thoughts

HANSON+DOREMUS
INVESTMENTS AND PLANNING

FROM HANSON+DOREMUS

DECEMBER 2025

'Tis the season for chocolate!...

We have reached the much-anticipated time of year when all of us at Hanson+Doremus compete to see who can prepare the best chocolate recipe. On a recent afternoon in December, our office was abuzz as we unveiled our best efforts and got down to the "hard work" of taste-testing and judging each entry to the competition.

For the second year in a row, **Jordan Lafayette, Head of Operations**, and our office arbiter of "good taste," came out on top. As is a common theme with Jordan, she went above and beyond—not only making the chocolate pudding for her **Holiday Dirt Cups** entirely from scratch, but also elevating a nostalgic favorite into a festive, holiday-ready dessert.

Jordan's original version didn't stop there. She even took the time to bake homemade sandwich cookies (a.k.a. Oreos) for the "dirt," proving once again that extra effort does not go unnoticed when chocolate is involved. For the mere mortals among us (myself included), the recipe below assumes you'll leverage some pre-packaged treats.

Congratulations to Jordan on another well-deserved win and thank you to everyone who participated and made this year's competition such a sweet success. We hope you enjoy trying the winning recipe at home, and from all of us at Hanson+Doremus, we wish you a wonderful holiday season.

As a final note, we want to remind you that we have replaced our traditional sending of holidays cards with donations to charities. This year, we selected Feeding Champlain Valley and Turning Point Center of Chittenden County.

- Sarah Cocina

HOLIDAY DIRT CUPS WITH HOMEMADE CHOCOLATE PUDDING

Source: Sarah Cocina

Ingredients

Chocolate Pudding

- 1⅓ cups granulated sugar
- ⅔ cup unsweetened cocoa powder
- ⅓ cup cornstarch
- Pinch of salt
- 4½ cups milk
- 3 tablespoons unsalted butter
- 1 teaspoon vanilla extract

Dirt Cup Assembly

- 1 package chocolate sandwich cookies (Oreos), finely crushed
- Gummy Christmas trees or other holiday-themed gummies
- Clear cups or small jars for serving

Instructions

1. Make the pudding:

In a medium saucepan, whisk together the sugar, cocoa powder, cornstarch, and salt. Slowly whisk in the milk until smooth.

Cook over medium heat, stirring constantly, until the mixture thickens and begins to gently bubble. Remove from heat.

Stir in the butter and vanilla until smooth. Allow the pudding to cool slightly.

2. Prepare the "dirt":

Crush the chocolate sandwich cookies into fine crumbs using a food processor or a sealed bag and rolling pin.

3. Assemble the cups:

Spoon the slightly cooled pudding into individual clear cups.

4. Top and decorate:

Sprinkle a generous layer of cookie crumbs over the pudding. Gently press gummy Christmas trees or other holiday gummies.

5. Chill and serve:

Refrigerate for at least 1 hour before serving to allow the pudding to fully set.

Source: Spendwithpennies.com for chocolate pudding

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FINANCIAL MARKETS

By Mark Andrews

On market timing...

The S&P 500's total return for 2025 is currently around 17%, following 25% in 2024 and 27% in 2023. Especially with all this AI bubble-talk, it does not feel like a stretch to suggest these returns are unlikely to last. So why not sell now and "lock in" these gains?

The investor Peter Lynch provides a timeless answer in an interview in Worth magazine from September 1995: "Far more money has been lost by investors preparing for corrections or trying to anticipate corrections than has been lost in corrections themselves." We agree. But why?

First, getting the forecast right is not easy. Consider the concern du jour—and it's a valid one—that an AI-related bubble has propped up the market. Share prices are too high! Maybe. Anxious investors at the end of each of the prior two years might have had similar thoughts. Let's lighten up a little, take some chips off the table—surely, Nvidia cannot rise any higher. After all, professional forecasters had predicted a recession with 60% likelihood in some cases. You see my point.

As to the year ahead, according to MarketWatch, the consensus on Wall Street for the U.S. stock market return is +10%. Analysts project robust earnings on the back of a more accommodative Federal Reserve (rate cuts), AI spending, and fiscal stimulus in the One Big Beautiful Bill Act. That's a reasonable base case—though it probably won't work out that way. Often it is unanticipated events that dominate returns and make these sorts of forecasts look cute.

Second, getting the timing right is really hard, and you have to do it on the exit and the re-entry as well. In a world where, historically at least, the strongest returns are clustered around a small number of days, staying invested is the best way to make sure you capture them. Maybe those anxious investors at the end of last year will end up being right, but they were too early. The third thing, and this can be the real kicker, is that every day you are out of the market you miss out on the magic of compounding—or at least do so at a different, potentially lower, rate (e.g. the money market yield if that is where you moved your money).

But let's try some market timing and see what happens.

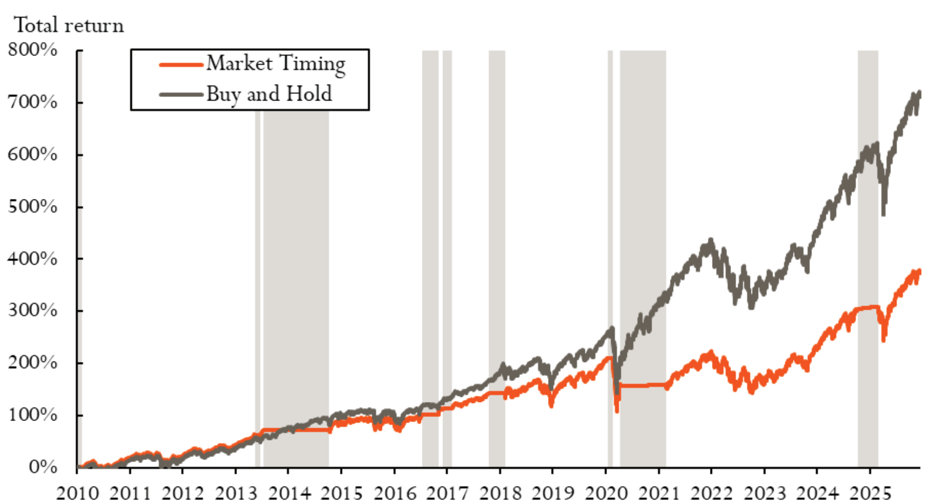
As seen in the *chart*, we ran an experiment based on simple rules. Sell whenever the S&P 500 index's price relative to estimated earnings, the "Forward P/E", increases substantially above its three-year average and buy when the P/E returned to just moderately above the average. The shaded areas show the time out of the market when "prices look stretched" according to the P/E signal (and here we have at least given the market-timing investor money-market returns).

The result: total returns for the market timer are nowhere near the buy-and-hold investor. This is a messy example, as so much depends on what happened over the sample period and the rules you might use to assess whether prices are high (high relative what?). A different experiment could see the market-timer "winning." But the point for us is that you have to get a lot right for market timing to work. And if you don't, every day out of market means you could miss out on the big up days and on compounding.

So, if we can't time the market, what can we do? Our suggestion is to time your financial needs instead. After all, this money we have invested in financial markets is usually *for* something. The main tool here is asset allocation. While every situation is different, if it's a near-term need, better to have that money carved out in cash or bonds. Savings for the longer-term can be ventured in stocks where we don't worry so much about annual fluctuations. This year has been a case in point—from where the S&P 500 opened the year, the index has fluctuated between -18% and +18%. Near-term needs have no business contending with that kind of volatility.

Of course, for stocks to work in the long run, we rely on the assumption that they will provide the returns we are looking for, as they have done historically. We do this knowing the future will be different. Stocks are risky. And to be rewarded for that risk, we recommend staying diversified, including globally, and staying invested.

BAD TIMING IN THE S&P 500



Sources: : Bloomberg; S&P 500 Total Return Index (assumes reinvestment of dividends); rules are sell when P/E is >2 std. dev., buy when back at +1 std. dev.

THE OUTLOOK FOR OUR NATION'S LABOR FORCE

By Anne Doremus

Not so much wedded bliss…

This week's release of employment data revealed a tepid labor market. Nonfarm payrolls declined approximately 40,000 over the past two months and the unemployment rate ticked up to 4.6% with both results softer than expected. Investors and policymakers alike will continue to keep a keen eye on future releases for clues as to the nation's general economic health. While the heightened focus on such short-term measures is understandable, we should be careful not to miss the longer-term trends impacting on the nation's workforce, particularly the ongoing decline in fertility rates.

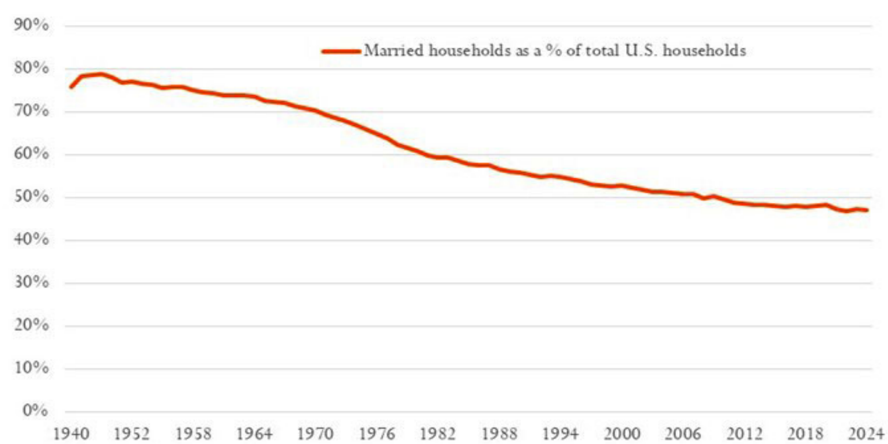
America's falling birth rate is certainly not a new phenomenon. Total fertility has been declining since 1957 when women in the U.S. had, on average, 3.65 children. But as recently as 20 years ago, fertility rates were still hovering around 2.1, or the number considered necessary to sustain a population. The rate has steadily fallen since then and in 2024 it hit a near-historic low of 1.6 children per woman. While there are tangible benefits associated with a smaller population such as less strain on our natural resources, there are also some downsides. A diminishing number of working age adults means less funding for healthcare and retirement programs that have become a key part of the social contract in the U.S.

A look into the probable causes of our baby bust reveals some interesting trends. Though fertility rates for married and unmarried women have both declined over time, the rate for married women over the past few years has held at approximately the 2.1 replacement rate. As a result, the drop in overall fertility is due to two factors: a decline in the number of children born to unmarried mothers and, surprisingly, a drop in the number of women getting married. According to a Pew Research Center survey, approximately 25% of 40-year-olds had never married in 2021, a nearly fourfold increase from the 6% recorded between 1960-1980. Race and education also factor heavily in marriage rates. Forty-six percent of 40-year-old Black Americans responding to the survey had not married, compared with 27% of Hispanics and 20% of whites. And those with a high school education or less were nearly twice as likely to be "never married" as those with a bachelor's degree.

So why are Americans marrying at lower rates today than in the past? Historically, blame for this trend has centered on things like the broad adoption of contraceptives in the middle of the last century, rising education levels of women and high divorce rates. A recent article in *The Economist* adds to this list by suggesting that technology may be contributing to the decline in marriage and "coupledom" more generally. The rising use of social media, the authors suggest, may be causing unrealistic (read: too exacting) expectations for future partners. Dating apps which allow participants to put their "best self" forward, whether accurate or not, may be Exhibit 1 in this line of reasoning. The increasing amount of time spent online, and reduced time spent in direct, in-person interaction may also be a factor. According to the article, 15–24-year-olds today spend 25% less time hanging out in person than they did ten years ago while the amount of time spent gaming has increased by 50%. The growing adoption of dedicated AI-companionship apps, such as Character.AI, could only further exacerbate this trend.

Reversing the trends of declining fertility and marriage rates will not be easy. A wide range of countries across the globe experiencing similar problems have attempted to do so, with negligible effect. But we should remember that demographics are not always destiny. A smaller domestic workforce could become a more productive one with the help of new technological (yes, AI) and process improvements. A return to more pro-immigration policies could boost our labor force numbers. It is also possible that current forecasts of population decline simply turn out to be wrong. The Zero Population Growth (ZPG) movement of the 1960s, after all, was spurred on by predictions of explosive population growth that never materialized. But if current trends hold, economic growth in the U.S. will have to rely less on growing numbers of native-born consumers and more on everything else going forward.

MARRIED HOUSEHOLDS AS A PERCENTAGE OF TOTAL U.S. HOUSEHOLDS



Sources: United States Census Bureau

STATISTICS

By Neil Macker

2025 in statistics…

Every year, the Investment Committee at H+D spends hundreds of hours reading about a wide range of topics, everything from the impact of tariffs on economic growth to the rising price of random-access memory (RAM). This is, without a doubt, what keeps our work interesting and, hopefully, useful. Listed below are several data points that we discovered over the past year that we thought you too might find interesting. See if you can match the statement on the left with the correct answer on the right.

	2025 STATISTIC	ANSWER
1)	The average number of viewers, in millions, of the Super Bowl XXVVII Halftime Show featuring Kendrick Lamar	50
2)	The number of active users, in millions, of Open AI in November	79
3)	AI spending has driven up pricing for consumer RAM. A common 32 GB kit in February cost $105 on Newegg.com. The price on Newegg today (12/15)?	69
4)	The percentage of U.S. children under 2 that watch videos on YouTube in 2025 according to their parents	461
5)	The highest U.S. ad valorum tariff rate currently imposed by President Trump on India and Brazil (as of 12/15)	134
6)	The total amount of global e-waste, in billions, of kilograms at the end of 2022	417
7)	Total number of edits made, in millions, across all 300+ language editions of Wikipedia in 2025	810
8)	The projected tax payroll, in millions, of the 2025 World Series Champions, the Los Angeles Dodgers	430
9)	The S&P 500 Index returned +16% year-to-date. What was the YTD gain of the best performer, Sandisk (SNDK)? (as of 12/15)	62
10)	The S&P 500 Index returned +16% year-to-date. What was the YTD loss of the worst performer, The Trade Desk (TTD)? (as of 12/15)	96

Answers: 1) 134 million - SI; 2) 810 million - Techcrunch; 3) $430 - Newegg; 4) 62% - Pew Research; 5) 50% - ReedSmith; 6) 96 billion - The Global E-waste Monitor 2024; 7) 79 million - Wikimedia; 8) 417 million - Spotrac; 9) 461% - Slickcharts; 10) 69% - Slickcharts