Summer 2025

MFS® Commentary

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Market Insights

Putting Tariffs Into Historical Perspective

Sometimes it can be helpful to put current events into historical perspective. The uncertainty over tariffs is a prime example. There were three periods in American history where tariffs were prominent.

1791 to the Civil War

During this period, tariffs were used to raise revenue. After the Civil War, the government needed more money, so it introduced the excise tax. Tariff revenue became less important, and the focus shifted to protecting Northern industries from European competition.

The Great Depression

At the start of the Great Depression, the Smoot-Hawley bill raised tariffs to protect businesses and farmers from foreign competition. Unfortunately, the bill resulted in a great deal of retaliation, which deepened the Great Depression.

Post-World War II

After the war, the United States incentivized other nations to bring down tariff levels in the hopes that a reciprocal decline would help win the peace. Over many decades, tariffs declined to low levels.

A new paradigm?

In the course of US history, tariffs have gone from revenue to restriction to reciprocity. Are we seeing a new paradigm wherein tariffs are used as a different tool? The Trump administration appears to be using them to raise revenue, which seems similar to early US history. Yet, the administration is also talking about reciprocity but not in the same way as post WWII; raising tariffs as opposed to lowering them. Tariffs are also being used to bring manufacturing and jobs back to the US.

Can this be done all at once? Only time will tell. History suggests that you need to choose a pillar — revenue, restriction or reciprocity. It will likely be difficult for the administration to move on all fronts. The market appears to be wrestling with this conundrum.

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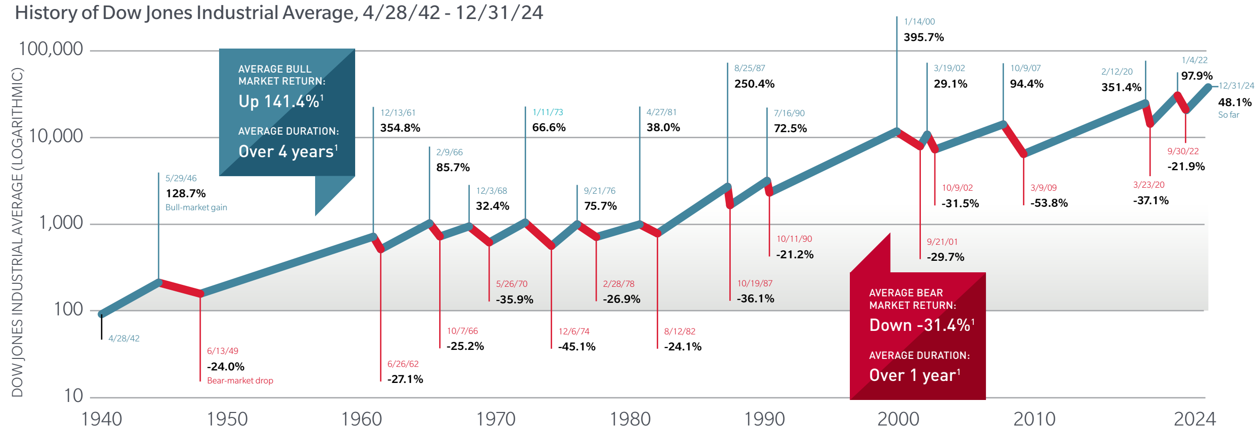
Financial Basics

Keeping Cool in Volatile Markets

It's hard to stay calm when markets decline. But it's important to keep your perspective and remember that volatility is a normal part of investing. Markets rarely go straight up; they move up, down and sideways. But over time, markets have historically bounced back from declines and moved higher. If you sell during a decline, you may miss a potential rebound.

Exhibit 1: Historically, bull markets have beaten bears and driven long term gains

History of Dow Jones Industrial Average, 4/28/42 - 12/31/24



Source: SPAR, FactSet Research Systems Inc. **Past performance is no guarantee of future results.**

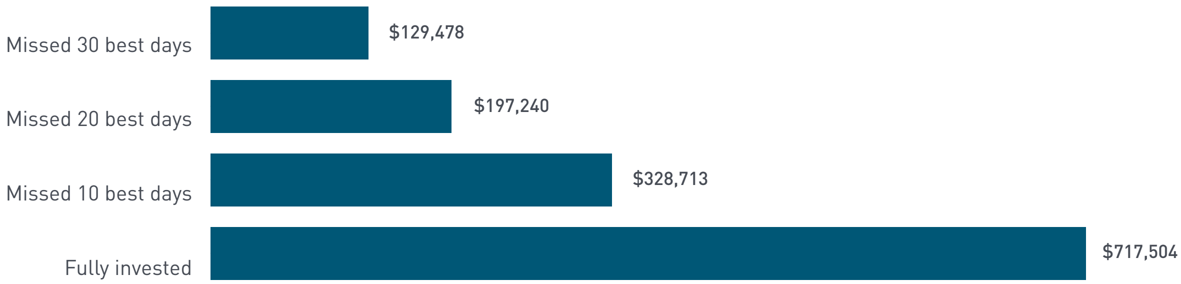
[1] Dow Jones Industrial Average from 4/28/42–12/31/24. Returns are shown based on price only.

Moving out of the market can cost you

Selling stocks at the first sign of a market decline may make you feel better over the short term, but it can cost your portfolio over the long run. Consistently predicting when the market may start to rebound is close to impossible. Sticking to your plan and staying invested can help you make the most of potential rebounds. Because as you can see in Exhibit 2, missing out on the best days of a market rebound can limit your portfolio's long-term potential.

Exhibit 2: Making the most of market rebounds

Growth of $100,000 in the S&P® 500 Index, 20 years ending 12/31/24



Source: FactSet and S&P® US. Daily data as of December 31, 2004 through December 31, 2024. Analysis ranks all daily returns and investors that miss out on those returns simply do not grow their investment by that return for that particular day. If the following day does not fall into a range that they are meant to miss, then the growth of the investment resumes.

Returns are that of the S&P® 500 Total Return Index (Gross, USD). Index performance does not include any investment-related fees or expenses.

It is not possible to invest in an index. Past performance is no guarantee of future results.

The Dow Jones Industrial Average (DJIA) measures the US stock market. The S&P® 500 Index measures the broad US stock market.

Life Events

From Graduate to Investor

Late spring and early summer are often marked by college graduations, leaving friends and family wondering what to gift their grad. Jewelry or something for a new apartment or a new adventure often spring to mind. But what about a gift that could last a lifetime —opening the door to investing?

Investing can be a life-changing skill. But when you're just starting out, coming up with money to invest can be hard. Consider the following gift ideas to get your grad started.

Encourage savings

Consider encouraging new grads to save money by making the initial deposit in a savings account. This could also be an opportunity to educate them on the differences between savings accounts and conservative investments like money market funds. It's important to remember that savings accounts are insured by the FDIC (up to $250,000), while money markets are not and involve the risk of loss.

Fund an IRA

Opening an individual retirement account (IRA) could be beneficial, especially if the recent grad isn't working for a company that offers a workplace retirement plan like a 401(k). Make sure they understand the rules and penalties associated with early withdrawals.

Stocks or fund shares

If you want to gift money in the form of stocks or shares, work with the grad to open a brokerage account. Then introduce them to your financial advisor or investment professional who can educate them on investment options like mutual funds or exchange-traded funds.

Regardless of which option you gift, be sure to express your thoughts about investing and how investments can potentially compound over time. It takes discipline to let investments grow over years and even decades.

Keep in mind that gift taxes may apply, depending on the amount gifted. For 2025, the gift tax exclusion is $19,000. Consider consulting with your financial and/or tax professional. MFS® does not provide legal, tax, or accounting advice. This communication was written to support the promotion or marketing of the transaction(s) or matter(s) addressed. Clients of MFS should obtain their own independent tax and legal advice based on their particular circumstances.

Retirement Basics

Is Your Portfolio Tax-Diversified?

When it comes to taxes, it's not just about how much you earn; it's also about how much you can spend. That's why having a tax-diversified portfolio for retirement is important.

What is tax diversification?

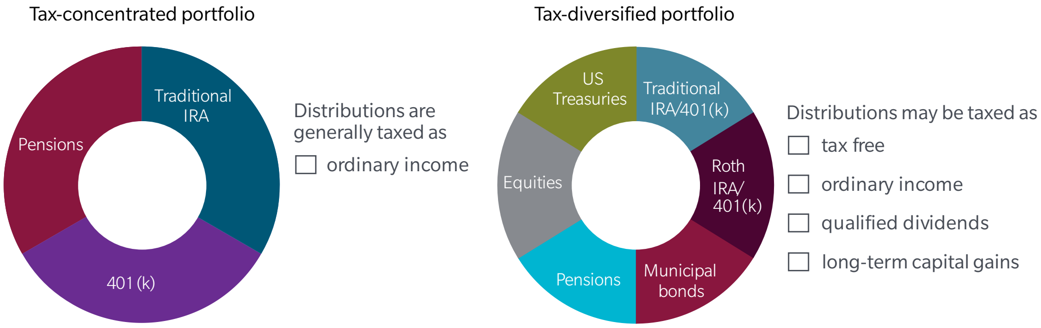
Different types of investments and retirement accounts are taxed at different rates. Some are taxed as ordinary income, some as long-term gains or qualified dividends. Others deliver income that is tax-free. Structuring your portfolio so it generates different types of income is known as tax diversification.

How are retirement accounts different from other investments?

The tax treatment of a retirement account overrides the tax treatment of the investments in the retirement account. For example, a qualified distribution from a Roth IRA is tax free; the type of investment in the Roth is not a factor.

Why diversify?

Exhibit 3: Compare a traditional retirement portfolio with a tax-diversified portfolio



A tax-diversified portfolio allows you to change your sources of income based on changes in your tax situation. It gives you and your investment professional and tax advisors the flexibility to adapt to your changing tax situation.

How can you diversify?

Roth IRA: Either contribute to a Roth directly or convert traditional retirement assets into a Roth. A Roth conversion is taxable, but qualified distributions from a Roth are income tax free.

Nonretirement accounts: A nonretirement account gives you access to different types of income. Tax-free income from municipal bonds and the often favorable tax treatment of long-term capital gains from selling stocks or fund shares are just two examples.[1]

To determine the right approach for your financial situation, meet with your financial advisor or financial professional to inventory your accounts. This will help to identify opportunities for tax diversification.

[1]Most municipal bonds are income-tax free at the federal level and in the issuing state. However, a portion of income may be subject to state, federal, and/or alternative minimum tax. Capital gains, if any, are subject to a capital gains tax. Municipal bond interest can impact the taxation of Social Security benefits and potentially increase your Medicare premiums.

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