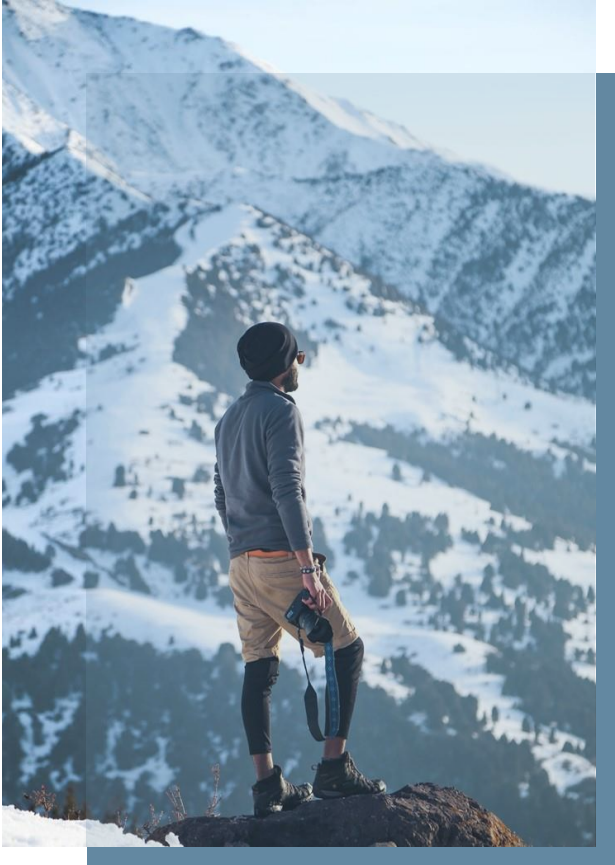




# PERSPECTIVES

## Benefit Financial Services Group Newsletter

Quarter Ending December 31, 2025



### Market Recap

Brent Miller, CFA® (Senior Portfolio Manager)

Building on the robust performance through Q3, U.S. equity markets delivered modest gains in Q4 2025 amid sector rotation and a cooling in mega-cap technology momentum. The S&P 500 Index<sup>1</sup> advanced by 2.3% during the quarter, bringing its full-year 2025 return to 16.4%. While enthusiasm for the mega-cap AI trade cooled in Q4, the Nasdaq Composite Index<sup>2</sup> nonetheless ended the quarter up 2.6% and appreciated 20.4% for the full year. Meanwhile, the Dow Jones Industrial Average<sup>3</sup> outperformed both indices in Q4, posting gains of 3.6% as investors navigated a softening labor market and the Federal Reserve’s continued rate-cutting cycle by pivoting toward value-oriented sectors and defensive plays. For 2025, the Dow was up a more modest 14.9%, reflecting the outperformance of growth over value over this longer time horizon.

While the S&P 500 Equal Weight Index<sup>4</sup> posted gains of 0.9% in the quarter, trailing the market cap weighted S&P 500 Index by 1.4%, the return differential narrowed from the 5.6% and 3.4% performance gaps of Q2 2025 and Q3 2025, respectively, indicating improved market breadth. Still, for the full year, the market cap weighted version of the index outperformed equal weight by 7.0%, indicating that market leadership remained concentrated in mega-cap technology names and AI-linked beneficiaries for most of 2025. Further evidence of narrow market leadership is found in the “Magnificent Seven”<sup>5</sup>, which saw a marked performance decline in Q4 yet still delivered an average return of 3.6%, bringing the full year average return to 22.4%.

The Russell 2000 Index<sup>6</sup>, tracking small-cap stocks, followed an exceptionally strong Q3 with a more pedestrian return of +1.9% in Q4, bringing its 2025 performance up to 11.3%. Small cap equities experienced choppy price action in the quarter, initially benefiting from lower borrowing-cost expectations before giving back gains late in the quarter as growth concerns re-emerged.

International markets extended their positive gains in Q4 2025, outperforming U.S. equities amid a stable dollar and regional tailwinds. The MSCI World ex USA Index<sup>7</sup> appreciated by 4.9% in the quarter, supported by a value-led rally in developed international markets, and finished 2025 up 28.6%. The MSCI Europe Index extended its strong run with a 5.9% quarterly return, bringing its 2025 performance to 31.9%. European equity market performance was propelled by prior ECB rate cuts and expansionary fiscal policy in key EU countries such

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as Germany. The MSCI Japan Index gained 3.1% in Q4, building on prior momentum driven by corporate governance reforms and more recent reflationary momentum, and ended the year up 22.1%.

Emerging markets posted solid results, with the MSCI Emerging Markets Index<sup>8</sup> up 4.3% and 30.6%, in Q4 2025 and 2025, respectively. Emerging market performance was largely attributable to Korea in Q4 with the MSCI Korea Index advancing 27.0%, fueled by AI-driven semiconductor demand and aggressive corporate governance reforms. The outperformance was not confined to Q4 as the index nearly doubled (+96.6%) in 2025. The MSCI India Index, while significantly lagging Korea, was nonetheless up 4.6% in Q4, though full year index performance was a lackluster +3.0%. China was a significant Q4 laggard, with the China MSCI Index falling by 7.7% in Q4 due to weaker than expected economic data, renewed real estate crisis fears, and persistent tariff and trade headwinds. Despite the Q4 downturn, the index still managed to appreciate 28% in 2025 on strong performance in Q1 and Q3 2025.

On the domestic monetary policy front, the Federal Reserve remained accommodative, delivering two additional 25-basis-point rate cuts in October and December. These cuts brought the Federal Funds Rate to a range of 3.50%–3.75%. However, the December decision saw an unusual 9-3 vote, reflecting growing dissent among officials regarding the balance between a sluggish job market and stubbornly elevated inflation. Markets broadly interpreted the Fed's positioning as constructive for liquidity conditions going into 2026, though the central bank continued to stress data dependency. 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.

In fixed income, the 10-year U.S. Treasury yield ended 2025 at 4.18%, up from 4.16% at the start of the quarter, but down considerably from the 4.58% level at the end of 2024. This modest quarterly increase once again masked intra-quarter fluctuations: yields plunged to quarter low of 3.94% on 10/21/25 before a late quarter surge pushed rates higher to close out the year. The iShares Core U.S. Aggregate Bond ETF (AGG)<sup>9</sup> advanced 0.9% in Q4 while the longer-term falling yield trend resulted in the ETF finishing the year up 7.2%. Longer duration bonds were negatively impacted by the modest increase in Q4 yields, with the iShares 20+ Year Treasury Bond ETF (TLT) falling 1.0% (+4.2% in 2025). By contrast, short-term exposure via the iShares 1-3 Year Treasury Bond ETF (SHY) yielded a Q4 return of +1.1% (+5.0% in 2025).

Brent crude, after closing Q3 at \$67.02 per barrel, experienced sharp swings: falling 10.4% to \$60.07 on 10/20/25 on oversupply fears before bouncing back up by 11.0% in just four days as increased geopolitical risk briefly cast doubt on the supply glut hypothesis. While the commodity experienced some price volatility in the ensuing weeks, the overall trend was mostly lower, with Brent crude closing out the year at \$60.85, representing a 9.2% (18.5%) decline in Q4 2025 (2025).

Precious metals extended their strong 2025 performance, supported by lower real yields, central-bank demand, and continued interest in portfolio hedging. Gold surpassed \$4,000 per ounce for the first time in October, driven by central bank buying and its status as a safe-haven asset amid geopolitical uncertainty. Gold delivered a Q4 return of 12.6% on its way to a full year gain of 64.5%. Silver, however, was the standout commodity of 2025, with a staggering 2025 return of 142.3% on the back of a Q4 gain of 51.6%. Silver's outsized returns can largely be traced to persistent supply deficits, robust industrial demand, and the same safe haven dynamics that have propelled gold prices higher.

As we transition into 2026, the market narrative continues to hinge on two interconnected forces: labor market trends and the trajectory of inflation. Current data shows a resilient consumer, persistent yet still-manageable inflation pressures, and a potentially softening labor backdrop that has meaningfully diverged from consumer demand. However, downside risk remains in the case of resurgent inflation and/or sustained labor market weakness. Consequently, while we remain constructively positioned for Q1 2026, we believe investors should maintain diversified holdings while selectively participating in growth-led opportunities.

## Forecast

Steven Yamshon, Ph.D. (Managing Principal)

The Kondratieff cycle, named after the Russian economist Nikolai Kondratieff, looks for long waves in the economy, typically lasting 40 to 60 years and characterized by periods of expansion and contraction. By exploring the underlying phases of the Kondratieff cycle, the role of technological innovation, and the implications for market dynamics, we can gain a deeper understanding of the complexities of economic evolution.

At the heart of the Kondratieff cycle is its delineation into four distinct phases: expansion, crisis, recession, and recovery. The cycle begins with the *expansion phase*, characterized by robust economic growth, increased productivity, and the emergence of new technologies. During this period, consumer confidence is high, investment is robust, and overall

economic activity is vigorous. As the cycle peaks, the *crisis phase* begins, marked by a slowdown in growth and the onset of economic tensions. This period often reveals imbalances in the economy, such as overproduction, rising debt levels, or inflated asset prices, laying the groundwork for the subsequent downturn.

The global economy may be entering a long-term growth cycle driven by Artificial Intelligence (AI) and productivity gains, signaling a major structural transformation. Rising labor productivity has supported corporate growth and investment, particularly in AI infrastructure, despite challenges like tariffs and protectionism. Corporate profits have surged due to AI adoption, while real wages have lagged, creating a profit-wage dichotomy and raising concerns about income inequality. Unlike the internet, which enhanced labor, AI is labor-replacing, potentially leading to a "jobless profit boom" and extreme income concentration. The shift from the gold standard to fiat money has reduced economic volatility and prolonged deflation, with central banks actively stabilizing cycles. AI-driven productivity growth is expected to push inflation lower, potentially leading to deeper interest rate cuts and fueling a prolonged equity bull market, with the potential for an asset bubble.

## Portfolio Management

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

The lesson of 2025 is not a new one: a home-biased portfolio (the tendency for investors to invest the majority of their portfolio in domestic equities) carries the risk of falling short compared to a more globally diversified allocation. Investors who included U.S., international, and emerging market equities generally experienced better returns than those who concentrated solely on U.S. stocks. While the S&P 500 remains an impressive collection of companies — home to many leading-edge technology firms and representing roughly two-thirds of the globally listed equity market capitalization — its concentration has reached historically high levels.

Today, the technology sector accounts for approximately 34% of the S&P 500 index, and that figure excludes Alphabet and Meta, which reside in the communication services sector and add another 9% combined. In contrast, the MSCI EAFE index, which tracks developed international markets, has only about 8% exposure to technology. This disparity underscores the importance of diversification; while tech leadership has driven recent U.S. performance, it also amplifies sector-specific risk.

In our opinion, international equities remain the “low-hanging fruit” of diversification. They offer lower valuations, exposure to foreign currencies, and different economic drivers, which can reduce correlation with U.S. markets. By expanding the opportunity set beyond domestic stocks, we strive to position portfolios to capture returns wherever they materialize while mitigating the risks inherent in concentrating on a single economy. Familiarity with U.S. markets may feel comfortable, especially after strong recent performance, but true resilience comes from a globally diversified approach.

## Talk With Us!

Arash Navi, CFA®, CPA, CFP® (Senior Wealth Manager)

Talking with clients over the last few months, I've noticed a recurring theme: concerns about higher medical premiums and expenses! The United States has one of the highest per capita costs for health care expenses, and yet we don't seem to be getting the best and most reliable care from our healthcare institutions. As Congress faces another potential shutdown and a decision to be made regarding subsidies for healthcare, we can expect to face higher costs for our health care plans.

For those of you close to retirement or already retired, there's a critical cost that deserves your attention: the Income-Related Monthly Adjustment Amount, or IRMAA. This surcharge can significantly increase your Medicare costs based on your income from two years prior. Since we're early in 2026, you have the entire year to implement strategies that will affect your 2028 Medicare premiums, potentially saving thousands of dollars.

### Understanding IRMAA

IRMAA is a surcharge added to your Medicare Part B and Part D premiums if your modified adjusted gross income (MAGI) exceeds certain thresholds. Your 2026 premiums are based on your 2024 income, while your 2028 premiums will be determined by decisions you make throughout this year.

For 2026, *individuals* pay additional monthly premiums at these income levels:

- \$109,000 to \$137,000: Extra \$81.20/month
- \$137,000 to \$171,000: Extra \$202.90/month
- \$171,000 to \$205,000: Extra \$324.60/month
- \$205,000 to \$500,000: Extra \$446.30/month
- Above \$500,000: Extra \$487/month

For *married couples filing jointly*, the thresholds roughly double. The "cliff effect" means crossing a threshold by just one dollar triggers hundreds in additional annual premiums.

### Immediate Relief Available

If your 2026 premiums are higher than expected, you may qualify for relief through an appeal if you've experienced a qualifying life-changing event since 2024, including retirement, divorce, death of a spouse, or loss of pension income. File [Form SSA-44](#) with Social Security to request they use more recent income information. We can assist you with this filing.

### Key Planning Strategies for 2026

- Project Your Income Early: Calculate your expected 2026 MAGI to identify which IRMAA bracket you're tracking toward. Reach out to us to determine if modest adjustments could keep you in a lower tier.
- Calibrate Roth Conversions: Calculate exactly how much you can convert while staying within your target bracket. If you're single with \$80,000 of other income, you have roughly \$29,000 of room before hitting the first IRMAA threshold. Sometimes paying moderate IRMAA makes sense for long-term tax benefits—just decide intentionally.
- Maximize Qualified Charitable Distributions (QCDs): If you're 70½ or older, donate up to \$111,000 directly from your IRA to charities. QCDs satisfy RMDs but are excluded from MAGI entirely, reducing IRMAA while supporting causes you care about.
- Harvest Tax Losses Strategically: Harvest losses that reduce MAGI and keep you below thresholds. BFGS conducts tax loss harvesting annually for clients to minimize their taxable gains.
- Time Large Transactions Carefully: Spread capital gains across multiple years to avoid income spikes. For business sales or large asset dispositions, consider installment sales or bunching income into years when you're already in higher brackets.
- Manage RMD Timing: If you turn 73 in 2026, you can delay your first RMD until April 2027, but you'd then take two RMDs in 2027, potentially creating a larger spike. We can assist you with running the numbers both ways to minimize your total IRMAA exposure.

### Multi-Year Perspective

Effective IRMAA management requires thinking several years ahead. If you know 2027 will bring unusually high income, consider accelerating some income into 2026 or deferring other income to 2028 to avoid compounding surcharges.

### Your 2026 Action Plan

Review your 2025 tax return to understand your 2027 premiums. If you've had a qualifying life-changing event, reach out to us to help you file an IRMAA appeal.

Project your 2026 income, and if you find yourself close to the income levels mentioned earlier, we may be able to help you strategize to stay below the thresholds.

### The Bottom Line

IRMAA is manageable with awareness and proactive planning. Early in 2026, you have time to implement strategies that will reduce your 2028 premiums. If you have questions about how IRMAA affects your situation, please **Talk With Us!**

## In the News

- October 25, 2025 - NAPA Selected Aksana Munoz, Nicole Chou, Antonia Lipovac, and Erin Schneider to “[Top Women of Excellence](#)” for 2025\*
- Arash Navi, Senior Wealth Manager, has earned the Chartered Financial Analyst® (CFA®) charter, a globally recognized credential awarded by CFA Institute to investment professionals who meet rigorous education, examination, and ethical requirements.\*\*

\*Nominees were asked to respond to a series of quantitative and qualitative questions about their experience and practice. Those anonymized questionnaires were then reviewed by a blue-ribbon panel of judges who, over the course of several weeks, selected the women honored in the three categories.

## The Score Board

|  | 12/31/2025 | YTD Change |
|--|------------|------------|
| Dow Jones Industrial Average               | 48,063.00  | 14.92%     |
| S&P 500*                                   | 6,846.00   | 16.40%     |
| NASDAQ Composite*                          | 23,241.61  | 20.36%     |
| MSCI EAFE (USD)*                           | 2,892.71   | 27.89%     |
| Bloomberg Commodity Index                  | 109.69     | 11.06%     |
| U.S. Aggregate Bond Index                  | 2,349.00   | 7.30%      |
| 10 Yr U.S. Treasury Bond Yield             | 4.18%      | -40bps     |
| 30 Yr Fixed Mortgage Rate                  | 6.25%      | -103bps    |
| Prime Rate                                 | 6.75%      | -75bps     |
| Crude Oil (\$ / Barrel)                    | \$60.85    | -18.50%    |
| Gold (\$ / Oz.)                            | \$4,328.62 | 64.58%     |
| U.S. \$ / Euro €                           | \$0.85     | -11.85%    |
| Core Inflation (excluding food / energy)** |            | 2.60%      |
| Inflation (including food / energy)**      |            | 2.70%      |

\*Without Dividends; \*\*Unadjusted 12-Months ended November 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 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.
4. 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.
5. 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).
6. 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.
7. 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.
8. The MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets countries.
9. The iShares Core U.S. Aggregate Bond ETF offers broad-based exposure to U.S. bonds and tracks the Bloomberg U.S. Aggregate Bond Index that is commonly used as a proxy for the U.S. bond market.

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