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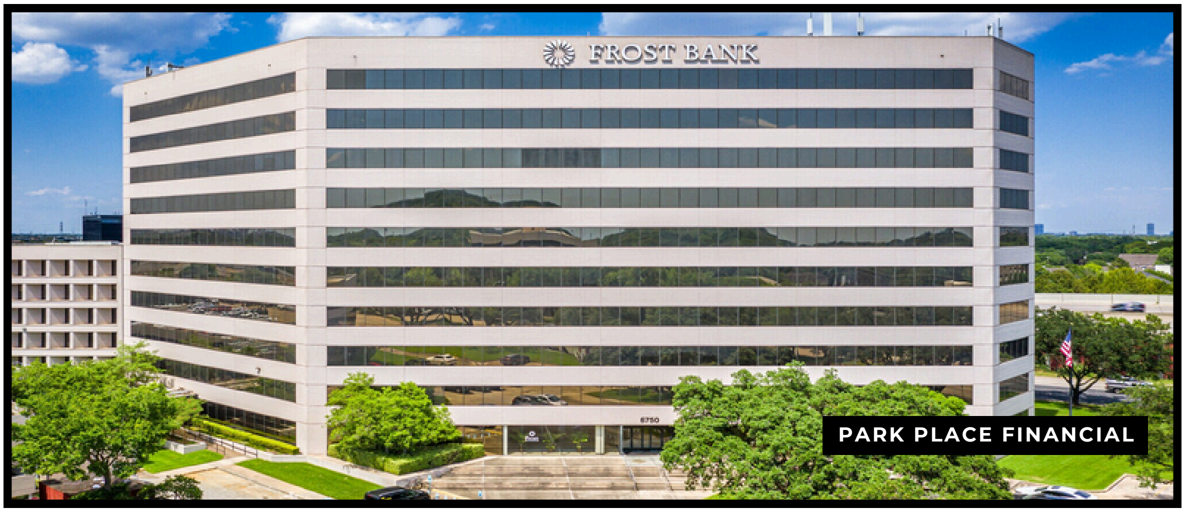

CHRISTOPHER MAURER BREAKS DOWN THE SOCIAL SECURITY FAIRNESS ACT AT TEXAS BAR ASSOCIATION

Chris recently took the stage at the Advanced Estate Planning Course offered by the State Bar of Texas to deliver a timely and informative presentation on Social Security Claiming Strategies and Related Income Tax Issues.

This is the 3rd time the State Bar of Texas has requested Chris to present at this annual conference. Over 300 Texas estate planning attorneys from throughout the state of Texas attended, either in person or by zoom. The presentation was well received and a hearty round of applause resulted at its conclusion. (Perhaps due to the jokes and humor offered as part of the presentation?)

Topics discussed included the recently enacted Social Security Fairness Act, which has eliminated the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO). Elimination of these provisions has increased the social security payments of many retirees receiving government pensions, such as teachers, firefighters, and police officers. Also discussed, among other topics, was the effect of the Social Security Fairness Act on the solvency of the social security system, and how to reduce income taxes on social security payments. Chris also guided the audience as to the calculation of spousal and survivor benefits and issues regarding when to commence social security from both a financial and tax perspective. His breakdown included real-life examples and actionable strategies for helping clients plan effectively for retirement in light of these potential changes. The session was both practical and eye-opening, offering attorneys tools to better advise clients navigating complex Social Security scenarios.

A good time was had both by Chris but also by attendees!!

Tariffs, Tech, and Turning Tides

Buckle Up: Tariffs and Economic Data Shake the Market

It's been a whirlwind month for markets—and not the good kind of whirlwind. Between the White House rolling out a sweeping new set of tariffs and some eye-catching economic data revisions, investor nerves have been tested. The question on everyone's mind: Should I be worried?

Let's break it down.

We've seen this movie before. During President Trump's first term, tariffs were aimed at specific sectors and had a relatively modest impact. But now in "Trump Tariffs 2.0," the stakes are higher: broader goods, bigger price tags, and a faster rollout.

So, what happens when tariffs hit?

- Businesses and consumers pivot—buying from countries not impacted by tariffs.
- Prices rise fastest for goods that are directly targeted (think appliances, auto parts, and furniture).
- Inflation edges up, but usually not dramatically.

Back then? The market adjusted. Now? The adjustments could be sharper—but also more reversible. Tariffs can be undone just as quickly as they're enacted.

Bottom line: Tariffs create short-term noise, but they're not a death knell for the economy or markets. Investors should stay nimble—but not reactionary.

GDP Shock: Real Panic or Optical Illusion?

The Atlanta Fed's GDPNow model recently slashed its Q1 estimate—from +1.8% to -3%. That's not a typo. But here's the twist: the drop wasn't caused by an economic meltdown. Instead, imports spiked as companies and consumers raced to buy goods before tariffs hit. It's less about a weak economy, and more about people trying to beat the buzzer.

Translation: It's a statistical head-fake, not a full-blown recession alarm.

Markets React, But Fundamentals Remain Solid

While the S&P 500 stole most of the media spotlight with its rollercoaster moves, other areas of the market are holding strong:

- International stocks are up 9% YTD, riding the tailwinds of a weaker dollar.
- Healthcare and Staples sectors have quietly posted gains.
- Bonds are up 3% so far, with better yields than we've seen in years.

Global Diversification: The Quiet Hero

With the S&P 500 flat and the NASDAQ down 5%, international equities are doing a lot of heavy lifting. A weaker dollar has made non-U.S. stocks more attractive, and valuation gaps between U.S. and international markets make a strong case for keeping your portfolio globally diversified.
This isn't a new idea—it's just a good one that's working well right now.

Smart Investing = Staying the Course

This won't be the last policy twist this year. Tariffs might ramp up—or get rolled back. Economic data will surprise on both the upside and downside. That's just the nature of markets. The key is not reacting emotionally to every headline. Remember: In 2024, the market dropped 8% in July... and ended the year up over 20%. Corrections are common. Staying disciplined is rare—and powerful.

Fixing America's Finances:
Why Cutting Federal Spending Is Easier Said Than Done

Let's talk about the federal budget—yes, the thing that somehow feels both painfully boring and critically important. Because beneath the headlines and political soundbites lies a fiscal puzzle with real consequences for the economy, interest rates, and your portfolio.

Running on Empty—A Budget in the Red

Balancing the federal budget has been a challenge for generations. Since 1960, the U.S. has spent more than it's earned almost every year, especially during times of crisis—from recessions to wars to pandemics. The Great Recession and COVID-19 both saw massive stimulus efforts that widened the deficit, and while things have improved slightly since then, the gap between spending and revenue remains historically large. In fact, the current deficit is nearly double the long-term average—matching levels not seen since the Cold War era.

The True Cost of Overspending

Consistently spending more than we take in has driven the national debt to record levels. In 2024, U.S. debt reached over 120% of GDP—about twice the historical norm. How does that compare globally? It's on the high end. More importantly, it raises the risk of higher interest costs and limits fiscal flexibility in future crises. So where does all that money go?

Here's the truth: most of the federal budget is already spoken for. Around two-thirds goes to mandatory programs like Social Security, Medicare, and Medicaid. That means nearly 83 cents of every federal dollar is spent before any debate even begins.

What's driving this?

An aging population (aka the "Silver Tsunami") and increasing healthcare costs. Immigration policy also plays a role, since a larger working population helps fund these programs. Despite growing awareness, reforming entitlements remains politically untouchable for now—both parties have largely steered clear of proposing significant changes.

The Quiet Budget Buster: Interest Payments

While mandatory programs get most of the attention, the cost of simply paying interest on the debt is becoming a major issue. For years, low interest rates helped minimize the impact of rising debt. But with rates higher and Fed cuts unlikely in the near term, that safety net is gone. In 2024, interest payments ate up 18% of federal revenue—more than what we spent on defense or Medicare. And speaking of defense: even though it's the biggest piece of discretionary spending, it's also politically insulated. With geopolitical tensions rising and spending at historical lows (as a % of GDP), major cuts seem off the table.

The Trump Administration's Strategy

President Trump is aiming to cut the deficit in half, targeting 3% of GDP through a mix of spending reductions, deregulation, tax reform, and boosted energy production. The plan leans heavily on reaching a sustained 3% growth rate—a tall order in today's global landscape. One notable initiative is the Department of Government Efficiency (DOGE), which has made headlines by cutting contracts and trimming the federal workforce. But there's a limit to what DOGE can do—it only oversees non-defense discretionary spending, which makes up just 14% of the budget.

What About the Markets?

Despite the budget headlines, Wall Street has largely kept its cool. Investors are more focused on inflation, trade tensions, and near-term economic data than the long-term deficit fight—at least for now. But the conversation around debt and spending is becoming harder to ignore. As interest costs rise and entitlement programs expand, the challenge of getting the budget under control grows more urgent.

Trading Places: How the U.S. Became a Nation of Importers

From Free Trade to Trade Troubles: A Quick History Lesson

For most of the 20th century, the United States sold more than it bought. We were the world's supplier after World War II—manufacturing everything from cars to refrigerators and shipping it across the globe. But things began to shift. In the 1970s, as other countries caught up in competitiveness and the oil crisis sent shockwaves through global economies, America's manufacturing dominance started to fade. Fast forward to the 1990s: Enter NAFTA, the WTO, and the golden age of globalization. Trade barriers fell, outsourcing surged, and consumers cheered as prices dropped and store shelves overflowed with options. But beneath those low prices, something deeper was shifting.

The Rise of the Trade Deficit

As American companies chased lower costs overseas—especially in countries like China—the U.S. began importing far more than it exported. Our trade balance slipped into the red and stayed there. Fun Fact: Our biggest exports today? Energy and autos. Our biggest imports? Also energy and autos. It's a tangled web of parts, production, and final assembly zigzagging across borders.

Where Are We Now?

Globalization gave us plenty—cheaper electronics, endless variety, and new markets. But it also came with hidden costs: A shrinking domestic manufacturing base, an outsized reliance on fragile global supply chains., and strategic vulnerabilities in industries like semiconductors and pharmaceuticals. COVID-19 brought these risks into sharp focus. And policymakers are responding.

A New Direction: What's Changing

1. Onshoring - Expect more factories, chip plants, and drug production right here at home. It's about jobs, yes—but also about national security. **2.** Tariffs - They're back. Like them or not, tariffs are a favorite tool of policymakers to level the playing field for American businesses by making foreign goods more expensive. **3.** Rewriting the Rules - Multilateral trade pacts are taking a backseat to more focused, bilateral deals. The goal? More leverage, fewer compromises.

Why It Matters to You

The world isn't abandoning trade, but the rules are being rewritten. For investors, this means a few things: Sectors tied to domestic manufacturing and infrastructure could benefit. Volatility may persist as new policies evolve and global supply chains adjust. Long-term, expect a gradual rebalancing between global exposure and domestic investment opportunities. Globalization isn't dead—but it's being remodeled, and the blueprints look very different from the past few decades.

PARK PLACE FINANCIAL	713-667-4884
www.parkplacefinancial.co	6750 W Loop South Ste. 825 Bellaire, TX 77401