

March 2025

# BULLSEYE

INVESTMENT MANAGEMENT

## Market Commentary

The market trended higher until February 19th. Since then, the S&P 500 has declined nearly 7% as of Thursday, March 6th, while the Nasdaq 100 has dropped almost exactly 10%. Year to date, the S&P 500 is down 2.28%, and the Nasdaq has fallen 4.50%.

What's driving this decline? While some point to the Trump tariffs, pinpointing the exact cause of market movements is always difficult. The market has been rising for two years, and so far, this remains a relatively small pullback. We do not believe the Trump tariffs will exacerbate inflation. Although tariffs increase costs by adding taxes at the country of origin, history suggests limited inflationary impact. During the previous Trump administration, numerous tariffs were implemented, yet inflation remained low. Additionally, many proposed tariffs may not materialize, as they often serve as a bargaining tool for broader policy objectives.

Even when tariffs are enacted, their impact can be offset by other economic forces. For example, the U.S. is imposing new tariffs on various Canadian products—just as Canada has done with U.S. goods. However, the weakening Canadian dollar is effectively neutralizing some of the tariff's impact.

We conducted an informal analysis of approximately 3% of our balanced accounts, and since January 1st, our average loss was just 0.36% or 84% less than the S&P 500's decline of 2.28% over the same period. This suggests that our portfolios are holding up well in the current market. Our focus on buffered ETFs and current income continues to provide stability. Of course, individual results may vary, especially for those with more aggressive investment strategies.

Meanwhile, interest rates have been falling again—arguably the biggest economic story getting little attention. This is broadly positive for the economy. Mortgage rates, which were near 8% just a few months ago, have now dropped into the 6% range. According to The Wall Street Journal, the national average for a 15-year mortgage rate was 6.11% last week.

The potential for reduced federal spending may be contributing to this decline. If you've been waiting for lower rates before entering the housing market, now may be a good time to start looking. Additionally, the decline in 10-year Treasury rates reflects this broader trend, which we continue to monitor closely.



## IRA Contribution Deadline

You still have time to make your 2024 contributions! The deadline for 2024 tax-year contributions is April 15, 2025. If you haven't yet maximized your traditional IRA contributions, you can still do so—and in many cases, qualify for a tax deduction. However, keep in mind that income limits may affect the deductibility of traditional IRA contributions for higher-income individuals.

If your income falls within the allowable range, you may also be eligible to maximize your Roth IRA contributions for 2024. If your income exceeds the threshold, a backdoor Roth contribution may be an option—provided you don't already have a traditional IRA. Refer to the chart for more details (MFJ = Married Filing Jointly). If you have any questions about your eligibility or contribution strategy, we're

## Corrected 1099s

Both Axos and Schwab have issued corrected 1099s, though not everyone will receive one. These corrections are not due to errors by Axos or Schwab but rather the complexity of tax reporting regulations. Congress has created numerous income categories, and investment products like ETFs and mutual funds hold a wide range of securities. Occasionally, a company or investment will reclassify a dividend or distribution, requiring the ETF to adjust its reporting—ultimately leading to a corrected 1099 from custodians like Axos or Schwab. The root of the issue lies in the sheer number of tax categories and the tight deadlines for reporting shortly after year-end.

If you've already filed your taxes and received a corrected 1099, your tax professional can amend and refile your return, and they typically won't charge for minor corrections. Additionally, if you have a taxable investment account (not an IRA), filing before the end of March may not be advisable, as you risk needing to amend your return due to late corrections. Waiting a little longer could help you avoid unnecessary revisions.

## Axos Paperwork

To facilitate the transition of any remaining accounts still held at Schwab (15%), the majority clients with accounts yet to be moved should expect a phone call from the Bullseye office during the week of the 17th. This call will be to confirm your on-file details and ensure a smooth transfer.

Following this phase, we anticipate that all clients—except for a few unique cases (which may not be immediately apparent from the client's perspective)—will be fully transitioned to Axos. For those edge cases, we will begin reaching out personally at the end of March.



## RMD Notification

Earlier this year, Axos sent RMD (Required Minimum Distribution) notifications to clients impacted by this IRA rule. These notices were simply informational. Rest assured, we have the same data and are fully aware of the need to satisfy RMDs by year-end.

If you'd like to review your income strategy or explore ways to reduce the tax impact of your RMD, feel free to connect with your representative to discuss your options.