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# DEEPSEEK DISRUPTION

The stock market was rocked over the past weekend by the announcement of a new artificial intelligence system called DeepSeek, which threatens the business models of the entire U.S. AI industry. The chipmaker Nvidia saw its stock price fall 17% on Monday, and analysts immediately questioned the value of billion-dollar-plus investments in AI by OpenAI, Softbank and Oracle.

What is DeepSeek and why did it send shockwaves through the AI community?

The short answer is that the Chinese engineers who founded DeepSeek arrived at a more efficient way to manipulate the fantastic amount of information and computer processing power necessary for AI to function. Instead of using one massive system trying to know everything about everything, DeepSeek broke up its analytical engine into AI specialists—known to techies as ‘inference time computing.’ While traditional models like GPT-4 use

1.8 trillion calculations at every moment, answering every query and request all at once, DeepSeek only has to expend 37 billion at a time, each focused on a specific set of queries. The specialists can be trained more far more cheaply, they are twice as fast and use 75% less memory.

Put in dollar terms, DeepSeek has 200 employees, vs. 4,500 at OpenAI. DeepSeek was developed for roughly \$5 million, compared with the \$6.6 billion capital raise for OpenAI.

DeepSeek is open-source, which means anyone can build on it—and it will rapidly take market share away from the clumsier AI systems in today’s market. But it also uses a model that others can copy—breaking down different types of projects, queries and models into smaller, more nimble AI specialists.

The selloff of Nvidia came when tech experts (and analysts who talk with them) realized that AI services can be offered without

the need for massive raw computing power—the kind of chips that Nvidia specializes in.

However, DeepSeek does use Nvidia chips as part of its server array. And there is no reason to imagine that the international AI cohort of developers can’t pivot to the new model and gain new efficiencies that nobody had thought of before. Already, Alibaba has announced a similar model; its 2.5-Max AI model, with an array of specialists, claims to be faster and more efficient than DeepSeek.

DeepSeek is not the end of the AI boom, but did manage to prick what some saw as an AI bubble.

#### Sources:

<https://www.bbc.com/news/articles/c5yv5976z9po>

<https://www.bbc.com/news/articles/c5yv5976z9po>

<https://www.cbsnews.com/news/what-is-deepseek-ai-china-stock-nvidia-nvda-asml/>

<https://www.computerworld.com/article/3813072/alibaba-introduces-qwen-2-5-max-ai-model-claims-edge-over-deepseek.html>

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# EUROPE LAGGING

**T**he U.S. economy grew at a 2.3% pace in the last quarter of 2024, which is not far from the longer-term average, and not a sign of recession. The situation is very different in Europe.

The most recent economic numbers show that the Euro-zone as a whole recorded zero growth in the fourth quarter of last year, and less than 1%

for the year as a whole. Germany's GDP fell 0.2%, France and Italy were flatlined. This comes after the European Central bank cut interest rates four times in the past year, which normally would have produced at least moderate stimulus.

The prognosis going forward is uncertain and somewhat pessimistic, given the

near-certainty that the Trump Administration will impose tariffs on European goods and services (particularly automobiles and agricultural products) being sold into the world's largest economy. Nobody has yet predicted a recession, but continued stagnation is not off the table.

Sources:

<https://www.cnbc.com/2025/01/30/euro-zone-gdp-q4-2024.html>

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# HOMES HERE AND ABROAD

**B**uying a home in America is just too darned expensive, what with today's rapidly rising home prices. Right?

You might be surprised to know that, according to a somewhat complicated calculation, U.S. homes, on average, are among the most affordable in the world.

To come to that conclusion, the Best Brokers organization calculated how many months of average income, in each country, it would take to buy a 1,076 square foot home—a modest residence by U.S. standards, but in some areas this is a bit luxurious. The average American would have to pay the equivalent of 76 months of total income to buy that house. In South Africa, that figure falls to 71 months.

Those were the lowest totals in the survey—by a fair amount. Canadians would pay an aver-

age of 179 months of income, while Mexican citizens, south of the border, would spend 211 months of income on the same size home. The UK: 202 months. Italy: 184 months. India (where the average wage is a lot lower): 578 months, topping Indonesia (563 months). China and Japan came in at 177 and 455 months, respectively. In Turkey, it would require 52 years and six months of average wages to buy a house that size.

As mentioned, the calculations can be tricky, requiring an estimate of the average cost of a home (which obviously varies depending on location) and the average wage of workers in each country. The ranking also took into account real mortgage rates, which means the interest rates in each country and also the inflation rate. Argentina is not listed, because the country's astronomical inflation rate

means that the typical home mortgage rate is, after-inflation, negative 175.89%—and, of course, runaway inflation has an uncertain impact on home prices as well.

So if you hear somebody complain about how unaffordable American homes have become, you might suggest that they check out the affordability of homes elsewhere in the world.

Sources:

<https://www.bestbrokers.com/forex-brokers/the-global-cost-of-homes-in-2024-comparing-the-real-mortgage-interest-rates-and-home-prices-around-the-world/>

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# KEY FINANCIAL DATA 2025

2025 Tax Rate Schedule				
Taxable income (\$)	Base amount of tax (\$)	Plus	Marginal tax rate	Of the amount over (\$)
<b>Single</b>				
0 to 11,925		+	10.0	
11,926 to 48,475	1,192.50	+	12.0	11,925.00
48,476 to 103,350	5,578.50	+	22.0	48,475.00
103,351 to 197,300	17,651.00	+	24.0	103,350.00
197,301 to 250,525	40,199.00	+	32.0	197,300.00
250,526 to 626,350	57,231.00	+	35.0	250,525.00
Over 626,350	188,769.75	+	37.0	626,350.00
<b>Married filing jointly and surviving spouses</b>				
0 to 23,850		+	10.0	
23,851 to 96,950	2,385.00	+	12.0	23,850.00
96,951 to 206,700	11,157.00	+	22.0	96,950.00
206,701 to 394,600	35,302.00	+	24.0	206,700.00
394,601 to 501,050	80,398.00	+	32.0	394,600.00
501,051 to 751,600	114,462.00	+	35.0	501,050.00
Over 751,600	202,154.50	+	37.0	751,600.00
<b>Head of household</b>				
0 to 17,000		+	10.0	
17,001 to 64,850	1,700.00	+	12.0	17,000.00
64,851 to 103,350	7,442.00	+	22.0	64,850.00
103,351 to 197,300	15,912.00	+	24.0	103,350.00
197,301 to 250,500	38,460.00	+	32.0	197,300.00
250,501 to 626,350	55,484.00	+	35.0	250,500.00
Over 626,350	187,031.50	+	37.0	626,350.00
<b>Married filing separately</b>				
0 to 11,925		+	10.0	
11,926 to 48,475	1,192.50	+	12.0	11,925.00
48,476 to 103,350	5,578.50	+	22.0	48,475.00
103,351 to 197,300	17,651.00	+	24.0	103,350.00
197,301 to 250,525	40,199.00	+	32.0	197,300.00
250,526 to 375,800	57,231.00	+	35.0	250,525.00
Over 375,800	101,077.25	+	37.0	375,800.00
<b>Estates and trusts</b>				
0 to 3,150		+	10.0	
3,151 to 11,450	315.00	+	24.0	3,150.00
11,451 to 15,650	2,307.00	+	35.0	11,450.00
Over 15,650	3,777.00	+	37.0	15,650.00

Standard Deductions & Child Tax Credit	
Filing Status	Standard deduction
Married, filing jointly and qualifying widow(er)s	\$30,000
Single or married, filing separately	\$15,000
Head of household	\$22,500
Dependent filing own tax return	\$1,350*
<b>Additional deductions for non-itemizers</b>	
Blind or over 65	Add \$1,600
Blind or over 65, unmarried & not a surviving spouse	Add \$2,000
<b>Child Tax Credit</b>	
Credit per child under 17	\$2,000 (\$1,700 refundable)
Income phaseouts begin at AGI of:	\$400,000 joint, \$200,000 all other
<b>Tax Rates on Long-Term Capital Gains and Qualified Dividends</b>	
If taxable income falls below \$48,350 (single/married-filing separately), \$96,700 (joint), \$64,750 (head of household), \$3,250 (estates)	0%
If taxable income falls at or above \$48,350 (single/married-filing separately), \$96,700 (joint), \$64,750 (head of household), \$3,250 (estates)	15%
If income falls at or above \$533,400 (single), \$300,000 (married-filing separately), \$600,050 (joint), \$566,700 (head of household), \$15,900 (estates)	20%
<b>3.8% Tax on Lesser of Net Investment Income or Excess of MAGI Over</b>	
Married, filing jointly	\$250,000
Single	\$200,000
Married, filing separately	\$125,000
<b>Exemption Amounts for Alternative Minimum Tax**</b>	
Married, filing jointly or surviving spouses	\$137,000
Single	\$88,100
Married, filing separately	\$68,500
Estates and trusts	\$30,700
<b>28% tax rate applies to income over:</b>	
Married, filing separately	\$119,550
All others	\$239,100
<b>Exemption amounts phase out at:</b>	
Married, filing jointly or surviving spouses	\$1,252,700
Single and married, filing separately	\$626,350
Estates and trusts	\$102,500

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# KEY FINANCIAL DATA 2025

Gift and Estate Tax Exclusions and Credits	
Maximum estate, gift & GST rates	40%
Estate, gift & GST exclusions	\$13,990,000
Gift tax annual exclusion	\$19,000
Exclusion on gifts to non-citizen spouse	\$190,000

Education Credits, Deductions, and Distributions		
Credit/Deduction/Account	Maximum credit/deduction/distribution	Income phaseouts begin at AGI of:
American Opportunity Tax Credit/Hope	\$2,500 credit	\$160,000 joint \$80,000 all others
Lifetime learning credit	\$2,000 credit	\$160,000 joint \$80,000 all others
Savings bond interest tax-free if used for education	Deduction limited to amount of qualified expenses	\$149,250 joint \$99,500 all others
Coverdell	\$2,000 maximum; not deductible	\$190,000 joint \$95,000 all others
529 plan (K-12)	\$10,000 distribution	None
529 plan (Higher Ed.) †	Distribution limited to amount of qualified expenses	None

Tax Deadlines
January 15 – 4th installment of the previous year's estimated taxes due
April 15 – Tax filing deadline, or request extension to Oct. 15. 1st installment of 2025 taxes due. Last day to file amended return for 2021. Last day to contribute to: Roth or traditional IRA for 2024; HSA for 2024; Keogh or SEP for 2024 (unless tax filing deadline has been extended).
June 16 – 2nd installment of estimated taxes due
September 15 – 3rd installment of estimated taxes due
October 15 – Tax returns due for those who requested an extension. Last day to contribute to SEP or Keogh for 2024 if extension was filed.
December 31 – Last day to: 1) pay expenses for itemized deductions; 2) complete transactions for capital gains or losses; 3) establish a Keogh plan for 2025; 4) establish and fund a solo 401(k) for 2025; 5) complete 2025 contributions to employer-sponsored 401(k) plans; 6) correct excess contributions to IRAs and qualified plans to avoid penalty.

Retirement Plan Contribution Limits	
Annual compensation used to determine contribution for most plans	\$350,000
Defined-contribution plans, basic limit	\$70,000
Defined-benefit plans, basic limit	\$280,000
401(k), 403(b), 457(b), Roth 401(k) plans elective deferrals	\$23,500
Catch-up provision for individuals 50-59 and 64+, 401(k), 403(b), 457(b), Roth 401(k) plans	\$7,500
Catch-up provision for individuals 60-63, 401(k), 403(b), 457(b), Roth 401(k) plans	\$11,250
SIMPLE plans, elective deferral limit	\$16,500
SIMPLE plans, catch-up contribution for individuals 50 and over	\$3,500

Individual Retirement Accounts			
IRA type	Contribution limit	Catch-up at 50+	Income limits
Traditional non-deductible	\$7,000	\$1,000	None
Traditional deductible	\$7,000	\$1,000	If covered by a plan: \$126,000 - \$146,000 joint \$79,000 - \$89,000 single, HOH 0 - \$10,000 married filing separately If one spouse is covered by a plan: \$230,000 - \$240,000 joint
Roth	\$7,000	\$1,000	\$236,000 - \$246,000 joint \$150,000 - \$165,000 single & HOH 0 - \$10,000 married filing separately
Roth conversion			No income limit

Health Savings Accounts			
Annual limit	Maximum deductible contribution	Expense limits (deductibles and co-pays)	Minimum annual deductible
Individuals	\$4,300	\$8,300	\$1,650
Families	\$8,550	\$16,600	\$3,300
Catch-up for 55 and older	\$1,000		

Deductibility of Long-Term Care Premiums on Qualified Policies	
Attained age before close of tax year	Amount of LTC premiums that qualify as medical expenses in 2024
40 or less	\$480
41 to 50	\$900
51 to 60	\$1,800
61 to 70	\$4,810
Over 70	\$6,020

Medicare Deductibles	
Part B deductible	\$257.00
Part A (inpatient services) deductible for first 60 days of hospitalization	\$1,676.00
Part A deductible for days 61-90 of hospitalization	\$419.00/day
Part A deductible for more than 90 days of hospitalization	\$838.00/day

# KEY FINANCIAL DATA 2025

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Social Security		
<b>Benefits</b>		
Estimated maximum monthly benefit if turning full retirement age (66) in 2024	\$4,018	
Retirement earnings exempt amounts	\$23,400 under FRA \$62,160 during year reach FRA No limit after FRA	
<b>Tax on Social Security benefits: income brackets</b>		
<b>Filing status</b>	<b>Provisional income*</b>	<b>Amount of Social Security subject to tax</b>
Married filing jointly	Under \$32,000 \$32,000-\$44,000 Over \$44,000	0 up to 50% up to 85%
Single, head of household, qualifying widow(er), married filing separately and living apart from spouse	Under \$25,000 \$25,000-\$34,000 Over \$34,000	0 up to 50% up to 85%
Married filing separately and living with spouse	Over 0	up to 85%
<b>Tax (FICA)</b>		
<b>SS tax paid on income up to \$168,600</b>	<b>% withheld</b>	<b>Maximum tax payable</b>
Employer pays	6.2%	\$10,918.20
Employee pays	6.2%	\$10,918.20
Self-employed pays	12.4%	\$21,836.40
<b>Medicare tax</b>		
Employer pays	1.45%	varies per income
Employee pays	1.45% plus 0.9% on income over \$200,000 (single) or \$250,000 (joint)	varies per income
Self-employed pays	2.90% plus 0.9% on income over \$200,000 (single) or \$250,000 (joint)	varies per income

\*Provisional income = adjusted gross income (not incl. Social Security) + tax-exempt interest + 50% of Social Security benefit

Medicare Premiums			
2023 MAGI single	2023 MAGI joint	Part B Premium	Part D income adjustment
\$106,000 or less	\$212,000 or less	\$185.00	\$0
106,001-133,000	212,001-266,000	\$259.00	\$13.70
133,001-167,000	266,001-334,000	\$370.00	\$35.30
167,001-200,000	334,001-400,000	\$480.90	\$57.00
200,001-500,000	400,001-750,000	\$591.90	\$78.60
Above 500,000	Above 750,000	\$628.90	\$85.80

Uniform Lifetime Table (partial)			
Age of IRA owner or plan participant	Life expectancy (in years)	Age of IRA owner or plan participant	Life expectancy (in years)
73	26.5	89	12.9
74	25.5	90	12.2
75	24.6	91	11.5
76	23.7	92	10.8
77	22.9	93	10.1
78	22.0	94	9.5
79	21.1	95	8.9
80	20.2	96	8.4
81	19.4	97	7.8
82	18.5	98	7.3
83	17.7	99	6.8
84	16.8	100	6.4
85	16.0	101	6.0
86	15.2	102	5.6
87	14.4	103	5.2
88	13.7	104	4.9

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**Sources:**

IRS, Affordable Care Act, Social Security Administration, Centers for Medicare & Medicaid Services, Misc IRS documents.

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