LibertyWealth® ADVISORS
A Prime Capital Financial Company

Quarterly Newsletter

January 2026

Dear Valued Friends and Clients,

As we turn the page on 2025 and step into a new year, we want to take a moment to reflect, express our gratitude, and look ahead together. The past year brought its share of headlines, market movements, and moments of uncertainty, but it also reinforced the importance of disciplined planning, clear communication, and long-term perspective.

We are deeply grateful for the trust you place in our firm. It is a privilege to walk alongside you as you make decisions that affect not just your finances, but your family, your goals, and your future. Your confidence in us is something we never take for granted, and it guides us on how we serve you every day.

As 2026 begins, our commitment to you remains unchanged: to be a steady, thoughtful partner in every aspect of your financial life. Whether you are navigating markets, planning for milestones, responding to change, or simply seeking clarity, our team is here to help. We look forward to the year ahead and to continuing the conversations that matter most to you.

Warm Regards,

Annette A. VanderLinde, MBA, CWS®, AIF®
President

The Big Picture: What Changed in 2025

2025 was a year marked by changes, from sweeping tax reform to trade policy shifts and strong market performance. The policy moves made last year might have ripple effects for years to come. Here's what stood out:

1. Historic Tax Reform Is Now Law

In July 2025, the One Big Beautiful Bill Act (OBBBA) became the most significant update to federal tax policy since 2017. This legislation made many temporary provisions permanent and introduced several new benefits that could impact your financial strategy. [1, 2, 3, 4]

Key changes include:

- **Permanent Higher Standard Deduction:** The law locked in increased deductions—$15,750 for single filers, $23,625 for heads of household, and $31,500 for married couples filing jointly, with annual inflation adjustments going forward.[1]

- **New Senior Bonus Deduction:** Americans 65 and older can now claim a temporary $6,000 deduction (through 2028), with income-based phaseouts starting at $75,000 for individuals and $150,000 for married couples.[2]

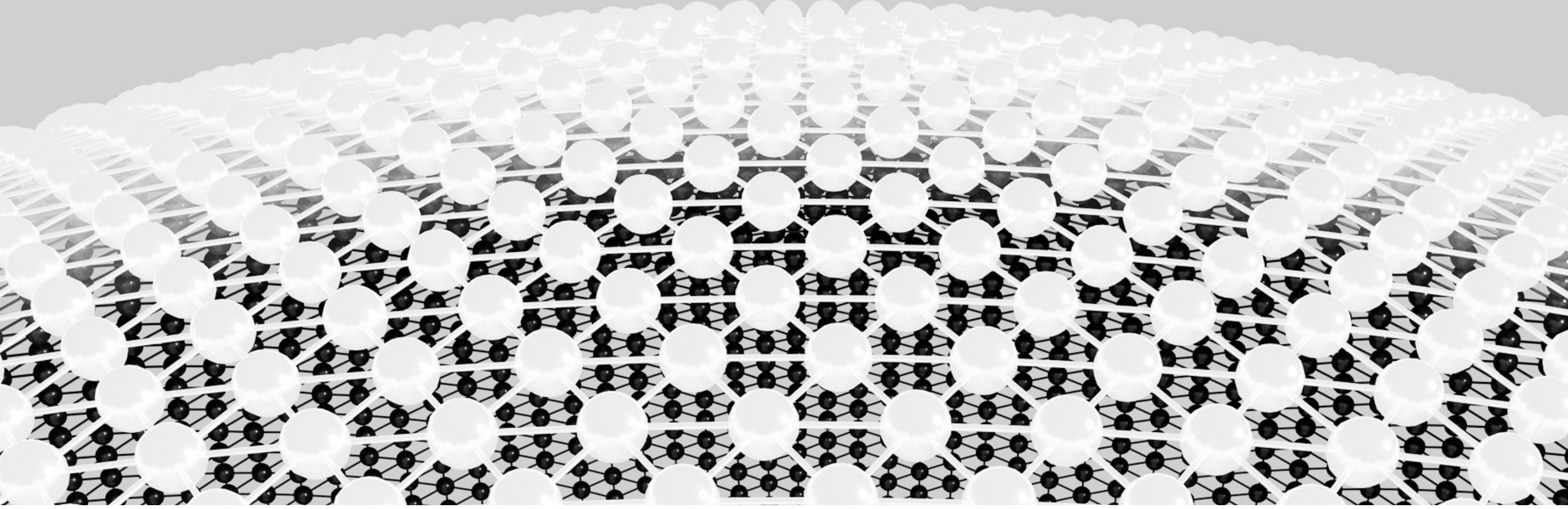
- **Expanded SALT Deduction:** The $10,000 state and local tax cap has been increased to $40,000 through 2029, although it phases out for higher earners and will revert to $10,000 in 2030 unless extended.

- **Auto Loan Interest Deduction:** For the first time, interest on qualifying U.S.-assembled vehicle loans is deductible up to $10,000 annually through 2028, with income limits.[2]

- **Permanent QBI Deduction:** The 20% qualified business income deduction for pass-through entities is now permanent, providing long-term guidance for business owners.[3]

- **Enhanced Business Expensing:** Small businesses can now expense up to $2.5 million in qualifying property. Additionally, 100% bonus depreciation has been reinstated, allowing for the immediate deduction of equipment costs.[3, 4]

These changes might create opportunities, but also complexity. Be sure to consult your tax, legal, or accounting professionals before modifying your tax strategy based on the tax law changes.



2. Estate and Gift Exemptions Reached Historic Levels

The OBBBA "permanently" increased federal estate and gift tax exemptions to $15 million per person ($30 million per couple), indexed for inflation starting in 2026.[5] This is an increase from the roughly $7 million per person we would have faced had the prior law expired as scheduled.

While labeled as "permanent," tax laws can always be amended or changed by future legislation. For families with significant estates, this creates a window of opportunity. Strategies like Grantor Retained Annuity Trusts (GRATs), Spousal Lifetime Access Trusts (SLATs), and dynasty trusts can help you take advantage of these elevated limits while they're available.[5, 6]

Using a trust is complex, so we encourage you to work with a professional who is familiar with the relevant rules and regulations.

3. Trade Policy Created Volatility—Then Opportunity

"Liberation Day" on April 2, 2025, marked the implementation of broad new tariffs aimed at spurring domestic manufacturing. Markets initially reacted sharply, with the S&P 500 dropping approximately 12% over the course of several days. However, the market recovered within a month and continued climbing through year-end.[7]

The aim of these policies is to spur on commitments to U.S. manufacturing by companies who plan to build factories, data centers, and energy infrastructure.[8, 9] While most projects will take years to complete, and remain subject to change, they could signal an increased focus on domestic production.

Trade negotiations continue with major partners, including the U.K., EU, Japan, and others, while a Supreme Court case in 2026 could reshape the legal framework for tariff authority.8 We're monitoring these developments closely as they'll influence inflation, interest rates, and sector performance.

4. Markets Delivered Strong Returns Despite Uncertainty

Technology and AI-related companies led U.S. performance, with much of the gains concentrated in the "Magnificent Seven" mega-cap stocks.[10] While this concentration has driven strong returns, it also presents valuation considerations that may pose headwinds for US equity returns in the future. Our strategic allocations to mid- and small cap companies and international stocks, where valuations are less stretched, serve to mitigate excessive concentration in the Mag 7 and AI-focused companies.

5. The Economy Remained Resilient

After a modest first-quarter contraction, the U.S. economy rebounded with 3.8% annualized gross domestic product (GDP) growth in Q2 2025—the strongest showing since late 2023.[11] Consumer spending remained robust, and inflation ticked up modestly to 2.9% in August, reflecting some tariff-related cost pressures that the Federal Reserve feels confident will subside as the year progresses.[12, 13, 14]

What We're Watching in 2026

This year presents both opportunities and important deadlines:

- **The Midterm Elections:** November 3, 2026, will reshape Congressional control, with all 435 House seats and roughly one-third of Senate seats contested.[15,16] Although we will be inundated with predictions on the outcome of the midterms and the ramifications for the remainder of Trump's term as president, we remember that elections create short-term volatility, and long-term market performance historically shows minimal correlation with which party governs.[17]

- **Near-Term Expiration Dates:** Several OBBBA provisions—including the expanded SALT deduction and the senior bonus deduction—are temporary but not scheduled to expire until 2030. Preparing now might allow you to take advantage of these benefits before they sunset.

- **Housing Market Reset:** Analysts project an 8% average decline in home prices in 2026 due to a variety of factors, but many view this as a correction that may set the stage for renewed growth in 2027.[18,19]

- **Economic Outlook:** The National Association for Business Economics forecasts 1.7% GDP growth for 2026 and puts recession odds at just 20-40%.[16] Trade negotiations, particularly with China, may be a key variable affecting inflation and employment.

Why This Matters Now

2026 isn't just another year; it's a period of policy transition. The reforms initiated in 2025 are now taking effect, and for many families, these changes create opportunities that benefit from early attention.

Our focus remains on making proactive, informed decisions at exactly these kinds of inflection points. We're monitoring how new tax provisions, estate thresholds, and market trends affect your specific situation.

Let's Connect

If you'd like to discuss any of these developments in more detail or have questions about how they relate to your personal circumstances, we welcome the conversation.
Please don't hesitate to reach out.

Wishing you and your family a healthy and prosperous 2026.

Please Note!

Quarterly performance reports are now available on the Orion client portal.
libertywealthadvisors.com/client-portals

As of 12/31/2025	Quarter End	Year-To-Date	Last 5 Years Annualized
CRSP US Total Market Index Total Return	2.45	17.15	12.86
S&P 600 Value	3.41	6.66	8.66
CRSP US REIT Index Total Return	-2.34	3.02	5.06
MSCI Europe Total Return	6.20	35.41	9.93
MSCI Pacific Total Return	2.16	23.30	6.24
MSCI Emerging Markets Total Return	4.73	33.57	4.07
Bloomberg US Aggregate	1.10	7.30	-0.15
Bloomberg Global Aggregate ex-USD USD Hedged	0.78	4.86	0.46
Bloomberg US TIPS (Series-L)	0.13	7.01	1.31
Bloomberg US High Yield Very Liquid Index	1.43	8.74	4.15
Bloomberg Municipal 1-15 Year	1.41	5.18	1.30

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