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MONTEITH WEALTH, LLC.

HEADS OR TAILS

TWO SIDES OF THE SAME COIN

The topics discussed in this and future letters are for informational purposes only. We hope our thoughts on investing and the related fields of taxes will help you achieve and enjoy financial independence. We believe only when you combine knowledge of both can you be a successful investor.

Heads: Taxes

Global Tax Rate

In an increasingly interconnected world, global tax regulations have become a focal point, impacting businesses and individuals across borders. Currently being debated by world leaders, a global minimum tax would have significant implications for businesses operating in multiple jurisdictions. The aim is to promote fairness, transparency, and cooperation among countries while preventing companies from profit-shifting to low-tax jurisdictions. A global minimum tax may not affect US taxpayers like federal, state, and local taxes, but impacts can still be felt throughout the economy — higher costs and a hindered stock market to name a few.

Recently, discussions surrounding the establishment of a global tax rate have gained momentum, however, the idea is doomed to fail — if we're to be practical. There is immense diversity among countries in terms of economic conditions, tax structures, and socio-political priorities. Each nation has its own unique set of circumstances and objectives, making it difficult to establish a one-size-fits-all tax rate. Imposing a global

tax rate disregards the diverse needs and variations in economic development, potentially leading to unintended consequences.

The most glaring issue is the feasibility of enforcing a global tax rate. The enforcement mechanism would require an unprecedented level of international cooperation and coordination. Do you think developing nations will sign up for this? Why would nations like China or Brazil jeopardize their economic growth? Countries have differing tax administration capacities, enforcement capabilities, and varying levels of commitment to international agreements. Without robust enforcement measures a global tax won't be effective.

Instead of pursuing a global tax rate, a more effective approach may involve enhancing international cooperation to combat tax evasion, aggressive tax planning, and ensuring fair tax competition. Strengthening tax treaties, promoting transparency through information exchange, and addressing the root causes of profit shifting can help address some of the concerns without undermining national sovereignty. But until the U.N. hires us as tax consultants, we're just shouting into the wind.

Tails: Investments

Investment News

Recent Rally

The highly volatile S&P 500 has gained nearly 6% over the last month. Part of this rally is from optimism about the adoption of AI technology. This optimism may be warranted, but the true effects of AI (artificial intelligence) remain to be seen. Over the long term, we feel that investing in the S&P 500 is always a good bet. But we're talking about the short-term here. And though we don't day trade, we can still make observations. At this time, it appears that the S&P 500's rally is mostly driven by FOMO — fear of missing out. The economy still has serious issues to be addressed. Inflation is at least double the target, high-interest rates are straining the banking industry, and liquidity in the market is extremely low. It is difficult to see how AI can save us now.

Interest Rates

The Fed paused interest rate hikes in June. This led to a celebration from many institutions and investors who have been betting the Fed will lower interest rates not too long from now. This jubilation was premature. With the announcement of the rate pause, the Fed also expressed that more work was needed. Though this is vague, weeks later we have further clarity. The Fed does plan on future rate hikes — a 0.25% increase is expected in July but is not yet official. How high the interest rates will climb is difficult to predict, but for investors that are drawing from their investments, higher interest rates will be beneficial in the long run.

Increasing Corporate Taxes

The federal government is pushing tax increases on US corporations. Whatever you think of this, it does mean at least one thing for consumers: higher prices. Tax increases are mostly passed on to consumers in the form of higher prices, which seems a bit counterproductive as we fight to reduce inflation. Corporations were shellacked for their record profits during peak inflation, but it seemed many failed to understand profits were directly related to inflation. Corporations may have made more dollars, but those dollars were worth less than before, essentially creating a wash. It will likely be advantageous to get inflation under control first before fiddling with tax rates.

Economic Growth

Consumer confidence increased to its highest level in 18 months. It's not difficult to see why — the US continues to have a strong labor market. On top of that, consumer spending increased, revising upward US economic growth from 1.3% to 2% annually. Inflation is still double that rate, but at least it's progress!

Housing Market

Mortgage rates have been declining, but don't get too excited — rates are still about 6.6%! That said, this is still good news for the housing market. Home sales have been increasing, and are expected to increase further in July and August! This is typical for Spring and Summer, but the market has been hampered by low inventory. If home sales are increasing, it suggests there must be more inventory than before — good news for home buyers. More good news for buyers, the national median home sale price had its biggest drop since 2011. It can still be difficult to buy or sell a home, but at least there's hope.



MONTEITH WEALTH, LLC.

517 SOUTH 22ND AVENUE
SUITE 4
BOZEMAN, MT 59718

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