

MARKET OBSERVATIONS — Chris Guinther, Senior Investment Strategist & Wealth Manager

The second quarter was a period of extremes. In early April, the equity markets briefly fell into bear market territory, having declined more than 20% from the highs on worries about the “Liberation Day” tariff announcements and risk of inflation. But, after the initial tariff plan was put on “pause”, stocks began to recover. By the end of the quarter, major equity indices finished up almost 11%, which equates to the best quarterly performance since 2020. The changes coming out of Washington appear to be encouraging investors to buy stocks in anticipation of higher earnings over the next several years. Risks to the U.S and the worldwide economy are, of course, still very high.

For the second quarter ending on 6/30/25:

Q2 2025

S&P 500 Index	10.9%	Nasdaq Composite	8.%
Russell 2000 Index	8.5%	Bloomberg US Aggregate Bond	1.2%
Dow Jones Industrial Average	5.5%		

To recap, the quarter began with President Trump announcing a surprisingly aggressive tariff plan on April 2. Between April 2 and April 8, the S&P 500 dropped by over 12%. That was the worst four trading-day drop since March of 2020. Then, on April 9, Trump announced a “pause” on the most severe of the tariffs, touching off a 9% rally in a single day. That rally was the largest one-day gain for the S&P 500 since October 2008 and the 8th largest percentage gain ever. The rally continued in May and June, and by the end of the quarter, global stocks were hitting new all-time highs.

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Strong Earnings

Part of the continued rally came from strong earnings reports. During the quarter 78% of S&P 500 companies reported earnings that were above Wall Street forecasts. Traders had been bracing for a more negative earnings season and were especially worried that companies would forecast weaker profits in the back half of the year. So far this has not happened and there haven't been any significant negative pre-announcements for second quarter earnings either.

No Sign of Inflation Yet

Another major positive that helped boost stocks this quarter was a lack of inflation. The May Core PCE inflation figure came in at +0.18%, suggesting that tariffs haven't had a meaningful impact on overall prices just yet. In fact, inflation over the last three months has been at just a 1.65% annualized pace¹, below the Fed's 2% target. That may make it easier for the Federal Reserve to cut rates later this year. It seems likely that the Fed would already be considering cutting rates right now if not for concerns about tariffs causing future inflation. At the very least, these tame inflation reports tell us that there isn't excess inflation pressure outside of tariffs. If inflation remains benign and the economy does slow later this year, the Fed has room to cut rates more aggressively to help forestall any potential recession.

AI Adoption Accelerated

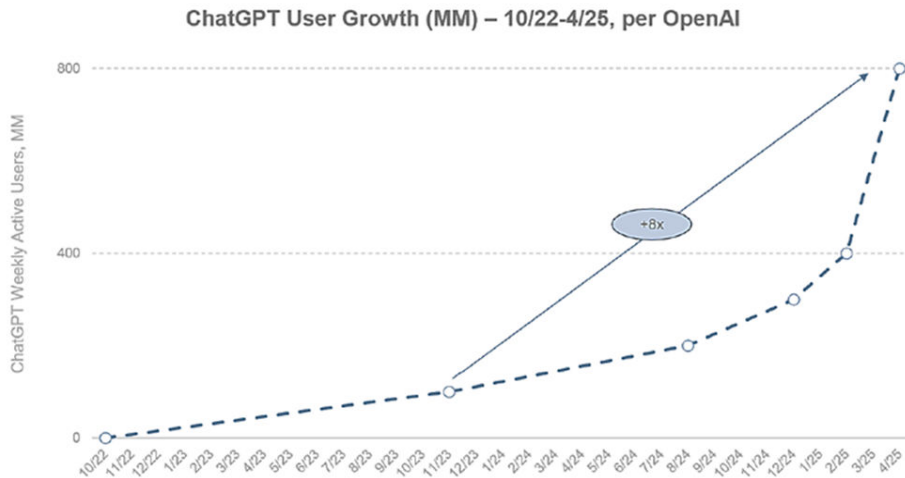
MONTAG RESEARCH recently put out a large piece highlighting the growth and recent acceleration of AI. You can read that report at : <https://montagwealthmanagement.com/AI-investing/>

Today we have a large number of companies racing to create AI products. This ranges from the Large Language Models (OpenAI, xAI, Anthropic, Alphabet, Meta, etc.) to the myriad of companies trying to create AI-based tools. All of these companies need things like semiconductors, data center capacity, more speed and memory, and access to Large Language Models.

MARKET OBSERVATIONS *continued from page 1*

It feels like 1995 all over again, but the pace and adoption is 10x faster and the significance is thought to be far greater. As mentioned for many quarters now, investments in this theme are important and growing.

AI User Growth (ChatGPT as Foundational Indicator) = +8x to 800MM in Seventeen Months

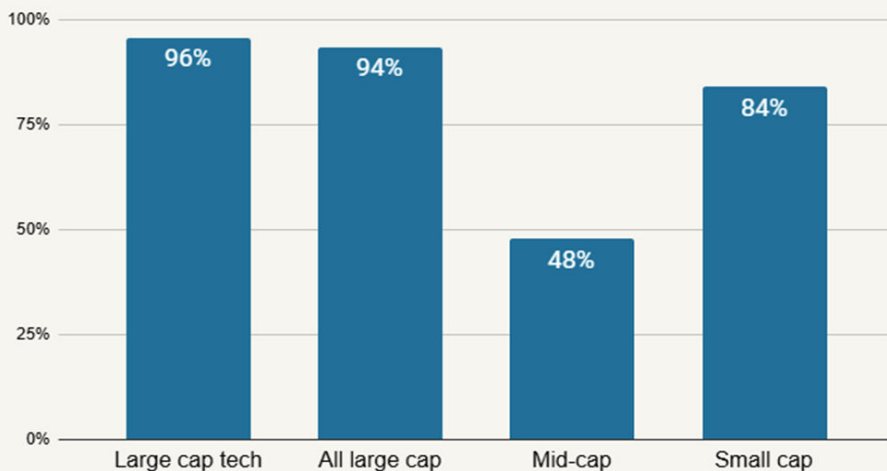


Source: OpenAI Disclosures

OpenAI reports Weekly Active Users which are represented above. 4/25 estimate from OpenAI CEO Sam Altman's 4/11/25 TED Talk Disclosure.

Valuations are very high

P/E valuation percentiles vs. last 20 years



Source: Dow Jones S&P Indices, Russell Indices, Bloomberg

It seems the AI boom is just beginning, but investors will need to understand the risks given the already high valuations. To stay invested in this theme and to continue riding what could perhaps be a very rewarding growth trend, not too different than what occurred during the internet era, allocations and investments here will need to be closely watched and measured.

As we head into the summer months, we recognize that markets, the economy and politics will be action packed. As your trusted advisor, we at MONTAG Wealth will remain vigilant, assessing potential impacts on your investments and proactively managing your portfolio to provide you with peace of mind over the long term.

As always, we encourage you to reach out to your wealth management team with any questions along the way. **M**

Source:¹ <https://en.macromicro.me/collections/5/us-price-relative/93782/us-core-pce-annual-rate-change>

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How the “One Big Beautiful Bill Act” Could Impact High-Net-Worth Families

By Jackson Keenan, Director of Financial Planning, CFP®, APAMA™

Key Takeaways

Estate Planning Advantage: The estate and gift tax exemption has been permanently increased to \$15M per individual, offering expanded opportunities for wealth transfer.

Temporary Social Security Deduction: From 2025 to 2028, retirees with moderate income may qualify for a new deduction on Social Security income.

Enhanced SALT Deductions: Raised to \$40,000 (or \$20,000 for married filing separately.)

100% Bonus Depreciation: Businesses can fully expense qualifying assets, with the deduction limit raised to \$2.5 million.

Now that the *One Big Beautiful Bill Act* (OBBBA) has passed, many of our clients are asking what it means for their tax strategy and financial planning outlook. The legislation introduces several permanent and temporary provisions that may directly affect high-net-worth (HNW) families. Here’s a breakdown of the key elements most relevant to our clients:

1. Tax Policy Changes to Know

Tax Brackets Stay Put

The 2017 tax cuts have been extended, so the current seven tax brackets will remain in place. The top marginal rate will continue at 37%.

Estate & Gift Tax Exemption Increases

A major win for estate planning: the individual estate and gift tax exemption is now set at \$15 million, or \$30 million for married couples—indexed for inflation. This change is permanent, giving more flexibility in long-term wealth transfer planning.

Alternative Minimum Tax Relief

The higher AMT exemption thresholds are now permanently extended, potentially reducing the number of high-income earners who face this parallel tax system.

2. New (Temporary) Social Security Tax Deduction

While the headlines may say “no tax on Social Security,” the reality is more nuanced.

- **For individuals age 65+:** A \$6,000 deduction is available if income is \$75,000 or less.
- **For married couples (both age 65+):** A \$12,000 deduction applies if joint income is \$150,000 or less.
- **Phaseout:** These deductions begin to phase out above those thresholds and disappear entirely at \$175,000 for individuals and \$250,000 for couples.
- **Timeline:** This deduction is available only for tax years 2025 through 2028.

3. State and Local Tax (SALT) Deduction Expanded

High-income earners in high-tax states will want to pay attention to this change.

- The SALT deduction cap is raised to **\$40,000** (or **\$20,000** for married filing separately) for households with a **MAGI under \$500,000**.
- Single and married filers now receive the same cap amount, which levels the playing field.
- The deduction phases out for income above that threshold at a rate of 30% of the excess MAGI.
- Beginning in 2026, the cap will increase **1% annually through 2029**.

4. More Flexibility and Benefits from Health Savings Accounts (HSAs)

HSAs can be used for Direct Primary Care (Concierge Fees) up to \$150/month (single) and \$300/month (family).

5. Accelerated Depreciation Changes

Permanent 100% Bonus Depreciation: Businesses can claim 100% bonus depreciation on qualifying property placed in service after January 19, 2025. (The original amount was 40%.)

- This includes most assets with a recovery period of 20 years or less (such as machinery, equipment, computers, furniture, and certain land improvements), as well as improvements to the interiors of nonresidential buildings.
- **Increased Limits:** The deduction cap has increased from \$1 million to \$2.5 million, with phase-outs beginning at \$4 million for property placed in service after December 31, 2024.

Final Thoughts

These provisions introduce both opportunities and new planning considerations. Some changes—like the estate tax exemption—offer clarity for long-term strategy, while others—like the Social Security deduction—are time-limited and require careful income management.

At MONTAG Wealth Management, our financial planning team is already working with clients to assess how the OBBBA affects their strategies. If you have questions about how these changes apply to your specific situation, I encourage you to reach out to your Senior Wealth Manager.



Meet the New Team Members at MONTAG

Read more about each team member at: www.montagwealth.com/about-us/our-team/



Zachary Jurich

Wealth Management Associate

Meet our newest Wealth Management Associate, Zachary! Visit our website at www.montagwealth.com to learn more about his background supporting high-net-worth families and how he will contribute to both our clients and team in his new role.



Lara Ratcliff

Office Administrator

Meet Lara, our new Office Administrator! With over 20 years of high-level administrative experience in financial services, she brings a wealth of knowledge and expertise to MONTAG. Get to know more about her background by visiting our website at www.montagwealth.com.



Kyisha Mitchell

Client Service Associate

Meet our newest Client Service Associate, Kyisha! She brings over six years of experience in banking and financial services. Learn more about her background and what she brings to the team at www.montagwealth.com.

IN CASE YOU MISSED IT



AI is a powerful technology shaping the evolution of industries and driving the emergence of new opportunities. Explore 35 pages of analysis on AI investments, technology, and how upcoming trends could impact portfolios.

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