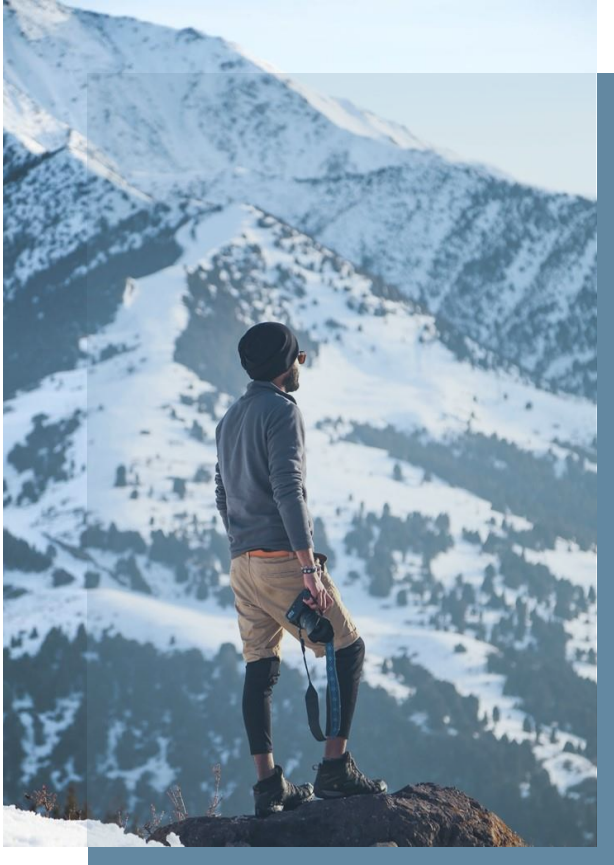




PERSPECTIVES

Benefit Financial Services Group Newsletter

Quarter Ending September 30, 2026



Market Recap

Brent Miller, CFA® (Senior Portfolio Manager)

U.S. equity markets grinded out modest gains in the third quarter of 2026, but the headline numbers concealed a sharp deterioration beneath the surface. The S&P 500 Index¹ returned 2.0% for the quarter, reaching a record high in mid-August before fading in late September as Treasury yields surged, and closed the period up 11.8% year to date. The Nasdaq Composite Index² gained 2.5%, again powered by the largest AI-linked technology names. Resilient earnings expectations helped offset the valuation pressure from rising rates, particularly among the largest technology companies.

The breadth improvement we highlighted last quarter reversed sharply. At quarter's end, 83% of S&P 500 members were trading more than 10% below their 52-week highs, and 42% were down more than 20%, even with the cap-weighted index within 2% of its own high. The S&P 500 Equal Weight Index³ lagged materially, posting sharper declines than the cap-weighted benchmark in September alongside mid-, small-, and micro-cap indices. Mega-cap leadership reasserted itself — the Russell Top 50 Index returned 3.9% versus 1.5% for the broader Russell 1000 — and the “Magnificent Seven”⁴ again drove index-level results, though with a notable rotation within the AI trade: software stocks, the year's earlier laggards, rebounded sharply (Microsoft rose more than 37%), while the semiconductor and memory names that led the second quarter corrected. Stylistically, the Russell 1000 Growth Index⁵ returned a modest 0.8%, ceding quarterly leadership back to the Russell 1000 Value Index⁶ which gained 2.2%.

Small caps gave back a substantial portion of their second-quarter breakout. The Russell 2000 Index⁷ fell 7.5% for the quarter, including a 5.4% September decline. Rising rates hit small caps hardest: roughly a third of Russell 2000 constituents carry floating-rate debt, versus about 6% for the S&P 500, making the group acutely sensitive to the quarter's surge in borrowing costs.⁸ Small-cap value held up meaningfully better than small-cap growth, and even after the pullback the index remains up 12.7% year to date, ahead of its large-cap counterpart.

International equity momentum also faded sharply. The MSCI World ex USA Index⁹ was up a modest 0.4% for the quarter, while the MSCI Emerging Markets Index¹⁰ declined 1.0% — a dramatic deceleration from its 23.3% second-quarter surge. Country-level dispersion was wide. The MSCI Korea Index, the second quarter's standout, fell

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10.1% as the North Asian semiconductor complex bore the brunt of the AI correction, while the MSCI India Index declined 5.9% amid persistent foreign outflows. Offsetting those declines, the MSCI Japan Index rose 5.2%, the MSCI China Index gained 2.9%, and the MSCI Brazil Index advanced 7.1% alongside the quarter's commodity rally. The MSCI Europe Index declined 2.0% as sovereign bond yields across France, Germany, and the U.K. climbed to multi-year highs on the same inflation and fiscal concerns pressuring U.S. Treasuries.

The Federal Reserve delivered the quarter's watershed policy event: on September 16, the Federal Open Market Committee (FOMC) unanimously raised the federal funds rate by 25 basis points to 3.75%–4.00%, the first hike in more than three years. The move followed a divided July meeting (a 9-3 vote to hold) and a hawkish Jackson Hole address in late August, and the accompanying statement framed the increase as supporting a "timelier" return to the 2% inflation goal. The updated Summary of Economic Projections showed a median year-end 2026 fed funds projection of 4.1%, implying at least one additional hike this year; futures markets currently place the greatest probability on another increase by the December meeting. The inflation picture remained uncomfortable but mixed: August CPI held at 3.4% year over year, inflated by a 16.3% annual rise in energy prices, even as core PCE eased to 3.0%. The economy continued to absorb tighter policy, with second-quarter GDP revised upward to a 2.2% annualized rate and unemployment at 4.1%, though consumer confidence fell to a twelve-year low.

The bond market was the quarter's defining story. The 10-year U.S. Treasury yield surged 85 basis points to end the quarter at 5.29%, its highest level since 2002 and the largest quarterly increase since 2009, including a 54-basis-point September rise that was the biggest monthly jump in four years. The 2-year yield climbed 74 basis points to 4.88%, and the 30-year reached 5.64%, its highest since 2002. The move reflected resilient growth, renewed inflation pressure from higher energy prices, the Fed's hawkish turn, fiscal concerns, and unusually heavy government and corporate debt issuance. Bond returns suffered accordingly: the iShares Core U.S. Aggregate Bond ETF (AGG)¹¹ declined 3.5% for the quarter, with long-dated Treasuries down 8.8%,¹² while the iShares Broad USD High Yield Corporate Bond ETF (USHY)¹³ fell a more modest 1.7% as shorter duration and still-tight spreads cushioned the damage.

Energy markets drove much of the macro turbulence, as the U.S.-Iran ceasefire collapsed in early July following renewed attacks on commercial shipping in the Strait of Hormuz, prompting resumed U.S. strikes and the revocation of Iranian oil sanctions waivers. Brent crude, which began the quarter in the low \$70s, surged to over \$100 per barrel by mid-September amid constrained shipping through the Strait, falling global inventories, and disruptions to Russian refining capacity, before easing late in the month as some flows resumed and diplomatic channels reopened. Brent ended the quarter at \$98.03 per barrel, up 34.8%, with WTI gaining approximately 30.1% to \$90.42. Energy was the market's best-performing sector, fully reversing its second-quarter laggard status.

Precious metals staged a partial, volatile recovery from their second-quarter correction. Spot price gold rose 3.7% for the quarter to end near \$4,157 per ounce, a round trip that saw the metal stabilize near \$4,000 in July, surge 10% in August as soft summer labor data briefly revived hopes of a Fed hold, and then surrender most of that gain in September (down 6.6%) as the rate hike, surging real yields, and a firmer dollar reasserted themselves. Silver traced a similar arc, rallying to the high-\$60s in August before fading to end the quarter at \$60.43 per ounce, up 3.1% in the quarter. Gold remained down 3.75% year to date as of 9/30/26, and central-bank accumulation remains a durable source of underlying demand.

Forecast

Steven Yamshon, Ph.D. (Managing Principal)

In recent months, interest rates have surged to 5.29%, driven by several interconnected factors. One primary driver is rising inflation expectations. Although inflation initially appeared to be moderating, ongoing economic pressures have fueled renewed concerns that prices could remain elevated. Higher inflation typically prompts central banks to raise interest rates to maintain price stability.

In addition to inflation, the geopolitical landscape, particularly the ongoing conflict in Iran, has heightened uncertainty. Such conflicts can cause oil price swings and contribute to global economic instability, often prompting a cautious approach from financial markets and central banks alike. As markets grapple with these challenges, expectations of future rate hikes remain high.

Furthermore, the economy has shown robust growth in the wake of the pandemic. Increased consumer spending and business investment have fueled a stronger-than-expected recovery, prompting the Federal Reserve to normalize interest rates from the historic lows set during the pandemic. The Fed's objective is to temper growth to prevent the economy from overheating and to counter persistent inflation.

As we enter the fourth quarter of 2026, the central tension in markets is between exceptional AI-led earnings power and the tightening grip of a 5%-plus risk-free rate. On the supportive side, corporate fundamentals remain strong — analysts raised third-quarter S&P 500 earnings estimates during the quarter, an atypical occurrence — and economic growth continues to run above expectations. On the cautionary side, deteriorating breadth has left the major indexes increasingly dependent on a narrow group of leaders. At the same time, another Fed hike remains possible, long-term Treasury yields near 25-year highs represent a direct valuation headwind, and the unresolved Middle East conflict continues to keep oil near \$100 per barrel. In our view, this environment rewards diversification across increasingly divergent equity segments, careful duration management in fixed income — where elevated yields finally offer genuine income — and continued selectivity and valuation discipline in the market's most crowded themes.

Portfolio Management

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

Frank Sinatra recorded more than 1,200 songs, with 209 becoming chart hits. Babe Ruth stepped to the plate 8,399 times and hit 714 home runs. Pablo Picasso created an estimated 150,000 works of art, yet only a small fraction are considered his masterpieces.

We remember the hit songs, the home runs, and the iconic paintings. What we often forget is the extraordinary amount of effort, patience, and persistence behind those successes.

Investing is no different.

Successful long-term investors are not those who make perfect decisions every time. Rather, they are the ones who remain disciplined through periods of uncertainty, resist the temptation to react emotionally, and stay focused on the factors they can control. As Benjamin Graham, the father of value investing, famously observed, "The investor's chief problem, and even his worst enemy, is likely to be himself."

That lesson was particularly relevant this quarter as the bond market experienced renewed volatility. The 10-year Treasury yield rose approximately 1%, creating price pressure across fixed income markets. While interest rate increases inevitably lead to short-term declines in bond prices, the year-to-date decline in broad investment-grade bonds has remained manageable at roughly -2.9%.

Importantly, we believe the probability of a repeat of 2022's historic bond market selloff remains relatively low. Today's environment is materially different. The sharp rise in rates over the past several years has reset yields to levels that provide investors with a far more attractive starting point.¹⁴ Because a bond's starting yield is one of the strongest predictors of its future total return, higher yields improve the long-term return outlook for fixed income investors.

In fact, periods of bond market weakness have historically created opportunities rather than reasons for abandonment. Investors who remain patient and continue to allocate strategically often benefit from higher income streams and improved forward return expectations. Put simply, today's bond market is paying investors meaningfully more to assume interest-rate risk than it did just a few years ago.

We continue to view high-quality fixed income as an important component of a diversified wealth strategy. While we have maintained a bias toward short- and intermediate-term maturities to help manage interest-rate sensitivity, we also recognize that today's yield environment presents a compelling risk/reward opportunity. Investors are once again being paid to own bonds.

Benjamin Graham addressed a remarkably similar concern decades ago when investors questioned whether bonds still belonged in portfolios. His advice remains relevant today:

"Own common stocks, if you wish... But be sure you own enough bonds to safeguard both your financial strength and your peace of mind."
— Benjamin Graham

Markets will continue to experience periods of volatility, and no investor will be right all the time. The objective is not perfection. It is maintaining a disciplined, well-diversified strategy that is prepared, as Graham's personal motto stated, for

"either event." By staying steady through short-term market fluctuations, investors put themselves in the best position to capture the long-term benefits that both stocks and bonds can provide.

This quarter's bond market volatility serves as a useful reminder that patience, discipline, and perspective remain among the most valuable assets an investor can own.

Talk With Us!

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

The average new vehicle now sells for about \$50,000, and the average new-car loan runs 6.35% over nearly six years — a payment of \$765 a month ([Kelley Blue Book](#), [Experian](#)). Prices, rates, and loan terms all moved the wrong way at once, and for a lot of households cars have simply become unaffordable.

One small offset: a new federal deduction lets some buyers write off up to \$10,000 a year of car loan interest, for tax years 2025 through 2028. It is narrow, it is temporary, and most people who qualify have never heard of it.

What the Deduction Actually Is

Personal car loan interest had not been deductible since the Tax Reform Act of 1986. The law signed on July 4, 2025 carved out a temporary exception for tax years 2025 through 2028 ([IRS FS-2025-03](#)).

The headline terms: up to \$10,000 of qualifying interest a year, deductible whether or not you itemize. That second part matters, because roughly nine in ten filers take the standard deduction and would otherwise get nothing.

The \$10,000 cap is per return, not per person. A married couple financing two qualifying cars shares one \$10,000 ceiling.

Five conditions, all of which must hold:

1. **The loan originated after December 31, 2024.** A 2024 purchase does not qualify, no matter how much interest you are still paying.
2. **The vehicle is new to you.** Original use must begin with you. Used vehicles are out, and so are leases — lease payments are not loan interest.
3. **Final assembly occurred in the United States.** Not the brand's nationality. Several imported nameplates assemble here, and several American nameplates do not. Check the window sticker or run the VIN through the [NHTSA VIN Decoder](#).
4. **The loan is secured by a lien on the vehicle.** A personal loan, a HELOC, or a credit card used to buy the car does not qualify, even though the money bought the same vehicle.
5. **The vehicle is for personal use** — a car, minivan, van, SUV, pickup, or motorcycle under 14,000 pounds GVWR. Fleet and commercial use are excluded.

You also have to put the VIN on your return. Starting with tax year 2026, lenders report the interest on Form 1098-VLI; for 2025 they issued a statement. The deduction is claimed on Schedule 1-A.

The income phase-out is steep

The deduction shrinks by \$200 for every \$1,000 of modified adjusted gross income above \$100,000 single or \$200,000 joint, and it is gone entirely \$50,000 above those thresholds.

The reduction comes off the deduction itself, not off the \$10,000 ceiling. A single filer with \$110,000 of MAGI who paid \$4,200 of qualifying interest deducts \$2,200, not \$4,200.

What It Is Worth in Dollars

Take the average new-car loan: \$44,000 at 6.4% over 72 months, bought in 2026. The payment is \$738. Over the full loan the buyer pays \$9,103 in interest, but only the interest falling in 2026, 2027, and 2028 is deductible.

Tax year	Interest paid	Deductible	Tax saved at 22%
2026	\$2,636	\$2,636	\$580
2027	\$2,226	\$2,226	\$490
2028	\$1,790	\$1,790	\$394
2029–2031	\$2,451	\$0	\$0
Total	\$9,103	\$6,652	\$1,463

**Illustrative. Assumes the buyer is under the phase-out threshold and stays in the 22% bracket. Your figures will differ.*

About \$1,500 over three years, or roughly \$40 a month against a \$738 payment. Real, but not enough to change what car anyone should buy.

The \$10,000 cap is a red herring. At 6.4%, you would need a loan of roughly \$167,000 to generate \$10,000 of interest in a single year. Almost nobody is limited by the cap. The binding constraints are the income phase-out and the 2028 expiration.

The front of the loan is where the money is. Interest is heaviest in the early years and the deduction window is fixed. A car financed in 2025 gets four deductible years; one financed in 2028 gets one.

It is a deduction, not a credit. It reduces taxable income, so it returns your marginal rate — 12 or 22 cents on the dollar for most households, and less inside the phase-out band.

If Rates Fall and You Refinance

A refinance keeps the deduction as long as you do not take cash out, do not roll in negative equity from a trade-in, and the new loan stays secured by a first lien on the same car ([final regulations](#), September 8, 2026). Refinancing a pre-2025 loan does not create eligibility — the origination date that counts is the first one.

Refinance on the rate regardless. Not paying the interest returns the whole dollar; the deduction returns only a fraction of it. Just compare total cost rather than the monthly payment, since a longer term can raise total interest even at a lower rate.

What to Know, and How to Get the Most From It

- **Check whether you already qualify.** If you financed a new car after December 31, 2024 and never claimed this, an amended 2025 return is available.
- **Verify final assembly before you sign.** This is the condition that disqualifies the most buyers, and the only one you cannot fix later. The window sticker or the NHTSA VIN Decoder settles it in a minute.
- **Watch the MAGI line.** In the phase-out band, every \$1,000 of income costs \$200 of deduction. Retirement and HSA contributions, and the timing of a Roth conversion or capital gain, all move MAGI — and there they move it with unusual leverage.
- **The financing structure decides it.** Paying cash forgoes the deduction entirely, and so does a HELOC or personal loan. Not a reason to borrow if you would rather not, but worth knowing first.
- **Earlier is worth more, and keep any refinance clean.** The window closes after 2028 and interest is front-loaded. On a refinance: no cash out, no rolled-in negative equity, first lien stays on the same car.
- **Do not buy a car for the deduction.** On an average loan it is worth roughly \$1,500 over three years. That is a rebate on a decision you were already making.

We look at a purchase like this alongside the rest of your financial picture — to ensure you are taking advantage of recent tax changes to minimize your taxes and keep more of your hard-earned cash.

If you bought or financed a vehicle in the last two years, or you are about to, please Talk With Us!

The Score Board

	09/30/2026	YTD Change
Dow Jones Industrial Average	50,904.10	7.19%
S&P 500*	7,651.54	11.77%
NASDAQ Composite*	26,861.06	15.57%
MSCI EAFE (USD)*	3,125.70	8.05%
Bloomberg Commodity Index	141.78	29.26%
U.S. Aggregate Bond Index	2,280.45	-2.91%
10 Yr U.S. Treasury Bond Yield	5.29%	111bps
30 Yr Fixed Mortgage Rate	7.23%	98bps
Prime Rate	7.00%	25bps
Crude Oil (\$ / Barrel)	\$90.42	55.79%
Gold (\$ / Oz.)	\$4,157.41	-3.75%
U.S. \$ / Euro €	\$0.88	3.66%
Core Inflation (excluding food / energy)**		2.4%
Inflation (including food / energy)**		3.4%

**Without Dividends; **Unadjusted 12-Months ended August 2026; 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 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.
4. 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).
5. The Russell 1000 Growth Index is composed of large- and mid-capitalization U.S. equities that exhibit growth characteristics.
6. The Russell 1000 Value Index is composed of large- and mid-capitalization U.S. equities that exhibit value characteristics.
7. 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.
8. Goldman Sachs Asset Management, Beyond Beta: Actively Seeking Small-Cap Alpha.
9. 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.
10. The MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets countries.
11. 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.
12. Long-dated bond returns derived from the iShares 20+ Year Treasury Bond ETF.
13. The iShares Broad USD High Yield Corporate Bond ETF seeks to track the investment results of an index composed of U.S. dollar-denominated, high yield corporate bonds.
14. The Bloomberg Aggregate Index Yield-to-Worst is 5.56%. Source: FactSet 9/30/26.

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