ELSER FINANCIAL PLANNING

2nd Quarter 2025 Newsletter

- Following sweeping tariff announcements on April 2nd, the S&P 500 declined ~20% from recent highs until bottoming on April 8th. The market quickly recovered in May and has reached new all-time highs.
- International markets have provided the highest returns this year, with the MSCI International Index gaining 19.46% and the MSCI Emerging Index up 15.57%. Portfolios that were globally diversified experienced less volatility and higher returns YTD.
- We continue to monitor the proposed tax and spending bill and what impact changes may have on tax and estate planning. As the proposed law continues to evolve, we will provide updates on any adjustments that may be needed.
- The labor market has shown signs of softening with continuing jobless claims remaining elevated and job openings declining steadily the last few years since its peak in 2022.[1]

1: https://www.schwab.com/learn/story/stock-market-outlook
2: https://www.nytimes.com/2025/06/30/business/dollar-decline-trump.html
3: https://www.bls.gov/news.release/cpi.nr0.htm
4: https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/
5: https://www.indianasenaterepublicans.com/bray-holdman-garten-sb-1-saves-homeowners-usd1-3-billion-provides-long-term-tax-reform-and-transparency
6: https://www.kiplinger.com/slideshow/investing/t026-s001-investing-in-gold-10-facts-you-need-to-know/index.html
7: https://www.macrotrends.net/1333/historical-gold-prices-100-year-chart
8: https://www.morningstar.com/etfs/arcx/gld/chart

News and Observations

- The dollar just had its worst start to the year since 1973–dropping over 10% against a basket of major currencies, making international travel and imports more expensive while U.S. exports and assets have become cheaper to foreign buyers. The decline was driven by ongoing trade tensions, inflation concerns, and growing government debt.[2]
- Inflation was reported at 2.4% as of the May CPI report, up slightly from April. With carveouts and postponing of tariffs, it remains to be seen how inflation will change as a result of policy.[3]
- It now costs $776 billion/year to maintain the national debt, which is 16% of total federal spending in 2025. Interest expense has now passed total military spending and will soon surpass Medicare spending.[4]
- Senate Enrolled Act 1 was recently signed in Indiana that provides a property tax credit to homeowners (up to $300 in 2026), higher business property tax exemption, and other limits to local government taxes. Critics of the bill note modest tax savings for residents, but future billions lost for local governments which may result in higher income taxes or reduced services.[5]

Market Index Returns	Q2	2025
S&P 500 (Large Cap)	10.94%	6.20%
Russell 2000 (Small Cap)	8.50%	-1.78%
MSCI International Index	12.33%	19.46%
MSCI Emerging Markets	12.20%	15.57%
US REIT Index	3.06%	4.76%
BofA 1-3 yr Corporate & Govt. Bond Index	1.26%	2.89%

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A Golden Bull Market

- Since the last low in late September of 2022, gold has more than doubled, gaining 25.77% YTD through 6/30/2025.
- Gold is often touted as an inflation hedge, but history has shown repeatedly this does not always hold true. The most recent example was in 2022, when inflation peaked above 9% and gold ended the year slightly negative.
- Although investors who held gold in recent years have been rewarded, investors who have bought and held gold for the long-term have historically underperformed stocks. From 1984 to 2024, the S&P 500 had an annualized return of 11.6% and 10-year Treasuries a return of 5.1%. Over the same period, gold had an annualized return of just 4.3%.[6]
- It is important to note that depending on the time period selected, gold has outperformed stocks in some cases for 10 or even 20 years. However, it is historically common for gold to have stagnant or negative growth for long periods of time. After peaking in 1980, gold prices didn't see a new high until 2007, or a 27-year period of zero growth.[7]
- Inconsistent long-term performance means investors are tasked with deciding when to buy in and when to sell out of gold to achieve outperformance.
- Unlike stocks and bonds, gold offers no claim on future cash flows or promised interest payments. An asset that lacks a sound foundation for delivering a positive expected return should warrant caution for investors looking to include it in their portfolio.
- Before adopting a new component to one's asset allocation, investors should consider the tradeoff that should carefully balance the expected benefit versus the cost of its inclusion.

5-Year Price of Gold vs S&P 500[8]