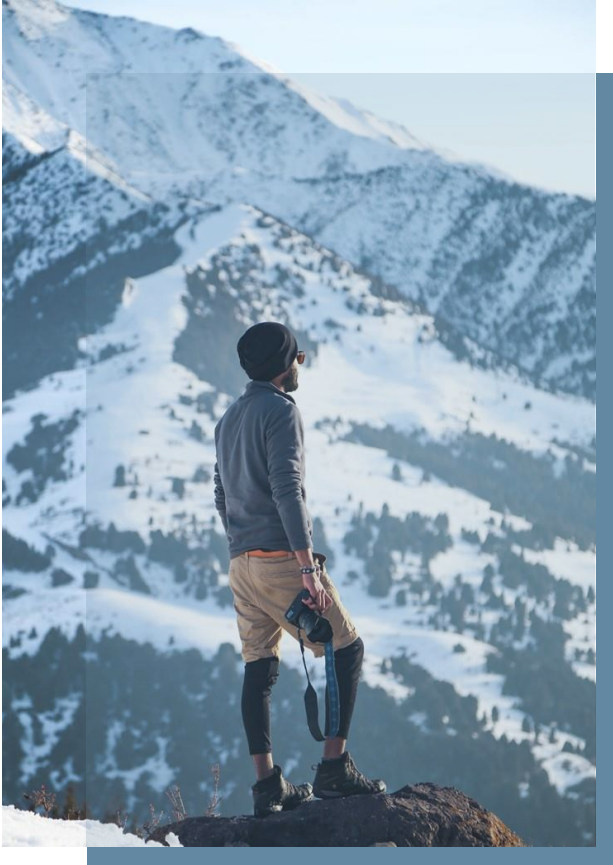




PERSPECTIVES

Benefit Financial Services Group Newsletter

Quarter Ending September 30, 2025



Market Recap

Brent Miller, CFA® (Senior Portfolio Manager)

Building on the momentum from the prior quarter, equity markets delivered another strong performance in Q3 2025, with all major U.S. indices posting robust gains and setting new record highs. The S&P 500 Index¹ and Nasdaq Composite Index² advanced by 7.8% and 11.2%, respectively, during the quarter, extending their year-to-date (through 9/30/25) gains to 13.7% and 17.3%. This continued rally was fueled by the Federal Reserve's first 2025 rate cut in September, solid corporate earnings growth, and further progress in AI-driven innovation across technology sectors. Investors shrugged off lingering tariff concerns as trade negotiations showed incremental progress, while softening labor market data appeared to bolster expectations for additional monetary easing without tipping the economy into recessionary territory.

Market leadership remained firmly with growth and large-cap technology stocks, as the tech-heavy Nasdaq-100 Index³ returned 8.8% during the quarter. In contrast, the Dow Jones Industrial Average⁴, with its value-oriented composition, posted a more modest 5.2% gain, underscoring the ongoing preference for growth amid optimistic rate-cut prospects. The Russell 2000 Index⁵, tracking small-cap stocks, outperformed with a 12.0% advance—its strongest quarterly showing since Q4 2023—benefiting from rate-cut tailwinds that eased borrowing costs for highly levered smaller firms and partially alleviating prior tariff-related fears.

Providing further evidence of narrow market breadth, the S&P 500 Equal Weight Index⁶ underperformed the market-cap weighted S&P 500 by 3.4% in the quarter, reflecting the heavy concentration of gains in a handful of mega-cap technology and AI-linked companies. The “Magnificent Seven”⁷ delivered another strong quarter, posting an average return of 17.7% on the heels of a 21.5% gain in Q2. While this leadership supported index gains, it also raised concerns about concentration risk going forward.

International markets extended their positive gains in Q3 2025, though performance moderated slightly amid a modestly stronger U.S. dollar and mixed global growth signals. The MSCI World ex USA Index⁸ appreciated by 4.8% in the quarter, supported by strong Japanese returns and steady European performance. The MSCI Japan Index gained 7.2% in Q3, building on prior momentum driven by yen weakness, corporate governance reforms, and export tailwinds from

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easing U.S.-China trade frictions. The MSCI Europe Index extended its strong run with a 3.3% quarterly return, bringing its Q1 to Q3 performance to 24.6%—well ahead of the S&P 500's 13.7% over the same period. European equity market performance was propelled by European Central Bank (ECB) rate cuts and robust earnings in industrials and consumer sectors.

Emerging markets posted solid results, with the MSCI Emerging Markets Index⁹ up 10.1%, led by continued strength in Korea and robust China performance. The MSCI Korea Index advanced 12.5% in Q3, fueled by foreign inflows into semiconductors and AI-related plays, alongside government-backed structural reforms that enhanced market accessibility. Chinese equity market returns were particularly robust, with the MSCI China Index appreciating by 20.1% during the quarter. The China rally was driven by enthusiasm around domestic AI-related advancements, easing trade tensions with the U.S., and accommodative fiscal and monetary policy measures.

On the domestic monetary policy front, the Federal Reserve held the federal funds rate steady at 4.25%–4.50% following its July FOMC meeting, with Chair Jerome Powell highlighting a balanced risk assessment from moderating inflation on one hand and a softening labor market on the other. However, at the September 17-18 meeting, the FOMC implemented a 25 basis-point rate cut lowering the target range to 4.00%–4.25%, citing sufficient progress toward the 2% inflation goal and the need to support employment. The updated Summary of Economic Projections indicated a median expectation for two additional cuts by year-end 2025, with futures markets aligning closely on this path amid resilient GDP growth.

In fixed income, the 10-year U.S. Treasury yield ended Q3 at 4.15%, down from 4.23% at the start of the quarter, reflecting the Fed's easing signal and benign inflation data. This decline masked intra-quarter fluctuations: yields spiked up to 4.50% in mid-July before bottoming out at 4.03% on 9/11/25 due to softer-than-expected labor market data and anticipation of a September Federal Reserve rate cut. The overall downward trend supported bond returns, with the Bloomberg U.S. Aggregate Bond Index¹⁰ advancing 2.1% in Q3. Long-duration bonds benefited most, as the iShares 20+ Year Treasury Bond ETF (TLT) rose 2.4%, while short-term exposure via the iShares 1-3 Year Treasury Bond ETF (SHY) gained 1.1%.

Commodity markets exhibited renewed volatility in Q3 2025. The commodity enjoyed a brief rebound due to supply disruption fears from Middle East tensions before ending the quarter on a weak note at \$64.31 on supply surplus concerns and weaker demand signals.

Precious metals benefited from generous returns in the quarter with gold appreciating by 16.6%, extending its year-to date (though 9/30/25) return to 47.04%. Gold's rally was driven by a relatively weak U.S. dollar, its reputation as a safe haven asset, and robust demand from central banks. Silver's return was even more material, increasing by 29.0% to bring its nine-month return to 59.8%. While silver also benefited from safe haven inflows, price appreciation was also supported by supply deficits and industrial demand tailwinds.

Looking ahead, we remain constructively positioned for the balance of 2025, anticipating sustained equity upside from AI catalysts, healthy corporate profits, and further Fed accommodation. However, market leadership remains narrow and any earnings or guidance disappointment among mega-cap market leaders could spark volatility. In addition, the health of the labor market and continued progress on the inflation front are critical components to the continued upside scenario. Consequently, we believe investors should maintain diversified positioning while selectively participating in growth-led opportunities.

Forecast

Steven Yamshon, Ph.D. (Managing Principal)

In recent years, discussions about inflation have taken center stage in economic discourse, particularly as various economies grapple with unique challenges. A significant observation can be made that low inflation or outright deflation is becoming the natural tendency in major economies, including the United States, Europe, and Asia.

To understand the current inflation landscape, it is crucial to recognize the structural factors at play. Major economies are witnessing a consistent pattern characterized by diminishing labor force growth and aging populations. As the demographic dividend that once spurred economic expansion fades, the combination of a shrinking workforce and continued productivity improvements leads to an imbalance. This scenario creates inadequate demand while supply remains increasingly efficient. Consequently, these structural forces serve as a persistent anchor for inflation, suggesting that the current inflationary pressures are likely to be fleeting.

As we anticipate the future of inflation, it seems plausible that the global economy may revert to a low-inflation regime. The implications of this shift are significant, particularly for the bond markets. In environments where inflation premiums remain elevated, the structural asymmetry between dwindling demand and robust supply could foster a bullish sentiment toward bonds. Investors may look to capitalize on the opportunity posed by lower inflation expectations, which can enhance the appeal of fixed-income investments.

Moreover, recent changes in trade policies are also impacting inflation dynamics and currency values. The United States has begun implementing tariffs that effectively close the door for many traditional trade-surplus countries to access its market. This protectionist approach has led to escalated costs for key suppliers, particularly China, Japan, and Korea, which are now compelled to cut local currency prices in response to U.S. tariff hikes. Such actions may result in upward pressure on the dollar, countering earlier bearish sentiments regarding its value. The interplay between trade policies and inflation further complicates the economic landscape, as currency valuation can have ripple effects on inflation and trade balances.

Another critical element in the inflation conversation is the role of the Federal Reserve. As policymakers debate the feasibility of returning inflation to the 2% target, it is essential to consider that sustained productivity gains combined with muted job creation may lead to inflation levels falling below expectations. Current forecasts suggest that inflation could trend lower toward 1.5%, while productivity growth remains steady at approximately 2%. This presents an interesting scenario for monetary policy. In response to diminishing inflation, the Federal Reserve may opt to anchor short-term interest rates below nominal GDP growth. Such a strategy could establish policy rates in the 2% range, while long bond yields might converge around 3.5%.

Nevertheless, this forecast carries uncertainty, as the specific timeline and magnitude of these changes remain unknown. The dynamic nature of the global economy, coupled with the intricacies of policy responses, makes it challenging to pinpoint exact trajectories. However, what is clear is that the interplay between demographics, productivity, and inflation will fundamentally shape economic landscapes in the years to come.

In conclusion, the persistence of low inflation is a result of structural forces that are unlikely to abate in the near future in my opinion. While current inflationary trends may seem formidable, they will likely prove temporary. As economies adjust to changing demographics and productivity-driven efficiencies, policymakers will need to respond with strategies tailored to the evolving economic reality. Understanding these structural features and their implications will be vital for investors, businesses, and policymakers alike in navigating the complexities of the modern economic environment. This could be bullish for equities, while low bond yields support high equity valuations.

Portfolio Management

Michael Allbee, CFP® (Principal/Senior Portfolio Manager)

The S&P 500 Index's yield is around 1.2% and likely is heading towards its all-time low of 1.12%, in part due to swelling stock valuations, increased concentration of the index in tech stocks that pay no or trivial dividends, and companies favoring stock buybacks rather than dividend increases. It reached that trough at the height of the tech bubble in March 2000, according to S&P Dow Jones Indices.

In today's environment, dividends and interest aren't likely to be enough to cover most investors' income needs. We think it is a mistake for investors to reach for higher yielding dividend stocks or shift bond holdings in the direction of higher yielding bonds, which can lead to investing in "dividend traps" or taking on increased credit risk and/or interest rate risk. BFSG takes a total-return investment approach, seeking diversifying investments that can deliver investment income, but also potential growth to keep pace with inflation. We believe this approach delivers a more consistent return profile over time and can be more tax-efficient for many investors.

Furthermore, our investing strategy tends to focus on total shareholder yield - how much capital a company returns to its investors, not just through dividends, but also through net share repurchases and debt reduction. We also tend to focus on companies with rising yields. Stocks with new or rising dividends returned 10.2% a year on average from 1973 to 2024, versus 6.8% for those with stagnant dividends, 4.3% for nonpayers, and -0.9% for payment cutters or quitters, according to Ned Davis Research. Finally, we diversify among sectors to help reduce risk and sustain dividends in a portfolio through time.

Dividends are an important component of a stock market's total return. For all decades, since the 1940s, dividends have made up 34% of returns. However, so far in the 2020s, just 12% of returns have contributed to the S&P 500's cumulative

return, according to Hartford Funds. And for the decades when total returns disappointed, dividends kicked in more, such as 67% of total returns in the 1940s and 73% in the 1970s.¹¹ However, tilting a portfolio toward higher-yielding assets (i.e., Real Estate Investment Trusts, Master Limited Partnerships, preferred securities, high-yield bonds, etc.) and away from traditional asset classes often magnifies losses during times of market stress. This also holds true, if you just focus on growth stocks, whose appeal diminishes in a recession when economic activity declines and premium valuations can quickly evaporate. It is not to say that we are avoiding these asset classes, but we size them proportionally within the portfolio to manage risk. Having a diversified investment portfolio utilizing a total-return strategy has the potential to offer some downside protection during market shocks.

Talk With Us!

Paul Horn, CFP® (Director of Financial Planning)

The One Big Beautiful Bill Act (OBBBA) has brought sweeping changes to federal tax law. Some are permanent, others temporary. The changes affect both individuals and business owners. This article breaks down what you need to know and, more importantly, what you should consider doing before year end to take advantage (or avoid surprises).

For clients we have begun to do year-end tax planning with, we see taxes reduced 3% - 15% compared to last year's taxes. Below are the most important changes under OBBBA, explained in straightforward terms.

The Good News: More Predictability & Permanence

- The individual tax rates and brackets introduced under the Tax Cuts and Jobs Act (TCJA) are now made permanent.
- The standard deduction stays at higher Tax Cuts and Jobs Act (TCJA) levels, adjusted for inflation.
- Many business deductions—including bonus depreciation and certain expensing rules—are extended or restored in favorable form.

In short, you have more certainty as you plan forward. That reduces the worry about drastic tax increases suddenly coming back.

SALT Deduction Cap: Relief, with Limits

Under the old law, state and local taxes (SALT) you pay could only be deducted up to \$10,000. That hit many taxpayers in high-tax states hard.

With OBBBA:

- The SALT cap rises to \$40,000 for 2025–2029, adjusted annually for inflation.
- However, this increased deduction phases out for taxpayers with income above \$500,000 (joint filers).
- The deduction will never go below \$10,000 in the phaseout formula.
- In 2030, unless Congress acts, the SALT cap is scheduled to revert to \$10,000.

What this means for you: If you live in a high-tax state, you may be able to deduct more of those taxes in 2025. But if your income is high, the benefit begins to phase out. This is also temporary.

Qualified Business Income (QBI) Deduction: Here to Stay

The 20% QBI deduction (Section 199A) is now permanent, with expanded income thresholds and a small minimum deduction for eligible taxpayers. However, service businesses and high earners still face phaseouts. This change provides reliability for many small business owners, but planning around structure and compensation remains important.

New or Expanded Deductions & Credits for Individuals

- Tip and overtime deductions (2025–2028): up to \$25,000 in qualifying tips and up to \$12,500/\$25,000 in overtime wages.

- Enhanced Senior Deduction: taxpayers 65+ can claim an additional deduction of up to \$6,000 (2025–2028). If the taxpayer is above certain AGI (adjusted gross income) limits, they may only be eligible for a partial Enhanced Senior Deduction or be completely phased out of the Enhanced Senior Deduction.
- Child tax credit: increases to \$2,200 per qualifying child for 2025.
- Charitable contributions: a new above-the-line deduction up to \$2,000 for joint filers.
- Clean energy and EV credits: many phase out after December 31, 2025.

Estate, Gift & AMT Changes

- The higher estate and gift tax exemption (\$15 million per person, indexed) is now permanent.
- The Alternative Minimum Tax (AMT) exemption and phaseout levels are also made permanent.

These changes provide stability for estate and long-term wealth planning.

Pros & Cons: Who Gains, Who Gets Squeezed

Pros / Winners

More certainty for long-term planning

Higher SALT deduction (up to \$40K)

QBI deduction is permanent

Better interest deductibility

New deductions for tips, overtime, seniors

Increased child tax credit

Permanent estate/gift exemption

Cons / Challenges / Watchouts

Many benefits are temporary (i.e., SALT cap resets 2030)

Phaseouts for high earners reduce benefit

Still complex; service businesses may lose benefits at higher income

Cross-border limitations may apply

Phaseouts may eliminate benefits for higher earners

Reduced or eliminated green energy credits

Potential reversion in future years without extension

What You Should Do Before December 31

1. Run a 'standard vs. itemized' projection to see which benefits you more.
2. Accelerate deductible expenses (state taxes, property taxes, charitable gifts).
3. Given the lower projected taxes this year it is a good time to take capital gains and rebalance portfolios given lower taxes for most and current market conditions
4. Review business investments for bonus depreciation or expensing opportunities.
5. Reevaluate your entity structure for QBI optimization.
6. Track tips, overtime, and qualifying wages carefully.
7. Check income phaseouts and plan accordingly.
8. Complete clean energy or EV purchases before credits expire.
9. Revisit estate and gifting strategies under new limits.
10. Model 2026 and forward for tax exposure planning.
11. Schedule a year-end meeting with your CPA to finalize your strategy.

Final Thoughts

The OBBBA brings welcome relief and stability in many areas—especially for taxpayers in high-tax states, business owners, and families. However, because several provisions are temporary or phased, strategic year-end planning is essential. Reach out to us or your CPA to review your personal situation and ensure you're making the most of these opportunities before December 31.

In the News

- BFSG ranked by Forbes as one of the [“Top RIA Firms”](#) in 2025.*
- Tina Schackman and Chad Noorani, Senior Retirement Plan Consultants at BFSG, were interviewed by PLANADVISER sharing their thoughts on what it takes to be a successful retirement plan advisor in 2025. Check out the articles by clicking [here](#) and [here](#).

* The Forbes ranking of America's Top RIA Firms, developed by SHOOK Research, is based on an algorithm of qualitative criteria, mostly gained through telephone, virtual and in-person due diligence interviews, and quantitative data. The algorithm weighs factors like revenue trends, assets under management, compliance records, industry experience and those that encompass best practices and approach to working with clients. Portfolio performance is not a criterion due to varying client objectives and lack of audited data. There is no application fee to participate. More about the methodology can be found [here](#).

The Score Board

| | 09/30/2025 | YTD Change |
|--|------------|------------|
| Dow Jones Industrial Average | 46,397.89 | 10.47% |
| S&P 500* | 6,688.46 | 13.72% |
| NASDAQ Composite* | 22,660.00 | 17.34% |
| MSCI EAFE (USD)* | 2,767.03 | 22.33% |
| Bloomberg Commodity Index | 104.63 | 5.94% |
| U.S. Aggregate Bond Index | 2,323.29 | 6.13% |
| 10 Yr U.S. Treasury Bond Yield | 4.15% | -42bps |
| 30 Yr Fixed Mortgage Rate | 6.36% | -92bps |
| Prime Rate | 7.25% | -25bps |
| Crude Oil (\$ / Barrel) | \$64.31 | -10.21% |
| Gold (\$ / Oz.) | \$3,863.05 | 47.04% |
| U.S. \$ / Euro € | \$0.85 | -11.76% |
| Core Inflation (excluding food / energy)** | | 3.1% |
| Inflation (including food / energy)** | | 2.9% |

*Without Dividends; **Unadjusted 12-Months ended August 2025; bps (1 Basis Point = 1/100%); UNCH (Unchanged)
Sources for Score Board and quoted statistics: WSJ, US Dept. of Labor, Federal Reserve

Sources:

1. The S&P 500 Index is designed to be a leading indicator of U.S. equities and is commonly used as a proxy for the U.S. stock market.
2. The Nasdaq Composite is a stock market index that includes almost all stocks listed on the Nasdaq stock exchange. The composition of the NASDAQ Composite is heavily weighted towards companies in the information technology sector.
3. The Nasdaq-100 Index is U.S. stock market index comprised of the largest 100 non-financial companies listed on the Nasdaq stock exchange. The index is dominated by technology companies and is commonly used as proxy for U.S. large cap technology performance.
4. The Dow Jones Industrial Average is a widely followed, price weighted stock market index of 30 prominent companies listed on stock exchanges in the United States.
5. The Russell 2000 Index is a small-cap U.S. stock market index that makes up the smallest 2,000 stocks in the Russell Index. The index is commonly used as proxy for U.S. small cap stock market performance.
6. The S&P 500 Equal Weight Index (EWI) is the equal-weight version of the S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight of 0.2% of the index total at each quarterly rebalance.
7. The term "Magnificent Seven stocks" refers to a group of seven dominant and influential technology-focused companies in the U.S. stock market. The components of the Magnificent Seven are: Apple Inc. (AAPL), Microsoft Corporation (MSFT), Amazon.com, Inc. (AMZN), Alphabet Inc. (GOOG), Meta Platforms, Inc. (META), NVIDIA Corporation (NVDA), and Tesla, Inc. (TSLA).
8. The MSCI World ex USA Index captures large and mid-cap representation across 22 of 23 Developed Markets countries (excluding the U.S.) and 24 Emerging Markets countries.
9. The MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets countries.
10. The Bloomberg U.S. Aggregate Bond Index is a broad-based index that is commonly used as a proxy for the U.S. bond market.

11. Source: Barron's "Meet the Suspicious 8: Dividends over 6%, Lots of Problems", October 6, 2025 (J. Hough).

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