RBC Wealth Management

WealthMonitor

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Gatehouse Wealth Group
225 Schilling Circle
Suite 250
Hunt Valley, MD 21031
866-919-1728
www.gatehousewealthgroup.com

Wealth Management

$7.77 trillion

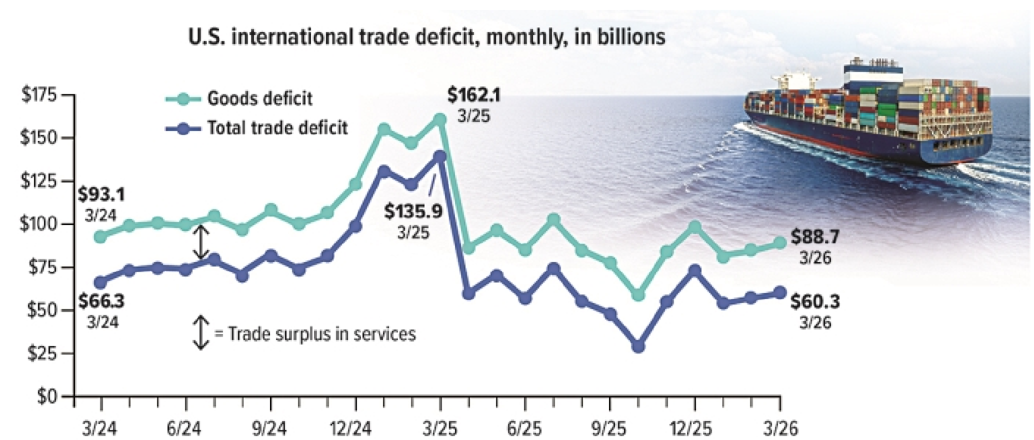
Total U.S. international trade in 2025, up from $7.37 trillion in 2024. This includes imports and exports in goods and services. Trade in goods was $5.64 trillion with a deficit of $1.24 trillion, while trade in services was $2.14 trillion with a surplus of $329 billion. The total deficit was $912 billion.

Source: U.S. Bureau of Economic Analysis, 2026

Tariffs Helped Drive Decline in Trade Deficit

The U.S. trade deficit in goods — the target of tariffs — increased by about 2% in 2025. However, the annual data was skewed by heavy import activity in late 2024 and early 2025 as businesses stockpiled foreign goods in anticipation of increased tariffs.

The monthly goods deficit began to decline with new tariffs in April 2025 and was 4.7% lower in March 2026 than in March 2024. Over the same period, the monthly total trade deficit dropped by 9.0% due to the declining goods deficit and a growing U.S. surplus in services.



Source: U.S. Bureau of Economic Analysis, 2026

Is It Time to Declare Your Financial Independence?

No matter how much money you have or which life stage you're in, becoming financially independent starts with a dream. Maybe you want to finally pay off the mountain of debt you've accumulated or stop relying on someone else for financial support. Or perhaps your dream is to retire early so you can spend more time with your family, travel the world, or open your own business. Financial independence, however you define it, is freedom from the financial obstacles that are keeping you from living life on your own terms.

Envision the future

If you were to become financially independent, what would change? Would you spend your time differently? Live in another place? What would you own? Would you work part time? Ultimately, it's up to you to define the life you want to live. It's your dream, so there's no wrong answer.

Work at it

Unless you're already wealthy, you may have had moments when winning the lottery seemed like the only way to become financially secure. But your path to financial independence isn't likely to start at the lottery counter of your local convenience store.

Though there are many ways to become financially independent, most of them require hard work. And retaining wealth isn't necessarily easy, because wealth may not last if spending isn't kept in check. As income rises, lifestyle inflation could slow, or even reverse, your progress. Becoming — and remaining — financially independent requires diligently balancing earning, spending, and saving.

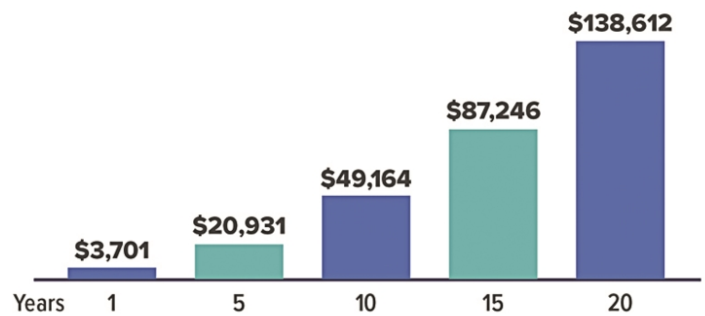
Earn more. No matter which goals you're pursuing, the wider the gap between your income and expenses, the shorter the path to financial independence. The more you can earn, the more you can potentially save. This might mean finding a job with a higher salary, working an extra job, or working part time in retirement. And a job is just one source of income. If you're resourceful and able to put in extra hours, you may also be able to generate regular income in other ways — for example, renting out a garage apartment or starting a side business.

Spend wisely. Look for opportunities to reduce your spending without affecting your quality of life. For the biggest impact, focus on reducing your largest expenses, such as housing, food, and transportation. Practicing mindful spending can also help you free up more money to save. Before you buy something nonessential, think about how important it is to you and what value it brings to your life so that you don't end up with a garage, attic, or storage unit filled with regrettable purchases.

Save aggressively. Set a wealth accumulation goal and then prioritize saving. Of course, if you have a substantial amount of debt, saving may be somewhat curtailed until that debt is paid off. Take simple steps such as choosing investments that match your goals and time frame, and paying yourself first by automatically investing as much as possible in a retirement savings plan.

Investing for a Goal

Here's a hypothetical example showing how a $300 monthly investment would grow over time, assuming a 6% annual rate of return.



Calculation does not take into account the effect of taxes or inflation. Investment fees and charges are not taken into account and would reduce the performance shown if they were.

Time is an important ally in the quest for financial independence, so it would be wise to start saving as early as possible and build your nest egg over time. (Note that all investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.)

Keep going

Life changes. Unexpected bills come up. Some years will be tougher financially than others. Expect to make some adjustments to your plan along the way, especially if you have a long-term time frame, but keep going.

Finally, make sure to celebrate both small milestones and big victories. Seeing the progress you're making can help you stay motivated as you pursue your dream of financial independence.

The Employment Situation: A Closely Watched Report

Among all the economic indicators released each month, the Employment Situation is one of the most watched. Each monthly report is highly anticipated and can move the markets.

What is the Employment Situation?

Each month, the Bureau of Labor Statistics (BLS) publishes the Employment Situation Summary (commonly known as the "jobs report") based on information from the prior month. The data for the report is derived primarily from two sources: (1) a survey of approximately 60,000 households, or about 110,000 individuals (household survey), and (2) an establishment survey of over 650,000 worksites. The information contained in each report includes the total number of employed and unemployed people, the unemployment rate, the number of people working full time or part time, average hourly and weekly earnings, and average hours worked per week. The report on private payroll excludes government workers. Because it is released by the BLS on the first Friday of every month, it provides the first comprehensive status check of the U.S. economy for the preceding month.

What should you look for within the report?

There's plenty of important data within each report. The labor force includes all people age 16 and older who are classified as either employed or unemployed. Conceptually, the labor force level is the number of people who are either working or actively looking for work. The unemployed includes people who are not employed as of the date of the particular survey, are available for work, and made an unsuccessful attempt to find a job within the four weeks preceding the date of the survey. The unemployment rate represents the number of unemployed people as a percentage of the labor force. The information contained in this report can have an impact on the stock market as it relates to interest rate expectations, consumer spending, and corporate earnings.

Why is it important?

According to the Bureau of Labor Statistics, when workers are unemployed, their families and the country can be negatively impacted. Workers and their families lose wages, and the country loses the goods or services that could have been produced. In addition, the purchasing power of these workers is lost, which can lead to unemployment for even more workers.

The data in this report can provide useful information to investors. For instance, a rising unemployment rate may indicate a slowing economy. In this scenario, stock values may decline with falling corporate profits, while bond prices may rise as yields fall in response to lower interest rates. Slower wage growth may be a sign of lower inflation, declining interest rates, and reduced economic productivity.

Conversely, a declining unemployment rate may indicate a growing economy and potentially rising interest rates. In this scenario, stock values may increase with expanding corporate profits, while bond prices may fall for fear of rising interest rates.

Advancing wages may also be a sign of higher inflation and advancing interest rates, as well as greater economic productivity. But if the report is too strong relative to expectations, investors may fear more tightening by the Federal Reserve.

The employment data can influence consumer spending. More people with jobs generally means more disposable income, which should translate to higher sales for retail, tech, and travel companies. Job losses or stagnant wages may signal a future drop-off in spending, which could lead to lower corporate earnings. Even if interest rates stay low, a significant drop in jobs can cause stocks to tumble due to fears of a recession.

How does the jobs report influence the Federal Reserve?

The Federal Reserve's dual mandate is maximum employment and stable prices. The Employment Situation is the main gauge of the first mandate and an important factor in inflation risk. If the jobs report is stronger than expected during a period of rising inflation, the Fed may assume a more hawkish stance, either delaying interest rate cuts or hiking rates. A weaker-than-expected report with moderating inflation can lead to interest rate cuts. In general, the Fed rarely reacts to a single report, instead making policy moves based on a sequence of strong or weak jobs data.

Other Important Economic Indicators

- **Unemployment Insurance Weekly Claims Report** — provides data on new claims filed, total claims paid, and the unemployment rate

- **Consumer Price Index** — measures changes in the average price of goods and services purchased by consumers

- **Federal Reserve's monthly industrial production index** — measures monthly and annual changes in output in manufacturing, mining, and utilities

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All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful. Estimates are based on current conditions, are subject to change, and may not come to pass.

Understanding the "No Tax on Tips" Deduction

If you're one of the estimated six million taxpayers working in a job where you receive tips, you may be interested in learning more about the new "no tax on tips" deduction.[1]

In 2025, the One Big Beautiful Bill Act established a temporary federal tax deduction to help reduce the tax liability of certain tipped workers for tax years 2025-2028. Employees and self-employed taxpayers may deduct up to $25,000 annually in qualified tips as long as they work in an occupation the IRS views as "customarily and regularly" receiving tips. Qualified tips include voluntary cash tips and amounts paid by credit or debit card, including amounts received through tip-sharing arrangements. Automatic gratuities and mandatory service charges do not qualify.

The deduction is available whether the taxpayer claims the standard deduction or itemizes deductions. Self-employed individuals cannot claim a deduction exceeding the net income from the business in which the tips were earned.

Taxpayers who have a valid Social Security number and work in an eligible occupation, such as bartenders, waitstaff, casino dealers, hairdressers, valet attendants, taxi/rideshare drivers, baggage porters, and food delivery personnel, qualify for the deduction. Married couples must file a joint return, while couples filing separately are not eligible. Employers must report all their employees' tip income to the IRS or Social Security Administration. A complete list of the 68 occupations across eight industries that qualify for the deduction is available at irs.gov.

Eligible tipped workers can deduct up to $25,000 in tips annually from federal income taxes under a temporary provision available from 2025 through 2028.

The deduction begins to phase out for single filers with modified adjusted gross income (MAGI) over $150,000 or over $300,000 for married couples filing jointly. The deduction is reduced by $100 for every $1,000 above these thresholds.

In 2025, the IRS permitted taxpayers to use Form W-2 (Box 7), employer tip reports, Form 4137, and personal tip logs to report qualified tips. In 2026, taxpayers claiming the deduction will use Schedule 1-A, while employers will be required to separately report qualified tips on Forms W-2 and certain 1099s.

Each state will decide whether to adopt, modify, or reject the provision, so taxpayers should check with their state tax agency to determine the tax treatment of tip income.

1) IRS.gov, November 21, 2025