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QTR NOTES

QTR 1 - JANUARY 2026

FIRESTONE CAPITAL

Index	12/31/25	YTD Return
Dow Jones	48,063.29	▲13.0%
S&P 500	6,845.50	▲16.4%
S&P Small Cap	1,467.76	▲4.2%
MSCI EAFE	2,892.71	▲27.9%
Bloomberg U.S. Bond	2,348.85	▲7.3%
US Treasury 10-yr	4.18%	

ECONOMIC YEAR IN REVIEW

As 2025 comes to a close, economic readings show the U.S. economy settling into a comfortable 3% growth rate, following a momentary acceleration of 4.3% in the 3rd quarter (Q3 annualized). 2025 proved to be a stronger year than many had expected or feared. Despite widespread concerns, the economy avoided recession and navigated through what earlier this year was expected to be a period of economic calamity.

For another year, the U.S. economy expanded, corporate profits accelerated, the stock market finished up with double-digit returns, and yet we're left feeling unsure whether we are witnessing signs of robust growth or temporary exuberance.

Economists describe the current situation as a K-shaped economy—where some households continue to see rising incomes and financial progress, while others face increasing pressure.

The wealth effect from rising salaries and strong returns fueled increased spending among higher-income households. Meanwhile, the broader population's spending has remained largely flat after adjusting for inflation, reflecting stagnant median wage growth.

While economic gains may remain uneven, the financial environment at large points toward continued expansion in the year ahead, as underlying fundamentals remain supportive despite areas of ongoing uncertainty.

AI, DIVERSIFICATION, & UNEXPECTED LEADERS

U.S. equities delivered a strong year overall, finishing up more than 16%, though not without testing investor resolve along the way. Earlier in the year, U.S. stocks experienced a nearly 19% drawdown between mid-February and early April, a reminder that even strong market years rarely move in a straight line.

International equities were one of the year's more notable surprises. Foreign stocks outpaced U.S. markets, with the All-World ex-U.S. Index up roughly 30% for the year. Precious metals also performed exceptionally well, with Gold up approximately 70% and Silver more than doubling Gold's gains.

On the downside, the U.S. dollar declined by more than 9% against a basket of global currencies, as measured by the U.S. Dollar Index. Currency weakness adds another layer of complexity but also provides opportunity for globally diversified portfolios.

The AI trade has dominated market headlines, but much of that exposure is already embedded within broadly diversified U.S. equity portfolios. Major equity indexes provide meaningful participation in AI-driven growth without requiring investors to identify individual winners and losers in a rapidly evolving, and often volatile, space.

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STAY A FEW STEPS AHEAD OF FRAUD

Banks have significantly ramped up fraud prevention in the past year with tighter alerts, smarter systems, and more secure authentication. As these protections expand across the banking industry, it is just as important to apply them to your broader financial life, including your investment platforms.

The good news? You don't need to be a cybersecurity expert to stay ahead. Most account breaches aren't high-level hacks but the result of weak or reused passwords. A strong, unique password (ideally generated by a password manager) and multi-factor authentication (MFA) are often all it takes to prevent unauthorized access.

Setting up MFA and making a habit of updating your passwords yearly is a simple way to stay ahead of evolving cyber threats. These small, intentional steps create a strong foundation and can offer lasting peace of mind. And if you're not sure where to start, we're always here to help! Just a reminder that we can send documents securely through your Firestone client portal or via encrypted email, whichever you prefer.

THE LATEST AT FIRESTONE

December 31 marked Carol Kaufman's last official day at Firestone Capital Management, closing a remarkable 30-year chapter with the firm! We celebrated her career with a farewell office party where her family and close friends all came to honor Carol. We will miss her dearly, but her impact on Firestone will endure, much like Jack's before her. Cheers to their long and admirable careers, where they instilled honesty, clarity, and integrity into everything we do for our clients.

However, with one chapter ending, another begins. Please welcome Sean Preston, CFA to the chat. Sean is a specialist in investments and trading operations. He comes with a long and impressive track record of work experience, most recently with a 15-year tenure at a similar and highly respected RIA firm up in Virginia. Sean is here to help streamline our investment research, products, and operations while supporting the firm and our clients in any way he can. Welcome Sean!

Coming soon: Keep those fingers crossed as we are aiming for the new website to launch some time in February 2026!

We may look back to 2025 as the year that AI went from niche to ubiquitous. You don't need to have ChatGPT to be leveraging the benefits of AI. As adoption continues, AI's influence on the economy and markets is likely to expand further in the years ahead.

For investors, this evolution reinforces the value of diversification. As the technology matures, there will undoubtedly be both winners and losers. By participating in a well-constructed portfolio, investors can benefit from long-term innovation without having to predict exactly where it will land.

TOP-OF-YEAR CHECKLIST

While year-end planning often gets the spotlight, the beginning of the year can be just as impactful. The first few months offer a chance to step back, reassess priorities, and make thoughtful adjustments before decisions feel rushed or reactive.

A new year is a natural moment to revisit your goals and the assumptions behind them. As your life evolves—through changes in career, family, or lifestyle—so does what "appropriate" risk looks like. You may feel more conservative after periods of market volatility, or more comfortable taking risk if your financial position has strengthened. You might also be thinking about retiring earlier than planned, downsizing in the future, or allocating more toward travel and experiences.

Even small shifts can have long-term implications, which is why it's important to ensure your strategy reflects where you are today, not where you were a year ago. An early-year review allows for thoughtful adjustments rather than reactive ones.

This is where rebalancing comes into play. Rebalancing isn't about predicting markets or reacting to headlines—it's about realigning your portfolio with your intended level of risk.

After a year of market movement, allocations can quietly shift, increasing exposure in ways that may no longer fit your goals. Thoughtful rebalancing helps bring portfolios back into balance and reinforces discipline.

Alongside your rebalance, the top of the year is also a good time to check in on your cash needs. Are you planning a car purchase, major trip, home project, or other large expense in the year ahead? Identifying these needs early allows time to free up cash intentionally, rather than being forced to sell investments at an inopportune moment.

Planning isn't a once-a-year exercise. It's an ongoing process that evolves as your life does. A thoughtful start to the year can create clarity, flexibility, and confidence—setting the tone not just for the months ahead, but for the long term as well.

Still on your list: if you haven't made your Roth contribution for 2025, you have until tax filing time in April to do so. If your 2025 contribution is already complete, you can now turn your attention to funding your IRA for 2026.

If any of these planning items are starting to sound like they belong on your to-do list, you know who to call! We're always happy to help you think through what comes next.

2026 CONTRIBUTION LIMITS AT A GLANCE

Here's a quick look at how much you can contribute to your retirement plans in 2026 — several limits have increased.

Workplace Retirement Plans 401(k), 403(b), 457(b)

- Employee Deferral: $24,500
- Catch-Up (Age 50+): $8,000
  (Just a reminder: catch-up contributions are now required to be made as Roth contributions.)
- Special Catch-Up (Ages 60–63): $11,250
- Total Contribution Limit (Employee + Employer): $72,000

IRAs (Traditional & Roth)

- Standard Limit: $7,500
- Catch-Up (Age 50+): $1,100
- Roth IRA Income Phase-Out:
  - Single Filers: Begins at $153,000 MAGI
  - Joint Filers: Begins at $242,000 MAGI

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