

# WealthMonitor



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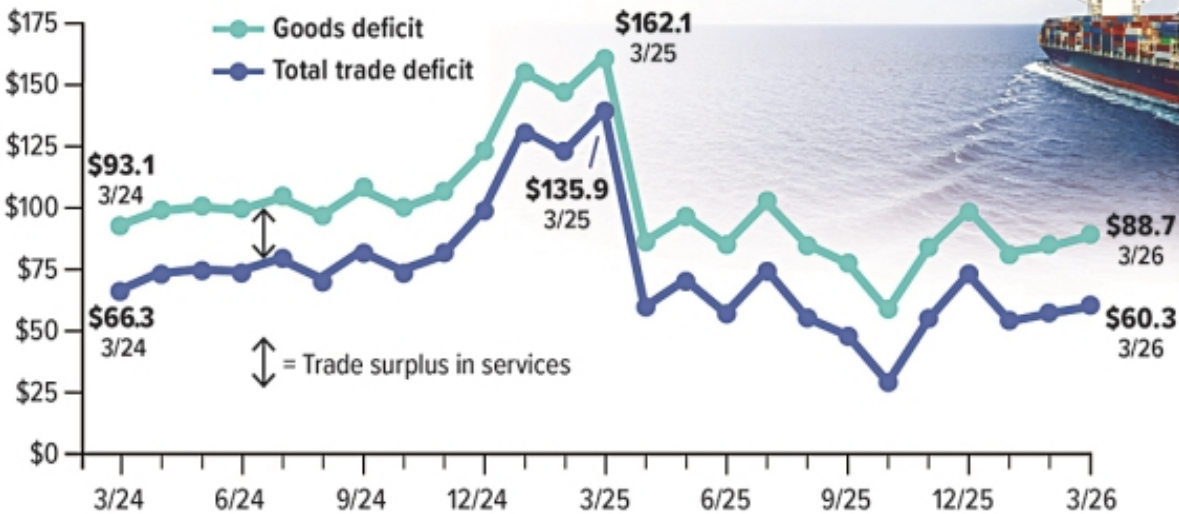
**Wealth  
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## Tariffs Helped Drive Decline in Trade Deficit

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.

**U.S. international trade deficit, monthly, in billions**



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

# 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.

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## 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.*

# Phased Retirement Can Help Smooth the Transition

Two-thirds of Gen X and 56% of millennials would prefer to gradually decrease their hours or work a more flexible schedule as they transition to retirement. About half of baby boomers and Gen Z have similar preferences.<sup>1</sup>

The federal government has offered a formal phased retirement program since 2014, allowing eligible full-time employees to collect half their pensions while working half time. Typically, at least 20% of their remaining work hours must be spent mentoring younger workers. And their pensions continue to grow based on part-time work.<sup>2</sup>

Private industry has been slower to adopt formal programs. Only 16% of employers, mostly larger companies, have regular phased retirement programs. However, 61% of companies have some experience with phased retirement, and with strong employee interest, it's likely that more will adopt formal programs.<sup>3</sup>

## Win-win-win solution

A phased retirement program can be a positive experience for employees, employers, and customers.

For older employees, a reduced schedule offers a more gradual financial transition, maintaining a steady, if reduced, income that can help delay taking Social Security benefits and/or tapping retirement savings. Trying to live on 80% of salary, for example, might also be good practice for retirement budget management. And staying engaged in the workplace can offer mental and psychological benefits.

For employers, older workers provide experience and institutional knowledge that can help maintain and improve current quality while mentoring younger workers to help ensure a smoother transition.

For customers, older workers can provide dependability and continuity. In some cases, customers are also older, and long-time relationships can help maintain customer comfort levels.

## Build your own program

If your company does not offer such a program, you might suggest an arrangement. Emphasize what you can continue to contribute and how it could help the company in the present and the future. But also be sure that the program will work for you. Here are some ideas to keep in mind.

- Make sure you understand the effect of reduced hours on your benefits, such as health insurance and employer pension or retirement plan contributions.
- If you cannot live on your reduced wages, you may have to use other sources of income, but you probably would not have to tap them as much as if you retired completely.

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## Valuing Older Employees

Percentage of employers who agree completely or somewhat with the following statements.

- 77%** Older employees' company knowledge is crucial to our business's success.
- 69%** We want to keep good employees as long as possible but struggle to find ways to continually advance their career path.
- 67%** We have plans for how employees nearing retirement can transfer knowledge to our business before they leave.
- 62%** We are concerned with our employees' career development.
- 55%** We have hired people who had previously retired from another company.
- 55%** We have asked employees who want to retire from full-time work to stay on part time.
- 47%** We have asked employees who have retired from our business to come back for a specific need (temporary work).
- 44%** We have asked employees who have retired to come back on a full- or part-time basis for the long term.

Source: The Principal Financial Well-Being Index, 2024 (most recent data)

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- One of the greatest benefits of phased retirement is that you could delay claiming Social Security, with your benefit increasing 8% annually after full retirement age (FRA), up to age 70. However, if you do claim Social Security before FRA and continue to work, you will receive a permanently reduced benefit for claiming early and be subject to the retirement earnings test, which may temporarily reduce your benefit payments until you reach FRA. Once you have reached FRA, the lost benefits from the earnings test will be added to your benefit amount.

If you phase out of your current job, make sure you don't end up trying to do all of your former work in fewer hours. This could be especially problematic for salaried workers in project-oriented positions. Be sure you and your supervisor are clear on the requirements of your reduced workload.

1) Kiplinger, January 7, 2026

2) U.S. Office of Personnel Management, August 7, 2014

3) *Fortune*, March 22, 2024 (most recent data)

# 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.<sup>1</sup>

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](https://www.irs.gov).

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*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.*



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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

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