



MARKET UPDATE

By JOSEPH SROKA, CFA, CMT

Searching for Goldilocks

Stocks fought through higher energy prices and interest rates during the third quarter. For the quarter, the S&P 500 Index returned 2.3%, the NASDAQ 100 Index returned 0.6%, and the Dow Jones Industrial Average declined 2.3%. The three top-performing sectors were Energy, Technology, and Health Care. The three bottom-performing sectors were Utilities, Industrials, and Real Estate.

Energy prices remained elevated as geopolitical events in the Middle East and Eastern Europe kept supply uncertainty in the headlines. Both short-term and long-term interest rates rose during the quarter. On the short end, the Federal Reserve raised the Fed funds rate by 25 basis points to a target range of 3.75% to 4.00%. It also projected that the Fed funds rate could increase by an additional 0.25% by year-end. On the long end, the U.S. 10-year Treasury note yield rose from 4.44% at the end of June to 5.29% by the end of September. The combination of higher energy prices and interest rates weighed on equity markets during the quarter despite strong year-over-year earnings growth for the S&P 500 Index.

The main force behind higher interest rates has been inflation running above the Fed's 2% target for the past five years. While the rate of inflation is well below its 2022 peak, prices are still elevated. Since the labor market has remained steady with the unemployment rate in the 4.0% to 4.5% range for the past two years,

the Fed has shifted to an almost exclusive focus on lowering inflation. With only a single 25 basis point rate increase since the new Fed Chairman took his post in May and the potential for another between now and year-end, we view the Fed as taking a measured and patient approach to monetary policy. The objective is a Goldilocks economy, one that is neither too hot nor too cold, supporting maximum employment, price stability, and steady economic growth.

The third-quarter earnings reporting season is just getting underway. Quarterly earnings for the S&P 500 Index are expected to grow 29.5% year-over-year with revenue growth of 12.3%. Full-year 2026 earnings are expected to grow 32.4% with revenue growth of 12.4%.

We are less than a month away from midterm elections in the United States. Campaign discussions have focused on domestic issues such as housing affordability, inflation, and energy prices, which reflect the consumer-level impact of the elevated energy prices and interest rates. Election outcomes may affect the scope of economic and regulatory agendas in 2027 and 2028.

We employ a diversified approach across sectors and themes, including strategies focused on Dividend Growth stocks, Real Estate Investment Trusts (REITs), Power-Utility-Grid stocks, and Growth stocks. We favor high-quality stocks across all our strategies.

	<u>Third Quarter</u>	<u>YTD Return</u>
S&P 500 Index	2.3%	12.7%
Dow Jones Industrial Average	-2.3%	7.2%
NASDAQ 100	0.6%	21.0%
Russell 2000 (Small Cap Index)	-7.2%	13.7%
International Stocks (MSCI ex-US)	0.6%	14.7%

	<u>Third Quarter</u>	<u>YTD Return</u>
Aggregate Bond Index	-3.1%	-2.3%
U.S. Dollar Index	0.3%	3.2%
WTI Crude Oil	30.1%	57.5%
Gold	3.8%	-3.6%
Real Estate (US REIT Index)	-6.1%	10.6%

Sources: S&P Global, FactSet





ACCOUNTING & TAX

By LARRY DIXON, EA



Five Tax Planning Moves to Make Before Year-End

The fourth quarter offers time to reduce taxes and strengthen your financial plan before December 31. With a clearer picture of income, investment results, and business earnings, consider these five opportunities.

Project Your Tax Bill

Estimate income, deductions, withholding, and estimated payments. Include bonuses, business profits, investment gains, and retirement withdrawals. Compare this year's expected tax rate with next year's before accelerating or deferring income where permitted. Business owners should review expense timing. Check payment requirements to avoid underpayment penalties.

Maximize Retirement Contributions

Review contributions while paychecks allow adjustments. For 2026, most 401(k) plans permit \$24,500 in employee contributions, plus an \$8,000 catch-up for eligible participants age 50 or older. Those turning 60 through 63 may qualify for an \$11,250 catch-up instead. Participants whose 2025 wages from the sponsoring employer exceeded \$150,000 generally must make 2026 catch-up contributions on a Roth basis, without a current deduction. Business owners should review employer contributions and deadlines.

Harvest Investment Losses

Selling investments at a loss in taxable accounts can offset realized capital gains. Excess net losses can generally offset \$3,000 of other income annually, or \$1,500 for married taxpayers filing separately; unused

losses carry forward. Avoid purchasing substantially identical securities within 30 days before or after the sale. Review dividend reinvestments and purchases across accounts. Keep investment objectives central.

Consider a Roth Conversion

A partial Roth conversion may be attractive during a lower-income year. The taxable amount increases current income, while future qualified Roth withdrawals are tax-free. Evaluate tax brackets, Medicare premiums, and other income-sensitive provisions. Required minimum distributions cannot be converted. Complete current-year conversions by December 31, allowing processing time.

Plan Charitable Giving

Donating appreciated securities held longer than one year to an eligible public charity may avoid capital gains and provide a deduction, subject to limits. In 2026, itemizers generally deduct charitable gifts only above 0.5% of adjusted gross income. Non-itemizers can deduct eligible cash gifts up to \$1,000, or \$2,000 jointly; donor-advised fund gifts are excluded from this deduction. IRA owners age 70 1/2 or older should consider qualified charitable distributions, which can also satisfy required distributions once they begin, while excluding qualifying transfers from income.

We Can Help

If you need help reviewing your year-end progress, please let us know: [Contact Us](#)

Do You Know Your Risk Number?

Individuals often classify their investment risk tolerance with adjectives such as "Conservative", "Moderate", or "Aggressive". These can be highly subjective and may not correctly identify the amount of risk someone is comfortable taking.

One self-described Moderate investor may feel uncomfortable if their portfolio fell 5%, while another may not feel uncomfortable until their portfolio falls more than 20%.

While investors understand that the purpose of taking risk

is to achieve investment returns, they may not have a realistic sense of how much risk is required to achieve a targeted level of return. In this case, they may not be taking enough risk and are left wondering why they are unable to achieve the returns they are targeting.

We work with clients to identify the level of risk they are comfortable taking and balance it with the investment objectives they are seeking to achieve.

Follow this link to take our [complimentary risk analysis questionnaire](#).



BUSINESS RETIREMENT PLANS

By ALAN J. CONNER



Five Moves for Plan Sponsors to Make Before Year-End

The fourth quarter is an important time for employers to review their retirement plans. Changing rules, payroll adjustments, and participant communications can create challenges if left until December. For sponsors of calendar-year 401(k) plans, these five moves can help improve compliance, strengthen oversight, and prepare employees for the coming year.

Verify Roth Catch-Up Compliance

Beginning in 2026, catch-up contributions generally must be Roth for participants whose prior-year wages from the sponsoring employer exceeded \$150,000. Review how payroll identifies affected employees and coordinates contribution treatment with the recordkeeper. Confirm that your plan supports Roth contributions if affected employees are to make catch-up contributions. Review actual 2026 transactions for errors. Reasonable, good-faith implementation is permitted during 2026, but the underlying requirement is already effective. Prepare for the final regulations generally applying in 2027.

Review Enhanced Catch-Up Contributions

If your plan offers the higher catch-up limit for participants ages 60 through 63, confirm that payroll applies it correctly. For 2026, eligible employees can contribute an additional \$11,250, bringing total employee contributions to \$35,750. Check birth dates and ensure employees turning 64 return to the standard age-50 catch-up limit. Coordinate any decision to add this optional feature with your administrator, including applicable rules for related employers. Explain that higher earners may need to make the additional contributions as Roth.

Confirm Amendment and Notice Deadlines

Ask your administrator or retirement plan counsel to identify amendments due before year-end. Required SECURE 2.0 amendments generally have a December 31, 2026 deadline, while discretionary amendments can follow different schedules. Avoid assuming every provision shares one deadline. Compare written plan terms with actual operations, including any optional

features already implemented. Confirm applicable participant notices for the next plan year, such as safe harbor and automatic enrollment notices. Assign responsibility for preparation, delivery, and documentation.

Reconcile Payroll and Plan Operations

Review employee deferrals, employer contributions, eligibility, and compensation definitions before the final payroll. Confirm that bonuses, overtime, and other compensation are handled according to the plan document. Check whether eligible employees, including qualifying long-term part-time workers, received enrollment opportunities. Reconcile payroll deductions with deposits and confirm employee contributions were remitted promptly. Have your administrator project required nondiscrimination testing, where applicable, and review matching or profit-sharing calculations. Address discrepancies through appropriate correction procedures rather than carrying unresolved problems into another year.

Review Investments, Fees, and Employee Education

Schedule a documented fiduciary review of investment options, expenses, and service providers. Evaluate performance in context, compare fees with services received, and record the reasons for retaining or replacing providers and investments. Review participation and savings rates to identify where education could help. Explain Roth versus pretax contributions, catch-up eligibility, and available matching contributions. Encourage employees to review contribution elections and beneficiary designations.

A coordinated year-end review brings payroll, human resources, the recordkeeper, and the plan adviser together. Begin early, establish clear deadlines, and document decisions so your retirement plan enters the new year with fewer unresolved issues.

Contact Us

Please reach out if we can help: [Contact Us](#)





FINANCIAL PLANNING

By MEGHAN HOOVER, CFP, FRC

Five Financial Planning Moves to Make Before Year-End

October is Financial Planning Month, and the timing is ideal: most tax-saving moves for 2026 must be completed by December 31. A little attention now can lower your tax bill, strengthen your retirement savings, and set you up for a confident 2027. Here are five steps to take before year-end.

Make the Most of Your Retirement Contributions

Workplace plan contributions must come out of 2026 paychecks, so check your year-to-date total and adjust your deferral rate. The 2026 limits are:

Contribution type	2026 limit
401(k), 403(b), most 457 plans	\$24,500
Catch-up, age 50 and older	+\$8,000
Enhanced catch-up, ages 60–63	+\$11,250 (instead of \$8,000)
Traditional or Roth IRA	\$7,500 (+\$1,100 if 50 or older)

New this year: if you earned more than \$150,000 in wages last year, 401(k) catch-up contributions must be Roth (after-tax). IRA contributions for 2026 can be made until April 15, 2027.

Review Your Portfolio: Harvest Losses and Rebalance

Year-end is a natural time to rebalance a portfolio that has drifted from its target allocation. At NovaPoint, each client’s risk questionnaire sets the target allocation we rebalance to.

In taxable accounts, selling positions below their purchase price can offset realized gains plus up to \$3,000 of ordinary income, with unused losses carried forward. The wash-sale rule disallows the loss if you buy a substantially identical investment within 30 days before or after the sale.

Be Strategic About Charitable Giving

Charitable deduction rules changed in 2026:

Standard deduction filers can now deduct up to \$1,000 (\$2,000 married filing jointly) of cash gifts to qualified charities.

Itemizers can deduct only gifts above 0.5% of adjusted

gross income; in the 37% bracket, itemized deductions are capped at a 35% tax benefit.

Giving appreciated stock instead of cash can avoid capital gains tax, and “bunching” several years of gifts into one through a donor-advised fund can help clear the new floor. At 70½ or older, a Qualified Charitable Distribution (QCD) lets you give up to \$111,000 from your IRA tax-free, counting toward your RMD.

Take Required Distributions and Consider a Roth Conversion

If you’re 73 or older, or have an inherited IRA with annual withdrawals, take your 2026 required minimum distribution (RMD) by December 31 to avoid a penalty of up to 25%.

In a lower-income year, a Roth conversion means paying tax now for tax-free growth and withdrawals later, with no lifetime RMDs. Conversions must be completed by year-end, so run the numbers first.

Tie Up Loose Ends: Benefits, Gifts, and Beneficiaries

Use your FSA dollars. Many flexible spending accounts are “use it or lose it,” so spend down to your plan’s rollover limit before its deadline.

Fund your HSA. The 2026 limits are \$4,400 for individual and \$8,750 for family coverage, plus a \$1,000 catch-up at 55 or older.

Make annual gifts. Give up to \$19,000 per recipient (\$38,000 for married couples) without touching your lifetime exemption, now \$15 million per person.

Review beneficiaries. Life changes can leave designations out of date, and those designations override your will.

Don’t Wait Until December

Some moves, like Roth conversions and gifts of stock, take weeks to process. Contact our office to schedule your year-end review before Thanksgiving. [Contact Us](#)



Maple-Roasted Butternut Squash with Bacon and Pecans

Ingredients

- 1 medium butternut squash, peeled, seeded, and cut into ¾-inch cubes (about 6 cups)
- 6 slices thick-cut bacon, chopped
- 1 tablespoon olive oil
- 2 tablespoons pure maple syrup
- 1 teaspoon fresh thyme leaves, plus more for garnish
- ½ teaspoon kosher salt
- ¼ teaspoon freshly ground black pepper
- ½ cup pecan halves, roughly chopped
- 1 tablespoon apple cider vinegar

Directions

- 1. Preheat the oven to 425 °F. Line one or two large rimmed baking sheets with parchment paper.
- 2. Cook the chopped bacon in a skillet over medium heat until crispy. Transfer to a paper towel-lined plate, reserving 1 tablespoon of bacon drippings.
- 3. Toss the squash with the reserved drippings, olive oil, maple syrup, thyme, salt, and pepper. Spread in a single layer on the baking sheet, using two sheets if needed to avoid crowding.

- 4. Roast for 25 minutes, stirring halfway through. Sprinkle the pecans over the squash and roast for another 8–12 minutes, until the squash is tender and lightly browned. Watch closely so the pecans do not burn.
- 5. Transfer to a serving bowl. Gently toss with the crispy bacon and apple cider vinegar.
- 6. Garnish with additional thyme and serve warm alongside roast chicken, pork tenderloin, or your favorite grilled entrée.

Make-ahead tip: Peel and cube the squash and cook the bacon a day ahead. Refrigerate separately until ready to roast.



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