2025 Fourth Quarter Newsletter

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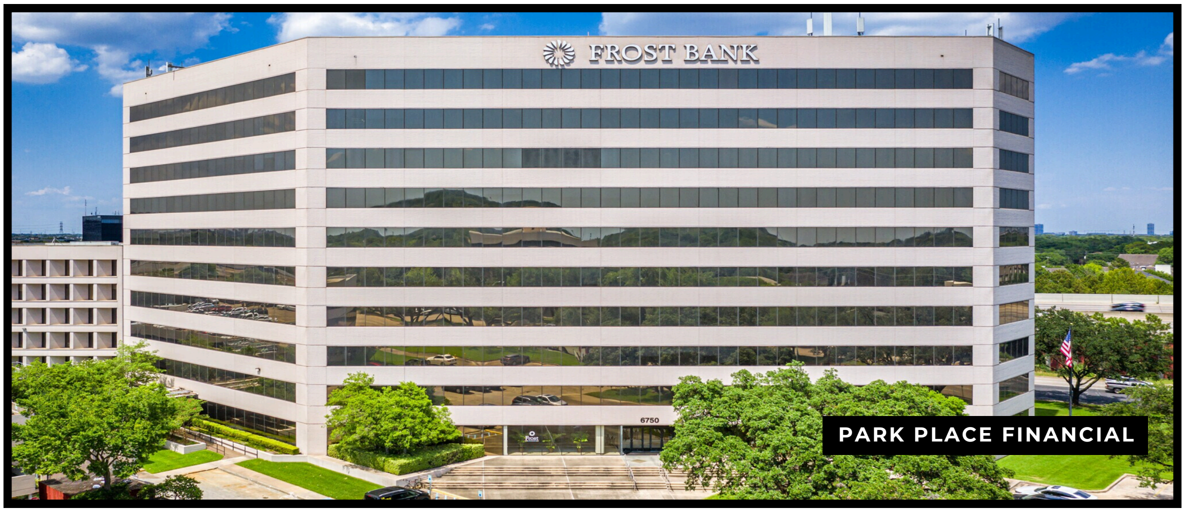

Key Takeaways from the Fourth Quarter

Markets Reach New Highs

- U.S. stocks hit record levels in the third quarter, supported by strong corporate earnings and policy clarity. All 11 S&P 500 sectors are now positive for the year, led by Technology and Communication Services. Industrials also benefited from increased infrastructure spending. Bonds rallied as interest rates declined across maturities, and confidence improved following the One Big Beautiful Bill Act and the Federal Reserve's renewed rate cuts after nearly a year-long pause.

The AI Effect Drives Growth

- Artificial intelligence remains the biggest force behind 2025's market gains. Tech and Communication firms are spending hundreds of billions on AI infrastructure, which has fueled profits and accounted for nearly 60% of S&P 500 earnings growth. The build-out of data centers and networking equipment has also lifted Industrials, while previously lagging sectors like Consumer Discretionary and Healthcare turned positive.

Economic Resilience with Caution Ahead

- The economy remains resilient, with GDP expected to grow 3.8% this year. However, job growth is slowing, and unemployment has risen slightly to 4.3%. The Fed cut rates in September and is expected to ease further if the labor market weakens. Continued AI investment and incentives from the OBBBA should support growth, though trade tensions and the government shutdown pose risks. Staying diversified and disciplined remains key as markets adjust to slower growth and shifting monetary policy.

In this newsletter you can expect:

RETIREES GRAPPLE WITH 401(K) CHOICES

As retirement approaches, one of the most important financial decisions you'll face is what to do with your 401(k). For decades, this account has quietly grown through payroll contributions and market growth. But once you retire, it becomes your responsibility — and the choices you make now can shape your income and tax strategy for years to come. Most retirees face two main paths: roll the account into an Individual Retirement Account (IRA) or leave the money in the employer plan. (While cashing out is possible, it's rarely advisable due to taxes and penalties.) Each option carries trade-offs involving investment flexibility, costs, and fiduciary protections. Here's what to consider for both.

Rolling Over to an IRA

More Investment Options

IRAs typically offer a much broader menu of investments than most employer plans. You'll have access to exchange-traded funds (ETFs), mutual funds, and even alternative investments such as real estate, hedge funds, and precious metals. Many ETFs have low costs — especially index-based options — and IRAs allow you to hold individual stocks or bonds, which most 401(k) menus don't. This flexibility makes IRAs a popular choice for investors who want more control or customization.

Streamline Your Accounts

If you've changed jobs over the years, you might have multiple old 401(k)s sitting with former employers. Rolling those into one IRA can simplify your retirement finances — making it easier to track investments, manage withdrawals, and plan for estate matters later on.
Having fewer accounts can also help your spouse or heirs when it comes time to manage your affairs or settle your estate.

More Flexible Payouts

IRAs generally offer more flexibility for withdrawals. You can choose monthly, quarterly, or annual distributions — or take lump sums as needed. By contrast, some employer plans limit how often or how much you can withdraw, and may not allow variable amounts. Withdrawals from an IRA are taxable, and a 10% early-withdrawal penalty applies before age 59½. Still, retirees appreciate the freedom IRAs provide — and you can even add an annuity to generate guaranteed income for life. While few 401(k) plans include annuity options, recent Secure Act and Secure 2.0 legislation now allow employers to add them — a trend that's slowly growing.

Sticking With Your 401(k)

Costs and Fees Could Be Lower

Employer-sponsored 401(k) plans often benefit from institutional pricing — lower investment and management fees negotiated on behalf of many participants. For retirees who value cost efficiency, staying in the plan may help preserve more of their returns. Most 401(k)s also offer access to target-date funds, which automatically adjust your investment mix over time as you age.

You Can Tap the Money Sooner

Need to access your savings before age 59½? Many 401(k) plans allow penalty-free withdrawals starting at age 55 if you've retired from that employer. That's four and a half years earlier than the general IRA withdrawal age.

Overwhelmed With Options

While more choice can be empowering, it can also make decision-making more complex. Many retirees find it challenging to evaluate different investment options, risk levels, and fee structures — which can lead to unintentional mistakes. For some investors, the simplicity and structure of keeping assets within a 401(k) plan can help provide confidence and consistency.

STRUCTURED PRODUCTS

At Park Place Financial, we offer structured notes as part of the alternative investment options available to our clients. These products can provide attractive income potential, market-linked growth opportunities, and, in certain cases, principal protection. Below are two examples of structured products explained in more detail.

Goldman Sachs Momentum Builder Focus ER Index Note

The note tracks the Goldman Sachs Momentum Builder Focus ER Index, a diversified benchmark designed to capture momentum across equities, fixed income, and alternative asset classes. Each year, the note is reviewed to determine whether the index has reached its autocall threshold—starting at 100.50% of its initial level and increasing by 0.50% each year. If the index is at or above that threshold on a review date, the note is automatically called. When that happens, investors receive their full principal back plus the annual interest rate, which for this month's issue is 7.80%. This interest rate fluctuates monthly depending on market conditions and the terms available at issuance. If the index hasn't met the threshold, the note continues to the next year with a slightly higher hurdle. This gradual increase is known as the "step-up" feature.

For example, suppose the note begins at an index level of 100. In the first year, the index would need to reach 100.50 (a 0.5% increase) for the note to be called. If that happens, the note ends early and pays back the principal plus the 7.80% annual interest for that year. If the index finishes below that level, the note continues to year two, where the threshold rises to 101.00 (up 1% from inception). If it's called then, the investor receives their principal back along with interest for year 1 and year 2. This pattern continues annually until year eight, and if the note is never called, investors receive their entire principal back at maturity. Historically, similar notes have been called back within about three years, as the index has typically met the call threshold earlier in the term.

Bank of America Income Note

This Goldman Sachs-issued note offers investors the opportunity to earn 9.0% annual interest, paid monthly, as long as the markets remain reasonably stable. The note tracks the S&P 500, Nasdaq 100, and Russell 2000. Each month, it checks the performance of all three indexes. If the worst-performing index hasn't fallen more than 25% from its starting level (meaning it's above 75%), you'll receive that month's interest payment. If any of them drop below that threshold, the payment is skipped for that month, but future months can still pay if markets recover. Goldman Sachs also has the right to call the note early after six months—ending the investment and returning your principal plus any earned interest if market conditions are favorable. At maturity, as long as the lowest index hasn't dropped more than 40% (above 60% of its starting value), you'll receive your full principal back. If it falls further, your principal will be reduced by that same percentage.

For example, if the S&P 500, Nasdaq, and Russell 2000 each stay above 75% of where they started, you'll receive your 9.0% annual interest, paid out monthly. If one index dips below that level for a time, you'll miss payments until it rebounds above the 75% mark. As long as none of the three fall more than 40% by the end of the note's term, you'll get your full investment back. This structure allows investors to earn a strong income stream while having a cushion against moderate market declines.

Thank you for reading!

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