

Your Journey Towards Financial Independence Begins Here

GWM Monthly Minute - June 2025

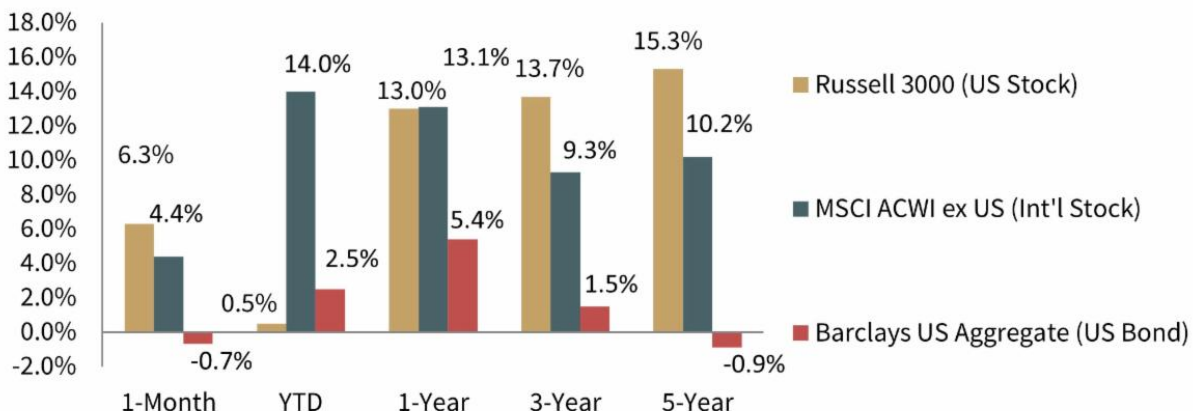
Economic and Market Update

I heard a quote the other day from someone who said, "The S&P 500 is only up half a percent year-to-date, and bonds are up 1 percent...what a boring year for the markets." I laughed as I knew this year had been anything but boring. Markets have been whipsawed by announcements around tariffs being implemented, increased, paused, withdrawn, the U.S. Court of International Trade ruled that imposing sweeping tariffs exceeded President Trump's constitutional powers, and most recently the US Appeals Court reinstating the tariffs.

- Since Liberation Day, the 10-year treasury rate has increased from 4.0% to 4.5% as of 6/2, causing the aggregate bond index to fall approximately 2% - the US Aggregate Bond index is now up 2.5% for the year. The Fed held interest rates steady at the most recent committee meeting on May 7th, citing increased risks of higher inflation as tariffs begin impacting consumer pricing. Bond market volatility has continued as it tries to predict the Fed's path forward while also digesting economic data to assess the overall health over the economy.
- International developed markets are up about 14.0% year-to-date, showcasing strong investor sentiment towards companies outside of the United States. The outlook for international stocks continues to improve as investors re-evaluate the price they are willing to pay for highly valued US stocks amidst high interest rates and slowing GDP.

It would be hard to characterize all the headlines and volatility as boring, but from a 10,000-foot view, the average 60/40 index portfolio is up around 4.5% and diversification amongst different asset classes is paying off.

Market Index Performance - as of May 31, 2025



Strategy Corner - New Washington State Tax Legislation

In this month's edition of the strategy corner, we want to highlight new tax changes enacted by Governor Bob Ferguson earlier this month and what they mean for clients. Going back to 2022, the state of Washington imposed a state capital gains tax of 7% on net long-term realized capital gains above \$250,000, adjusted annually for inflation. In 2024, the inflation adjust number for exemption was \$270,000. Now, once realized long term capital gains reach \$1 million above the annual exemption amount, the capital gains rate will move up to 9.9%, an increase of 2.9%. To better showcase the impact, please refer to the table below.

Net Long-Term Capital Gains	Tax Rate
\$0 – \$270,000 (inflation-adjusted as of 2024)	Exempt (0%)
\$270,001 – \$1,270,000	7%
\$1,270,001 +	9.9%

Governor Ferguson also signed into law changes to the estate tax that will go into effect on July 1st. The first is that the state exemption amount is moving up to \$3million from the previous \$2.2million, adjusted annually for inflation. The second change is that estate tax rates are increased for almost every bracket, with the highest rate being 35% for net estate assets exceeding \$9m (or total estate assets exceeding \$12m). This now makes Washington the highest estate tax state in the nation. For very large estates subject to both the top federal and state tax brackets, the combined effective tax rate is 61%. Below we talk about a few strategies to help reduce the tax bill your inheritors will have to pay when you pass away, as well as ways to reduce capital gains taxes.

- Be mindful of total capital gains realized in a calendar year. If you need to sell investments to generate a large amount of cash that would introduce the state capital gains tax, look to sell the highest cost shares with the lowest gains, or holdings with embedded losses.
- If you have a large estate near the end of life, gifting while you're still alive is one way to reduce estate assets subject to taxation. The annual gift tax exclusion per recipient is \$19K per year. More importantly, Washington state does not have a gift tax. Without a gift tax, an individual could make unlimited gifts in Washington state with no taxation, while writing down that gift amount against their lifetime Federal exemption amount (currently \$13.99 Million).
- Charitable gifting is another strategy to reduce estate value, while also giving money to meaningful causes. A qualified charitable distribution is a possibility, where you gift money directly out of an IRA (up to \$100K/yr. beginning at age 70). This allows you to reduce your taxable income for the year while giving money to a charity you care about.

Let us know how we might support strategic tax conversations within the scope of both regular planning and long-term estate strategy.

What We're Reading

The Macro

New Catalysts

Washington Tax

Introducing New Advisor - Daniel Gill

GWM is thrilled to formally introduce Daniel Gill as an Advisor! Daniel is passionate about helping clients achieve success and financial freedom - he is a forward-thinker and problem-solver and will be a huge asset to our firm and clients for years to come. Daniel joined our firm in January and has hit the ground running in finding ways to bring value to our organization. With a breadth of experience on the institutional investment side (previously with Vanguard), he has brought value from his first day to our investment committee. Many clients have had the chance to meet Daniel during client meetings and have been able to experience first-hand the valuable advice he will bring to clients.

We are looking forward to Daniel being an integral member of our Advisory team and Investment Committee. He has felt great gratitude from the warm welcome of GWM clients and is excited to build relationships across our client base.

Daniel has been a primary contributor to this version of the Monthly Minute, showing a snapshot of the important perspectives he will bring to our firm and clients.

Welcome Daniel!



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Daniel Gill
Advisor

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