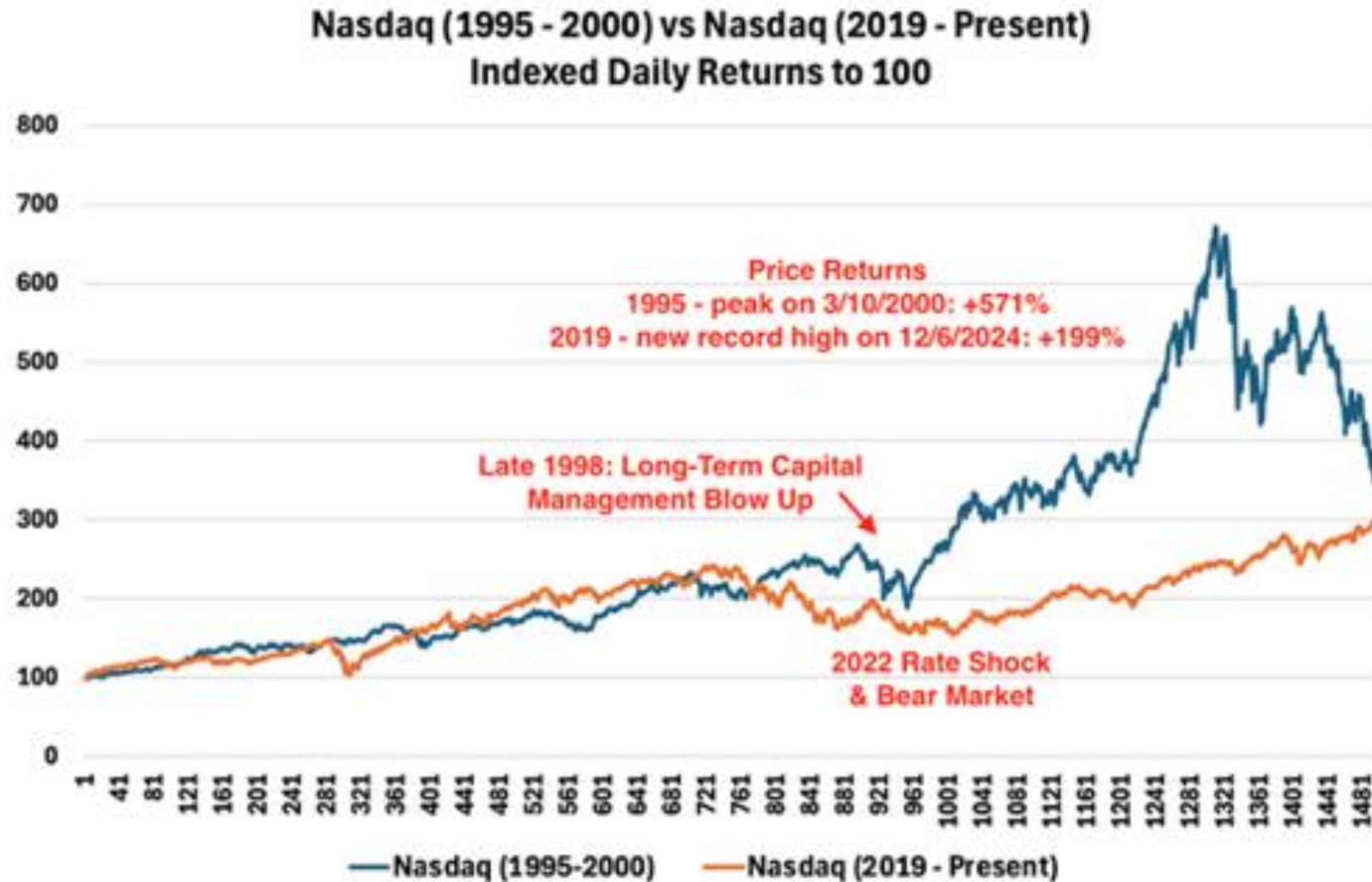


Chart: @JustinWolfers • Created with Datawrapper

Reasons for Optimism

Today's Bull Market is Not 2000

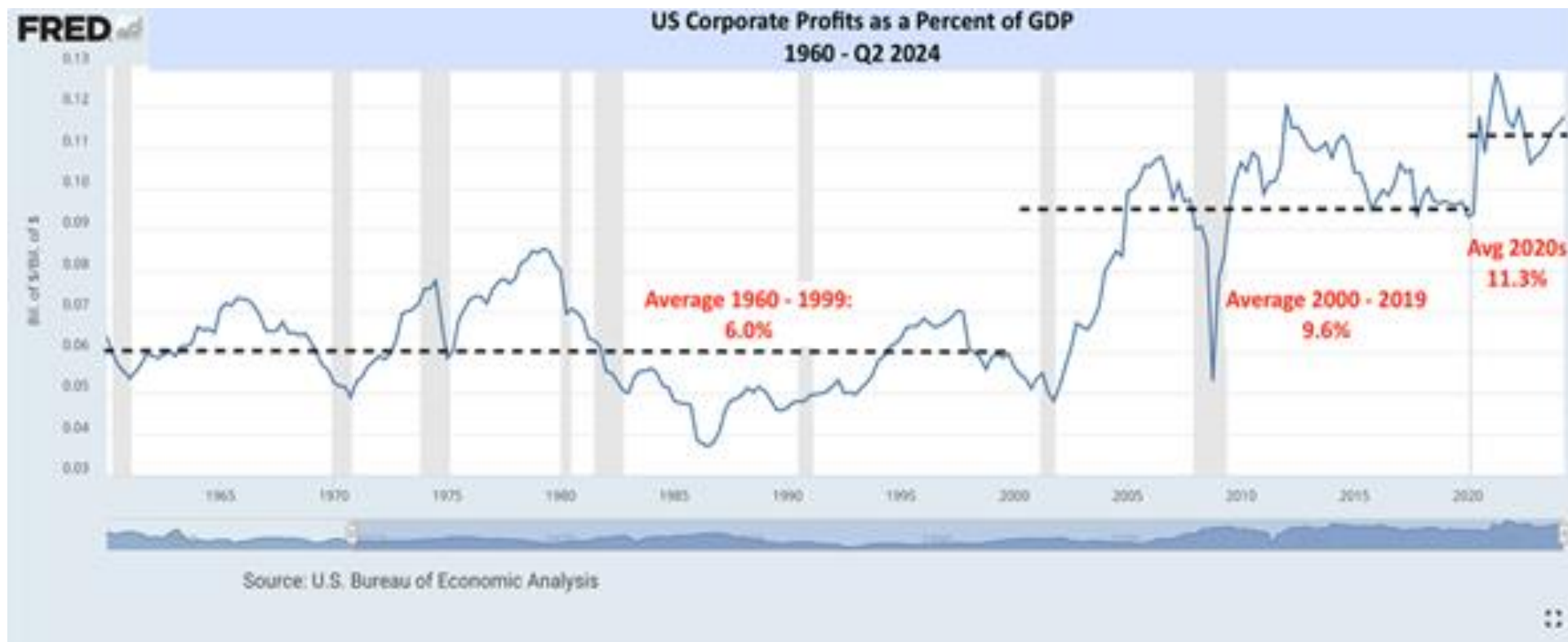


*DataTrek

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Reasons for Optimism

Profit Margins Better Than Ever

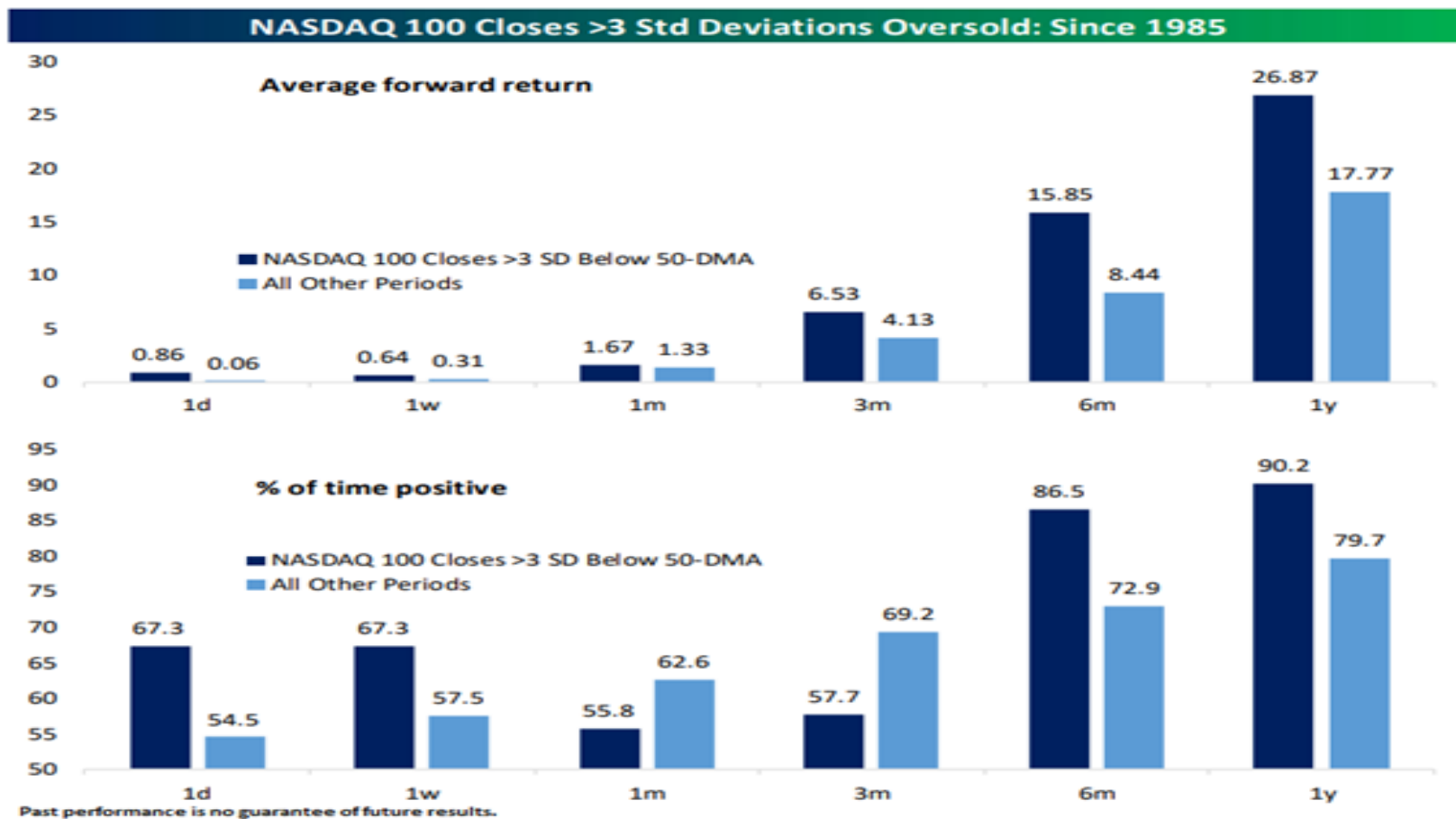


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Reasons for Optimism

Extreme volatility tends to be short-lived

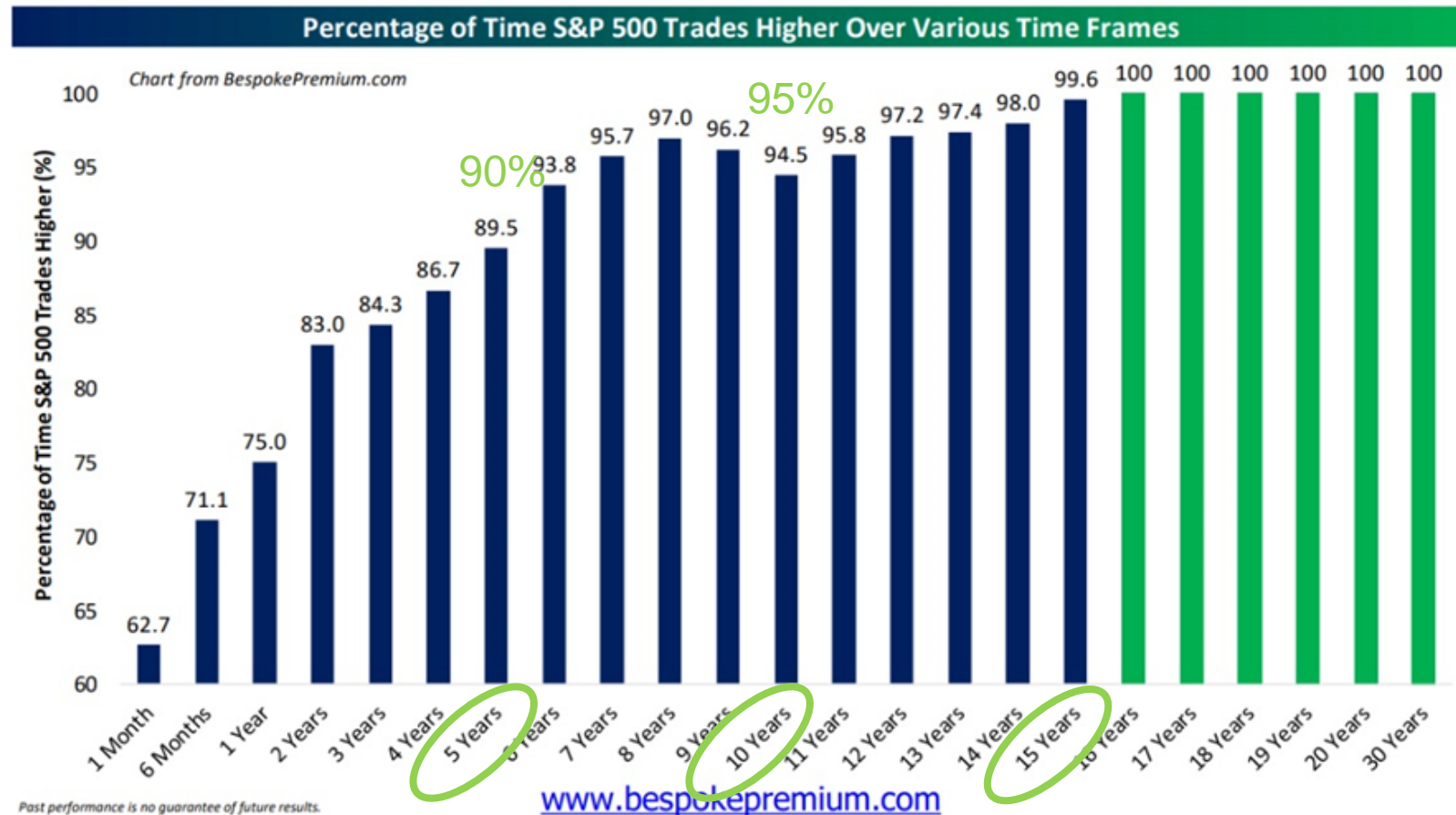


*Bespoke Investment Group

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Reasons for Optimism

Time in the Market vs. Timing the Market



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Future Market Outlook

Market Perspective for 2025:

- **Changing market dynamic is at play**
 - Expectations vs. reality moving in the wrong direction
 - Diversification will provide stability
 - Earnings & quality will benefit shareholders
- **Volatility will remain as long as there is political uncertainty**
 - Tariffs can be a serious drawback
 - Government spending cuts may impact the economy
 - When does the “Trump Put” kick in
- **Plenty of reasons to stay optimistic**
 - Valuations supported by market dynamics
 - Market rotations happen during bull markets
 - We haven’t even scratched the surface of the AI boom

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Q&A

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Samantha Masey, CFP®

Thank you for joining us!

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