



THE LIGHT

HELPING INDIVIDUALS NAVIGATE THEIR FINANCIAL LIVES

VOLATILITY AND INVESTING



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INVESTMENT ADVISOR REPRESENTATIVE

In the first half of 2025, investors experienced something that they had not seen much in the prior two years – increased market volatility. What exactly do we mean by market volatility? When the market shows significant fluctuation in value, either up or down, that is volatility. For most investors, upside volatility is great. We all like to see the value of our holdings increase. The downside of volatility is another thing entirely. That is where the emotions of fear and uncertainty come into play. To better understand volatility and what is normal, we thought we would look back over the last five years and see what history tells us.

One way to measure volatility is to look at the number of times an index such as the Standard and Poor's 500 changed in value by more than 1% in one day of trading. We looked back at the daily value change of the S&P 500 since January 1, 2020. Over the five years from 2020 through June of 2025, on average, there were 44 trading days where the average increased by more than 1%. During that same time period, the S&P averaged 36 days with a decline of greater than 1%. With approximately 250 trading days a year in an average year, nearly one out of three trading days showed an increase or decrease in value of over 1%. This was the normal volatility from 2020 through 2025.

Of those years, 2020 (the first Covid year) was the most volatile. It had 64 days with a greater than 1% increase and 46 days with a greater than 1% decrease. It also had five up and five down days with greater than 5% changes! The most notable single-day decline was a loss of 11.98%, with the best one-day increase being 9.38%. This was an extremely volatile year, and yet the final performance of the S&P 500 for 2020 was a gain of 18.4%.

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Market Recap

DOW JONES INDUSTRIAL AVERAGE

2Q 2025: 6.1% YTD 2025: 3.7%

S & P 500 COMPOSITE

2Q 2025: 11.2% YTD 2025: 5.6%

RUSSELL 2000

2Q 2025: 7.7% YTD 2025: -2.3%

BARCLAYS AGGREGATE BOND

2Q 2025: 0.5% YTD 2025: 2.4%

NASDAQ COMPOSITE

2Q 2025: 17.6% YTD 2025: 5.5%

**All indices are reported Total Return which includes Dividends*

MARKET UPDATE: A QUARTER OF CONTRASTS



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The second quarter started with turbulence in April after the U.S. announced broad new tariffs, causing a global selloff. The S&P 500 dropped nearly 20% from its February highs. When tariffs were paused later in April, a sharp recovery was triggered. By mid-May, most of the quarter's losses had been erased. The S&P 500 ended the quarter up 11.2%, setting a new all-time high. Other major U.S. indices finished the quarter with modest gains, underpinned by strength in technology, while small-cap stocks lagged. Overall, the quarter highlighted the need for resilience in the face of volatility regarding long-term investing.

THE SLOW DANCE



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REPRESENTATIVE

As financial planners and CPAs, we focus much of our time with clients around optimization. We discuss topics around saving, spending, investment returns, retirement planning, and taxes at length. These are fundamental building blocks when constructing your foundation for financial freedom. A good amount of our time is focused on the future. Planning for the future requires a lot of projections, forecasts, and estimations. With all the forward-thinking involved around our finances, it's extremely easy to get swept away from the present. In the spirit of taking a break from overthinking, and worrying about our financial futures, I want to share something I came across. It is a wonderful reminder I needed at a time I was too caught up in what lies ahead. I hope you enjoy it!

The Slow Dance By: David L Weatherford

Have you ever watched kids, on a merry-go-round?
Or listened to the rain, slapping on the ground?
Ever followed a butterfly's erratic flight? Or gazed
at the sun into the fading light? You better slow
down, don't dance so fast. Time is short, the music
won't last.

Do you run through each day, on the fly? When you
ask: 'How are you?' Do you hear the reply? When the
day is done, do you lie in your bed, with the next
hundred chores running through your head? You
better slow down, don't dance so fast. Time is short,
the music won't last.

Ever told your child, 'we'll do it tomorrow?' And in
your haste, not see his sorrow? Ever lost touch, let
a good friendship die, 'cause you never had time to
call and say, 'Hi?' You better slow down, don't dance
so fast. Time is short, the music won't last.

When you run so fast to get somewhere, you miss
half the fun of getting there. When you worry and
hurry through your day, it is like an unopened gift
thrown away. Life is not a race. Do take it slower.
Hear the music, before the song is over.

VOLATILITY AND INVESTING

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The 2023 and 2024 years saw unusual stability and growth in the stock market. It was also notable for the relatively low volatility in the market. This may come as somewhat of a surprise to many people because there was certainly significant political uncertainty in 2024 regarding the presidential election, and 2023 with the war in Ukraine and the Israel-Hamas war. Despite all of the social and political noise in the world, the market showed consistent, steady growth. The S&P 500 had only twenty-eight 1% down days in 2023 and nineteen 1% down days in 2024. There was never an up or down day of more than 5% in either year. The S&P return for 2023 was 26.29% and 25.02% for 2024.

The first half of 2025 has reverted back closer to the average number of greater than 1% gains or losses. In the first half of the year, we saw 38 total days with value changes greater than 1% in the S&P 500, including a week in April with a 9.52% increase and a 5.97% decrease. Comparing this year's recent volatility to the two prior lower volatility years, it may seem like the market is falling apart or much different than in years past. The truth, however, is that 2023 and 2024 were the more unusual years. Historically, valuation changes in the market (volatility) are quite normal.

One reason we are not overly concerned about the volatility in the market is that these swings in value give prudent money managers opportunities. Top-quality equity investments can be purchased at discount prices when the overall market declines. In addition, if investors were to stay out of the market due to volatility, they would not only miss the average of 36 days greater than 1% down but also miss all of the up days. Over the five years from 2020 through June of 2025, despite all of the volatility, the S&P 500 still managed to average over 13% per year.

The bottom line is that volatility in the markets is normal and nothing to fear. It also may be a path to even greater returns in the long run for patient investors who are not distracted by short-term changes in market value.



PROPOSED TAX CHANGES FOR 2025 FILERS



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The Tax Cuts and Jobs Act of 2017 (TCJA) modified several tax code provisions. Many of the revisions included are set to expire at the end of 2025 unless Congress acts to extend them. Among the changes, the TCJA reduced the top marginal income tax rate to 37% and reduced rates across several income tax brackets. The standard deduction was nearly doubled, and the child tax credit increased from \$1,000 to \$2,000 per qualifying child. For high-net-worth individuals, the TCJA nearly doubled the estate and gift tax exemption limits to \$13.99M per individual. The TCJA also introduced the qualified business income deduction, which allows business owners to deduct up to 20% of their qualified business income. "Bonus depreciation" under the TCJA allowed businesses to deduct up to 100% of the cost of specific qualified property placed in service during the tax year.

"One Big Beautiful Bill" passed the House in May 2025 and is still under Senate review for final approval. Proposed changes include permanently extending the lower individual tax rates and brackets of the 2017 TCJA, the larger standard deduction, and making permanent the estate and gift tax exemption of \$15M beginning in 2026 (and inflation-adjusted.) For small businesses, the bill proposes a permanent qualified business income deduction, increasing it to 23%, and re-upping the 100% bonus depreciation for certain properties placed in service from 2025-2028. Also proposed, is raising the state and local itemized tax deduction (SALT) from its current \$10K limit to up to \$40K, along with no tax on tips, overtime, and potentially a tax break on car loans. Health insurance premium tax credits are projected to be pared back, and several other credits potentially repealed, like those for electric vehicles (EVs) and certain residential energy products.

While the proposed bill has the potential to provide new savings incentives, it has yet to pass the Senate, and there will likely be several revisions between now and the end of the 2025 tax year. Stay tuned, as will we, while Congress wrestles with collaborating on what will surely be an interesting, if not complex, set of new rules and regulations to follow for the upcoming tax season.



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