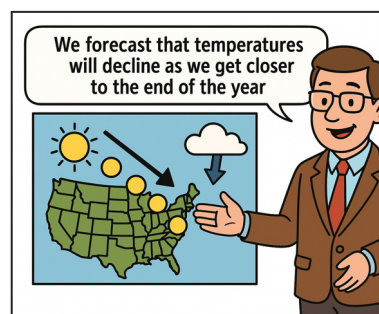


It is difficult to make predictions,  
especially about the future.

DANISH PROVERB

In finance, uncertainty and risk are synonyms. As prudent, experienced investment managers, our primary responsibility is to protect your wealth by balancing two key goals: reducing uncertainty and maximizing your portfolio's income and growth potential.

In our last note, we wrote, "The word of the day is uncertainty." While uncertainty is a fundamental feature of time, it doesn't



apply equally across all domains or timelines. Some aspects of the future such as tomorrow's sunrise or the long-term effects of gravity are known with near certainty, governed by well-understood physical

laws. Other areas, particularly those involving human behavior, markets, politics, and technological innovation, are far less predictable. In this note, we will identify five uncertainties that impact the economy and investment portfolios and share our humble predictions for the future.

**First:** We expect inflation to stay above the Federal Reserve's arbitrary target of 2% for the rest of 2025. We see this as likely for three reasons: 1) The purchasing power of the US dollar has declined by approximately 10% this year compared to other currencies. 2) Some portion of the tariffs that the US imposes on our trading partners will flow through to final prices. 3) We expect the US trade deficit to shrink as end users switch to domestic goods. We expect all three could add up to 2% to CPI over 2 years.

**Second:** We expect short-term interest rates to decline, partly due to a slowing jobs market and because we expect the next Federal Reserve Bank chairperson to commit to loosening monetary policy as a condition of employment.

**Third:** Long-term interest rates will become more volatile as falling short-term rates and bank purchases pull long-term rates down while increasing Treasury issuance and falling trade deficits prop yields up.

**Fourth:** A slowing labor market will be a drag on the economy. According to the NFIB, a nonpartisan advocacy group for small businesses, 86% of small businesses currently hiring report few or no qualified applicants. The Bureau of Labor Statistics projects total employment will grow 0.4% annually in the next ten years, or less than half of the 2013-23 decade.

**Fifth:** Elevated equity market values will likely depress total returns for the S&P 500 and other broad indexes over the next five years.

**Certainty:** The Apricus investment process centers on building investment portfolios with profitable, growing businesses that return their excess capital to shareholders. When we receive cash dividends from our portfolio companies, that portion of our return becomes "cash certain." The same is true when an investment-grade bond pays its interest coupon. The receipt of regular cash payments as reported in multiple academic papers is associated with decreased portfolio volatility and an increase in portfolio risk adjusted total return. By prioritizing income and growth, we aim to deliver returns that can weather market uncertainty while positioning portfolios for long-term success.

APRICUS 07.25

## SECURITY

Phishing occurs when scammers send an email or text message that looks like it came from a legitimate organization and asks you to provide your password or other sensitive information. To help protect your account from phishing attempts:

- Avoid opening messages from unknown senders.
- Investigate requests that urge you to take immediate action by sending sensitive information.
- Don't open unexpected attachments, especially those with unusual file extensions (.ZIP, .JAR, .JS).
- Review links in messages. Before clicking any link, hover over the link to confirm the actual URL matches the one displayed in the message.
- Add two-factor authentication (2FA), by requiring both login credentials and a code sent to your device. This makes it more difficult for someone with stolen credentials to take over your account.

Please reach out to us with questions about how to be "internet safe."

### Apricus Note:

Charles Schwab recently released its 2025 Benchmarking Study for investment advisors. By design, Apricus Wealth's Client-to-Advisor ratio was among the lowest reported by any mid-sized or large firm in the study. We were literally "off the chart." We are incredibly fortunate to be able to choose who and how we serve. Thank you for your confidence.

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## Tax Update:

### What You Need to Know About the New Tax Legislation

President Trump's recently passed tax legislation includes significant changes to the tax code. The legislation extends most of the provisions of the 2017 Tax Cuts and Jobs Act, including lower individual tax rates and business deduction benefits. Since the bill is over 900 pages, we have summarized five key changes:

#### Estate and Gift Tax Exemptions

- Higher exemption: Estate tax exemption increases to \$15 million per person (\$30 million for married couples) and will be indexed for inflation.
- Permanent: The increase is “permanent” since no automatic sunset or expiration date has been added.

#### State and Local Tax (SALT) Deduction Relief

- The \$10,000 cap on SALT deductions, in place since 2017, will rise to \$40,000
  - Fully available to those making less than \$500,000, with the income threshold rising 1% a year.
- Business owners: The legislation preserves a workaround many states offered to pass-through entity taxes (PTET).

#### Senior Bonus Deduction

- Taxpayers 65 and older gain an additional \$6,000 standard deduction (\$12,000 for married couples filing jointly and 65 or older)
  - Fully available to single filers with adjusted gross incomes (AGI) up to \$75,000 and married couples up to \$150,000
  - Phases out for income earners above these levels.
  - In effect for the 2025 tax year and is indexed for inflation in future years:
  - The deduction applies to all types of income

#### Changes to Itemized Deductions

- The value of itemized deductions will be reduced for those in the highest tax brackets.
  - Top taxpayers will receive 35 cents of benefit per dollar deducted rather than 37 cents.

#### Charitable Giving

- Filers claiming the standard deduction can now claim charitable deductions of up to
  - \$1,000 for single filers
  - \$2,000 for married couples filing jointly.
- Introduces a floor of 0.5% of AGI for itemized charitable deductions,  
*Example: Filers with \$100,000 in income can't deduct the first \$500 of donations.*

Tax circumstances are highly personal; you should consult with your tax advisor to understand how these changes may impact your individual situation. This note should not be relied upon as tax advice.