



# Carpe Diem Financial Newsletter (May 2025)

Monthly Financial News

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From the desk of Robert C. Arne, CFP | June 3rd, 2025

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**Carpe diem!** I am glad to introduce realtor Dylan Linde to share local realty news. He lives in Ben Lomond, works from Felton and in his free time, surfs with his dog on the Santa Cruz beaches. Dylan works statewide, and has sales history from Westside of Santa Cruz to Yosemite National Park - but he prefers to specialize in his home, the San Lorenzo Valley. Septic tanks, retaining walls, wells and more - he's a fan of anything rural, and loves representing buyers and sellers in their local real estate pursuits. Dylan has earned the National Association of Realtors designations of Senior Real Estate Specialist and Certified Real Estate Negotiator (DRE #02216364), as he loves to take on continued learning to best serve his clients. You can reach Dylan at [dylan@roomrealestate.com](mailto:dylan@roomrealestate.com) or 831-275-7315.

For wisdom with gratitude,

Robert Arne

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## This Month Wrapped

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- **Stocks and the Economy:**

Trembling in uncertainty over Trump's "reciprocal" tariffs and court challenges, the oblivious stock market rose up and fell down with tariff fears but closed very profitably for May.

- **Debt and the Dollar:**

On May 16, Moody's was the last rating agency to downgrade America's sterling credit rating and long-stable trust in US institutions. With fears of stagflation, the Fed refuses to lower rates. Student loan collections restarted and defaults lower credit scores.

- **Santa Cruz County Mortgages and Housing:**



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*“Read my lips, no new taxes!”--*  
**George H. W. Bush before he raised taxes**

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Santa Cruz County experienced a slight dip in median sale price from March to April 2025, while homes sold more quickly and in greater volume. Interest rates remain elevated and inventory is rising, providing opportunity for buyers with seller concessions and price discounts.

- **Federal Government and Taxes:**

Taxpayers wait to see if Congress will extend Trump's 2017 taxes, due to expire, along with his "Big Beautiful Bill". The proposed "reciprocal tariffs" would be the largest peacetime tax increase in US history.

- **Realty and Insurance**

Realtor Dylan Linde tells us how to cut FAIR Plan Insurance Costs. Meanwhile, the California Apartment Association defeated rent controls and the Governor threatens Medi-Cal cuts.

## **Good News for May:**

The benchmark [stock] index is up more than 6% this month, posting its best month since November 2023 and its best performance in May since 1990 —CNN. Real estate buyers relish reduced prices and unemployment remains low.

Financial statistics 4/30/25 to 5/31/25 from Marketwatch, Yahoo Finance, Realtor.com and Ycharts:

Index	30-Apr	31-May	May Changes	Year changes
S&P 500	\$5,604	5,912	5.4%	10.5%
MSCI EAFE	\$11,939	13,089	9.6%	13.9%
US Dollar	99.47	99.44	-0.1%	-4.0%
10 Year Treasuries	1.94%	4.47%	218.0%	0.0%
Gold	\$3,289	\$3,292	0.10%	38.60%
30 Year Mortgages Avg.	6.83%	6.95%	2.0%	5.1%
SLV Housing Inventory	131	128	2.3%	-27.0%
SLV Days on Market	57	70	22.8%	-4.2%
SLV Avg Sales Prices	\$834,000	\$833,283	-0.1%	0.90%

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## Stocks and the Economy

### **Oblivious, Stocks Rise!**

With courts challenging, the world is *still* reeling from Trump's threats of "reciprocal" Tariffs that he believes will rebuild American manufacturing and bring riches. Quarterly GDP growth contracted and inflation has not registered in long term price increases, but most observers expect contractions from manufacturing delivery delays and reduced shipping and tariff price increases.

Stock prices fell with tariff threats but rose overall when threats dissipated. CNN concludes: "Despite the recent fluctuations, investors who sold at the start of May missed out on a historically strong month for markets. The



benchmark index is up more than 6% this month, posting its best month since November 2023 and its best performance in May since 1990. The Nasdaq, which is up about 9.5% this month, also posted its best month since November 2023.” With proposed cuts in government spending and taxes, greed prevails over fear from uncertainty.

### **Santa Cruz County Unemployment**

The EDD says March 2025 Unemployment rates are 6.5% for Santa Cruz County, 13.1% for Ben Lomond, 10.6% for Boulder Creek, 2.9% for Felton, 2.7% for Scotts Valley and 3.8% for Santa Cruz City. In March 2024, Santa Cruz County Unemployment dropped half a point yearly from 7.05%.

## **Debt and the Dollar**

### **Downgrading the Dollar**

On May 16, Moody’s was the last rating agency to downgrade America’s sterling credit rating from Aaa to Aa1 for the first time since 1917, blaming deficits and higher federal interest payments. Axios compares debt today to debt with 2017 tax cuts: “The government’s debt service costs were 1.4% of GDP. Now it’s 3.1% and rising.” Consider Roths to anticipate higher taxes!

Minneapolis Federal Reserve President Neel Kashkari warned on Monday that: “There’s no question that the shock of tariffs are stagflationary, the question is going to be ultimately how high (the tariffs) settle at, and how long a period is this uncertain environment and the tariffs are going to last”. But “the overall rise in prices charged for goods and services ... is indicative of consumer price inflation moving sharply higher,” said Chris Williamson of S&P Global Market Intelligence. Trump implores companies to “eat” tariffs but CNN reports the following companies plan price hikes: Best Buy, Ford, Walmart, Mattel, Proctor & Gamble, Adidas and Stanley. To counter inflation, the Fed won’t lower interest rates now.

### **Student Loan Collections and Delinquencies**

Student loan collections began May 5 and the average California student loan balance is \$38,354. Delinquencies and dropping credit scores for 2.2 million borrowers will hurt car and house sales further.



## **Santa Cruz County Mortgages and**



## **Housing**

CNBC reports nationally: “The Mortgage Bankers Association [said](#) on Wednesday that mortgage applications dropped 5.1% in the previous week because of rising rates.” New data showed an unexpected drop nationally in existing home sales last month, in [the slowest April for the housing market since 2009](#).

Local Realtor Dylan Linde’s take on the current market:

Although interest rates remain elevated from years past and hazard insurance costs are steadily rising, this is the best SLV market I have seen for buyers in 5 years. I am seeing more price reductions, seller concessions, and other buyer requests granted in our area that would have rarely been considered in the past few years. Competition is also lower, so for the most part, a qualified buyer is able to have a strong chance of acquiring the home they want - not competing against 10+ other groups. In short, buyers are setting the tone for overall home negotiations now.

The investor/landlord buyers are the real winners in 2025 - purchasing homes with favorable terms, renting out one or multiple units, and planning to refinance and stabilize their investments in the coming years as rates adjust. It’s a long term position, but one that will surely provide great cash flow as the prices now are better than they were for many of our local neighborhoods today than they were in 2022.

## **Federal Government and Taxes**

The House of Representatives narrowly passed Trump’s “big, beautiful” bill, but the Senate will likely make changes to increase food stamp and Medi-Cal payments demanded by the left and center or to reduce deficits certain with tax cuts coupled with increased wall building, military and immigration enforcement spending. Trump wants to preserve his 2017 income and estate tax reductions while eliminating taxes on tips, Social Security and overtime. National school vouchers will increase parental choice. Standard deductions might rise to \$32,000 and Child Tax Credits to \$2,500 while businesses lose bonus depreciation and research credits.

Most non-defense agencies would see significant budget cuts. The Congressional Budget Office predicts that 7.6 million Medicaid recipients would lose health insurance with work requirements Republicans believe will reduce dependency. SNAP might reduce food assistance by 30%



according to the Center for American Progress by expanding work requirements for elderly and caregivers, and requiring citizenship.

Newsweek cites the Committee for a Responsible Federal Budget to estimate Trump's bill "could add approximately \$3.3 trillion to the national debt over the next decade" and the Financial Times says the deficit can go from 98% per person's income to 124% "held by the public".

Record deficits in times of peace leave us little leeway to increase budgets in times of crisis, and we now spend more on debt interest than national defense. Credit expansion or money printing might result in ensuing inflation. Balanced budget advocates like Elon Musk believed that the budget undermined DOGE spending cuts: "I think a bill can be big or it could be beautiful, but I don't know if it could be both."

### **Tariff Uncertainty Remains**

Trump still threatens major tariff increases, but he lowered tariffs to Britain, China and now Europe without free trade deals — and he waits with all of us in uncertainty on the rest of the world's confused responses. Steel tariffs rose to sixty percent May 30. Critics accuse him of TACO meaning Trump Always Chickens Out for imposing scary tariffs then backing down—business proceeds and stock markets recover. He hopes tariffs will reduce deficits; the Tax Foundation believes Trump tariffs would raise \$2.1 trillion but reduce US output by 0.8% long run. Kiplinger's expects food costs to rise 3.5% this year.

Adding to confusion, a three-judge panel at the US Court of International Trade declared most of Trump's Tariffs illegal and placed an injunction on 30% tariffs to China, 25% tariffs to Mexico and Canada and 10% universal tariffs. This makes it harder for Trump to gain concessions from foreign countries with the threat of tariffs. So Trump may try other legal mechanisms to put tariffs back into play as his legal appeal kept high tariffs in place. Without significant and unlikely tariff financing, the Senate may not pass Trump's deficit budget with spending and tax cuts.

## **Realty and Insurance with Dylan Linde**

### **Home Insurance**

Realtor Dylan Linde tells us how to cut FAIR Plan Insurance Costs.

In high fire-risk areas like the San Lorenzo Valley, full homeowners insurance is often unavailable, so coverage



is typically split between two policies. The California FAIR Plan covers fire-related risks (like wildfire and smoke), while a separate "DIC" (Difference in Conditions) policy fills in the gaps - adding coverage for theft, liability, water damage, and more. Together they work to replicate a standard homeowners policy. This combination is often the only way to insure a home in high wildfire zones and is usually required for mortgage approval and full protection.

San Lorenzo Valley homeowners insured through the California FAIR Plan can reduce their annual premiums by taking two proactive measures. One effective strategy is maintaining "Fire Hardening", which involves removing flammable vegetation and debris within 100 feet of structures. This not only protects homes from fire spreading, but also qualifies property owners for a 10% (5% for structures and 5% for land) discount on their FAIR Plan premium. Regular upkeep and documentation of cleared space are required for receiving the rate reduction

Another way to save on premiums is becoming part of a Firewise USA® Community. These nationally recognized groups take collective action to reduce wildfire risks through education, fuel reduction, and emergency planning. Whether you join an existing Firewise Community (many Felton, Ben Lomond and Boulder Creek neighborhoods are Firewise Communities) or help establish one in your area, doing so earns another 5% discount from the California FAIR Plan. Combined, these actions can cut insurance costs by up to 15% annually, while making neighborhoods safer and more prepared for the next wildfire

## **Local Taxes and Regulations**

### **State and Local Tax Deductions for Federal Taxes**

Trump wants to preserve his 2017 taxes, which limited itemized deductions. But standard deductions could rise to \$32,000 while wealthy CA professionals get \$40k state and local tax deductions. Auto purchase interest deductions might pass too.

### **Medi-Cal**

To balance California's budget, Governor Newsom proposes \$2,000 upper limits to assets for Medi-Cal eligibility and Medi-Cal payment limits for new illegal immigrants.

### **Rent Controls**

To lower landlord blood pressure and raise tenant frustration, the California Apartment Association blocked

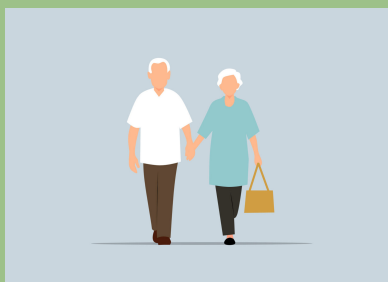




AB 1157, which would have limited rent increases to 2% and taken away current rent increase exemptions for new construction, single family homes and condos. AB 1482 limits yearly apartment rent increases to five percent plus costs of living. 62% of 2024 voters struck down Proposition 33; “(Voters) understand that the answer to our housing crisis isn’t more red tape — it’s building more housing,” said Nathan Click of the No Campaign.

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