

September Financial Newsletter

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



Dear readers,

Thank you for joining me for another monthly financial news roundup. If you want to continue the conversation with thoughtful discussion and debate, join us on the new Facebook group:

<https://www.facebook.com/groups/302096981212682>.

For wisdom with gratitude,

Robert C. Arne,

This Month Wrapped

- **Stocks and the Economy:**

The Dow reached an all-time high this month. But unemployment is rising.

- **Debt and the Dollar:**

Anti-climactically, Powell lowered federal interest rates, but thirty-year mortgage rates failed to drop significantly.

Economic weakness shows in record deficits and gold prices.

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

With 30-year mortgage interest stabilizing, a stagnant housing market faces further disruptions from shutdowns. Realtor Dylan Linde discusses housing construction challenges.

- **Federal Government and Taxes:**

A government slowdown dominates headlines with Democrats demanding Medicare subsidies and Republicans insisting on stable budgets. Trump may fire employees with uncertain outcomes.

- **The Local Economy**

Job prospects and insurance prices are rising as homelessness and utility prices fall. Educational failure affects us all.

- **Reader Opinion and Poll Results**



Good News for the Month

Powell lowered interest rates and stocks set records! Shutdowns have not lasted long in the past and usually haven't affected markets.

“Don't educate your children to be rich. Educate them to be happy. So when they grow up, they will know the value of things, not the price.”

— Victor Hugo

Need help with your financial life plans?

As a financial evangelist, I sing the gospel of wealth: comprehensive financial education. Let's chat about:

1. **Tax preparation**, representation, and planning
2. **Financial life planning**, including wealth management
3. **Mortgages**: Conventional, FHA, Reverse Mortgages, and more

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September Financial Statistics

<u>Index</u>	<u>31-Aug</u>	<u>30-Sep</u>	<u>September % Changes</u>
S&P 500	\$6,460	6,688	3.53%
US Dollar (DXY)	97.86	97.83	-0.03%
10 Year Treasuries	4.23%	4.2	9822.04%
30 Year Mortgages	6.50%	6.43%	-1.08%
Gold	\$3,516	\$3,892	10.69%
<i>SLV Housing Inventory</i>	150	143	-4.67%
SLV Days on Market	55	52	-5.45%
SLV Avg Sales Price	\$835,000.0	817,000	-2.16%
<i>Financial statistics from Marketwatch, Yahoo Finance, Realtor.com and Ycharts:</i>			
2.9% inflation			



Stocks and the Economy

Market gains in uncertain times

The Dow reached an all-time high this month and the S&P 500 rose 3.53% this month to \$6,688. History shows markets largely unfazed by government shutdowns and October 2 showed no market panic. “Since the mid-1970s,” writes MarketWatch, “there have been 50 shutdowns with an average duration of eight days, and average one- and three-month returns have been positive, observed Adam Turnquist, chief technical strategist at LPL Financial.” But traders are concerned that monthly job reports won’t be released, and IPOs will be delayed.

Gross domestic product climbed at an annualized rate of 3.8% from April through June, the Commerce Department reported, and the main reason was rising personal consumption at a 2.5% pace. Tuesday’s data showed Americans’ incomes generally kept up with inflation in 2024 but didn’t do much more than that. The median household income climbed to \$83,730 last year, up from \$82,690 and statistically insignificant. But private-sector ADP payrolls dropped by 32,000 in September and many workers cling to existing jobs. Will tariffs and ICE related disruptions slow employment and GDP growth?

Sanders backs Trump!

Bernie Sanders released a statement supporting Trump’s partial takeover of Intel: “If microchip companies make a profit from the generous grants they receive from the federal government, the taxpayers of America have a right to a reasonable return on that investment.”

Debt and the Dollar

Lower Interest

Anti-climactically, Powell lowered federal interest rates, but thirty-year mortgage rates failed to drop significantly. Fed Reserve Governor Jerome Powell now targets Fed lending at 4% to 4.25% in the Fed’s first drop in nine months. He thus considers faltering employment along with increasing inflation declaring “It’s not incredibly obvious what to do.” Economic weakness and defensive investing is shown in Gold’s record price of \$3,900, which marks a 48% gain this year. At \$47, silver prices rose



62% this year. See my article on "[Commodities Investing](#)".

Emergency Funds

With risky economics, the average family's emergency funds are only \$500. 401k loans threaten retirement savings and employment changes require quick repayment most can't manage. MarketWatch suggests that employers may auto-enroll workers in regular emergency fund savings ESAs through Biden-era retirement accounts of up to \$2,500. Consider "[Buckets for Budgeting](#)".



Contact

Dylan is a dynamic real estate professional, skillfully merging his personal journey with deep expertise in the Santa Cruz Mountains.



[Email](#)



[Website](#)

Santa Cruz County Mortgages and Housing

Reviving Housing Markets?

MarketWatch reports that "Homeowners pounce on falling mortgage rates, with more opting for risky, adjustable-rate loans." Refinances increased an amazing 60% from week to week as homeowners realize small rate savings bring monthly cash. But five leading mortgage industry groups believe housing costs will dampen the rush to buy housing with rates likely to remain in the six percent range. A stagnant housing market faces further disruptions if the shutdown delays government backed mortgages or flood insurance.

Date the rate but marry the house! Realtor.com says "The number of listings with price cuts reached 19.9%, unchanged from August but up modestly from last year. Homes priced between \$350,000 and \$500,000 saw the steepest markdowns at 21.6%, while luxury properties over \$1 million were less likely to see reductions, at just 13.3%"

Meanwhile partisans debate housing reform:

Democrat Governor Newsom has eased up slightly on burdensome regulation that destroyed housing with a "Density Bonus Law" that eases permitting for low income housing projects—but the Santa Cruz City Council resists with *Sentinel* testimony from the Santa Cruz Mayor Fred Keeley: "We are trying to create the circumstance where if a city is a really good actor on getting housing built, you can have some more tools in your toolbox to respond to what are legitimate neighborhood concerns, provided that none of what we're doing reduces the number of units,"

Republican Secretary of the Treasury, Scott Bessent, suggested housing solutions in the *Examiner*. “We’re trying to figure out what we can do, and we don’t want to step into the business of states, counties and municipal governments...” Federal BLM land sales would increase housing stocks but zoning flexibility on size and location of plots might help more. The \$250,000 per person Section 121 capital gains exemption for homeowners has not been adjusted for inflation, and reducing capital gains taxes further would encourage sales. Maybe I can build a tiny home out back?

Or should we just promote leviathan taxes for gargantuan housing subsidies that guarantee housing “rights”?

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

As a local realtor, I get questions daily about what it takes to build a new home in the San Lorenzo Valley. Out of the many that ask, very few end up moving forward with new developments in our area. Have you ever wondered why that is

Building a home in the Santa Cruz Mountains is far more complex than almost anywhere in the country, and the challenges begin with the terrain. Most available parcels lie on steep slopes, so any plan requires detailed geotechnical reports to assess slope stability, drainage, and landslide potential. Furthermore, many parcels in the mountains were scarred by the 2020 CZU fire, which has increased chances of debris flow hazards.

Beyond natural hazards, regulatory and cost hurdles have a huge effect on the building process. In unincorporated Santa Cruz County, new home construction on raw (undeveloped) parcels generally requires at least 1 acre in size to satisfy zoning and septic rules. Also - for lots less than one acre, rebuilding a home destroyed by “calamity” (ex. wildfire, structure fire) is typically restricted to within ten years of the event, effectively prohibiting new houses on small lots after that short window. The permitting process is slow, with repeated reviews and long waits - many local builders report major delays tied to plan review and grading disputes. Adding to that, the cost of other services - architects, engineers, consultants, permitting fees, infrastructure (roads, wells, septic systems) - can be costly without even factoring in the construction of a home.

All told, what begins as a dream of building a brand-new mountain home often becomes an expensive and stressful process. If cost, time, and sanity is a factor - I highly recommend remodeling an existing home rather than building from scratch in the Santa Cruz Mountains. The

permitting, septic, grading, and geotechnical hurdles for new construction can add years and expensive costs before you ever break ground. Working with an existing structure typically allows you to bypass most of these barriers, making the process faster, less risky, and more financially predictable.

Federal Government and Taxes

Government Slowdown with No End in Sight

September ends with hyperbole called “shutdown”: government stops providing services deemed non-essential and asks some employees to work with delayed paychecks. Democrats picked healthcare subsidies for this battle because many objected to Trump’s opposition to Obamacare or healthcare cuts with his Big Beautiful Bill. But Republicans claim that they are just trying to keep the government running without adding extraneous spending. Schumer ignored his own principles when threatened with an AOC primary challenge: “Shutting down government over a policy difference is self-defeating.” In a game of chicken, which driver flinches?

Kamala Harris posted on X: “Let me be clear: Republicans are in charge of the White House, House, and Senate. This is their shutdown.” Sen Maggie Hassan disguised blame behind bipartisanship: “Look, the Republicans shut down the government in order to cut people’s health care. We need a bipartisan path forward in order to get to a deal that protects people health, health care and prevents their premiums from doubling.” CNBC explains 2021 Biden subsidies that expanded Obamacare tax credits: “The average premium would rise by 75% in 2026, according to KFF. That would amount to roughly \$700 more per year.”

VP Vance responds: “You don’t take the government as a hostage because you want to engage in negotiation about health care costs. Let’s do that negotiation, but let’s do it in the context of actually opening the government and ensuring those essential services are actually provided to the American people...”

Trump raises stakes for the Democrats by threatening to fire Federal workers who usually work unpaid or take furloughs with delayed payments. “The Democrats want to shut it down, so when you shut it down, you have to do layoffs...” “In the private sector, when you have a bankrupt entity, people get laid off,” Sen Ron Johnson responded. And Grover Norquist, an anti-tax crusader, fulminates: “It makes little sense to furlough many and then pay everybody for not being there. Why would you do that to the taxpayers? What you do is say, ‘What are the jobs that we don’t want?’ Government unions are



horrified!

We still are awaiting “shutdown” details, but Republicans won’t risk blame for the shutdown of Social Security, VA, Medicare or Medicaid payments and won’t stop border patrols, air traffic control or postal deliveries. But less urgent services like IRS collections, environmental inspections, SNAP benefits, SBA loans and national parks may suffer.

The chicken game has ended historically with unforeseen circumstances and consequences. In 2013, Ted Cruz caused a shutdown to resist Obamacare. Obamacare won but Republicans gained congressional control. In 2019, a dozen unpaid air traffic controllers shut down La Guardia Airport when they stayed home and Trump flinched. In 1995, Bill Clinton made Newt Gingrich flinch: Clinton won reelection but Gingrich balanced the budget.

Rising taxes and deficits:

Trump’s budget promises lower taxes, but his tariffs raise taxes. The Yale Budget Lab estimates “...that American households could pay \$2,300 more, on average, as result of the current tariff policy, nearly three times the average roughly \$800 benefit from the OBBBA’s new tax provisions.”

National debt then was around five trillion thirty years ago but now soars to around 37 trillion with debt payments exceeding Medicare and defense combined.



Local Economy

Jobi is up!

Jobi Aviation will participate in the White House eVTOL Integration Pilot Program (eIPP). Jobi is a major Santa Cruz employer locally whose engineers buy SLV housing.

Jobi partners with Uber to bring Blade flights to their ap. Its stock value has trebled in the past year. Before full FAA Certification, the Department of Transportation is working to open select markets for quiet, electric, air taxis now tested in Marina. Greg Bowles, Chief Policy Officer at Jobi states: “We look forward to demonstrating our aircraft’s maturity and delivering early operations in cities and states nationwide.”

Homelessness is down!

KION news cites the Housing for Health Partnership to identify “1,473 people experiencing homelessness in Santa Cruz County, a 20 percent drop compared to last year's number of 1,850.” 24% of these are sheltered by 75% are unsheltered. Perhaps someone read my fictional article on [Financial Planning for the Homeless] [link please]

PG&E Prices Declining?

PG&E just wrote me to say prices declined 2.1 percent in September and that they expect declines next year. I really wonder about this as AI will increase demands on the state's power as decreased solar tax subsidies and PG&E payments limit supply.

While China builds over 30 nuclear plants a year while leading in solar and wind energy, we face political constraints on new power production. In September, Electricchoice.com says California homeowners pay over 33 cents per kWh but “The average electric rate in the United States right now is 15.22 cents...

Governor Newsom signed a bill to create markets for sales and purchases of surplus solar power to other states. This has the backing of some environmental and industry groups but not consumer groups like Public Citizen. California still blocks electricity from out of state coal and fails to compensate homeowners fairly for local electricity production.

Educational Failure:

Education is mostly state funded but locally managed. The *Christian Science Monitor* reports “Average reading and math scores among 12th graders fell to their lowest levels on record in 2024, according to the latest results from the National Assessment of Educational Progress (NAEP), often referred to as “the nation's report card.” Meanwhile, with increasing achievement gaps, eighth graders' scores on a science test slipped as well. NAEP results [released in January](#) showed troubling declines in reading...scores

for lower-performing students continued a downward trajectory and hit historic lows.”

Children stunt their future if they don't demand high level academic skills and teachers fail them if they are more worried about esteem than performance.

I hope adults reading these pages are saving because most somehow depend on high school kids to sustain them into old age.

Social Security and Medicare funding increases—and portfolio increases for retirement-- are impossible if the economy weakens. Young adults suffer if they don't even have enough math to do construction or welding.

As a teacher, I worked with Russian kids who read *War and Peace* and Chinese who read *The Three Kingdoms*, and I fear that Americans can't—or won't—compete when schools become little welfare centers rather than disciplined learning institutions. Before Trump's vouchers take effect in other states, private schools and homeschools are increasing enrollment. Is this what we want?

The public school's virtual monopoly may only stay intact if it raises standards across the board.

Insurance is up!

MarketWatch says “Insurance should protect your finances. People say it's crushing their budgets instead...[T]he lowest fifth of earners...spent... a gigantic 23.2% share of their average after-tax income in 2023, BLS data show...” Obamacare regulated health insurance “...is poised to rise by 18% in 2026 after rising by about 11% in 2025, according to [an analysis](#) by the Peterson Center [P]remiums for Medicare Part B are set to rise by [11.6% next year](#),..” Insurance costs overall increased 31% since 2013 and amount to about eight per cent of consumer spending.

Local Taxes

Felton debates a \$700/year parcel tax which affects renters and small businesses.

Reader opinions and poll responses

Monthly survey questions and poll results:

With a dual mandate to increase employment and lower inflation, Fed Reserve Chair Colin Powell did lower central bank overnight interest rates to 4-4.25% and 30-year mortgages dropped to 6.35% average. Do you believe:

He capitulated to the President's political pressure? —11% agreed

He defended Fed Independence by ignoring pressure? —33% agreed.

He bent to pressures but did not buckle? —56% agreed.

What effect does AI have on your job in the next ten years?

I will be replaced by a machine. —12 % agreed.

AI will not replace me in ten years. —Fifty percent agreed.

AI will augment my current work and raise my productivity and real wages. —12% agreed

AI will create great new opportunities for me. —25% agreed.

(I am an optimist on AI replacement who believes tax work would be more easily replaced —despite regular TurboTax entry errors—than strong human relationships built for planning or mortgages.)

How will you respond to AI changes?

I will apply for welfare because employment is hopeless.

I will support socialist policies that regulate AI and limit technocrats. —20% agreed.

I will study constantly for new AI-enhanced careers. —30% agreed

I will join the AI revolution as an innovator or entrepreneur.

No changes to my life are needed. —Fifty percent agreed.

Without AI stocks, the market would have fallen recently. Where is the best place to invest in AI technology?

AI transportation. —No takers. Perhaps readers are mad at Musk?

AI computing software applications. —10% agreed.

Chips and Hardware for AI. —60% agreed.

Drones and robotics. —30% agreed

Expanded electrical grids. —No takers; this might involve coal, oil or nuclear.

Which do you prefer for healthcare in retirement?

Original Medicare Parts A and B only and self-insure drugs. —33% agreed.

Original Medicare with Medicare supplements. —33% agreed.

Medicare Advantage Plans (cheaper but network restricted). —33% agreed.

Reader Responses:

Oleg Moskalenko writes:

Cyberwar is a very destructive thing, may be more destructive than anything else. For example, police chiefs across the country suddenly arresting political activists because their banks' automated agents are not releasing to them their checking account money unless they do the AI bidding. Or politicians suddenly making a pact with Russia and surrendering Alaska to Russia - because of a massive blackmail across the members of the Congress and a compromised military computer network. Or passenger airplanes massively making 9/11 style of attack across the country. The possibilities are endless, and in the current state of computing all are possible.

Keenan Roop gives multiple interesting responses:

I have said for years that we will become shepherds of machines. There will be herds and flocks and multitudes of machines flitting past us. They will build and maintain themselves and do everything you could imagine and more. 3 problems, energy storage density, we will need a way to reliably make every gear and screw and wedge at a nano scale to make these machines, once everyone has these powers humanity will destroy itself so fast you can't fart. Some people are going to become shepherds, others are just not gonna do anything, think teenager in tightie-whities with Cheeto dust.

When people have a robot that will move for them (drive to the store, do the dishes, feed the cat), people will stop moving until they die in the couch. Invest in Electrical Grid because every single bot and IoT device, and Starlink, all of it wants power and California's power grid has a shaky history. Probably bet on underground horizontal boring for a nearly new network to be laid almost on top of our current one but hundreds of feet down.

Taxes are violence. No person has the right to the labor of any other. ...Do away with Medicare, Medicaid except for the basic emergency room visit, all the Medi-anything supplements, and social security. Thank you for taking the time to read this. I just could not stand by and have the bizarreness of these questions go

without a response.

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