



Happy Spring! We hope that everyone has survived the winter well and have had a great start to the year. The stock market so far in 2025 is navigating a complex landscape-- heavily influenced by proposed tariffs, potential tax cuts, and anticipated interest rate adjustments. While we are still optimistic about the outlook for the markets this year, certain trends have developed.

The introduction of new tariffs proposed by President Trump has created uncertainty, particularly regarding international trade relationships. This can lead to volatility in sectors reliant on global supply chains, such as technology and manufacturing. In addition, potential retaliatory tariffs from other nations could further disrupt trade flows, impacting corporate earnings and investor sentiment. This could lead to continued volatile markets for a period of time. Diversified portfolios can help temper some of this volatility—by staying inside your risk tolerance and not reaching for return, your portfolio should be able to weather the churning of the markets.

Economists are predicting the Federal Reserve to cut interest rates anywhere from 1-3 times in 2025. Tax cuts, if implemented, could stimulate economic growth by increasing corporate profits and consumer spending. This could positively impact stock prices, particularly for domestic-focused companies. This would also help home buying as higher mortgage rates have slowed housing turnover in since the end of 2022. That being said, the potential for increased government debt due to tax cuts raises concerns about long-term economic stability and inflation. Anticipated interest rate cuts by central banks are expected to lower borrowing costs, potentially boosting investment, and economic activity. Lower interest rates can also make stocks more attractive compared to fixed-income investments, driving demand for equities.

So, what do we do with all of this information? Analysts are generally predicting muted gains in 2025 compared to the strong performances of the previous two years. We have been emphasizing diversification and patience. Many experts suggest broadening portfolios to include non-U.S. equities, credit products, and alternative assets to mitigate risk. Investor sentiment is also being closely watched, with concerns about potential market euphoria. Certain sector bets have been propelling the market both upwards and downwards this year so far. We anticipate this to continue depending on which tariffs stick. When we visit with you at our annual meetings, we can explain how we are diversifying your portfolio to help you get the best outcome for your time horizon, risk tolerance and income needs, both now and in the future.

Market Summary As of 3/31/25

S&P 500:	5,611.85
Dow Ind.:	42,001.76
Nasdaq:	17,299.29
10 YR Treas.:	4.23

SAVE THE DATE!!!

Dan's retirement party will be at our Rochester office location (959 34th Ave NW, Rochester MN 55901) on Friday, May 16th from 12-4pm. If you can make it, please RSVP to Giavanna at Giavanna@northstarfp.net, or call the office at 507-281-6650 to let us know you are coming. Light snacks and beverages will be available.

SAVE THE DATE 2!!

Our Annual Shred Event will be held in May. We again have partnered with Shred-It, a Stericycle Company, for this event.

The Mendota Heights event will be on Saturday May 3rd from 9-11am at our Mendota Heights office (2303 Waters Drive, Mendota Heights MN 55120).

Our Rochester office will hold theirs on Saturday May 10th from 9-11am at the Rochester office (959 34th Ave NW, Rochester MN 55901).

Please encourage your friends and family to join! There is no cost for this service, and it is open to the public.

TAX FORMS

As many of you have noticed, there has been a change in the delivery of tax form 5498 for IRAs and ROTH IRAs this year. As they are not needed for your Federal or State tax returns, NFS decided to withhold tax form 5498 until May. The IRS deadline for 5498s is May 31st. If you have an IRA or ROTH IRA account at NFS, you will be receiving this form. This does not mean that there is a correction on your accounts with us, nor does it mean that you need to amend anything you have filed with the IRS. This tax form can be simply kept for your records. If you have any questions about this, please reach out.

As always, we are very appreciative of the opportunity to work with you and provide guidance in your financial landscape. We hope you and your family have a great spring season and we look forward to our next meetings!

Warm regards,

The NorthStar Team



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