

INSIGHT

PERSPECTIVES FOR THE GOAL-FOCUSED INVESTOR

By: Henry Pizzutello, Chief Investment Officer

In This Edition: Tariff Tension & The Pain of Winning

Tariff Tension

As promised during his election campaign, President Trump has followed through on the enactment of tariffs to the U.S. trading partners. Financial markets have reacted predictably, with equity markets trending lower on expectations of higher costs and potential inflationary effects as a result. As a general rule, tariffs are enacted by a country to drive economic activity homewards, making it more expensive for imports from other countries. However, supply chains, particularly in the manufacturing sector, can take significant time to adjust.

Simply put, a tariff is a tax on imported goods that is paid to the federal government. With tariffs, the importing entity is responsible for paying the tax, which makes procuring goods or services from certain countries incrementally more expensive.

However, tariffs will usually also affect the issuing country, as we are seeing today. The most obvious consequence is the issuance of retaliatory tariffs – the countries that are the target of tariffs may respond with their own tariffs. We have already seen Canada, Mexico, the EU and China begin to issue tariffs on American goods. As a result, it is likely that this will lead to higher prices for consumers, which will have a next-order effect on inflation as companies will likely pass the cost of the tax on to consumers. Ultimately, this combination of higher prices and higher inflation leads to slower economic growth, as higher prices may act as a drag on consumer spending. The real concern is that if slower economic growth morphs into a recession, the Federal Reserve is between a rock and a hard place in terms of how to react. The traditional Fed policy of lowering rates to boost the economy may not be a good option if inflation is trending higher at the same time. Investors remember what happened in the mid



to late 1970's as the Fed cut rates too quickly to combat recession and ignored inflation until it roared out of control in the early 1980's. This is what markets are concerned about right now.

The main issue facing investors today is the uncertainty surrounding the implementation of U.S. tariffs, and whether they are going to be a permanent part of the economic landscape going forward. Since taking office in January, the Trump administration has proposed and implemented a variety of tariffs on U.S. trading partners. As of this writing, those implemented include a 10% added tariff on Chinese goods and a 25% levy on goods from Canada that are not covered under the U.S. Canada Mexico Agreement. A 25% tariff on non-USMCA goods from Mexico has been delayed until April. In addition, the Trump administration has announced its intention to review trade policy on a country-by-country basis and potentially roll out reciprocal tariffs in April.

The current administration has stated that the tariffs that have been issued are designed to "level the playing field" for the U.S. and our trading partners. In certain cases, such as Mexico and Canada, the tariffs have been put in place to force the countries to address other issues – immigration border control with Mexico and Canadian border control of fentanyl being shipped through Canada into the U.S. While this is not the only reason for the enactment of tariffs, it is likely that if progress is made on these issues, the tariffs will be rescinded or reduced.

It is difficult to put a time frame on how long the tariffs may be in place. Historically, tariffs have not worked purely as an economic lever. The Smoot Hawley Act of 1930, which increased tariffs after the Great Depression, was widely blamed for exacerbating the economic conditions and extending the decline. Given this historical backdrop, it is likely that implementation of any significant tariffs on U.S. trading partners is likely to be temporary and will not represent a lasting change in U.S. trade policy. Potentially more troublesome, however, is that the manner in which these tariffs have been announced and implemented may have done more lasting damage to the relationships between our trading partners. Canada, in particular, has called on nationalistic pride to significantly reduce purchase of American goods, and we have seen similar voicings across countries in Europe. However, some of these tariffs are redressing past trade imbalances, and like it or not, the United States is too large an economic force to exclude entirely from trading. At the end of the day, economic interest will likely trump the nationalistic ego. No pun intended.

From Guest Author, Kevin Bruce CFA, CFP®, CKA®—Chief Strategy Officer

The Pain of Winning

Winning is not just a moment; it is a process. One that can take weeks, months, years, or even decades. But most people only see the result: the trophy, the title, the success. What they do not see is the other 99 percent—the long, hard road that made it possible.

And that road rarely feels good while you are on it.

In fact, the process of winning often hurts more than losing.

Ask any elite athlete, and they will tell you: losing may sting, but it is easy compared to the daily grind of preparing to win. It is the early mornings when the alarm goes off before sunrise. It is the sore muscles that ache before the day even begins. It is giving your absolute best, especially on the days you do not feel like it. It is the discipline to say no to comfort: to not sleep in, to not skip the workout, to not cut it short just because it is hard. It is even passing on dessert when your body needs fuel more than a reward.

But here is the paradox: it is that very pain—the fatigue, the discomfort, the daily sacrifice that prepares you for victory. Because when the real test comes, in the heat of competition, those who have embraced the pain in training know how to work through it. They have been there before. Meanwhile, those who took shortcuts or avoided the hard parts are caught off guard when the pressure hits. They break down, not because they are weaker, but because they did not prepare for the pain.

Winning is always hard. It requires sacrifice, focus, and an ability to endure pain today in order to experience glory tomorrow.

Right now, America is in the middle of that kind of pain.

We are undergoing a strategic shift, one that has been long overdue. It is a move away from reactionary politics and short-term thinking toward something more calculated, more difficult, and more promising: a return to foundational principles. It looks messy. It feels uncertain. But that is exactly what winning looks like in progress.

It is the difference between checkers and chess.



Too many politicians, media voices, and even market participants are playing checkers. They are chasing short-term moves, making noise, and hoping to capture fleeting attention. They have made entire careers out of these quick hits—crafting a headline, sparking outrage, or selling a single product or point of view. It might work in politics or entertainment, but it does not work in business. And it certainly does not work in investing.

Success in the business world is a game of chess. It requires long-term planning, strategic patience, and the willingness to make tough moves today in order to win tomorrow. It is not flashy. It is not always popular. But it works.

Donald Trump, love him or hate him, is a businessman. If you view him through a political lens, his actions can seem erratic or reactionary. But when you look at him through the lens of business strategy, you begin to see the bigger picture: long-range thinking, calculated risk-taking, and a willingness to endure short-term criticism in pursuit of long-term outcomes. That kind of thinking unsettles the checkers crowd. They cannot see the long game. They mistake sacrifice for chaos and discipline for disaster.

And that brings us to investing.

True investment success is also built on long-term strategy. It can be uncomfortable. It can be countercultural. And just like championship athletes, investors who embrace the discipline of steady, principled investing are the ones who are prepared when the market tests come. They have experienced volatility before. They have trained through downturns. And they know not to panic when others do.

Meanwhile, those who chase trends, cut corners, or react emotionally are often unprepared when the real pressure hits. They are surprised by the pain because they never trained for it.

At HFG, we recently introduced a Biblically Aligned Investment Strategy (BAI), which is rooted in biblical truths that have endured since creation. They do not always feel trendy. They are not always easy to follow. But they are timeless, tested, and true. As Scripture says in Isaiah 40:8, “The grass withers, the flower fades, but the word of our God will stand forever.” That is the kind of foundation we build on.

We do not chase headlines. We do not react to noise. We play chess, not checkers.

Yes, the market may look turbulent. The media may sound panicked. But we see something different. We see a country going through the pain of progress, and we see an investment strategy that was designed for times like this.

The path of the champion is rarely comfortable. But it is always worth it. 

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