



MONTEITH WEALTH, LLC

HEADS OR TAILS

TWO SIDES OF THE SAME COIN

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.

TAX CHANGES

There were some tax law changes in 2024, and we expect to see even more changes this year and in 2026. For 2024, we saw many changes directed at retirement accounts. This is no surprise as retirement related issues such as social security have become hot topics. Below we discuss some of the changes we feel may have the most impact on our clients.

A New Roth Conversion

Roth IRAs are our favorite type of investment account — they grow tax free and are drawn out tax free. A 529 account, sometimes referred to as a college savings plan, is like a Roth but for education expenses.

The money contributed grows tax free and comes out tax free if the funds are used for qualified education expenses. You had to be careful not



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QUARTER QUOTE

"THE STOCK MARKET IS FILLED WITH INDIVIDUALS WHO KNOW THE PRICE OF EVERYTHING BUT THE VALUE OF NOTHING."

— PHILIP FISHER

to contribute too much, or else anything left over after education expenses would incur a tax penalty if you tried to access it. Now, you can roll over unused 529 funds into a Roth IRA without penalties! But as usual there are strings attached, for example, you can only transfer up to \$35,000, the 529 account must have been open for at least 15 years, and you can only roll over money that's been in there for five or more years. We rarely see 529s that are overfunded, so this new rule may not affect many, but we're glad to see changes that attempt to reward individuals for saving for future education expenses.

IRA and 401(k) Contribution Limits Have Increased

Individuals can contribute \$500 more to their 401(k) plans, up to \$23,000 for 2024. Individuals can also contribute \$500 more to their IRAs and Roth IRAs, up to \$7,000 combined for 2024. For 2025, individuals can contribute another \$500 to 401(k)s up to \$23,500, but limits to IRAs and Roths stay the same as 2024. Important to note, you still have until the tax filing deadline to contribute to your IRAs and Roths for 2024. For sole proprietors, you also still have time to make a 401(k) contribution for 2024.

Emergency Withdrawals

Before now, individuals could make a hardship withdrawal from retirement accounts — an early withdrawal for the purpose of an “immediate and heavy” financial need. Unfortunately, despite the reason, the individual was still liable for the 10% early withdrawal penalty. Starting in 2024, individuals can withdraw \$1,000 per year to cover personal and family emergency expenses, penalty free!

Starter 401(k) Plans

If you've ever run a business and provided a retirement plan for your employees, you know how burdensome it is. Costs aside, the administrative requirements are cumbersome. Finally, a new alternative has arrived: Starter 401(k)s — the goal of which is to help small businesses offer retirement plans. These plans are simplified, reducing administrative demands and costs. But employees can only contribute up to \$6,000 per year and employer matching is not allowed. Compared to regular 401(k)s the benefits are inferior, but some businesses are too small to administer full-fledged plans. In these cases, Starter 401(k) plans may be better than nothing.

TRUMP 2.0

It looks like there's no avoiding it — we have to talk about Trump. Some say he's orange Hitler without the mustache. Some say he's an instrument of change handpicked by God. If you are hoping to read our condemnation of Trump, you will find none. Nor will you find our endorsement. Our duty as advisors is to remain unbiased, lest it taint our recommendations and decision making. Despite how emotional politics have become, it is still possible to separate facts from opinion — though perhaps difficult. Below, we discuss some of Trump's biggest promises, and how they may affect you. To clarify, we are discussing economic cause and effect, devoid of morality.

Deporting Illegal Aliens

Starting with a tough one. One issue here is that we don't know how many illegal aliens are residing in the United States currently. Frequent estimates are around 11 million, but some suggest the true number is significantly higher. Trump has promised to initiate the largest deportation effort in our history. If he successfully deports a significant portion of illegal aliens, that will reduce the labor force, mostly concentrated in low-skilled labor. Wendy's, Hilton Hotels, DoorDash, and your local roofing company may struggle to find people willing to work. Eventually, wages will rise as a response to job vacancies. The winners here are legal low-skilled workers, who will make more as they have now become scarcer. Sure, some jobs can be automated by robots, but not most (not yet). The losers here are consumers (you). Higher wages mean higher prices to pay for those wages. We've experienced this firsthand — tax professionals are becoming scarcer as the Baby Boomers retire, so to hire more professionals we've had to raise wages significantly.

Fewer people likely will mean less demand for housing, which is good for home buyers and renters, but not so good for home sellers, landlords, and home builders. If we deport individuals that are receiving government or community resources, this is beneficial for anyone receiving those same resources and anyone that pays taxes. But if we deport individuals that pay social security taxes, this is bad for all social security beneficiaries and future beneficiaries.



He Says a Lot of Things

Alright, this topic isn't a promise per se — it's more of a feature (or flaw) — but it's a concern for many people. He's a talker, and boy, wind him up and let him go. Trump is no great orator. To some, that's part of his charm. To others, this causes alarm; as the most powerful man on the planet, language is usually better off precise and calculated. From our observations, there are two versions of Trump: Teleprompter Trump, and Trump. The latter can go on some bizarre, amusing, sometimes heartfelt, or sometimes crazy tangents. Teleprompter Trump is much more focused. Our experience from the previous Trump term is that if you want to focus on what Trump will most likely do or try to pursue, listen to teleprompter Trump. If you ignore off-script Trump you're less likely to be confused. This isn't to completely discount him when he's off script, it's just that he has a tendency to embellish, and is often imprecise.

It's obvious to see how Trump can get himself into trouble with his speaking skills. Ambiguous language can cause confusion with both our allies and our enemies, and this confusion can have negative effects on our economy and world peace. We've already seen wild market volatility. But as it turns out there are two sides to this coin — it can also be a positive. As it happened in his last presidency, Trump uses his exaggerations and sometimes outlandish threats to scare others into giving him what he wants. This means better trade deals or making an enemy backoff. It may not always work, but it did sometimes in his last presidency. Turns out, unpredictability can be an asset in negotiations.

Tariffs

Tariffs are taxes that a government places on goods coming into or going out of a country. Think of it as an extra charge added to the price of products that are imported (brought in from another country) or exported (sent out to another country). The obvious reason to implement tariffs is for increased government revenue. Another reason tariffs are commonly used is for protectionism. If you don't want your people to buy something from another country, simply tariff the other country's goods to incentivize your citizens to purchase locally. A reasonable argument for some protectionism is national security — it makes sense to manufacture important products like medicine, weaponry, and computer chips. Finally, tariffs are used for trade negotiations. Perhaps you implement a retaliatory tariff on a country to motivate them to reduce or remove a tariff on our exports.

While tariffs can protect domestic industries, they often come with significant



downsides. For consumers, tariffs typically lead to higher prices, as imported goods become more expensive and domestic producers face less pressure to keep prices competitive. For businesses, especially those reliant on imported materials, tariffs can increase production costs, reducing profitability and potentially leading to job losses. Tariffs can also provoke retaliation from other countries, escalating into trade wars that disrupt global supply chains and hurt international trade. Over time, this protectionist approach can stifle innovation and economic growth by insulating domestic industries from global competition and reducing the incentives to improve efficiency or quality. Put simply, tariffs are inflationary.

Trump has promised to implement many tariffs on countries from around the world — especially China. He did this in his last presidency, and he’s doing it again. This is inflationary, and everyone will pay for it. The good news is, we already got a taste of how he uses tariffs. In his previous term, he often used tariffs, or the mere threat of them, to bully other countries to agree to more favorable trade deals. This can be good for American consumers, but it’s a dangerous game. Some tariffs he wishes to implement appear to be pure protectionism. You’ve likely heard him complain about our automobiles being manufactured in Mexico or Canada, and he wishes for them to be made in America. Well, if we make cars here, more people have jobs, but cars get more expensive for everyone — jobs are good, but higher prices are bad. There are more downsides to protectionism than just higher prices, but the summary is that tariffs are generally bad.

Political Turmoil

Trump has promised to disrupt Washington; if you think about it, he technically fulfilled this promise simply upon winning the election. Trump has control of the presidency, the Senate, and the House.

The two common reactions to this: “he’ll be able to do everything he promised!” And, “*oh no*, he’ll be able to do everything he promised.” We’re sorry if we disappoint, but we seriously doubt Trump can fulfill all of his promises. Yes, there are checks and balances in our government, one of which is the Filibuster, but there is another — a game that Republicans like to play. This game is called Circular Firing Squad. The rules to play are simple: never agree on anything. Whereas Democrats are remarkably



united when voting for good or bad, Republicans have been extremely fractious for years, and can't unite on anything, good or bad. Trump has a slim majority in the House and Senate, so as long as Republicans play their favorite game, compromises will have to be made with Democrats. And in our humble opinion, compromise is usually a good thing — it's good when Biden is president, it's good when Trump is president. Division is not healthy for any country.

As it pertains to the economy, Trump's ability to get anything passed has obvious ramifications. But lesser thought of is the effect of political chaos. Republican infighting can scare investors, and lead to government shutdowns. Investors like stability, they like consistency. The only thing that has been consistent in the House and Senate for the last decade has been uncertainty. This uncertainty doesn't necessarily lead to inflation, but it does lead to more volatility in the market — more random and aggressive swings in the stock market.

Less Regulation

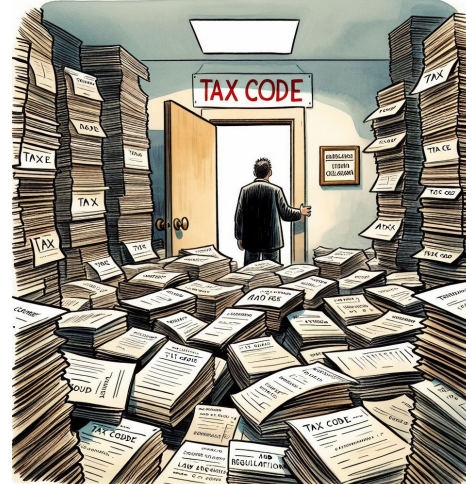
Trump promises to reduce regulation, and you can count on this one happening. He did it in his first term and can do it without the House and Senate through executive action. He has suggested that for every new regulation added, he will remove ten. Of course, it depends on what regulations he removes, but generally less regulation is good for everyone — let's talk about it.

Less government regulation can help businesses by making it easier and cheaper to operate. With fewer rules to follow, companies can spend more time and money on growing their business, like developing new products, hiring staff, or expanding into new markets. This is especially helpful for small businesses and startups, which might struggle with the costs and complexity of too many regulations. Fewer rules also give businesses more freedom to adapt quickly to changes and try new ideas, encouraging innovation. It's still important to have some basic rules in place to protect consumers, workers, and the environment, but a more simplified regulatory environment has benefits. It should lead to lower prices for everyone, more employment, and make us more competitive on the world market.

Our industry is highly regulated, perhaps one of the most. An obvious reason to be so regulated is for the good intention of preventing bad actors from stealing or ripping investors off. It's important to prevent another Enron or Bernie Madoff if we can. Unfortunately, it would seem no matter how much regulation we add, bad actors can find a way — Samuel Bankman-Fried was sentenced to 25 years in prison in 2024 for stealing \$8 billion from investors. We find it concerning that some of the largest financial institutions around are helping the government create many of our regulations. Maybe they do it so they have a hand in writing the laws to create favorable loopholes for themselves, but more likely it's to

shutout competition. We spend a great deal of time and money ensuring that we are regulation compliant. The smaller the firm, the less resources they have to maintain compliance. Large institutions, however, have entire legions of lawyers to ensure compliance. If high regulation was better at protecting clients, we wouldn't complain, but there's always ways to rip someone off — we're glaring at you, annuity salesmen.

Here's a quick example of over-regulation: why do people pay so much for tax preparation and consulting? It may have something to do with the near 80,000 pages of federal tax regulations and guidelines. The bottom line is that less regulation can lead to business development, job creation, and lower prices, but some regulation is still needed to protect consumers, workers, and the environment.



Lower Taxes

Trump's tax cuts are set to expire after 2025. If they do, Americans will see a sharp increase in their taxes. Trump insists he will not allow this to happen. He plans to work with Congress and the Senate to enshrine current tax laws permanently, or even decrease them further. Maybe you think taxes are good, maybe bad, but I think we all agree that it depends on how your taxes are spent. That said, understand that taxes are inflationary. Surely you understand the sting of paying taxes — you have less money now. But taxes also increase the price of products and services. "Let's tax big business, they have record profits." You can make a case for this but understand the additional taxes will be passed to consumers. That's because taxes are a cost of production — businesses will increase prices to compensate for the reduction in profit.

DOGE

Trump has unleashed Elon Musk on our government. We've seen allegations that this is illegal, and maybe it is, but so far, we haven't seen concrete evidence that it is. He doesn't have any power or authority other than what Trump and his appointed officials share with him, therefore his actions do not seem to violate any laws. Elon Musk is an eccentric guy, and going from a self-described liberal to a MAGA fanatic has been a surprising transition. Regardless what you think of him, he has demonstrated he is good at cutting costs — he fired 80% of the work force of Twitter, now X, and it still seems to be functioning just fine. Expect Elon to pursue the same level of brutal budget skepticism of government spending. Maybe he suggests cutting some good programs, maybe some bad, but less spending should have a deflationary effect on the economy. More

government spending is inflationary, hence why the Inflation Reduction Act, signed in August of 2022, did not actually live up to its name — it spent too much money which exacerbated inflation. If DOGE achieves its intended purpose and reduces wasteful spending, the savings can be used to begin paying down the national debt. Although, Trump and Elon have instead floated the idea of sending taxpayers refund checks.

Cutting wasteful spending is good, but how DOGE accomplishes this could get dicey. Elon Musk has a theory that it's better to delete something and start over than it is to fix something. The guy builds rockets, so his methods probably work, but understand this delete instead of fix strategy could create some chaos within the government, and the stock market doesn't like chaos.

Energy

“Drill, baby, drill.” Trump promised to “unleash” American energy production. In the short-term, more domestic energy production should have significant positive impact on our economy. The US has made a big push towards renewable energy in recent years but is still decades away from a fully green energy infrastructure. Since energy is used for everything, including transportation of all the products we use, energy cost is likely intertwined with the cost of everything you can think of. With that in mind, it is logical to conclude that cheaper energy is deflationary, making everything cheaper. While cheap energy benefits the economy in the short-term, you can make a case that it comes with a long-term cost — negative impacts to the climate can have far reaching economic costs. This is why there is nothing wrong with energy diversification, and why even with Trump in charge, green energy development will not fade away entirely. One interesting thing about Trump this term, is that he appears to be pro-nuclear. Nuclear power has advanced significantly over the years and has serious potential in both cost savings and environmental savings.

AI

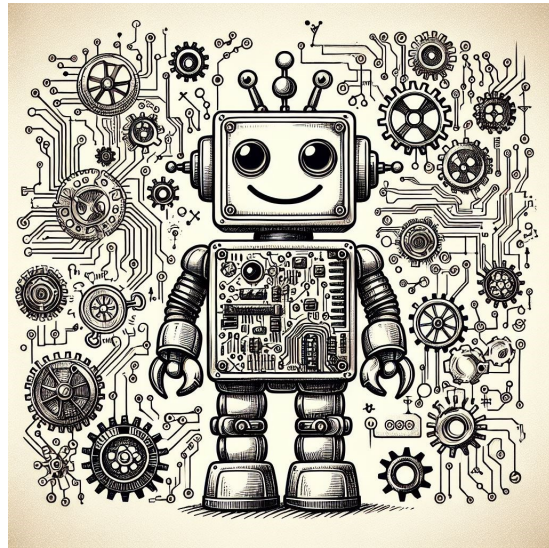
Artificial intelligence has limitless potential, for good and evil. Biden wanted us to slow-walk this advancement, as the ramifications are both astonishing and terrifying — completely understandable to be cautious. Trump wants us to accelerate this advancement and be a world leader in AI development — also completely understandable since China is advancing AI rapidly which forces us to push forward to prevent them from dominating. To discuss the effects AI may have on our economy, we thought it interesting if we ask AI to summarize these effects below:

“Artificial intelligence (AI) is poised to significantly reshape the economy, bringing both opportunities and challenges. On the positive side, AI can drive economic growth by increasing efficiency, reducing costs, and enhancing

productivity across industries. Businesses can automate repetitive tasks, optimize supply chains, and provide personalized customer experiences, leading to higher profits and innovation. AI-driven advancements in healthcare, finance, and manufacturing could lead to breakthroughs that improve quality of life and create new markets. Additionally, AI has the potential to generate new jobs in fields like data science, AI development, and cybersecurity, fostering economic expansion.

However, AI also presents economic challenges, particularly in terms of job displacement. As automation and AI-powered systems become more sophisticated, many traditional jobs—especially in manufacturing, customer service, and transportation—could be eliminated, leading to unemployment and wage stagnation in affected sectors. This shift may exacerbate income inequality, as high-skilled workers benefit from AI advancements while low-skilled workers struggle to adapt. Furthermore, AI’s dominance by large tech firms could lead to market concentration, reducing competition and potentially stifling smaller businesses. Addressing these issues will require proactive policies, including reskilling programs, regulatory oversight, and measures to ensure the benefits of AI are distributed equitably across society.”

And there you have it. The two paragraphs above took 5 seconds to produce and are completely reasonable. Expect incredible things to come.



Summary

All policies have positive and negative effects. Deporting illegal immigrants is good for low wage earning citizens, but can lead to higher prices. Less people means less demand for housing, making it cheaper to buy and rent, but more expensive to build. Tariffs can be used for good, but they are inflationary, and can be dangerous to fiddle with. So far, Trump appears too loose with his tariff talk and the stock market doesn’t like it, but he does sometimes seem strategic in his threats — tariff threats have already achieved concessions from Columbia, Mexico, and Canada.

Political chaos can lead to gridlock, and it can also result in government shutdowns and economic uncertainty, both of which lead to more volatility in the stock market. Less regulation is good for economic growth, employment and lower prices, assuming that we don’t do away with regulations most effective at

ABOUT US

Monteith Wealth, LLC is a unique blend of a registered investment advisor and a CPA firm. Nestled in the town of Bozeman, Montana, we serve clients from all over the United States. At Monteith Wealth, we take pride in our collaborative approach. Unlike traditional firms, we believe in harnessing the collective expertise of our entire team of professionals. This team-focused approach allows us to provide our clients with comprehensive and well-rounded advice that encompasses various financial perspectives. At Monteith Wealth, your financial success is our top priority!

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protecting consumers, workers, and the environment. Taxes are a cost of production, meaning more taxes increases prices, but Trump vows to keep taxes the same or lower them.

Elon Musk wants to aggressively cut government spending. What he suggests cutting may have pros and cons, but kept simply, more government spending is inflationary, and less spending is deflationary. Hopefully we use any savings found to pay down the national debt. Cheaper energy can have significant deflationary effects — though long-term costs are possible and complicated. Artificial intelligence has potential to take humanity to new incredible heights, but also displace a lot of people from their livelihoods.

The biggest thing to remember here: Trump was already president. We don't have to guess what his presidency will be like. If you're a fan of his first term, expect this term to be similar but probably slightly "better." If you disliked his first term, expect this term to be similar but probably slightly "worse." It behooves us to be careful assuming this term will be wildly different in either direction — our system of government has many checks and balances, and no president can get everything they want. So, here's our investment recommendation for all: your investment strategy should be designed to hope for the best, but plan for the worst — this is advisable for any time, for any president.



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