

ISSUE NUMBER 02

NOVEMBER 2025

ALLIANCE WEALTH ADVISORS

THE 2025 ANNUAL LETTER





ALLIANCE

WEALTH ADVISORS

To our clients and trusted partners,

2025

2025 ANNUAL LETTER

Since we started Alliance, our focus has been on using our unique skillsets and deep experience in the financial industry to build something that lasts. Each decision has been made with a long-term mindset in a world that rewards short attention spans. We've tried to build the firm the same way we approach investing, based on the idea that real progress comes from consistency, a long-term mindset, and disciplined execution.

We believe great firms, like portfolios and relationships, are built over time. That means hiring carefully, upgrading our technology and processes thoughtfully, and staying poised through the ups and downs that life, markets, and business always bring. Our goal isn't to chase industry trends or grow at all costs. It's to keep improving. To make the experience better for you, our clients, to make the culture stronger for our team, and to make the firm's foundation more durable as we look to the future.

INVESTMENT MANAGEMENT

With all the talk in the financial news about the future and what artificial intelligence will do to change the world, we find it interesting that the most talked-about book in the financial world right now is focused on the past. Andrew Ross Sorkin's *1929* is a look back at the biggest stock market crash in history nearly a hundred years ago. The book is excellent and serves as a reminder that markets are not just charts on television or blinking numbers on a screen. They are made up of real people. Every trade, market move, and headline reflects people making decisions, with raw emotions like fear and greed colliding in real time.

As the old cliché goes, history does not repeat perfectly, but it often rhymes. The parallels between that era and our own, with rapid technological innovation, polarized politics and an ongoing tension between exuberance and prudence, remind us why studying history is essential for investors. Leverage and liquidity were major factors in 1929, and they still drive markets today. To be clear, we do not study the past to predict the next bull or bear market. Those analogies and comparisons have little value. Instead, we do it to better understand human nature—how people respond to uncertainty, how optimism often gives way to panic, and how resilience and patience eventually win. Markets in 2025 provided helpful reminders to investors. First, progress is never linear. Investors who stayed patient through volatility were rewarded. While volatility is never easy to endure, it is not a flaw. It is the energy that allows markets to evolve.

Markets are complex systems that shed excess, reward adaptability, and constantly remind us that patience is the ultimate advantage. Second, diversification is still essential. After several years of U.S. dominance, particularly among large technology companies, leadership broadened out. International stocks, commodities, and bonds all played a more balanced role.

Certainly, financial markets have evolved dramatically over the last century; but human nature has not. Having time-tested principles provides a helpful framework for making decisions, whether you are managing a household, a business, or a portfolio. We remain pragmatic, aware of risks and uncertainty, yet optimistic about what lies ahead.



Alliance Wealth Advisors Team

2025

FINANCIAL PLANNING

When it comes to financial planning, our goal is to make the complex simple. Planning can feel overwhelming and stressful. We have made it a priority to communicate ideas in ways that are clear, useful, and easier to digest. Through our Center for Investor Education, we continue to find new ways to share insights that can help our clients make better decisions.

Our short-form video series, *Off the Page*, helps distill timely topics into quick, practical takeaways. Our long-form podcast, *Inflection Points*, explores how people make major life and financial decisions. And our newsletters aim to bring written research, context, and long-term perspective to clients on a regular basis.

We have also invested in specialized planning software to strengthen the advice and analysis we provide. These tools help us organize information and present plans in ways that are easier to understand. The goal is not more data, but better clarity to help clients see the big picture and understand how each decision fits into their broader financial picture.

COMMUNITY

We believe the strength of our firm is tied to the strength of our community. While our clients live across the country, we were founded here, and continue to grow because of the people and relationships that make Northeastern Pennsylvania such a special place. Our roots are deep, and we want the work we do to reflect that.

This year, our team continued building out a program that allows our firm to give back directly to causes we care about. Each employee also has the opportunity to support local organizations and initiatives that matter most to them, and the firm matches those contributions. This is a way to multiply our impact and ensure our firm is a catalyst to building a better community in the long run.

We are proud of the work we do for our clients, but equally proud of the work our team does outside the office. Whether it is volunteering, mentoring, or leading local initiatives, we see these efforts as part of the same mission: to make a lasting, positive impact.

Change is constant, but the principles that matter most do not. Good decisions, made consistently, compound over time - in portfolios, in businesses, and in relationships. Our focus heading into 2026 is simple: keep earning your trust, while delivering better outcomes with communication, clarity, and discipline. We are grateful to get to do this work with people and a community we care deeply about.

Sincerely,

The Alliance Team

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ALLIANCE CENTER FOR INVESTOR EDUCATION

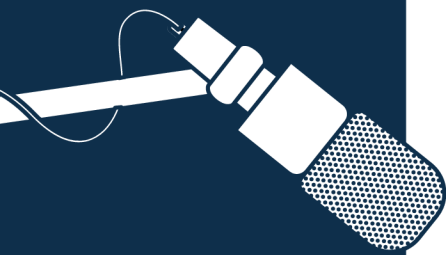


ALLIANCEWEALTHADVISORS.COM/EDUCATION

The Alliance Center for Investor Education's mission is simple: to break down complex financial topics into clear, practical ideas that help people make better decisions with their money. Every piece we publish is created by our team, with the goal of building a growing library of research and resources to help people at every stage of life feel more confident in their financial decisions.

As an extension of our wealth management firm, we also partner with families, business owners, and institutions to improve both communication and outcomes related to personal finance, investing, and strategic planning.

INFLECTION POINTS



As advisors, we get to have fascinating conversations with interesting people every day. While our role as advisors may mean different things to different people, one thing remains the same: we help our clients think through where they are in their lives, and how to get where they want to go. The goal of this podcast is to interview business owners, high performing individuals, and industry leaders to better understand how they made important decisions in their lives. By exploring these “**inflection points**” we hope it helps others think through decisions in their own lives, while giving a glimpse into the types of conversations we have with clients.



BUFFETT & MUNGER UNSCRIPTED INFLECTION POINTS MAY 1, 2025

Our guest is Alex Morris, founder of TSOH Investment Research and author of the newly released book *Buffett and Munger Unscripted: Three Decades of Investment and Business Insights from the Berkshire Hathaway Shareholder Meetings*.

LEAVING THE MONEY GAME INFLECTION POINTS SEPTEMBER 24, 2025



In this episode, Khe and Lou share how they each faced “identity earthquakes” that forced them to reevaluate their lives and what was important to them. They talk about the challenges of leaving the “money game” in search of deeper fulfillment.



CALM IN THE CHAOS INFLECTION POINTS SEPTEMBER 24, 2025

This edition features John Burns, a Performance Coach who has worked with everyone from hedge fund managers and executives to NASCAR pit crews and major league baseball players. His goal with clients is to help them unlock high performance and make better decisions in high pressure situations.

LISTEN TO THESE EPISODES AND MORE BY VISITING
ALLIANCEWEALTHADVISORS.COM/CATEGORY/INFLECTION-POINTS

Please see the last page for important disclosures.

One of the most important aspects of our job as advisors is to always communicate to be understood. In an industry filled with complexity and confusion, our goal is to provide simplicity and clarity. This year we continued publishing new episodes of our short-form video series, **Off The Page**. Our goal is to simplify complex financial topics that we write about through brief discussions with our team and outside experts. We want to bring important topics that impact our clients every day "off the page" with quick and dynamic conversations that help you be better informed to make important decisions.



MAKING SENSE OF MEDICARE

OFF THE PAGE
MARCH 19, 2025

This year we sat down with Terri Flowers of the United Way of Lackawanna, Wayne, and Pike Counties. Terri, the Senior Program Manager and Local Coordinator of the PA MEDI program, shared valuable insights into the Medicare enrollment process for both new enrollees and current beneficiaries.

YEAR-END TAX PLANNING

OFF THE PAGE
DECEMBER 4, 2024



We sat down with two tax experts, Brian Kelly & Allan Karaffa. Both are experienced CPAs who work closely with clients on tax-related matters. We asked them questions about how both business owners and individuals can be proactive and avoid surprises at tax time.



SOCIAL SECURITY

OFF THE PAGE
NOVEMBER 19, 2025

Our guest Tom Barrett, is a Managing Director of Applied Insights at Hartford Funds. Tom is an expert in Social Security and longevity planning. We talked about some of the most common questions and misconceptions we hear around Social Security- things like the tax impact, claiming while still working versus waiting, and other important factors to consider when making this important decision.

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HOST & CONTRIBUTOR

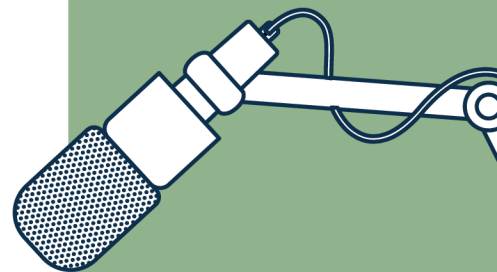
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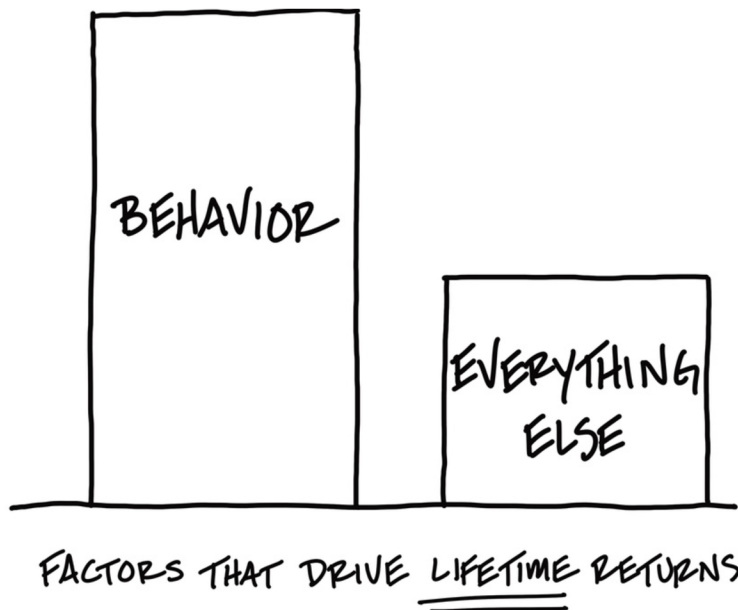
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OFF THE PAGE





FINANCIAL PLANNING

Financial planning can mean different things to different people, but there are certain characteristics all plans should have in common. Working with a team of advisors who deeply understand your situation and the way you think about money is essential. It is also not a one-time exercise, but an ongoing strategic process that changes as your life does.

As writer Morgan Housel says: "Planning is important, but the most important part of every plan is to plan on the plan not going according to plan." Good financial planning should also incorporate your goals and values. It should be a dynamic process rooted in giving you flexibility as the environment changes, not about needing the market to behave a certain way.

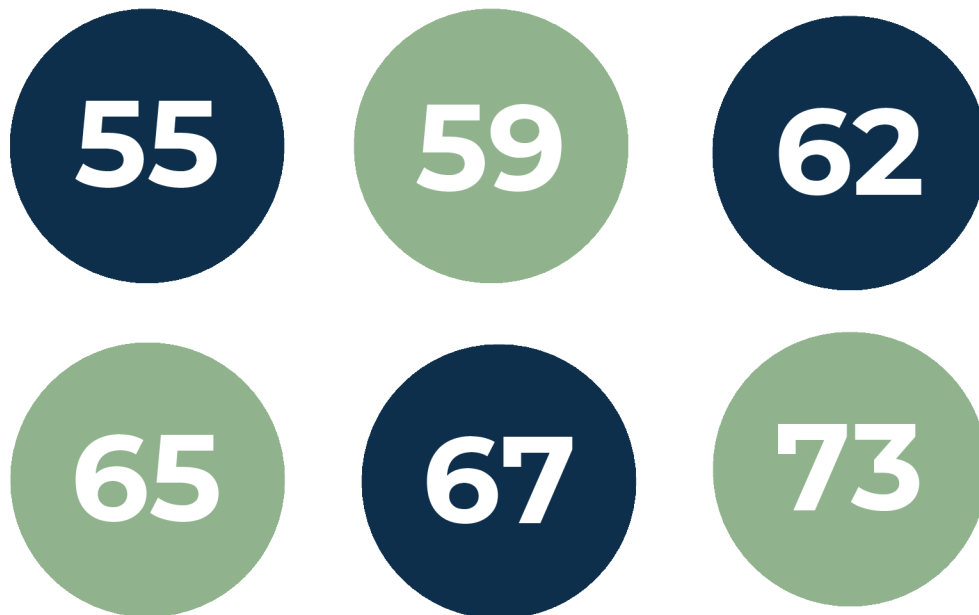
MILESTONE AGES

Welcome to Our Milestone Planning Series. Our team recently published several articles to serve as a roadmap of important ages that either offer financial planning opportunities or require you to make major financial decisions. This series walks you through the sequential ages of 55, 59½, 62, 65, 67, and 73. They all represent unique decision points that can significantly influence how you save, invest, protect, withdraw, and plan for what comes next.

Each of these ages is not just another birthday. Why? Because at each of them, laws change, options open (or close), and the choices you make can have a significant impact on your retirement plan. By framing our series around these ages, we're offering a clear outline of when and why decisions matter, rather than just how much to save.

This isn't simply a countdown to retirement. It's a sequence of decision-points where planning becomes more intentional. It is important to understand the opportunities that each age presents and make strategic choices that align with your retirement goals.

To learn more, please visit alliancewealthadvisors.com/education, then search Age Based Planning.



FINANCIAL PLANNING CHECKLIST

Before you set financial goals about where you want to be in one, five, or twenty years, you must first understand where it is you are today. As Peter Drucker famously said, "you can't manage what you can't measure". **To help you get started**, we have developed a checklist to assist you gather important data, documents, and statements for analysis.



ONE BIG BEAUTIFUL BILL: WHAT'S BENEATH THE BUZZ?



JUDE R. MCDONOUGH,
CFP® AIF®

AUTHOR

SEPTEMBER 24, 2025

"This new tax legislation is a reminder that financial planning is an evolving process, and it is important that you review your plan regularly."

The 4th of July kicked summer into high gear as it always seems to do. Summer flew by, Labor Day passed, and now we are officially into the fall season. One thing that many people put off until after Labor Day was looking into how the One Big Beautiful Bill Act (OBBBA), signed into law on the 4th of July, impacts their respective situations. We decided to put together a summary of how it impacts most people that we work with and talk to. We will preface the article with a disclaimer that you should consult with a tax professional before taking any action on the items mentioned.

Social Security Taxes

Some headlines would lead you to believe that Social Security is no longer taxable. Sorry to burst your bubble, but that is not completely true. We wrote an article about how Social Security can be taxed and it can be accessed by clicking [here](#). Everything in that article still applies. However, the OBBBA added an extra deduction for people who are 65 or older. The deduction is \$6,000 for individuals and \$12,000 for married couples filing jointly where both spouses are over 65. The deduction phases out for single filers with a modified adjusted gross

income over \$75,000 and for joint filers over \$150,000. While it doesn't explicitly eliminate social security taxes, some analysts suggest that a large majority of Social Security recipients will no longer pay taxes on their benefits with this added deduction. This provision is effective from 2025 to 2028.

Extension of Tax Cuts and Jobs Act

There was a lot of pressure for the administration to get this done because if they didn't, all the cuts from the first Trump Administration would sunset and taxes would increase for many Americans in 2026. Instead, the OBBBA made those tax rates permanent. It also made the enhanced standard deduction permanent with incremental inflation adjustments. Finally, it increased the federal estate and gift tax exclusions to \$15 million for individuals and \$30 million for couples for 2026 with inflation adjustments in the subsequent years. Had they not acted on these limits, they would have reverted to approximately half their current levels.

SALT Deduction

This has been an item of contention since the day the 2017 Tax Cuts and Jobs Act was passed. The cap has been increased to \$40,000 for both single filers and joint filers effective for the 2026 tax year. The deduction phases out when adjusted gross income exceeds \$500,000. It is reduced by 30% of the modified adjusted gross income. This increase is effective for tax years 2026 through 2029 and then reverts to the current \$10,000 in 2030.



Charitable Donations

There were a few changes to the charitable donation deduction. People who don't itemize are allowed a deduction of \$1,000 for single filers and \$2,000 for joint filers in addition to the standard deduction. For itemizers, a new floor of 0.50% of adjusted gross income was put in place. For example, a family with adjusted gross income of \$500,000 would not be able to deduct the first \$2,500 (0.50% of \$500,000) of charitable donations.

529 Plans

The rising cost of private K-12 education was finally addressed in this bill. Effective in 2026, the annual withdrawal limit for K-12 withdrawals is increased to \$20,000 from \$10,000. It also expanded the definition of qualified K-12 expenses to include certain non-tuition costs effective immediately.

Business Tax Provisions

The Qualified Business Income (QBI) deduction was made permanent while expanding eligibility and clarifying deduction rules. This applies to qualifying business owners of pass-through entities, including LLCs, partnerships, and S-corps. It also permanently extends bonus depreciation, which allows businesses to immediately deduct 100% of the cost of eligible property acquired or placed in service after January 19, 2025. Additionally, it expands eligibility to include manufacturing, production, and refining property. This article only scratches the surface of the OBBBA. It is a 900 page document and there are still questions to be answered on certain aspects of the bill. This new tax legislation is a reminder that financial planning is an evolving process, and it is important that you review your plan regularly. Take the time to discuss this with the professionals that you trust to see if there are any new planning opportunities for you and your family.

Citations: First Manhattan_IRS

Disclosures: This article is for informational purposes only and should not be used to determine taxability. Changes in tax laws may occur at any time and could have a substantial impact upon each person's situation. While we are familiar with the tax provisions of the issues presented herein, we are not qualified to render advice on tax or legal matters. The information in this report has been obtained from sources that we believe to be reliable, but cannot be guaranteed. Additional disclosure information can be found on the last page.

FOCUS ON WHAT YOU CAN CONTROL

Greek Stoic Philosopher Epictetus once said: “the chief task in life is simply this: **to identify and separate matters so that I can say clearly to myself which are externals not under my control, and which have to do with the choices I actually control.**” While we can’t say for sure, we are pretty certain he wasn’t talking about financial planning given that he lived 2,000 years ago. Still, this core tenant of Stoic philosophy very much applies. Let’s discuss why.



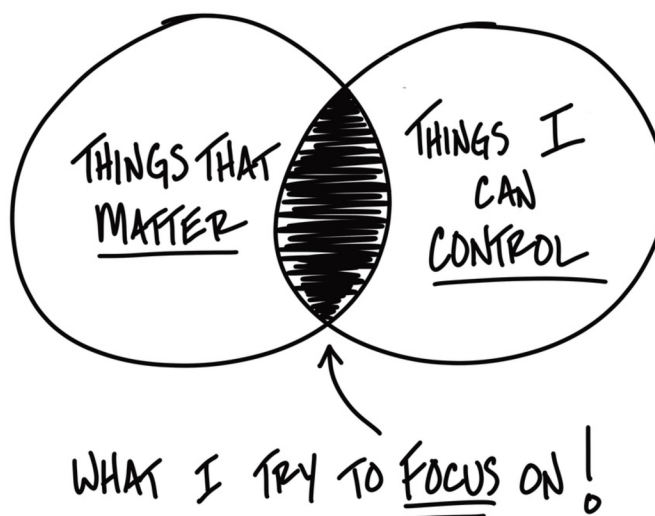
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APRIL 17, 2025

Benjamin Graham summed this concept up well in his book *The Intelligent Investor*:

“Investing isn’t about beating others at their game. It’s about controlling yourself at your own game.”

Most of what is written and acted upon when it comes to financial planning and investing is focused on the endless number of external factors happening around us. The financial media (and industry in general) focus almost entirely on how our financial lives are impacted by outside influences. “Bonds did this”, “stocks are doing that” or “this is what the Fed will do next” form the basis of most things you will read. You must then digest this information and deduct how it will impact your life and decision-making process (if at all). The problem with this is that the market’s behavior in the short-term is based on billions of inputs that

the market’s behavior in the short-term is based on billions of inputs that are known and unknown. Things like the interest rate environment, central bank policies, corporate earnings expectations, corporate balance sheets, wars, access to credit, tax policy, unemployment, consumer spending, consumer confidence, corporate wrongdoing, price to earnings ratios, housing data, trade policy are some of the infinite number of variables being considered by millions of people. You then need to interrupt how those people will *feel* about the variables they decide to care about at a given time.

While being informed is obviously essential, there are two major flaws in *only* focusing on the external variables of the financial world:

1) Focusing on things outside of our control is the main driver of financial anxiety. It can leave you feeling constantly exposed, worried, and prone to emotional decision-making in times of stress. This can set you up to start sounding and feeling a lot like the financial version of Eeyore from Winnie the Pooh.

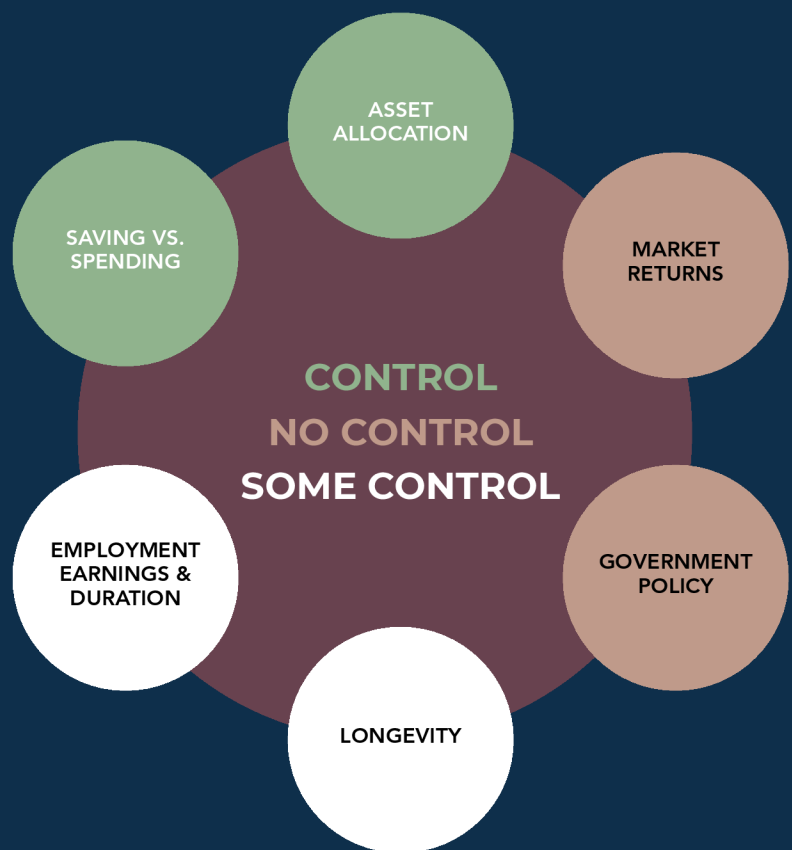
2) Humans are bad at forecasting the future.

We talk all the time about how attempting to predict the future in the short-term is not a part of our planning or investing philosophy. No one has ever shown the ability to do it well over time, and we're not going to pretend to be the first. We prefer to position our clients to accomplish their goals regardless of what happens next, rather than playing a game of pin the tail on the donkey trying to guess what the future might look like. We need to be willing to play a different game. Having a margin of safety and

maintaining flexibility are key characteristics of good planning. These things are also squarely in our control. When done well, they blunt the impact of the crazy things the world will throw at us that we didn't see coming. Writer Morgan Housel put it well in his book *The Psychology of Money*: "The wisdom in having room for error is acknowledging that uncertainty, randomness, and chance—'unknowns'—are an ever-present part of life. The only way to deal with them is by increasing the gap between what you think will happen and what can happen while still leaving you capable of fighting another day."

We can prepare for life's "unknowns" by being intentional when it comes to the thing we have the single most control over: our spending and saving. It sounds boring, but this will have the biggest impact on our ability to build wealth. It literally doesn't matter how good of an investor you are or how much money you make if your savings rate is 0. In our view, setting up saving and spending needs in a way that insulates you from short-term swings that markets (and life) will inevitably bring is the name of the game. Financial planning isn't about budgeting, it's about "buffering"—creating a cushion to serve as a "life buffer". This helps make unplanned life events, market volatility, and economic uncertainty less scary. It allows your head to hit the pillow just a little easier.

Rather than trying to predict the future, we spend our time helping clients better understand their situation while becoming more financially resilient today. By doing this we can then build wealth for tomorrow more effectively. Focusing on things you can control like sound decision-making, having a strong household balance sheet, and a disciplined process to organize your assets strategically can give you peace of mind and help you accomplish your goals regardless of what comes next. Legendary investor (and self-described Stoic) Benjamin Graham summed this concept up well in his book *The Intelligent Investor*: "investing isn't about beating others at their game. It's about controlling yourself at your own game."



**Disclosure information can be found on last page. Artwork on page 11 by Behavior Gap.*

THE NOTORIOUS A.M.G.



MICHAEL J. CORDARO,
MBA

FEBRUARY 27, 2025

Chances are you've never heard of Sir David Brailsford. He's the former head of the British Cycling Team who transformed Great Britain's cycling program from an afterthought into a record-setting powerhouse. When he took over in 2002, the team had won just a single gold medal in 76 years. By the 2008 Beijing Games, they captured 7 out of 10 possible golds—and then did it again in London four years later.

His secret? A concept he called the aggregation of marginal gains. For simplicity purposes, and to help our article title make sense, we'll just call it the A.M.G.

What is the A.M.G.?

It starts with an idea that seems counterintuitive for anyone feeling far away from their goals: think small, not big.

Brailsford, a former professional cyclist with an MBA, came across a famous business school case study on Toyota's success. The company's advantage came from kaizen, a Japanese principle meaning "continuous improvement". Inspired by this, he applied the same philosophy to his cycling team. Once they identified the core factors that drove success, they focused on improving every small detail of their process.

Nothing was overlooked. They optimized aerodynamics in a wind tunnel, developed better ways to remove dust that could affect bike maintenance, and even learned proper hand-washing techniques to prevent illness before

racers. They went so far as to transport their own mattresses and pillows to competitions to maximize recovery.

On their own, none of these changes seemed significant. In fact, some might even sound ridiculous for an Olympic team. But together, they made a huge impact. Over time, these small improvements compounded, leading to extraordinary results.

Everything Compounds—For Better or Worse

The power of compounding applies to everything—whether it's cycling, manufacturing, or building wealth. If you stack small improvements in behaviors and processes on top of each other over time, the results can be massive.

Unfortunately, compounding works both ways. Good habits build momentum, but bad ones do too. Benjamin Franklin summed it up well: "An ounce of prevention is worth a pound of cure." The longer we do something inefficiently, the worse the long-term effect. This applies to every area of life.

Morgan Housel ties this back to wealth building in his book *The Psychology of Money*:

"Think about this in the context of how much time and effort goes into achieving 0.1% of annual investment outperformance—millions of hours of research, tens of billions of dollars... when there are two or three full percentage points of lifestyle bloat that can be exploited with less effort."

If we can consistently improve a process that helps us spend less than we earn and invest the difference in a way that outpaces inflation, we are almost guaranteed to become financially independent over time.

The “Notorious A.M.G.” and Wealth Building

The best way to build wealth is a lot like how Brailsford built a dominant cycling program—through the aggregation of marginal gains. A good financial plan isn’t about chasing shortcuts; it’s about setting a solid foundation and making ongoing adjustments based on your psychology and evolving circumstances.

This approach is too boring for most people. That’s why we are calling it the Notorious A.M.G.—because most people don’t want to do it. There’s a reason Americans spend more on lottery tickets than on movies, video games, music, sporting events, and books combined. We crave the next big thing that promises quick success, even though there’s a proven, reliable way to get there with patience and discipline.

Hungarian stockbroker André Kostolany put it best:

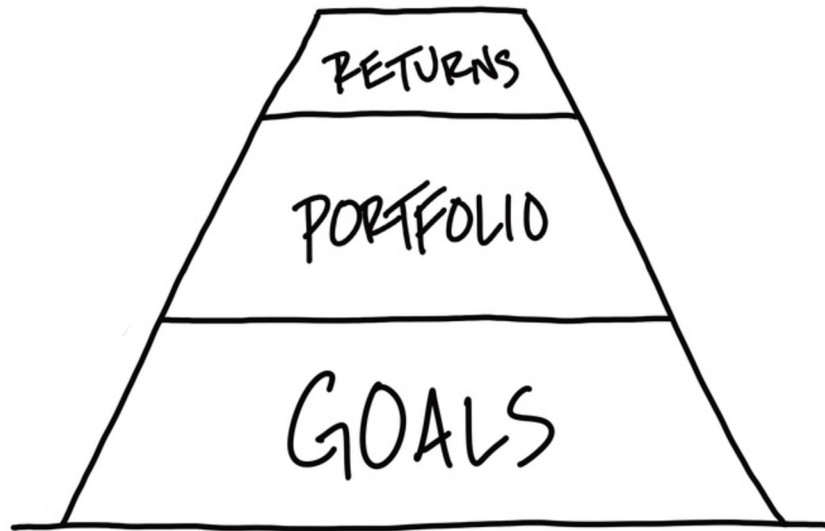
“I can’t tell you how to get rich quickly. I can only tell you how to get poor quickly: by trying to get rich quickly.”



Citations:

- How 1% Performance Improvements Led to Olympic Gold, Eben Harrell- Harvard Business Review, October 30, 2015
- Richer, Wiser, Happier, William Green, 2021
- The Psychology of Money, Morgan Housel, 2020
- Want to Get Rich Quick? Who Can Stop You?, Jason Zweig- Wall Street Journal, May 7, 2021

Disclosures: This article is for informational purposes only and should not be used to determine taxability. Changes in tax laws may occur at any time and could have a substantial impact upon each person's situation. While we are familiar with the tax provisions of the issues presented herein, we are not qualified to render advice on tax or legal matters. The information in this report has been obtained from sources that we believe to be reliable, but cannot be guaranteed. Additional disclosure information can be found on the last page.



INVESTMENT MANAGEMENT

In investing, just like in life, there are no guarantees. As an investor, you must understand you cannot get something for nothing. Understanding that volatility and risk can never be fully removed is essential to making good decisions.

Attempting to predict the future is also not a part of our investment philosophy. We prefer to position our clients to accomplish their goals regardless of what happens next, rather than playing a game of pin the tail on the donkey trying to guess what the future might look like. Investing success often comes down to matching the risk you take with the time horizon in which you may need the money.

LESSONS FROM THE 1ST HALF

With the 4th of July behind us and the dog days of summer setting in, it is often a good time to reflect on the first half of the year. While every year has its ups and downs, this one seemed to have a full year's worth in the first half. As you look at the major headlines of the first half of 2025, it might leave you scratching your head when you see the markets at or near all-time highs.

The year started with the new administration taking over the White House. President Trump wasted no time implementing his agenda, particularly with trade policy and tariffs. He began to aggressively pursue trade deals with all our major trading partners across the globe using tariffs to level the playing field. The uncertainty associated with trade had the market trading on hourly headlines leading to volatility that we haven't seen since the beginning of Covid in early 2020.

On the geopolitical front, the war between Russia and Ukraine passed its third anniversary with no end in sight. If that wasn't enough, tensions between Iran and Israel escalated to the point where we intervened and bombed Iran's nuclear facilities.

In economic news, GDP was negative in Q1 for the first time since 2022. In case you don't remember, that was an ugly year for stocks and bonds. Inflation remains persistent, putting the Fed in a difficult position. Many people think that rates should be lower, but the Fed is on pause due to inflation fears. This is causing tension between President Trump and Fed Chair, Jerome Powell. The level of interest rates continues to be a topic of debate.

Finally, our debt continues to swell to record levels with no relief on the horizon. Although it technically happened right at the beginning of the second half, the highly criticized "Big, Beautiful Bill" was signed into law on the 4th of July. Many critics including Elon Musk have been very vocal about how this does nothing to address our debt and keeps our country on a poor fiscal path.

If you didn't watch the market and just read all the headlines, would you expect the market to be trading at all-time highs or would you think we're in a bear market? This is a perfect depiction of why markets are so unpredictable and serves as another reminder of why market timing is not a viable long term investment strategy. We've written about it many times and it is one of our Foundations of Investing.

Every year is filled with learning opportunities that apply to all aspects of life. The first half of 2025 was a great lesson in investing. Markets fluctuate. Sometimes at higher rates than others. Volatility is the price you pay for long term growth. Don't let the headlines drive your emotions. Zooming out and focusing on the long term will pay off over time.





EARNINGS DRIVE MARKETS



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There are times when you look at the headlines and find yourself scratching your head wondering why the market is going up. It could be the macroeconomic landscape, the political environment or the sentiment of those around you. Regardless of the external factors, there is arguably one fundamental force that drives stock prices. Earnings. Generally speaking, if companies are growing earnings and not giving guidance that would indicate that the trend will change, stock prices usually follow.

This makes it sound easy to predict stock prices. However, by the time you hear the report, the stock price is already moving. Due to insider trading laws, companies have guidelines to follow about releasing information to the public, so we all find out at the same time. If a company beats earnings expectations, then the stock may move higher and if they miss earnings expectations, then it may move lower. The plot thickens though. Earnings are the report card for the prior quarter. Guidance is what the company expects to do in the coming quarters. If the company provides soft guidance, that can overshadow a good earnings report because stock prices are forward looking.

You may hear the experts referring to multiples when they are talking about stocks. They are referring to the price a stock is trading at relative to its earnings or the Price to Earnings Ratio (P/E). This is simply calculated by dividing the current stock price by the most recent earnings per share. The general rule of thumb is that a low P/E can indicate that a stock is undervalued, and a high P/E can indicate that a stock is overvalued. To take it a step further, the Forward P/E substitutes projected earnings for the most recent earnings to give you an idea of where a stock is trading relative to earnings expectations.

What is a high P/E and what is a low P/E? This is where it gets tricky. You can look at historical averages, but different cycles have different averages. Furthermore, it really depends on the multiple the market will pay for a given stock. The darlings of Wall Street right now referred to as the Magnificent 7 (Mag 7) all trade at much higher multiples than your average stock. For example, as of this writing, the S&P 500 is trading at a Forward P/E of approximately 22. Amazon is trading at a Forward P/E of approximately 34. That is actually low relative to historical averages for Amazon but is still high relative to the market. If you only used P/E as the metric to measure Amazon's value, you likely would never have considered purchasing it. Despite that, the stock has performed incredibly well over the years.

Contrarily, stocks trading at low multiples can often be referred to as value traps. Let's take Verizon as an example. The stock is trading at a Forward P/E of a little less than 9, which is right in line with its average of the last 5 years. In that time period, the stock has yielded a negative return. Even though the stock looks cheap, it is trading at a low multiple for a reason. Fortunately for the S&P 500, Amazon makes up a much larger share of the index than Verizon.

In reverting back to the title of the article, earnings do drive markets. As long as earnings are growing, markets should keep growing with them until there is reason to believe that the earnings growth will slow down or decline. Unfortunately, the reason often comes out of left field when you least expect it. That's what makes markets so unpredictable. You never know what premium the market will pay for stocks and for how long. This is another illustration of why we are much better off diversifying, maintaining our discipline, and focusing on the long term.

Citations:
FactSet Research, Morningstar

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PRIVATE MARKETS PRIMER

UNDERSTANDING THE LATEST WALL STREET CRAZE



MICHAEL J.
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MARCH 28, 2025

"As the Wall Street marketing machine ramps up to pitch private asset products to more individual investors, so does the risk of history repeating itself."

Private markets are all the rage these days on Wall Street. Private equity, private credit, and even venture capital are now being rolled out to the masses. Think of this shift like the investing equivalent of the velvet rope to the VIP section being lifted for everyone. More people than ever can enter this formerly closed off area that has long been exclusive to only the large institutions and wealthiest individuals. As the Wall Street marketing machine ramps up, we must understand what private markets are, why they have become so popular, and why they carry unique risks and rewards. As we often say, when it comes to investing, there is no such thing as a free lunch.

First, let's clearly define a few terms and demystify some financial jargon. Public markets are where stocks and bonds trade on exchanges like the New York Stock Exchange. These are the tickers you see across the bottom of the TV when you turn on financial news. They're liquid, meaning easily sold for cash, and regulated. Exchanges and public markets more broadly allow investors the ability to buy and sell their holdings freely. Technology has made this easier than ever.

Private markets, on the other hand, involve investments that aren't publicly traded. This can be in the form of things like private equity (buying ownership in privately owned businesses), private credit (lending money to privately owned businesses), and venture capital (providing funding to start-up companies). Private investments are less liquid, harder to value, and have historically been harder to access for the average investor for

a number of reasons. Yet, they have also been the source of massive wealth creation.

There are a few reasons why private assets are the Wall Street equivalent of the "cool kid's table" in the cafeteria these days. Since the 2008 financial crisis, private credit has filled a gap left by banks that scaled back commercial lending due to tighter regulations. At the same time, a decade-plus of low interest rates made it easier for investors to borrow money and buy privately owned companies. Companies have also been able to grow and scale up without needing to go public to access funding as they often did in the past. Additionally, a huge influx of capital from pension funds, sovereign wealth funds, and other sophisticated investors has driven the growth of private markets as they aimed for higher returns in a low-interest rate environment. These factors (and many others) combined to make private markets a really interesting place to be in recent years.

Now, big traditional Wall Street firms and newer platforms are aiming to capitalize on this by making private asset classes accessible for more investors. These investments can be low correlated diversification tools- meaning they should behave differently than the other parts of a portfolio. They also have the potential for high returns.

There are also a lot of unknowns in terms of how this will play out. Information about private companies is often limited, making it tough to know what you're actually buying. Liquidity is also

limited. In other words, selling your stake might not be easy or quick. It's important to remember that private asset prices don't move daily like those tickers we see on TV, but that definitely doesn't mean they're safer or less risky. The lack of daily price movement compared to the action in the public markets might give the illusion of stability, but this can mask underlying risks that only come to light when liquidity is needed or a private investment faces challenges.

Private equity and private credit have grown into massive asset classes worth trillions of dollars. While private markets are being hyped as the next big thing for everyday investors, it's critical to understand the trade-offs. High fees, complexity related to taxes, and the fact that you are often locking up your capital for a long period of time can all be very different from what public market investors are accustomed to. In short, these products aren't for everyone.

Competition is also more intense than ever. There are more private funds out there searching for deals and paying higher prices to complete them. The cost of capital has gone up with interest rates. Will these factors impact future investment returns? The eye-popping returns many investors came to expect in private assets during the low-interest rate environment from 2009 to 2021 are no sure thing to continue. McKinsey's annual report on private markets put it well: we may be entering "a slower era."

History has repeatedly shown that "the flashy new thing" can lead to too much risk-taking. While these are not apples-to-apples comparisons, the voracious appetite investors had for tech stocks in the late 90s, mortgage bonds in the early 2000s, and the darling stocks and SPACs of the pandemic more recently are all examples of the flashy new things that eventually got taken too far. As the Wall Street marketing machine ramps up to pitch private asset products to more individual investors, so does the risk of history repeating itself.

Private assets are the hot new thing but understanding them requires the same level of scrutiny and diligence as any other investment (maybe more?). No matter how the investment landscape continues to evolve, balancing financial innovation and new opportunities with being methodical and disciplined will always pay off in the long run. Building wealth doesn't come from jumping on every new trend blindly, but by understanding what tools fit your specific situation and deploying them in a way that works for you.

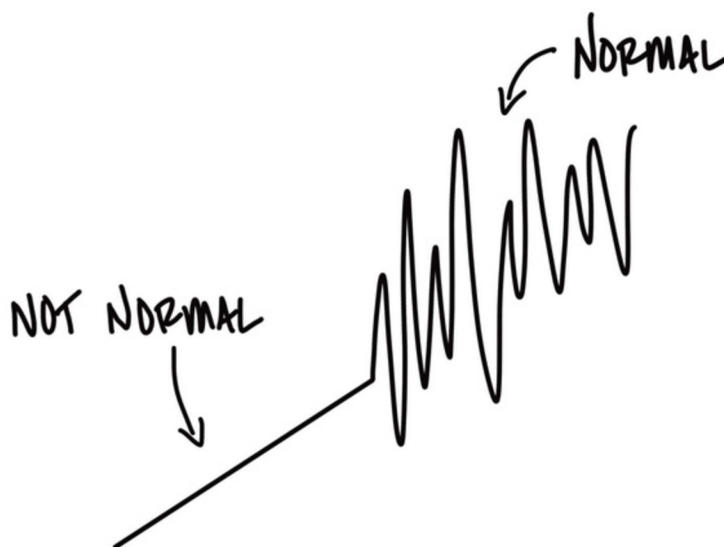
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- *Want to Invest in a Private Company Like SpaceX? All It Takes Is \$5,000*, Imani Moise, Wall Street Journal- March 25, 2025
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COMPLACENCY TO PANIC



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CONTRIBUTOR

The past two years have been fairly easy years in the market all factors considered. Some would say we deserved it after the bear market in 2022 where just about everything except cash sold off. It was a difficult year because there was nowhere to hide, and diversification didn't really provide the level of downside protection that many would have expected. The main reason for that was a long overdue correction in bonds. While that was arguably the most painful part, it made bonds a lot more attractive to allocate capital to in a diversified portfolio.

Every investor has different ways of dealing with market volatility. Many choose to ignore it and not look at their accounts. This time around feels like it has been almost impossible to completely ignore. The market has been all over the place depending on what tariff announcement comes out in a given day. While there has been a lot of talk about the tariffs, nobody knows what the outcome will be. That is what makes this so difficult. Markets don't like uncertainty. In the meantime, you can't open your phone or turn on your television without hearing about something related to tariffs and the market.

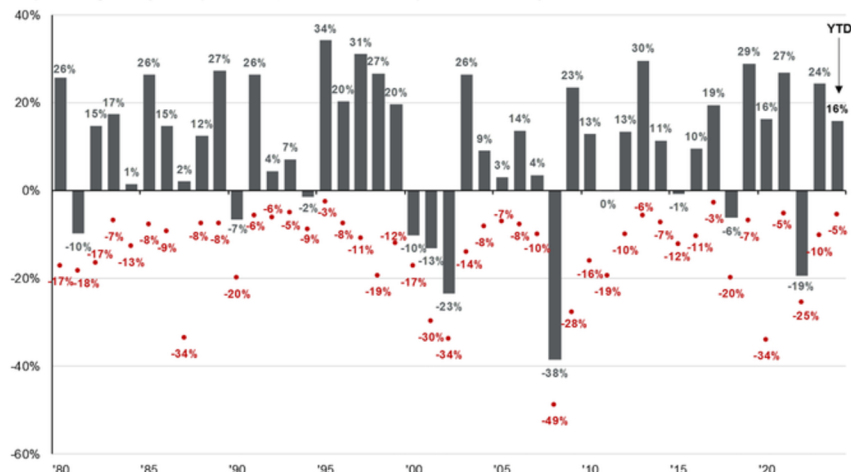
The low volatility, high return years of 2023 and 2024 provided a sense of complacency. Stocks were moving in the right direction without any major detours. The rally strengthened after the election on hopes of a more business-friendly administration with less regulation and lower taxes.

Artwork by Behavior Gap.

The honeymoon ended in February as the post-election gains were erased and reminded us that markets don't go up in a straight line. Quite honestly, market volatility is normal. What we experienced in 2023 and 2024 isn't completely normal. As the chart below from JP Morgan illustrates, the average market drawdown from peak to trough in a year is 14%. Unfortunately, volatility is the price you pay to achieve returns above the risk free rates of return over time.

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.2%, annual returns were positive in 33 of 44 years

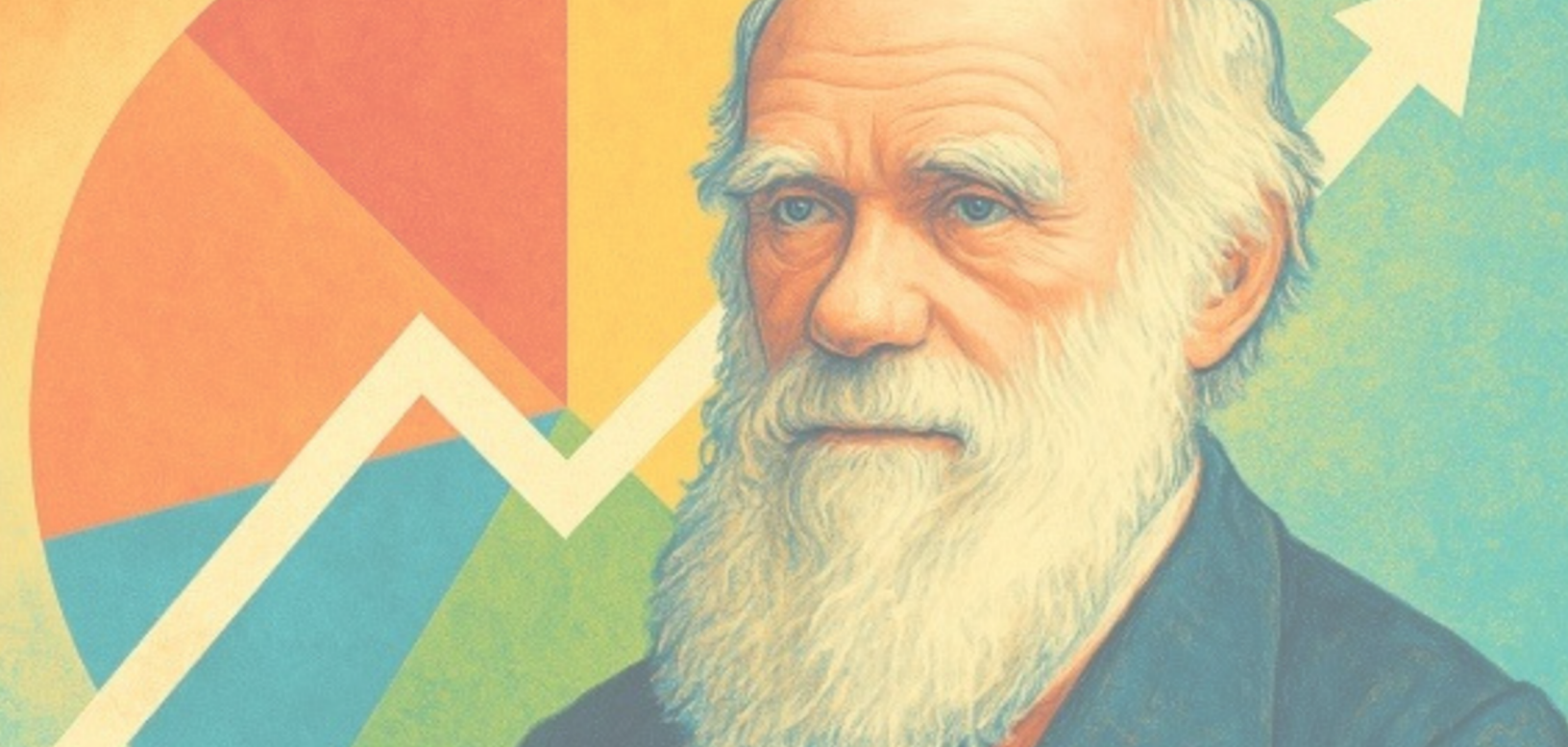


Despite the first negative quarter for the S&P 500 since 2023, the diversified portfolio has held up quite well. Bonds are having a very good start to the year and have provided the downside protection that we expect in exchange for the lower returns in up markets. Gold continued its momentum from last year and even international stocks had a positive first quarter. As of this writing, there is a global market sell off in reaction to the much-anticipated tariff announcements from President Trump in the Rose Garden after the market close on April 2nd. The selling is spreading into more areas than US technology. However, bonds appear to be holding up very well, which is what asset allocators expect in down markets.

The current environment is unprecedented as we have a live negotiation taking place under a microscope with the state of the global economy at stake. The last time we used the word unprecedented was during Covid. That wasn't an easy time either, but we made it through, and discipline paid off. While we aren't excited about the uncertainty and volatility associated with it, we are confident that if you stick to your plan and focus on the long term, we'll make it through this time, too.

Chart: Source- FactSet, Standard & Poor's, J.P. Morgan Asset Management. Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2024, over which the average annual return was 10.6%. Guide to the Markets – U.S. Data are as of March 31, 2025.

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DARWIN & DIVERSIFICATION



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SEPTEMBER 18, 2025

“Success in investing is not about being right in one trade, one year, or even one decade. It is about building flexibility and a margin of safety into your approach.”

Over the last fifteen years, U.S. stocks, led by large-cap technology, have left international markets in the dust. It has been like the Road Runner vs. Wile E. Coyote in a foot race. The S&P 500 has crushed its international peers, fueled by U.S. leadership in technology, the rise of social media, low interest rates, a strong dollar, a more favorable regulatory environment and many other structural tailwinds.

After more than ten years of U.S. outperformance, many investors have even given up on international equities altogether. Why bother diversifying when the S&P 500, or even just a handful of mega-cap tech stocks,

have seemed like a sure thing? The U.S. stock market always outperforms, right?

Investors have short memories. From 2000 through 2009, U.S. equities endured what is now known as a “lost decade.” The S&P 500 delivered *negative* annualized returns over that period. Once you factor in inflation, taxes, and fees, the results are even worse. Meanwhile, international stocks fared much better. Those who stayed diversified didn’t get rich overnight, but they did avoid the brunt of a weak U.S. market that made it harder for many U.S. centric investors to reach their goals.

Here are some numbers for perspective:

- 2010–2024: S&P 500 +601% vs. MSCI ACWI ex-USA +98.5%
- 2000–2009: S&P 500 –9.1% vs. MSCI ACWI ex-USA +30.7%

Cambria's white paper, *A Bear Market in Diversification*, points out that only three other times in the last century have U.S. stocks produced returns like we've seen over the past fifteen years. The "Roaring 20s," the "Nifty Fifty" bubble of the 1960s, and the Internet bubble of the late 1990s. Markets move in cycles. Each of those periods was eventually followed by very challenging times. No one knows what will happen in the years to come, but it does reinforce the idea that the future almost never looks like the recent past. Environments change. Mean reversion happens eventually. The very forces that fuel outperformance often sow the seeds of underperformance in the next downturn.

The U.S. was the place investors had to be in the 2010s and to this point in the 2020s, but there is no guarantee that this will be the case forever. No one knows what the future holds, especially Wall Street forecasters. That being said, a shift may already be underway. Through August of 2025, the MSCI ex- US is up over 22% compared to S&P 500 which was up just over 10%. With all the headlines around A.I. and the U.S. stock market going higher, that fact has been lost on many investors.

International stocks have been supported by cheaper valuations, uncertainty around U.S. trade and fiscal policy, a weaker dollar, and improving growth abroad. While it is a short period of time, for those who stuck with diversification patience is finally being rewarded.

So, how should investors position themselves moving forward? We will take an investing lesson from an unlikely source: Charles Darwin. While he didn't invest in stocks, his insight into what leads to the survival of different species applies directly to portfolio construction. It is not the strongest or the smartest that endure, but the ones that can adapt when the environment changes. Investing works the same way. Market trends evolve slowly and then all at once. Valuations stretch, currencies swing, growth migrates, and sentiment changes overnight. Investors who stay diversified are more adaptable and should be better positioned to survive and thrive over the long haul.

Success in investing is not about being right in one trade, one year, or even one decade. It is about building flexibility and a margin of safety into your approach so that you are proactively positioned for when conditions inevitably change. Market leadership always rotates eventually, often when people least expect it. History has repeatedly shown that building a portfolio around only what is working today can leave you scrambling tomorrow.

Darwin's lesson is clear: adaptability wins. For investors, that means diversifying, even if it is frustrating at times. This approach will help ensure your portfolio can adapt to a fast-changing environment and still move you toward your goals in the long run.

Citations:

- Performance data : Dodge & Cox, *The Case for International Equities*
- *The Bear Market in Diversification*, Cambria Investments
- *Why Invest in International Stocks*, Charles Schwab
- *The Great Mental Models Volume 2*, Shane Parrish

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OUR COMMUNITY

*"The measure of who we are is what
we do with what we have"*
-Vince Lombardi

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To take it a step further, our team members take pride in doing more than making donations to have our name in a program or on a website. We give a lot of our time to different organizations in our community as committee members, board members or volunteers. Many of our team members serve in leadership positions on the boards of some very important non-profits in our community. We love Northeastern Pennsylvania and are heavily invested in the growth and well-being of it.

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\$593
MILLION
ASSETS UNDER
MANAGEMENT

As of 10/31/2025

198
YEARS OF
COMBINED EXPERIENCE

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