

QTR NOTES

QTR 3 - OCTOBER 2026



Index	09/30/26	YTD Return
Dow Jones	50,906.05	▲7.2%
S&P 500	7,651.54	▲12.8%
S&P Small Cap	1,654.96	▲14.1%
MSCI EAFE	3,125.70	▲10.81%
Bloomberg U.S. Bond	2,280.45	▼2.9%
US Treasury 10-yr	5.26%	

ECONOMY IN FULL

The headline GDP number of 2.2% growth doesn't exactly inspire excitement – more of a golf clap than a standing ovation. However, here's what that number doesn't tell you: 1.5% strips out inflation, so if we add it back into the equation, actual GDP is closer to 8.5%. Now we're talking! The 2.2% figure is real growth correctly adjusted for inflation, but it does have a way of burying the lead. The economy is moving, and moving with some force.

Corporate revenues, profits, stock prices, and investor portfolios have all climbed this year as inflation works its way through the broader economy. The average stock is up over 10% from where it started in January, and diversified portfolios are trading near all-time highs. While investors are tempted to celebrate, the Federal Reserve is beginning to worry and we share the concerns.

Heightened inflation has touched all segments of society, with lower-income households feeling the effects most acutely. To cool down inflation and

restore stability, the Federal Reserve is placing its thumb on the scale and recently raised interest rates by 0.25%. This calculated step aims to gently slow the economy without disrupting it. Forecasters and economists alike believe that more increases may be needed and are already anticipating at least one additional hike in the months ahead.

The flip side of high inflation and rising interest rates is that bond prices have dropped, offsetting earned interest this year. The good news for bond investors is that the future is looking brighter. For example, the 10-Year US Treasury Bond started the year paying 4.2% interest and today yields over 5.2%.

Over the next decade, investors will earn north of 5% annually on a government guaranteed investment which is considerably better than what was available when the year began. While we are not expecting a dramatic bond market recovery, we are actively diversifying holdings with each client's liquidity and safety needs in mind.

YEAR-END GIVING

As year-end approaches, many families are thinking about the charities, places of worship, and causes they want to support. While one of the main purposes of charitable giving is generosity, thoughtful planning can help make those gifts more tax efficient. Here are a few strategies worth considering before December 31.

Donor-Advised Funds

A Donor-Advised Fund (DAF) can be especially useful if you want to make a charitable contribution (and potentially receive the tax deduction this year), but aren't yet sure which charities you ultimately want to support.

You contribute assets to the DAF now and can recommend grants to qualified charities at a future date. This can also make a DAF a useful tool for consolidating several years of giving into a tax year when itemizing deductions may be more beneficial.

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YEAR-END REMINDERS

- **October 15:** Tax Extension Deadline. Final day to file your 2025 return and to contribute to your SEP IRA for the 2025 tax year.
- **December 1:** Last day for in-kind donations to Donor Advised Funds.
- **December 31:** Final day to contribute to your 401(k), 403(b), or 457(b) plans.
- **December 31:** RMD Deadline - If you're 73 or older, your required minimum distribution must be taken by year-end.
- **December 31:** Annual Gifting Deadline - Gifts must be completed by December 31 to count for the 2026 tax year.

A reminder that Trump Accounts opened over the summer and are now available to start funding. As always, we're here to help navigate any of the above, and if you'd like to discuss any of these items or schedule a year-end review, don't hesitate to reach out!

NEW AT FIRESTONE: HOW WE'RE USING A.I.

Artificial Intelligence has become an increasingly important theme in investing and in the financial services industry. While the technology offers tremendous promise, it is still relatively new, and we are continuing to learn about its capabilities, limitations, and risks. At Firestone, protecting your information and maintaining your security is paramount. For that reason, we have taken a measured approach to incorporating AI into our business.

An exciting development is that Charles Schwab has partnered with Anthropic to introduce Claude for financial advisors, a new resource designed specifically for financial professionals. The tool works within the systems we already use and can assist with tasks such as basic research, maintenance requests, and streamlining paperwork.

As AI continues to grab headlines and push the frontier of new capabilities, one of our biggest considerations has been how to take advantage of these newfound possibilities while protecting confidential client information. This new integration is designed to connect AI directly with information already maintained within Schwab's robust ecosystem which is a meaningful distinction from general-purpose AI tools.

Our approach in adopting new technologies follows a cautious route, but we're staying abreast of all developments and being deliberate to seek out solutions that will actually improve our ability to serve and help our clients plan for their future.

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DAFs can also accept much more than cash. Depending on the sponsoring organization, it is possible to contribute stocks, business interests, and even real estate.

For families with significant appreciation in these types of investments, donating these assets instead of selling them can provide meaningful tax benefits while allowing more of their value to reach your causes.

Note that gifting business interests or real estate can be complex, often requiring additional planning and valuation especially when a sale of the underlying asset is also under consideration.

If this is something you're thinking about, sooner is always better. Reach out and we'd be happy to help you navigate the process.

Qualified Charitable Distributions

If you are over 70 ½ and have an IRA, a QCD allows you to send funds from your IRA directly to an eligible charity. The qualifying distribution is generally excluded from taxable income and can also count toward your Required Minimum Distribution (RMD), if applicable.

This can be particularly valuable if you do not itemize deductions, or if additional taxable income could affect your Medicare premiums through the Income Related Monthly Adjustment Amount (IRMAA).

Since QCDs are generally excluded from adjusted gross income, they can also help manage the earnings threshold used to determine future Medicare premiums. Rather than taking a taxable IRA distribution and *then* making a charitable gift, a QCD lets you accomplish

your charitable goal without the distribution ever counting toward your taxable income.

For those who do not itemize, keep in mind that you can still deduct up to \$1,000 of qualifying cash charitable gifts, or \$2,000 for married couples filing jointly.

Make Giving Part of the Plan

There isn't one charitable strategy that works for everyone. The right approach depends on your age, income, investments, tax situation, and goals.

If giving is part of your year-end plans, please reach out to us. We would be happy to work with you and your tax professional to determine whether a DAF, QCD, appreciated securities, or other charitable strategy makes sense for you.



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