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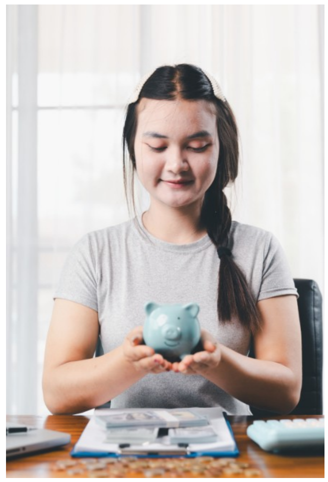
Trump Accounts Clarified



We wanted to circle back on the newly announced "Trump Accounts" now that the dust has settled a bit and we have a clearer picture of what they actually are — and what they aren't. Created under Section 70204 of the One Big Beautiful Bill Act (OBBBA), these accounts are designed for children and can be opened from birth until the year before they turn 18. Families can contribute up to $5,000 per year, indexed for inflation, and unlike traditional or Roth IRAs, no earned income is required. Contributions can also come from governments, charities, or employers, with employer contributions capped at $2,500 per year and not treated as taxable income to the child.

Before age 18, Trump Accounts follow a fairly strict set of rules. All funds must be invested in low-cost, broad U.S. equity index funds with fees at or below 0.1%. Withdrawals are generally not allowed, except for a single exception at age 17 when the full balance may be rolled into an ABLE account for a disabled beneficiary. Accounts can move into other Trump Accounts but cannot be rolled into traditional or Roth IRAs. If a child dies before turning 18, the account loses its tax-deferred status and any earnings become taxable.

After age 18, the accounts function more like a traditional IRA. Investment restrictions disappear, and standard IRA withdrawal rules generally apply. Contributions can be withdrawn tax-free, while earnings are taxed as ordinary income. Several questions remain unanswered, including whether these accounts can be converted to Roth IRAs, how required minimum distributions will work, and how Trump Accounts will interact with other IRA balances.

There is also a pilot program that may provide a $1,000 government contribution for children born in 2025, 2026, or 2027, if parents elect to participate. Details on how to claim this contribution and when accounts will be opened have not yet been clarified.

In short, Trump Accounts offer a new way to start long-term savings for children, with specific rules in place for both investments and withdrawals and potential government seed funding. While many operational details remain uncertain, they provide families — and in some cases employers, charities, or government programs — a new tool for thinking about early financial planning for kids.

Uneven Unemployment

The unemployment rate is one of the most closely watched economic indicators, second only to inflation. As of writing this article, the U.S. rate stands at 4.4%, up slightly from 4.2% in recent months. Economists generally view this range as balanced – not high enough to significantly reduce consumer spending and not so low that it creates broad labor shortages.

Within this headline number, there are notable differences across demographics. Unemployment among individuals ages 16–24 currently sits at 10.8%, even reflecting summer months when youth employment typically rises. Changing hiring needs across industries and increased automation continue to affect early-career and entry-level workers. As an example, individuals with only a high school education are experiencing a 10% unemployment rate. Many younger workers are employed in the leisure and hospitality sector.

Geographic differences also tell an important story. Recent reductions in government staffing have contributed to a 6.0% unemployment rate in the District of Columbia. Other states with elevated unemployment include California at 5.5%, Nevada at 5.3%, and Michigan at 5.2%. Meanwhile, states such as Vermont (2.5%) and Hawaii (2.7%) currently report significantly lower unemployment levels.

AI has undoubtedly played a part in the sudden lack of entry-level positions, which poses a challenge for companies. They can become more efficient by having computers do the work that was once done by people hired to move up the ladder. But if nobody is hired at the bottom of the ladder, how will firms start out and train their future executives?

The Health Factor of Your Financial Plan

This is the time of year when choosing next year's health insurance moves to the top of the to-do list. And this year, the stakes may be even higher. Millions of Americans rely on premium tax credits to help offset the cost of coverage. If those credits were to expire, there could be a double impact: Many households would suddenly face higher premiums without financial support, and a number of healthier individuals might opt out of coverage altogether. That would leave insurers covering a smaller, less-healthy pool, driving up claims costs and, ultimately, premiums across the system.

Your health plays a major role in other areas of your financial life as well.

For example, your current health influences how long your retirement savings may need to last. Someone who develops significant health issues early in life may reasonably assume a shorter retirement horizon and could safely draw down savings at a faster rate. On the other hand, retirees in excellent health, those with a strong chance of living beyond age 90, may need to plan for a retirement that stretches 35–40 years. A nest egg that must last two decades can support a very different withdrawal rate than one that must carry someone through four.

Health also matters when making Social Security decisions. Monthly Social Security benefits grow each year you wait to claim, up to age 70. But breakeven analyses show that an individual typically needs to live beyond roughly age 83 to come out ahead by delaying compared to claiming at age 67. For healthy individuals, delaying can make sense. For someone facing serious health concerns, claiming earlier may result in greater cumulative benefits.

Traditional planning often relies on life-expectancy tables. For example, a 49 year old has roughly a 50% chance of living past 85. But lifestyle plays a meaningful role. A person who exercises regularly, eats well, and avoids tobacco may have a higher probability of outliving those averages, while someone who smokes, consumes a poor diet, and maintains other high-risk habits may fall on the opposite end of the actuarial range.

For a more personalized look, online tools such as livingto100.com incorporate health and lifestyle factors into longevity projections. Someone with strong health markers and positive habits might be advised to plan for a life well into the 90s or even 100. Someone who reports heavy smoking, unhealthy eating, and other risk factors may see

estimates that don't extend much beyond their mid-60s.

Of course, lifestyle isn't the only variable. Chronic illnesses, such as diabetes, cancer, significant cardiovascular disease and other conditions, can override even the healthiest habits and dramatically affect longevity expectations. No single calculator can predict individual outcomes, but ignoring health as a planning variable can lead to unrealistic assumptions.

The bottom line: Your health influences far more than your medical expenses. It shapes how long your retirement savings may need to last, when it makes sense to claim Social Security, and how aggressively you can spend in retirement. Incorporating realistic longevity and health expectations into your planning creates a more accurate and resilient financial foundation.

Inflation Erosion

The inflation rate is creeping up again, from just above 2% earlier in the year to 2.9% in the latest (August) report. This isn't alarming news, but it might complicate the efforts by the U.S. Fed to balance its goal for inflation (2%) with its goal to support the weakening U.S. labor market. Keeping the Fed rate the same would fight inflation, while lowering the Fed rate would stimulate the economy and help it create more jobs.

For investors, the trend suggests that it is increasingly risky to keep too much money in cash, as that part of the portfolio is guaranteed to lose value – and probably more in the future as the inflation rate continues to rise.

This may be especially true in states that are experiencing higher costs of living. The high-inflation list includes Colorado, Utah, California, Alaska, Florida, Maryland, Minnesota and Hawaii. Inflation has been lowest in Arkansas, Oklahoma, Louisiana, West Virginia, Maine, and Mississippi. Los Angeles, Philadelphia, New York, and Chicago are among the cities where inflation has pushed above 3.0%, while in Detroit (0.7% on average) and Houston (1.1%), price increases have generally been more moderate.

Market Noise

The U.S. stock market had been reaching new highs through the spring and summer before a post on Truth Social preceded the largest selloff in several years. Hours after President Donald Trump stated he would impose an additional 100% tariff on Chinese products entering the United States, the S&P 500 declined 2.7%, reducing market value by an estimated $2 trillion. Cryptocurrency markets also fell, with total losses of approximately $18.28 billion, including about $5 billion in bitcoin, $4 billion in ether, and $2 billion in Solana.

The announcement followed recent actions by China to restrict exports of rare earth materials used in electric vehicle batteries and clean-energy technologies. Many market observers interpreted the tariff announcement as an initial position in trade negotiations. Investors reacted quickly, and broad selling occurred. Markets later began to rebound as President Trump signaled willingness to negotiate and described his relationship with Chinese President Xi Jinping as positive.

Several key lessons can be drawn from the episode. First, markets often respond sharply to unexpected policy announcements, even when long-term economic fundamentals remain unchanged. Short-term volatility does not necessarily reflect long-term economic or business performance, and companies generally have leadership teams and risk-management processes to adapt to policy shifts.

Second, periods of market growth are typically followed by corrections. Temporary declines are a normal part of long-term investing and are accounted for in diversified financial and retirement planning.

Third, the rapid recovery following the announcement underscores the importance of avoiding impulsive investment decisions in response to headlines. Investors who sold during the initial drop may regret doing so if markets continue to stabilize or recover as trade discussions evolve.

Whether markets will continue rising is unknown. Even after the decline, valuations remained elevated by historical standards, and future performance will depend on economic conditions and investor sentiment. Regardless of short-term fluctuations, long-term market growth is driven by the daily work and productivity of millions of individuals and businesses across the economy.

Short-term market noise can be distracting, but long-term fundamentals are what ultimately matter for investors.

The Hidden Risk to American's Financial Health

We regularly hear about market volatility, inflation, and various health concerns. Yet one of the most significant threats to Americans' financial stability is getting far less attention: the rising risk of catastrophic property loss.

A recent climate-risk analysis found that more than $12.7 trillion worth of U.S. real estate is now meaningfully exposed to wildfires, floods, hurricanes, tornadoes, damaging winds, and other climate-driven events. Even more concerning, roughly one in seven homes is no longer insured against these disasters.

For millions of families, home equity represents their largest source of wealth. A total loss, without adequate insurance, would be financially devastating. And even homeowners who *do* carry property and casualty insurance may be underinsured, leaving them vulnerable to substantial out-of-pocket costs if disaster strikes.

Insured losses nationwide are rising 5%–7% annually, pushing insurance premiums sharply higher and further straining household budgets. Meanwhile, some insurers are scaling back coverage, or exiting high-risk states entirely, such as California and Florida. Policies that remain available often include more exclusions, narrower coverage, and higher deductibles. Critically, standard homeowners insurance generally excludes floods, hurricanes, wildfires, and wind damage, requiring separate or supplemental policies.

Even homeowners who never face a climate-driven disaster may feel the impact. In properties with paid-off mortgages, insurance is no longer required, leading some owners to drop coverage due to rising costs. But construction expenses continue to outpace general inflation; materials prices are over 40% higher than in 2020, and the building industry is facing a significant labor shortage, estimated to require 499,000 additional workers according to Associated Builders & Contractors.

Fast-forward 10 or 20 years. A homeowner who forgoes coverage decides to sell, only to find that buyers either demand steep price discounts to offset soaring insurance premiums or avoid the property altogether if coverage is difficult or impossible to secure. In high-risk zones, some homes may effectively become unsellable.

A realtor.com survey warns that escalating climate exposure and rising insurance costs could impact the broader housing market. Uninsured losses can turn once-stable homes into distressed properties, leaving behind damaged or abandoned structures that depress neighborhood values.

There is no simple solution to this emerging challenge. But one thing is clear: Homeowners must be more proactive and informed than ever, assessing local risks, understanding their policy limitations, and regularly reviewing coverage. What used to be a routine aspect of homeownership has become significantly more complex, and what has long served as many Americans' most valuable asset is facing unprecedented vulnerability.

Fed Funds Impact

Whenever the Federal Reserve Board meets to decide whether to cut or raise the federal funds rate, media coverage can sometimes make it seem like a major economic shift is imminent. But what, exactly, is the impact of the recent (September 17) 0.25% rate cut and the expected additional cut later this year?

The federal funds rate doesn't affect consumers directly. It is the interest rate that banks charge each other for overnight loans, loans backstopped by the central bank. When that interest rate goes down, banks are able to borrow and lend at lower rates while maintaining profit margins. Rate cuts are sometimes accompanied by lower mortgage rates, but that hasn't been the recent experience. Three rate cuts at the end of 2024 saw no reduction in mortgage rates, and the most recent cut was followed by an increase, driven by higher yields on 10-year Treasury bonds.

A lower federal funds rate may also reduce the variable annual percentage rate on credit cards, although the effect can take time and is generally modest. The current average rate of 20.12% might decline slightly. For a $5,000 credit-card balance, the monthly interest could decrease by only a few dollars.

On the savings side, banks typically reduce interest rates on savings accounts and money market funds when the federal funds rate falls. For example, a 4.5% savings rate might drop to around 4.25%, slightly reducing the incentive to keep large balances in cash. The intention is to encourage spending and potentially support economic activity. Some investors may also shift funds toward stocks, which can support market performance.

Lower rates may also incentivize corporations to borrow for expansion or research and development. However, the benefit of a small rate reduction can be offset by other economic factors such as inflation, unemployment trends, and trade conditions.

Overall, the recent move is not likely to cause immediate dramatic changes. At this stage, a 0.25% rate cut is more of a signal than a major economic shock. Lower rates generally suggest concerns about slowing growth or employment, while higher rates typically reflect concerns about inflation and overheating.

In practical terms, this rate cut represents a cautious adjustment with limited near-term impact for most consumers and businesses.

Many Shiny Returns

The "Magnificent 7" technology stocks have captured much of the spotlight during the current market rally. However, one asset class has appreciated even more rapidly and, in total value, now exceeds the combined market capitalization of those seven companies: gold.

Gold has recently traded near record highs of around $4,300 per ounce, about 65% higher than its price at the start of the year. Using a similar concept to corporate market capitalization, the total value of all above-ground gold is estimated at roughly $30 trillion, which is approximately 1.5 times the aggregate market cap of the Magnificent 7 (Nvidia, Microsoft, Apple, Alphabet, Amazon, Meta, and Tesla).

Gold's performance this year has been notable because it has rallied alongside rising equity markets. Traditionally, gold has often strengthened during periods of uncertainty or declining stock prices, as some investors view it as a store of value. The simultaneous rise in both equities and gold has raised questions about the drivers behind the movement.

Recent data points to central banks as significant buyers. Countries such as Poland, Kazakhstan, China, Turkey, Czechia, Cambodia, Ghana, Qatar, India, and Serbia have added to their gold reserves in 2025. This continues a multi-year trend of reserve diversification among certain central banks.

The United States currently holds the largest official gold reserve at approximately 8,133 tons. Other major holders include Germany, Italy, France, Russia, and China. Some countries, such as Canada and Norway, hold little to no gold in their official reserves after reducing those holdings in recent decades.

As with any asset class, the future direction of gold prices is uncertain. Gold has experienced extended periods of flat performance and, unlike stocks, does not produce dividends or interest. The rally that began in 2022 may continue. Or it may pause or reverse. For now, gold's rise alongside strong equity markets remains an unusual dynamic that market participants continue to watch closely.

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