

A quarterly publication by Smithfield Trust Company on the latest wealth management trends. Our goal is to empower our valued friends and customers with essential information that directly impacts their financial well-being and enduring legacy.

A Message From Our President & CEO

It occurred to me that the next Forecast will be in 2026 after Bill Morrow's retirement from Smithfield so I want to alert our readers who may not have heard of this news. As most know, Bill was one of the original incorporators and directors of Smithfield Trust Company.

Bill's profession as an accountant has brought tremendous value to Smithfield and its customers. Thankfully for us, he will continue as a principal at Einwag Morrow & Associates, P.C. just down the hall, although I hope he will now start his day after the sun has risen. The early morning and late evening hours Bill has spent over his career from his days as a young accountant and lawyer to a top executive at Smithfield cannot be surpassed. Even if you were able to find one with the work ethic of a "Bill Morrow," you will not find it matched with his expertise, calm demeanor, leadership, sense of humor and vampire-like qualities of not showing age.

I am part of the "generation" of Smithfield employees that would not be at Smithfield if it wasn't for Bill and for that I am personally grateful. It has been an honor and privilege to work alongside and learn from such an accomplished professional and special person. It is apparent why Bob Kopf asked Bill to join him in the creation of Smithfield Trust Company nearly thirty years ago. Bill has been the foundation that Smithfield has built upon, which is clearly reflected in the Company's

success today. His business acumen, tax & legal expertise, and yes, grammar skills, will be sorely missed at Smithfield but if anyone is deserving of taking time for himself it is Bill Morrow. He has given so much to everyone else over his long fruitful career. If I may, on behalf of Smithfield employees & customers, say thank you, Bill, and enjoy your semi-retirement. —Betsy

Economic Insights

By Michael Drury

The economy continued to perform well in the third quarter, and we expect continued strength into the fourth quarter and 2026 due to the stimulus from both the One Big Beautiful Bill and Federal Reserve easing. However, growth has downshifted due to the effects of immigration reform, which we estimate has shaved roughly one percent off US growth potential, lowering it from 1.8% to 0.9%—now similar to Europe. We estimate the economy grew at a 2.2% annual pace in the third quarter, which would continue its streak of exceeding potential by a wide margin. Even the muted 1.4% average growth rate in the first half of 2025 was faster than the now reduced potential. Moreover, we see little effect from tariffs on real growth and they account for a limited 0.5% lift to inflation. Price pressure is likely to accelerate in coming months, as firms pass along more of the tax effect that they have been absorbing while awaiting more certainty about the level of custom duties, repercussions from foreign governments and consumers' behavior.

The impact of immigration reform on US growth, profits, and labor markets is the most misunderstood aspect of Trump's

2.0 policies. Many have pointed to the decline in job growth that comes from closing the borders as a threat of recession. We do not agree. An immigrant worker, whether legal or illegal, increases both the supply and demand for goods and services. As such they have limited effect on wages, unemployment rates, or productivity. What changes do occur within specific industries comes from the variation in their skills compared to those already existing in the marketplace. Many studies of immigration surges, like the recent flood of Ukrainians into Poland, confirm they have only a modest effect on wages and prices—with rent bearing most of the effect, as the supply of housing cannot adjust quickly. Shutting immigrants out of a strong growth market also has little effect—other than easing rent. However, because immigration is typically tightened when the underlying economy is faltering already, many associate it with weaker growth. That is not the case in America now, as growth exceeds potential.

The clearest sign of the immigration induced slowdown is in the labor force, which has barely grown since Trump took office—averaging just a 5,000 a month increase. This compares to a 165,000 average in the same seven months of 2024—or 1.1% less available labor. The labor force for foreign-born workers has fallen by over 1 million, with jobs down -960,000. Meanwhile, native born employment is up 459,000, or 0.4%, in line with population growth. Moreover, the three-month average in the unemployment rate is 4.2%. Three months ago, that average was 4.2%. A year ago, it was 4.2%. True, it hit a high for this cycle of 4.3% in August, but these data are too flighty to draw conclusions from so modest a change. Note the expected 911,000 change in employment as of March 2024, or the massive revision that cost the BLS director her job. The monthly gap between the job counts from the household and payroll reports (the first is 60,000 phone calls, the second a hard count from companies—but with a falling response rate) continues to average well over 100,000. Bottom line, this data is just not very good—but it is what we have!

We are also seeing a slowdown in wage growth—from 4.2% in the second half of 2024 to 3.5% over the past six months. We interpret this as businesses passing along tariff increases through lower wages, as much as through higher prices. Clearly, with fewer new workers available, one would expect firms to try and hold onto existing employees. Raising wages more slowly in that environment suggests that the tariff pressure is significant enough that they must act. Workers are not happy with slower wage growth relative to steady, and perhaps rising, inflation. However, they continue to spend, buoyed by high income consumers outlays for cars,

furniture and health care. Consumers' concerns are shown by a declining number quitting their job—but so far foreign workers and recent college graduates are bearing the brunt of firms moves to protect profits.

The Federal Reserve lowered interest rates in September, by twenty-five basis points, and we expect they will do more. Not because the economy is slumping, but rather because the slower growth in hours worked imposed by immigration reform means nominal GDP has slowed from around 5% to around 4%. Overnight rates between 4% and 4.25% are modestly restrictive in that environment, as are bond rates above 4%. Last year, we argued rates were not restrictive—because growth was 5%—but no longer. Businesses that borrowed in 2025 (or earlier) expecting a 5% growth world will need to make adjustments. Most will not fail due to a 1% change in growth, but they will act to protect margins—adding to the pressure from tariffs.

Thus, we expect it may be difficult for inflation to come down from its current 3%-plus annual change in the core CPI over the next year. When we look at gold, bitcoin and the equities market, we are sure there is a surfeit of liquidity spinning through the asset markets. It is only a matter of time before some rotates into demand for goods and services. A similar pattern was seen in 2001 through 2002, as the money drops first spiked asset markets—and after a long lag lifted consumer prices. If price pressure is sustained, and the consensus becomes comfortable with slower job growth as a consequence of immigration reform, we expect that the Federal Reserve will shift its focus away from job growth—which we think is just fine—and back to the burden of higher prices compared to slowing wage growth. That may limit the downside for short term rates relative to the robust expectations currently priced in the market.

A lot of uncertainty still prevails in the economic outlook, but firms are investing heavily in technology and to avoid tariffs. Fresh stimulus is coming from tax cuts, deregulation and lower interest rates. If tariffs are reversed, the refunding of those payments will inject even more stimulus. Growth will remain uneven, with the top end prospering, while lower income households struggle with inflation—but with growth still running above potential and productivity solid, profitable firms are unlikely to be laying off workers. The industries squeezed most by tariffs and immigration reform will lag, but even construction and agriculture appear to be weathering the storm. Many of Trump 2.0 policies are different from the past, but as businesses gain experience with the new framework, they are adapting—quickly and successfully!

Investment Commentary

Déjà Vu: Lessons from the '90s for Today's Investor

The past quarter has proved eventful for U.S. financial markets. In general, equities have continued to rally, though with increasing nuance and tension concerning valuation and interest rate outlooks, while bond markets have been sensitive to Fed messaging and inflation data.

As we enter the final stretch of 2025, it's worth noting that the current macroeconomic backdrop bears striking resemblance to the 1995–1996 period under Fed Chair Alan Greenspan, when the Federal Reserve pivoted to a rate-cutting stance following a cycle of tightening. At that time, equity markets responded positively to Greenspan's more flexible interest rate policies, producing a “soft landing” in the U.S. economy: moderate growth, improving productivity, and a prolonged equity rally...conditions that many investors are hoping will repeat.

In September 2024, the Federal Reserve made a decisive shift in policy, cutting the federal funds rate by 0.50%. Nearly a year later, markets continue to digest the implications. Inflation has largely moderated but remains sticky enough in core components that policymakers have retained a cautious tone. The labor market, while still resilient, is once again the key variable, and likely will drive future policy decisions depending on its continued strength or signs of softening.

Long-term investors will remember that the mid-1990s were not without turbulence: Fed policy shifts, inflation concerns, and valuation debates all featured prominently during that era. Yet those who remained disciplined and focused on asset allocation, rather than reacting to short-term noise, were ultimately rewarded as innovation and macro resilience powered markets higher. Today's environment shares many of the same characteristics: accommodative policy, solid corporate fundamentals, and innovation-led growth. As we move forward, staying flexible with tactical decisions, while anchored in a disciplined, diversified strategy, will remain essential in navigating all market landscapes.

Tax & Estate Planning Insights

Electronic IRS Payments & 529 Account Enhancements

Electronic IRS Payments

Pursuant to an Executive Order issued March 25, 2025, the IRS will eliminate the issuance and acceptance of paper checks. The Treasury Department has set a deadline of September 30, 2025, to cease issuing paper checks. They have not yet set a deadline for when they will stop accepting checks, but they have been directed to do so “as soon as practicable.” This will apply to payments due when filing returns and extensions and to estimated tax payments. While there are very limited exceptions and more details that will need to be worked out, it will be best to move all payments to electronic methods.

The IRS offers a variety of electronic payment options, but they have been suggesting that individual taxpayers primarily use their Direct Pay system or the IRS2Go mobile application. **For more information and a full list of tools you can refer to www.irs.gov/help/tools.**

529 Account Enhancements

One of the changes introduced in the One Big Beautiful Bills Act (OBBA) is an enhancement of the 529 Education Savings Account Benefits. While the tax deductibility of contributions to 529 accounts remains only at the state level, the permitted uses have expanded greatly with the new bill. In addition to post-secondary tuition, room and board, and educational materials such as books and computers required by the eligible student, 529 accounts can now be used to pay for standardized, advanced placement, and professional examinations (i.e. the SAT, ACT, LSAT, GMAT, CPA, Bar, and Board exams). Additionally, they can be used to pay for tutoring outside of the house (if the tutor meets certain qualifications) and educational therapies (i.e. OT, PT, Speech, etc.) for students with disabilities. These enhancements are effective as of July 4, 2025.

Other enhancements to 529 accounts include increasing the allowable expenses for private and/or religious elementary and secondary schools from \$10k per year per student to \$20k per year per student. This will be effective in 2026.

If you are worried about having excess funds in a 529 account, rest assured that there are various roll-over options to ensure the funds are not lost.



Trust is part of our name for a reason.

We establish a personal relationship with our
customers and provide solutions for their unique positions in life.

Cybersecurity Awareness

Friend or Foe? Avoiding the Fraudsters

Fraudsters are more sophisticated than ever before. While it feels like their tactics change and become more convincing by the day, your awareness of preventative measures will help you stay safe.

Who are Fraudsters?

The “foes” behind fraud campaigns are real people. While there are a variety of motivating factors, these individuals are often career criminals who make their living from convincing people to fall for their tricks. These fraudsters are often sophisticated and are supported by a network of similarly motivated individuals. Because of this, their tactics can be extremely convincing, at times making you believe they know you personally.

Below we will highlight a few of the more sophisticated tactics that you may encounter, and what you can do to prevent falling for them.

Social Engineering through Fake Accounts

Fraudsters create fake social media profiles, often mimicking credentials, such as degrees and certifications, you may find reputable. Their goal is to build credibility and gain trust in their interactions. Remember, there is a real person behind these

accounts, so it may look convincing. Upon building trust, they will move forward with their schemes through a variety of paths, including money requests, investment requests, and other ploys.

Manipulation of Trusted Company Names

Fraudsters are aware of the trust that comes with known brands. Additionally, fraudsters can learn about your personal preferences and companies you interact with, based on information that you share online through social media, websites, and LinkedIn. This information can be used to attempt to contact you, under the guise of a company you trust.

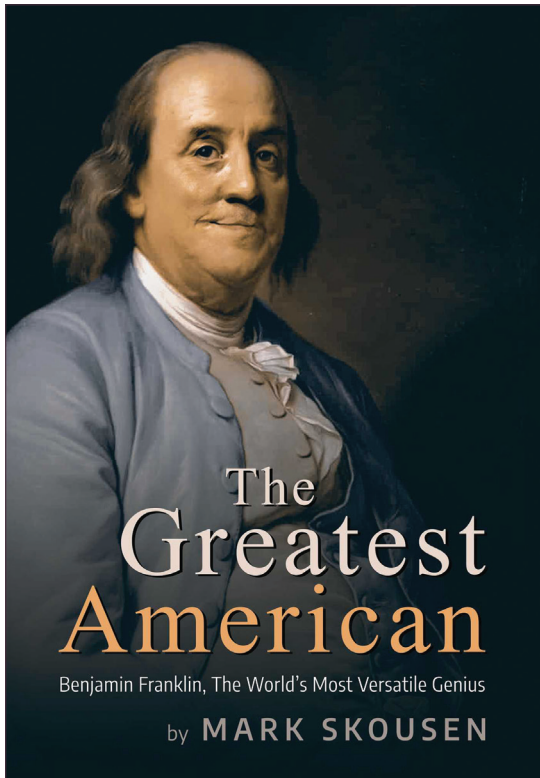
Identifying Friend vs Foe

To protect yourself from these sophisticated tactics, be cautious of who you choose to interact with online and over the phone. Be wary of pressuring language that expresses urgency, promises of exclusive access to opportunities, and language that is out of the ordinary from what you expect from a trusted individual. When interacting in email, check the email address of the sender and confirm it is accurate to how you receive emails from the organization. If you have received a phone call from an unknown number or person who is claiming to work at a company you trust, proceed with caution until you can validate the identity. If you are in doubt of the validity of emails or phone calls, it is best to call back a known phone number for the company and inquire about the correspondence.

Proceeding with caution, especially when exchanging sensitive information or making financial decisions, is always a prudent decision.

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Book Reviews



The Greatest American, by Mark Skousen



Review by: Henry Haller, III

Economist Mark Skousen considers Benjamin Franklin to be the greatest of the founding fathers. Perhaps it is because he claims to be a sixth generation direct descendent of Franklin. In his subtitle, he calls Franklin “the world’s most versatile genius.” Even though he was the oldest of the founding fathers, Skousen calls him the most modern, and claims he would be the one most comfortable living today.

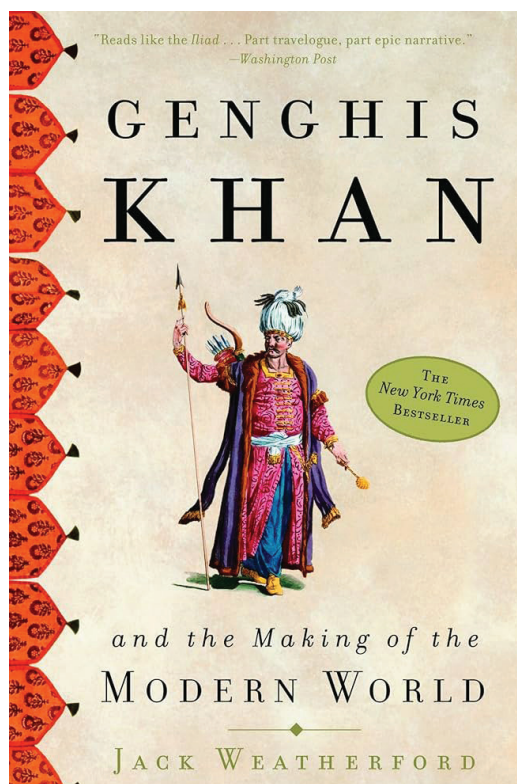
This is not a biography in the conventional sense. Instead, it is a compilation of Franklin’s views on a wide variety of subjects—business, science, politics, international relations, culture, religion, and more. In all there are 80 short chapters, each of which reports on a subject on which Franklin has expressed thoughts or opinions. The final chapter addresses

some of Franklin’s critics and the flaws they saw in him. He had a reputation as a ladies’ man, although his marriage lasted 44 years until the death of his wife in 1774.

My one criticism of the book is that it is somewhat repetitive. Because there are so many different topics covered, some events in Franklin’s life appear several times as they relate to the different topics under discussion.

Submit a Review!

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Genghis Khan and the Making of the Modern World, by Jack Weatherford



Review by: Sam Adams

This is a biography of Genghis Khan (1162-1227) and his founding of the Mongol Empire. Born Temujin and described as the son of an outcast family left to die on the steppes, the book relates how Temujin united the various tribes of central Asia under the Mongols. By breaking the cycle of endless tribal raids, feuding and warfare, Temujin created the Yeke Mongol Ulus (Great Mongol Nation) and became Genghis Khan. The book then recounts the expansion and administration of the Mongol Empire by Genghis Khan and his sons and grandsons, with an emphasis on his grandson, Kublai Khan.

Much more than a discussion of the military acumen of the Mongols, the book packs a lot of history into a little package that is sometimes difficult to unwrap. More maps and speedbumps

would have been helpful. The author also sometimes comes across as a Mongol apologist. For example, Baghdad's destruction in 1258 is discussed, but casualty numbers (estimated at up to 2 million per Muslim sources) are not provided. The book succeeds, however, in dispelling the notion of the Mongols as barbarian hordes bent on destruction. Ravenous conquerors when necessary, Mongol victories were usually followed by attempts to rebuild conquered territories as commercial hubs. The Mongols enacted legal and administrative reforms with the goal of transforming the Mongol Empire into a modern-day Amazon focused on the production and movement of goods across vast distances, as opposed to the limited scope of European feudal societies.

The book is also a showcase in the complexity and nuances of history. To illustrate, after an early defeat, Temujin escaped with only nineteen followers, but the nineteen were comprised of only two Mongols, with the remainder being Christians, Muslims and Buddhists from other tribes. Such was the draw of loyalty to Temujin, and such group was a microcosm of the Mongol Empire to come. For an eye-opening look into an important historical precursor, this book fits the bill.



The Smithfield Forecast

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