

From the desk of Robert C. Arne, CFP | March 5th, 2026



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Carpe Diem Financial Newsletter

Good News from February

30-year mortgage rates dropped below six percent so more may buy or refi homes! Employment reached all-time highs and gold rose eight percent.



Buddhist monks walk on Capitol Hill for their Walk for Peace in Washington, Feb. 11 (AP Photo/Rahmat Gul)

Last Month Wrapped

Jump to the section you want to read first:

1. **[Stocks and the National Economy](#)**

Stocks broke records and employment reached all-time highs, but without raising wages enough to improve affordability of most goods.

2. **[Debt and the Dollar](#)**

With the US attacking Iran, the history of war economies suggests that inflation, debt and taxes are likely to be the final result in finances.

3. **[Santa Cruz County Mortgages and Housing](#)**

Realtor Dylan Linde reports.

4. **[Federal Government and Taxes](#)**

The Supreme Court declared Trump's leading tariffs unconstitutional, but he persists in demanding 15% tariffs that may not last.

5. **[The Local Economy](#)**

California is now considering a mileage tax on all its vehicles and readers respond.

6. **[Reader Opinion and Poll Results](#)**

Readers respond to this month's survey on California's proposed mileage tax.

February Financial Statistics

Index	31-Jan	27-Feb	February Changes
S&P 500	\$6,939	6878	99.1%
US Dollar Index DX-Y NYB	96.64	97.7	101.1%
10 Year Treasuries	4.24%	3.69	87.0%
30 Year Mortgages	6.10%	5.81%	95.2%
Gold	\$4,787	5184	108.3%
<i>SLV Housing Inventory</i>	65	71	109.2%
SLV Days on Market	49	76	155.1%
SLV Avg Sales Price	\$808,000	\$823,000.0	101.9%

Financial statistics from Marketwatch, Yahoo Finance, Realtor.com and Ycharts:

1.

Stocks and the Economy: Good but Not That Good

“Inflation is plummeting, incomes are rising fast. The roaring economy is roaring like never before.” So claims Donald Trump’s State of the Union Address, delivered right after the Supreme Court declared most of his tariffs unconstitutional, with inflation at “the lowest level in more than five years.” But Moody’s Analytics retorts that “the typical American household is spending \$167 more a month on the same goods and services than a year ago, \$368 more than two years ago, and \$568 more than three years ago.”

In the State of the Union Speech, Trump boasts of \$18 trillion of foreign investments without clarifying sources that account for nearly half of GDP.” CNN notes that Trump boasts of a “GDP of 5.6 despite a shutdown” when this growth rate was merely a projection. Though the market was flat in February, at least Trump grasped the big picture:

“The stock market has set 53 all-time record highs since the election,” Trump boasted in the State of the Union Address: “Think of that, one year, boosting

pensions, 401k(s) and retirement accounts.”

2.

Debt and the Dollar:

Warfare and Expanding Government Debt

The War Economy

Trump and the stock market are betting on a short war with Iran, but wars never run to plans. American civilians may not face falling bombs or careening missiles, but the effects on “affordability” may be dire. With the Straits of Hormuz threatened by Iranian drones and missiles, Yahoo finance reports an 8% rise in oil futures on March 1. Stock futures for the S&P 500 fell 1%, but oil and defense stocks rose. Most of these changes were all priced in. If it really is a war for oil, the gains for the few need be balanced against taxes on the many.

Wars have frequently ended unemployment by drafting people into poorly-paid military jobs while factories boost wages to draw in remaining workers. Taxes and deficits frequently rise and governments resort to borrowing for patriotic purposes or just degrading money; see America’s War Bond experience in world wars or the king’s debts that led to French and American revolutions. Trump should note that women and minorities both bettered their position in wars because their labor was needed and in WWII Mexicans were welcomed to farms along with income tax—a Civil War innovation—favored over tariffs!

Production may increase—military production—but it hardly makes civilian goods affordable. So government rationed goods and black marketeers stepped in with high prices. Higher deficits drain national finances for years after the fighting stops as wounds fester in VA hospitals. But a democratic or at least pro-western regime could dramatically lessen wars and terrorism in the Middle East. Let us hope war itself does not triumph.

Trump’s Deficits

What happens to the deficit if the President cuts taxes more than spending, fails to get his tariffs through the Supreme Court and then he starts a war? Surely this is a formula for massive deficits and gargantuan debts paid with taxes for leviathan

interest. Our future will be rising taxes and the teens who pay can't even vote for these debts. Gold rises to avoid a dollar at risk.

3.

Santa Cruz County Mortgages and Housing: Interest is Falling

Yes, 30 year mortgages have dipped to an average rate of 5.81%. Let's say that you plunked down \$60,000 towards a million-dollar home. Now your monthly payment is roughly \$5,524. If you had a 6.5% loan, monthly payments would be about \$5,941. So a refi would save you about \$400 a month or \$4,800 a year. This is worth doing. Of course it is now easier to qualify for loans with less income and lower down payments. Just consider...

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



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In the Santa Cruz Mountains, your water source matters - and many folks don't consider this before purchasing a property in the area. Homes are typically served by either a private well or from companies like the San Lorenzo Valley Water District (SLVWD) - and each come with their own pros and cons. Private wells offer independence and long-term savings. There's no need to pay for monthly water bills, and a strong-producing well can be ideal for gardens, fruit trees, or livestock.

Private well owners also like the self-sufficiency that comes with controlling their own water source, filtration methods, and storage. So - what's the tradeoff? When owning a well, you're responsible for maintenance, water quality testing, and ensuring adequate yield - which can decrease during dry years.

District water (SLVWD) offers convenience and predictability. SLVWD's water is

treated and monitored, which reduces maintenance responsibilities. District water connections are more straightforward for home lenders, as sometimes issues can come up financing properties with private wells. But - with district water you'll have monthly service and usage charges, although you won't be maintaining pumps or pressure systems at your property.

In short - if you value independence and rural lifestyle flexibility, owning a property with a private well can be a great fit. If you prefer simplicity and less responsibility, a home served by district water may be the better choice.



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4.

Federal Government and Taxes: More Trump Hyperbole

"I believe the tariffs paid for by foreign countries will, like in the past, substantially

replace the modern-day system of income tax, taking a great financial burden off the people that I love,” boasted Trump without recognizing how much spending would have to be cut to make that possible. Tariffs are “...not going away,” said Everett Eissenstat, a former Trump trade official. “But the biggest impact is the inability to use rapid tariffs to drive geopolitical and foreign policy issues.” At least Georgia and Mississippi are considering abolition of the income tax.

Naturally Trump responded to the Supreme Court “disgrace” with new Section 122 statutory 15% tariffs that Congress might overturn. Brazil and China cheered lower tariffs, but Europeans clung to the deals made. “The biggest poison for the economies of Europe and the U.S. is this constant uncertainty about tariffs,” said German Chancellor Friedrich Merz on Saturday, speaking to German broadcasters. “This uncertainty must end.”

Nor does it recognize how high tariffs would impact Trump’s nemesis: affordability. Surely, Trump’s promises of \$2,000 “tariff dividends” to workers and farmers are more problematic without high tariffs. Touting transparency and drug deals, Trump failed to give alternatives to subsidies—like Health Savings Accounts—to make most health care affordable. Trump’s tariffs added \$1,000 in tax expenses for the average US household in 2025, according to the conservative-leaning Tax Foundation.

5.

Local Economy: Mileage Taxes?

**“The classic lesson in public finance is simple: Tax things that don’t move,”
Aaron Yelowitz.**

Cars do move but they don’t move far enough or fast enough to evade gas taxes or mileage taxes. Along with Trump Tariffs and proposed wealth taxes, it seems like politicians are so afraid to raise income taxes that they need novelty taxes. The result of this hodgepodge is that few know exactly how much they are paying in taxes.

AB 1421 addresses the problem that electric vehicles are more popular, and they don’t pay the gas taxes which fund highways. The solvency problem is genuine and

no one wants roads ruined by potholes and unsafe bridges. It creates a “Road Usage Charge Technical Advisory Committee” with authority extended to 2035. It will consider affordability challenges for lower income long-distance commuters, and free-riders like EV’s, the trucking industry and out-of-state vehicles.

The commission must assess "the impact of a weight-per-mile fee for commercial and electric vehicles on the motor vehicle industry". But stakeholders will be invited to testify on privacy and location tracking, industry representation to preserve jobs and “equity organizations” to assure “environmental justice” and fairness for the disadvantaged.

Though I have published an article on private highways—a huge can of worms--I’d say that the current system should only include a tax on electric vehicles equivalent in harm to the gas tax others pay for roads. Or should we subsidize drones that deliver without wrecking or crowding roads?

6.

Reader opinions and poll responses

1. **Should CA institute a new mileage Tax in addition to its Car Tax, averaging \$80 per car, and Gas Tax, 61 cents per gallon? Reform California estimates that this could cost two car families \$4,200 a year plus actual driving costs.**

No one defended sin taxes on polluting vehicles or even higher mileage taxes to fund infrastructure. Thirty-seven percent of respondents opposed mileage taxes outright and 63% favored mileage taxes that only affected electric vehicles that pay no gas taxes.

One reader responded:

“We already pay a shit-ton of fuel and DMV related taxes, the highest in the country. A fair and reasonable calculation should be enforced on EV’s as they pay no gas tax, yet use and wear out the same roads as the rest of us drivers.”

2. **How should mileage taxes be enforced?”**

No one demanded forbidding cars or revealing our locations to government. But 33%

said we should pay based upon yearly mileage submissions to the DMV and the other two thirds opposed mileage taxes completely.

3. **“Who should pay the mileage taxes?”**

Half said that politicians and regulators should pay taxes they promote but others favored breaks for the poor or more taxes on tourists and truckers. 25% said all who drive should pay mileage taxes. I was surprised that no one voted to give tax breaks to long commuters.

4. **“How long should government study a new tax law before implementing it?”**

No one favored immediately implementing new taxes to save government services and 43% hoped studies would indefinitely delay new taxation. 14% would ban studies of taxes because new taxes might result and 43% said new taxes should be passed only by referendums. Notice that the mileage tax differs here from the wealth tax, opposed by Newsom, which is forwarded by referendum

5. **“How should we regulate real estate to save highway costs?”**

Here we see 12% favoring shutting down city offices—and this is happening without legislation. Another 12% would limit UC Santa Cruz admissions and another 12% would increase affordable housing to decrease commutes. But 63% of my readers opposed regulating real estate on libertarian grounds.

Two readers responded:

"Answer: Shut down Boulder Creek... that's funny. I'm neither for unregulated (Libertarian) development/growth, nor am I for the county's current position of over-regulation. Howz 'bout "sensible, realistic" regulation? Living on the privately maintained piece of Country Club, I can say with complete specificity that the most damage is from the frequency of delivery trucks (Amazon, UPS, FedEx, etc.). It drives me crazy to see, for example, a UPS truck make 3-4 trips in one day."

—Dusty

"A mileage tax for maintaining roads is not fair. The weight of a vehicle must be considered. When a vehicle weighs more it uses more fuel so it pays more taxes when

the taxes we pay are in the fuel price. That is fair because carrying a heavier load puts more wear and tear on the highway. So what will we do have a fully loaded truck paying the same road maintenance fee when it weighs twice as much. Take a look at the right lane on any highway that's where all the bumps and holes are because that's where all the trucks with heavy loads need to drive and that is usually about profit for their business so they should pay more as they do with the fuel tax. With a mileage tax we would be paying for their profit? No a mileage road tax is not fair.

This seems like a Trumpian way to keep us all confused while corporations take our money.”

—Steven Rossi

“The greatest destroyer of wealth is war.” — John Maynard Keynes

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