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Real Estate Investing in a High Rate Market



You can start investing in real estate in several ways, depending on your capital, available time, and risk tolerance.

With mortgage rates around 7.4 to 7.5 percent and selective opportunities in the current market, it is a good idea to focus on deals that cash-flow at today's financing costs rather than betting mainly on future price gains or lower rates.

The simplest entry is publicly traded real estate investment trusts, or REITs, and REIT exchange-traded funds. You can begin with as little as ten or twenty dollars through a regular brokerage account. These trade like stocks, offer daily liquidity, and pay dividends from property income. The approach is fully passive and provides diversified exposure without any landlord duties. Crowdfunding platforms such as Fundrise or Arrived are another relatively hands-off option, often starting at ten to a few hundred dollars. Your money is pooled to buy or develop properties or portfolios, but capital is typically locked up for several years and platforms charge fees.

House hacking offers a practical path toward direct ownership. You buy a small multi-unit property such as a duplex, triplex, or fourplex, live in one unit, and rent the others. Because you occupy the property, you may qualify for an FHA loan with as little as 3.5 percent down, which can keep the cash needed in the range of roughly ten thousand to twenty-five thousand dollars depending on the market. Rental income can offset or cover your housing costs while you build equity. Traditional buy-and-hold rentals require more money. Lenders usually want 20 to 25 percent down on an investment property, plus closing costs and reserves, so a median-priced home often means fifty thousand to one hundred thousand dollars or more to start. You gain leverage, control, and tax benefits such as depreciation, but you also take on management unless you hire a property manager. More advanced approaches such as fix-and-flip, the BRRRR method, wholesaling, or syndications generally need more experience, capital, or partners, so most beginners do better mastering basics first.

Begin by clarifying your goals. Decide whether you mainly want passive income, long-term wealth, or both, and be realistic about the capital, time, and risk you can handle. Strengthen your finances next. Improve your credit score if needed, since many lenders prefer 680 or higher for investment properties and higher scores can mean better rates. Build an emergency fund and set aside reserves so a vacancy or repair does not become a crisis. Educate yourself on deal analysis and the markets you are considering. Learn basic metrics such as cash flow and cash-on-cash return, and underwrite conservatively by testing whether a property still works with high rates or several weeks of vacancy. Free tools and public data can help you research rents, inventory, job growth, and

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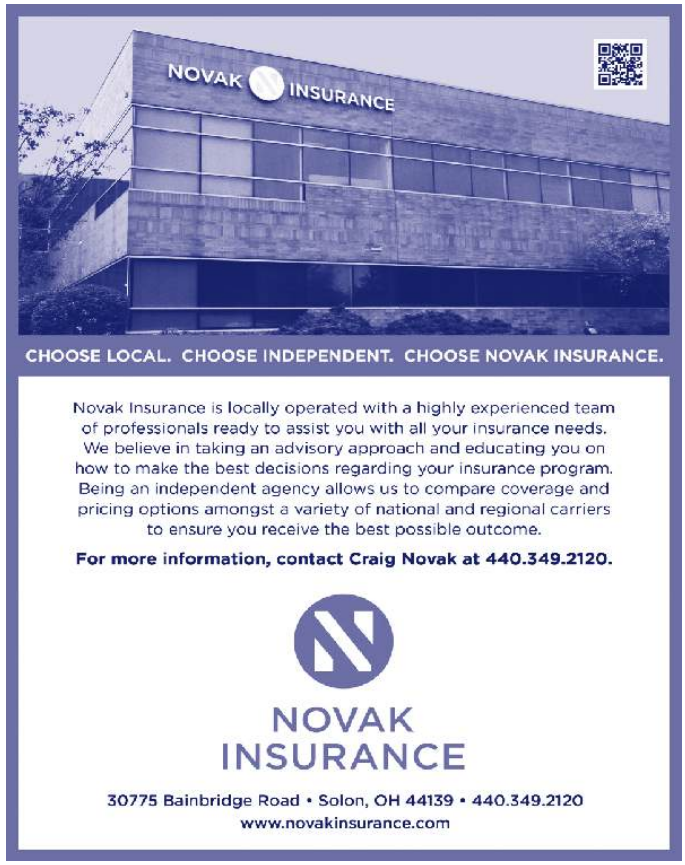
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State Street® SPDR® S&P® Aerospace & Defense ETF (XAR)

As its name implies, State Street® SPDR® S&P® Aerospace & Defense ETF is a sector fund focused on investing in publicly traded companies within the Aerospace & Defense industries. XAR was launched in the fall of 2011 and currently has roughly $5.5 billion under management. This is a passive ETF, meaning that it's designed to closely match the individual holdings in the same weighting as the S&P® Aerospace & Defense Index.

XAR holds about 50 companies that build U.S. military aircraft, ships, missiles, and many of the parts inside them. Each company gets about the same weight, so a smaller parts maker is not drowned out by a giant. Its largest and most well-known holdings include the likes of Lockheed Martin, Northrop Grumman, RTX Corp., General Dynamics, Boeing, and GE Aerospace. However, XAR is not only a defense fund. Much of it is commercial flying: jet engines, spare parts, and passenger planes. That is why companies like GE Aerospace also receive a fair weighting.

America has used up many of the high-end weapons it counts on most and replacing them will take some time. The drain has been years in the making. The United States sent large quantities of arms to Ukraine after Russia's full-scale invasion and fired costly air-defense missiles while helping protect Israel. This year the war with Iran burned through still more. And these efforts are ongoing.

What is scarce is not ordinary ammunition. It is interceptors, which knock incoming missiles out of the sky, and long-range strike weapons. The shortage runs through the supply chain too: motors, specialty metals, and explosives.

The Congressional Budget Office has suggested that since June 2025, U.S. forces used half to two-thirds of their missile-defense interceptors. Unfortunately, these depleted stockpiles won't be replaced overnight. It can take years to complete orders for crucial items such as Patriot missiles and Tomahawk cruise missiles. One thing seems certain: the U.S. needs to rebuild its stockpiles of the crucial gear that our troops depend upon.

This fund has had particularly strong performance over the past few years, but its upward trajectory stalled in 2026, perhaps creating a buying opportunity. As of mid-October, the fund is down roughly 6.8% year-to -date and stands about 24% below its recent peak. If you believe that the powers that be in Washington D.C. take this issue seriously and are willing to do something about it, this fund may be a worthy addition to your portfolio.

Please keep in mind that as a sector fund XAR may be more volatile than the overall stock market. As such, it's important to consider what percentage of your portfolio to expose to this, or any sector fund.

If you'd like to see if this type of fund may be suitable for your situation, please feel free to call Ted Black, CFP® at 888-878-0001, extension 3.

Performance annualized and updated through 09/30/2026: 1-Year: -1.59%; 3-Year: +27.89%; 5-Year: +14.70%. The gross annual expense ratio is 0.35%.

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Q&A

Q: As a small business owner, I like to offer fringe benefits as incentives for my employees. What are the tax rules I need to know?

Identifying taxable benefits before the final payroll runs of 2026 can help prevent reporting errors, payroll tax problems and unexpected Form W-2 adjustments.

Many fringe benefits are excluded from employees' taxable income, yet employers generally may still deduct their cost as a business expense. Benefits that don't qualify for an exclusion usually must be included in employees' taxable compensation.

Common examples of benefits that may be excluded from taxable wages include employer-provided health insurance, dependent care assistance, group-term life insurance, educational assistance and certain transportation benefits (but the employer can't deduct them), subject to various limits.

Taxable fringe benefits may include personal use of a company vehicle, many entertainment and sporting event tickets, gift cards and other cash-equivalent benefits. Generally, the taxable amount is the benefit's fair market value, less any amount paid by the employee or excludable by law. Special valuation rules may apply.

Major legislation enacted in July of 2025 made several changes affecting benefits, including dependent care and educational assistance. For 2026, the maximum exclusion for employer-provided dependent care assistance increased to $7,500 ($3,750 for married taxpayers filing separately).

The 2025 law also made qualifying student loan payments permanently eligible for the educational assistance exclusion and added inflation adjustments after 2026. For 2026, employers generally can provide up to $5,250 in tax-free educational assistance, including qualifying student loan payments.

Fringe-benefit rules can differ for business owners, depending on the entity type and benefit involved. For instance, one particularly important year-end payroll issue applies to S corporation shareholder-employees who own more than 2% of the company. Health and accident insurance premiums paid or reimbursed by the S corporation generally must be included in the shareholder-employee's Form W-2 wages for federal income tax purposes.

Provided certain requirements are met, the premiums generally aren't subject to Social Security, Medicare or federal unemployment taxes. Proper reporting can also affect the shareholder's ability to claim the self-employed health insurance deduction.

Don't wait until Forms W-2 are prepared. Failing to account for taxable benefits properly can lead to insufficient federal income and payroll tax withholding, underpaid employer payroll taxes, penalties and incorrect wage reporting.

Q: Could bad debts lower my 2026 taxes?

Yes. When customers or others don't pay what they owe your business, you may be able to claim a bad debt deduction to help offset the financial loss. But it isn't automatic. Businesses must satisfy specific federal tax rules and maintain adequate records to support the deduction.

Not Every Unpaid Debt Is Eligible. Whether an unpaid debt is deductible depends on several factors. First, the debt generally must be connected to your trade or business. Examples include unpaid customer invoices, certain loans to customers or suppliers and some business-related guarantees.

The debt also must be bona fide. This means there must have been a genuine expectation of repayment when the money was advanced or credit was extended. Documentation such as invoices, contracts, promissory notes and payment terms can show the transaction was a legitimate debt rather than a gift or capital contribution.

Additionally, not every business is eligible to deduct unpaid customer receivables. The purpose of the deduction is to offset a previous tax liability. So, you

must have previously included the receivable in your income.

If your business uses the cash-basis method of accounting, you generally recognize income only when payment is received. Because unpaid invoices generally haven't been included in taxable income, they're typically not deductible as bad debts.

Accrual-basis businesses generally recognize income when it's earned rather than when payment is received. As a result, they may be eligible for a bad debt deduction if an amount previously included in income later becomes partially or totally worthless. For partially worthless business debts, a charge-off for accounting purposes generally is required.

How Mixed-Purpose Debts Are Treated. Some debts may involve both business and personal motives. For example, suppose you guarantee a loan for one of your best customers, who also happens to be a close friend. If the borrower defaults, whether the loss is treated as a business or nonbusiness bad debt depends on whether your dominant motivation in making the guarantee was to help your business or your friend.

The distinction is important because nonbusiness bad debts are deductible only if they're totally worthless. And they're treated as short-term capital losses, which can generally offset capital gains and up to $3,000 of ordinary income annually, with any excess carried forward.

Document Your Collection Efforts. One of the most important requirements is showing that you've made reasonable efforts to collect the debt. Simply deciding that a customer probably won't pay usually isn't enough to conclude the debt is worthless. It's also critical to keep records of the actions you've taken. These may include invoices, reminder notices, collection letters, payment plans, correspondence with attorneys or collection agencies and information showing the debtor's financial difficulties, bankruptcy or insolvency. Going to court isn't necessary if you can demonstrate that obtaining a judgment would be futile.

If you haven't consistently documented your collection efforts, there's still time. Review overdue accounts and make sure your files reflect the steps you've taken to pursue payment. This can make a significant difference if the IRS questions your deduction.

Q: How can I use accessibility credits to lower my tax bill?

Improving accessibility at your business may come with a valuable tax break. Eligible small businesses can claim the Disabled Access Credit for certain costs related to improving accessibility for individuals with disabilities. A business may qualify if, in the prior tax year, it had gross receipts of $1 million or less or no more than 30 full-time employees.

The credit equals 50% of eligible expenses above $250 but not over $10,250. Examples of potentially eligible costs include providing interpreters for people with hearing impairments, providing readers for people with visual impairments, and acquiring or modifying equipment or devices. Contact the office if you need guidance on the credit.

Q: Can I deduct Long Term Care (LTC) premiums?

That depends. Qualified LTC policies are considered health insurance under federal income tax rules. So if you buy a policy, your premiums are treated as medical expenses for itemized deduction purposes.

But your total eligible medical expenses for the year must meet the 7.5% of adjusted gross income threshold before you can start deducting LTC premiums. And there are age limits on how much you can deduct. For example, You can deduct $500 for individuals age 40 and under and $6,200 for those 70 and over. Other age groups' 2026 maximums fall between these two.

Real Estate Investing

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insurance costs.

Choose one primary strategy that fits your situation and study it thoroughly. Research two or three specific markets in depth rather than chasing national trends. Build a small team early: an agent who works with investors, a lender familiar with investment properties, a home inspector, a tax professional who understands real-estate deductions and entity structures, and eventually a property manager or attorney. Local investor groups can help with networking. Analyze multiple deals carefully and start small so mistakes are limited. Require positive cash flow after all expenses, debt service, and reserves. Make offers knowing many will be rejected, and when you buy, account for closing costs, immediate repairs, and several months of reserves.

In the higher-rate environment, cash flow is harder and cash buyers or those with larger down payments have an edge. Leverage can still build wealth but increases risk, so stress-test deals under conservative assumptions. Quality of location and durable demand matter more than broad trends. Direct ownership provides tax advantages and control that REITs lack, while REITs offer simplicity and liquidity. Regional differences are large, so local conditions often outweigh national averages.

Tax Deferred Savings Options for Children

Q *What are the best tax deferred options for saving for my children's future?*

A: 529 plans and custodial Roth IRAs are generally the strongest options, with newer Trump Accounts (also known as Section 530A) as a notable tax-deferred alternative. Pure tax-deferred accounts (growth taxed later as ordinary income) are less common and often less advantageous for kids than tax-free growth options due to the long time horizon and children's typically low current tax rates. Here is an overview of these top three plus other popular options:

529 PLANS are the gold standard for education savings. Growth is tax-deferred, qualified withdrawals (tuition, fees, books, room/board, computers, certain K-12, apprenticeships, and limited student loans) are tax-free federally, and many states add tax breaks on contributions. There are high aggregate contribution limits that vary by plan, and contributions generally fall under the $19,000 individual or $38,000 married-couple annual gift-tax exclusion for 2026. Anyone can contribute, the parent usually retains control, and up to $35,000 can be rolled over to the beneficiary's Roth IRA over a lifetime if certain conditions are met which helps eliminate the use it or lose it risk.

CUSTODIAL ROTH IRAS offer the most powerful long-term compounding for kids who work (babysitting, lawn care, part-time jobs, etc.). Because kids usually face 0–10% tax rates (or none, given the standard deduction), paying taxes now and getting decades of tax-free growth is usually superior to deferral. Contributions can be withdrawn anytime tax- and penalty-free; earnings have restrictions until age 59½ (with exceptions for education, first home, etc.). Since Custodial Roth IRAs are funded with after-tax dollars, they work best for long-term wealth building or retirement while allowing flexible early access to contributions. The annual contribution limit is the lesser of the child's earned income or $7,500 in 2026. The child must have documented earned income (such as a W-2, 1099, or legitimate work), and a parent or guardian manages the account until the child reaches the age of majority.

TRUMP ACCOUNTS are the clearest pure tax-deferred vehicle designed for minors. They function like traditional IRAs for minors and provide tax-deferred growth, with withdrawals later taxed as ordinary income. They are designed for general long-term savings, especially when the child has no earned income. The annual contribution limit is $5,000 (from family, employers, or others), with inflation adjustments beginning after 2027; eligible children born in 2025–2028



can also receive a $1,000 federal seed contribution. No earned income is required to open or fund the account, investments are limited to low-cost U.S. equity index funds, withdrawals are generally not allowed until the year the child turns 18, and the account then converts to a traditional IRA structure.

COVERDELL EDUCATION SAVINGS ACCOUNTS (ESAS) provide tax-deferred growth and tax-free withdrawals for education expenses, including a broader range of K-12 costs than 529 plans. They are best for education savings. The total annual contribution limit is $2,000 across all accounts for the beneficiary. Income phaseouts apply (roughly $95,000–$110,000 for single filers and $190,000–$220,000 for married couples filing jointly), and the funds generally must be used by age 30.

TRADITIONAL CUSTODIAL IRAS offer tax-deferred growth and a possible upfront tax deduction, with withdrawals later taxed as ordinary income. They are rarely preferred for kids. The contribution limit is the same as for a Roth IRA—the lesser of earned income or $7,500. Earned income is required, and any tax deduction usually has limited value because children typically have low current tax rates.

SERIES EE/I SAVINGS BONDS defer interest tax until redemption and can make interest tax-free for higher education under strict rules (bonds must be owned by a parent age 24+ at purchase, income phaseouts apply, etc.). They are lower-risk but generally lower-return than equity-focused accounts.

UGMA/UTMA CUSTODIAL ACCOUNTS are flexible for any purpose but are not tax-deferred, earnings are taxable annually (with limited "kiddie tax" exemptions).

Contribution and gift-tax rules, investment menus, and state benefits change, so confirm current details with the plan provider, IRS, or a tax advisor. Financial aid impact also varies (529s and parent-owned accounts are generally more favorable than student-owned assets).

PRACTICAL RECOMMENDATION Prioritize a low-cost 529 (check your state's plan for tax benefits first; otherwise highly rated options like Utah's my529, New York, or others with low fees) if education is likely. Add a custodial Roth IRA once the child has earned income. Use a Trump Account if you want tax-deferred growth without an earned-income requirement or to capture the seed money for eligible newborns. Many families use a combination. Consult a tax professional or financial advisor for your specific situation, as rules (especially around Trump Accounts) continue to evolve.

Q ***I opened a 529 plan for my son in 2012 and it still has unused funds in it. Can I change the beneficiary to my new grandchild or use it for something different for my son?***

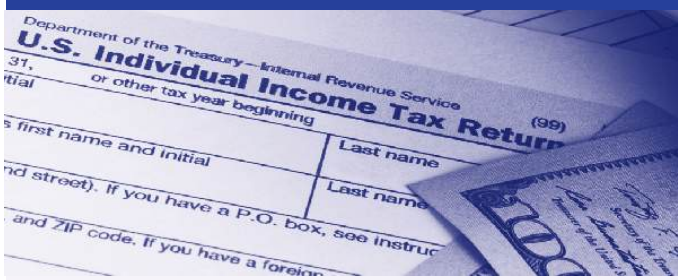
A: Yes, you can change the beneficiary from your son to your grandchild. A grandchild qualifies as a family member under IRS rules, so the switch is generally not treated as a taxable distribution. Here are the options to consider: To change the beneficiary to the grandchild, contact your 529 plan for the form. This keeps the money tax-advantaged for education. Because it skips a generation, amounts over the $19,000 annual gift exclusion (2026) may require a gift-tax filing (Form 709), though actual tax is rare.

Keep in mind, there is no deadline, the account can stay open indefinitely. You could leave the funds in case your son returns to school or you could also do a Roth IRA rollover (for your son): Up to $35,000 lifetime can move to his Roth if the account has been open 15+ years, contributions are at least 5 years old, he has earned income, and you stay within the annual Roth limit ($7,500 in 2026). Changing the beneficiary may restart the 15-year clock (IRS guidance is still incomplete). Other tax-free uses to consider include funding for Graduate or trade school, certain apprenticeships, up to $20,000/year for K-12, or up to $10,000 toward student loans.

Q ***Can I take $14,000 out of my HSA this year to reimburse qualified expenses I paid out of pocket over the past three years?***

A: Yes. There is no limit to how many years back you can reimburse yourself from an HSA. You can reimburse qualified medical expenses from any prior year as long as the expenses were incurred after your HSA was established, they were qualified medical expenses that weren't already reimbursed by insurance or another account, and you kept records and receipts to prove it.

Tax Rates for 2026



For 2026, the seven tax rates remain 10%, 12%, 22%, 24%, 32%, 35%, and 37%. The top rate of 37% applies to taxable income above $640,600 for single filers and $768,700 for married couples filing jointly. These rates are now permanent, avoiding the jump that was previously scheduled for 2026.

The standard deduction also rises. For 2026 it is $16,100 for single filers and married filing separately, $32,200 for married couples filing jointly, and $24,150 for heads of household. Taxpayers age 65 or older receive an additional amount on top of the base standard deduction: $2,050 if unmarried or filing as head of household, and $1,650 per qualifying spouse if married. That brings the total standard deduction to $18,150 for a single filer age 65 or older and $35,500 for a married couple filing jointly when both spouses are 65 or older.

Seniors can also claim a separate temporary deduction of up to $6,000 per person ($12,000 for a joint return if both spouses qualify). This is available whether you itemize or take the standard deduction and applies for tax years 2025 through 2028. It phases out once modified adjusted gross income exceeds $75,000 for single filers or $150,000 for joint filers. Combined with the higher standard deduction, a single senior could shield as much as $24,150 of income before the phase-out, while a married couple both age 65 or older could shield up to $47,500.

Other temporary benefits available through 2028 include a deduction for qualified tips (up to $25,000 in eligible occupations) and for the premium portion of overtime pay (up to $12,500, or $25,000 on a joint return). These do not eliminate Social Security and Medicare taxes, and they also phase out at higher incomes.

Taken together, the permanent lower rates, larger standard deduction, and temporary senior and worker benefits give many households a clearer and more favorable tax picture heading into the 2026 filing season.

Choosing the Right Business Funding Solution

Access to capital helps small businesses succeed and grow. Whether you need to cover cash flow gaps, fund expansion plans or invest in long-term assets, it's important to understand all your financing options. This will help you make informed decisions and select funding that aligns with your goals.

5 Financing Options to Consider.

Your business may have access to several types of financing, with most options falling into five broad categories:

Lines of credit

This is a common form of financing because of its simplicity and flexibility. Once approved, businesses can borrow up to their credit limit whenever needed without reapplying. It can help meet periodic, temporary cash flow shortfalls. It's often wise to establish a line of credit before you need it, so funds are readily available. Many lenders now offer revolving lines with variable rates tied to prime or SOFR, and having one in place can also improve a business's credit profile and make future borrowing easier. Review fees such as annual maintenance or unused-line charges before accepting an offer.

Term loans

These loans are issued for a specific period. They're repaid with interest over a set number of years and are mainly used to purchase fixed assets, such as machinery, vehicles and equipment, or to support major business investments. Fixed-rate options provide payment predictability while variable-rate loans may start lower but carry more risk if rates rise; repayment terms commonly range from 3 to 10 years depending on the asset and the lender's risk assessment.

Commercial mortgages

This type of term loan is used to purchase new or existing commercial property, including retail space, industrial warehouses and office buildings. Loan-to-value ratios typically max out around 70–80 percent, and lenders often require a down payment, appraisal, and environmental review, which can lengthen the timeline compared with other financing.

Government loan programs

Small Business Administration (SBA) loan programs, including 7(a) and 504 loans, are a significant source of funding for qualifying businesses. The SBA periodically updates program rules and lending limits, so review current SBA requirements before applying. Because the SBA guarantees a portion of these loans, lenders may extend financing to businesses that otherwise wouldn't qualify under standard underwriting criteria. SBA 7(a) loans are generally more flexible for working capital or acquisitions, while 504 loans focus on fixed assets such as real estate and equipment; both usually require the borrower to contribute some equity and meet size and purpose tests.

Equipment leases

When acquiring equipment, leasing may be a better option than purchasing it outright. This can be especially beneficial for technology that may quickly become outdated. Leasing can help preserve cash flow while allowing businesses to upgrade equipment as needs change. Leases can be structured as operating or capital leases, which affects both accounting treatment and the ability to claim depreciation or interest deductions, and residual-value provisions determine what happens at the end of the term.

Alternative Funding

Your business may also be able to access funding from less traditional sources. Examples include online lenders and specialized financing providers. They may offer financing solutions that complement traditional lending options, including working capital loans, equipment financing and factoring. Factoring allows a business to receive cash based on outstanding customer invoices, helping improve short-term cash flow. Online lenders often provide faster decisions and lighter documentation than traditional banks, though they typically charge higher interest rates and shorter repayment periods; invoice factoring transfers collection risk to the factor but reduces the amount of cash a business ultimately receives.

Moving Forward

Some financing options may offer tax advantages. Interest paid on business loans, including lines of credit, term loans, commercial mortgages and SBA loans, may be deductible, subject to various rules and limits. Payments made under qualifying equipment leases are generally deductible as a business expense. Owners should consult a tax advisor to confirm deductibility, because limits on business-interest expense under IRC Section 163(j) and differences between lease and loan treatment can change the net benefit.



From the Financial Hotline

Call, fax or e-mail for answers to all your financial questions.

Q *Can you explain how deferring tax on advance payments works?*

A: For federal income tax purposes, advance payments generally must be reported as taxable income in the year received. This treatment always applies if your business uses the cash method of accounting for tax purposes. However, if your business uses the accrual method, it may qualify for favorable tax deferral treatment.

Accrual-basis businesses can elect to postpone including all or part of an eligible advance payment in taxable income until the year after it's received. To qualify, among other requirements, an advance payment must:

- Be at least partially included in revenue for a later year according to the business's applicable financial statement (AFS) or, if there's no AFS, be treated as earned in a later year, and
- Be received for goods, services or other eligible items listed in IRS guidance.

If your accrual-basis business receives eligible advance payments in 2026, you potentially can elect to defer reporting some or all of that income until 2027 for federal tax purposes.

The AFS Requirement. An AFS can be an audited financial statement used for credit or financial reporting purposes, certain reports submitted to federal or state agencies, or a filing with the Securities and Exchange Commission, such as a Form 10-K or annual report.

If your business doesn't have an AFS and elects the deferral method, the advance payment generally must be included in taxable income in the year received to the extent your business treats it as earned that year. Any remaining amount is included in income the following year.

Identifying Eligible Payments. Advance payments that may qualify for deferral include payments for services, goods, gift cards, intellectual property and computer software licenses, warranty contracts, and subscriptions. Certain other payments may also qualify under IRS guidance.

However, rents (with some exceptions), certain insurance premiums, payments for financial instruments and some service warranty contracts aren't eligible.

Timing Is Key. The rules surrounding the tax treatment of advance payments can be complex.

Q *I am single. Do I still need an estate plan?*

A: If you are single with no children, an estate plan can help ensure your wishes will be carried out and important decisions remain in trusted hands.

Without a will, state intestacy laws generally determine who inherits assets. While beneficiary designations may control certain accounts, assets without beneficiary designations or joint ownership typically pass according to state law. For singles with no children, state law may call for assets to be distributed to relatives such as parents, siblings, aunts and uncles, or cousins. If no relatives can be located, assets may pass to the state.

For wealthier singles, there are also estate tax considerations. Singles with significant assets should consider estate planning techniques such as trusts to help minimize taxes. Additionally, powers of attorney can allow someone you trust to handle financial matters and make medical decisions on your behalf if you become incapacitated.

Q *What are the new IRS Mileage Rates and when do they take effect?*

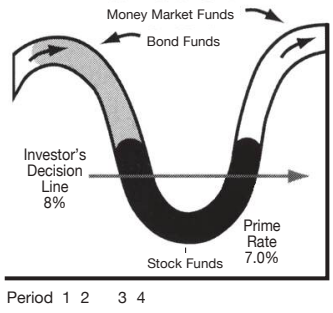
A: Due to rising fuel costs, the IRS has increased the 2026 cents-per-mile rates for calculating certain vehicle deductions. Effective July 1, 2026, the standard mileage rate for the business use of a car, SUV, van, pickup truck or panel truck is 76 cents per mile, up from 72.5 cents per mile for the first half of the year. The revised rate for medical and eligible moving purposes is 23.5 cents per mile, up from 20.5 cents per mile. For charitable driving, the 14 cents per mile rate remains unchanged. These rates apply to gasoline- and diesel-powered vehicles as well as electric and hybrid ones. To protect your deduction, keep detailed mileage records.

Q *Is it true that making a loan to my family could potentially be considered a gift for tax purposes?*

A: Yes, making a personal loan to a family member or friend can create unexpected tax issues. If the loan carries little or no interest, the IRS might treat all or part of it as a taxable gift under the below-market loan rules. To help pass muster with the IRS, your loan should be backed by a written promissory note that includes the interest rate, a schedule showing dates and amounts for interest and principal payments, and the security or collateral, if any. Charge an interest rate that equals or exceeds the applicable federal rates set by the IRS. They potentially change each month.

The Money Movement Strategy

Prime Rate Chart for Money Movement Strategy



How It Works

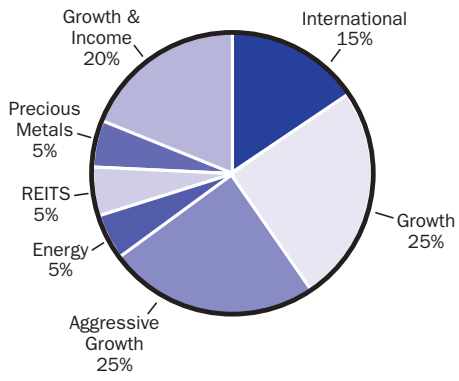
Long-term increases or decreases in the value of stocks, bonds and money market instruments are caused by changes in interest rates, primarily the Prime Rate. Of the three categories of mutual funds — stock, bond, or money market, there is only one type of investment that will give you above-average returns at any given time.

The Money Movement chart represents typical changes of interest rates smoothed out over time. The Investor's Decision Line (IDL) indicates the point at which you should move your money from one type of fund to another. Contact the Stock and Mutual Hotline or Investment Holine for the best evaluation of how the Money Movement Strategy will work for your specific circumstances.

Models For Portfolio Management

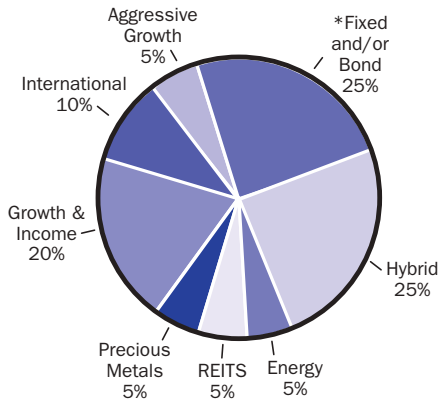
Aggressive

Keep all mutual funds and retirement money in stock funds.



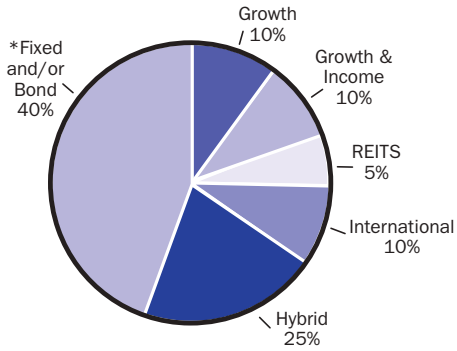
Moderate

Keep most mutual funds and retirement money in stock funds.



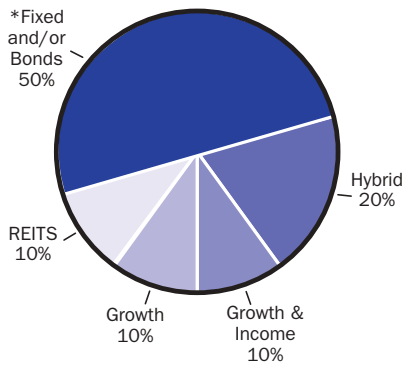
Conservative

Keep most mutual funds and retirement money in stock funds.



Retirees

Note: This portfolio does not follow the Money Movement Strategy! Create the proper mix of Stock, Bond, and money market funds.



*Fixed Market-Linked CDs

No-Load Mutual Funds*

Fund Name/Type	Stock Symbol	Buy, Sell or Hold	3 Month % Change	Average Annual Returns as of to 09/30/26 1 Year % Change	5 Year % Change	10 Year/ % Change	Expense Ratio
Aggressive Growth							
BNY Mellon Small Cap Index	DISSX	Buy	-8.06	15.52	5.72	9.32	0.50
Kinetics Paradigm No Load	WWNPX	Buy	-15.69	-1.18	14.54	16.28	1.64
Needham Growth	NEEGX	Buy	-12.78	51.55	10.11	14.64	1.67
Schwab Health Care	SWHFX	Buy	1.87	15.11	4.98	8.55	0.80
Value Line Small Cap Opp	VLEOX	Buy	-8.16	5.34	5.27	10.36	1.21
Growth							
American Century Mid Cap	ACMVX	Buy	-2.11	9.39	7.69	8.55	0.98
BNY Mellon MidCap Index	PESPX	Buy	-6.43	11.12	7.50	9.93	0.50
Janus MidCap Value T	JMCVX	Buy	-6.66	8.59	7.82	8.08	1.06
Neuberger Berman Partners Inv	NPRTX	Buy	0.23	26.95	10.34	13.18	0.75
Selected American Shares	SLASX	Buy	-1.46	13.03	11.84	12.57	0.97
American Century Small Cap Value	ASVIX	Hold	-6.42	11.12	4.27	9.10	1.10
Growth & Income							
American Century Equity	TWEIX	Buy	0.61	11.30	7.76	8.46	0.95
American Century Large Value	ALVIX	Buy	1.70	14.29	10.32	10.02	0.83
abrdn Dynamic Dividend Instl	ADVDX	Hold	-0.42	13.60	8.43	9.97	1.26
Parnassus Core Equity Inv	PRBLX	Buy	-0.51	10.81	10.20	13.43	0.81
Janus Contrarian T	JSVAX	Buy	-7.19	12.11	7.61	12.96	0.77
T. Rowe Price Equity Income	PRFDX	Buy	082	19.38	10.87	11.03	0.69
Hybrid							
American Century Balanced	TWBIX	Buy	-0.77	5.30	5.50	7.72	0.89
James Balanced Golden Rainbow	GLRBX	Buy	-2.18	5.72	6.07	4.59	1.23
Oakmark Equity & Income	OAKBX	Buy	1.67	5.99	5.57	8.19	0.85
Impax Sustainable Allocation Inv	PAXWX	Buy	-1.19	4.71	4.27	7.47	0.94
Permanent Portfolio	PRPFX	Buy	0.64	8.68	11.60	10.00	0.79
Value Line Asset Allocation Inv	VLAAX	Buy	-2.90	-11.02	1.45	6.85	1.10
International							
American Century Intl Growth	TWIEX	Buy	-2.19	0.92	0.51	6.26	1.17
Artisan International Inv	ARTIX	Buy	-4.11	11.11	9.27	9.38	1.19
Matthews China Investor	MCHFX	Hold	-7.71	-11.12	-3.72	5.70	1.25
William Blair Intl. Growth	WBIGX	Buy	-5.58	12.16	1.96	7.48	1.15
T. Rowe Price Emerging	PRMSX	Buy	-3.68	33.90	4.17	5.60	1.23
Sector Funds							
American Century Real Estate Inv	REACX	Buy	-6.15	4.52	2.44	4.57	1.16
Cohen & Steers Realy Shares	CSRSX	Buy	-6.12	4.06	2.81	6.07	0.88
T. Rowe Price Health Sciences	PRHSX	Buy	5.20	30.27	4.56	11.13	0.83
Victory Precious Metals/Minerals	USAGX	Sell	17.37	17.63	24.92	12.76	1.04
US Global Investors Global Res	PSPFX	Hold	0.91	12.76	7.82	6.60	1.75
Bond Funds							
American Century Infl-Adj Bond	ACITX	Buy	-3.42	-2.41	-.039	1.74	0.52
Fidelity Capital & Income	FAGIX	Buy	-1.96	8.25	6.38	7.66	0.86
Janus Flexible Bond	JAFIX	Buy	-3.58	-2.00	-0.74	1.43	0.65
Loomis Sayles Bond Retail	LSBRX	Buy	-2.81	-1.34	1.22	2.40	0.89
Impax High Yield Bond Indv Inv	PAXHX	Buy	-2.76	0.74	2.13	4.01	0.95
American Century Sh-Dur Bd fund	APOIX	Buy	-1.15	0.38	2.27	2.66	0.59
Western Asset Core Bond	WATFX	Buy	-3.94	-2.18	-1.60	1.06	0.43

* Some funds may be closed to New investors due to demand.

The performance data quoted represents past performance and the principal value and investment return will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Returns shown, unless otherwise indicated, are total returns, with dividends and income reinvested. Past performance is no guarantee of future results.

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We can also answer your questions regarding the following investments:

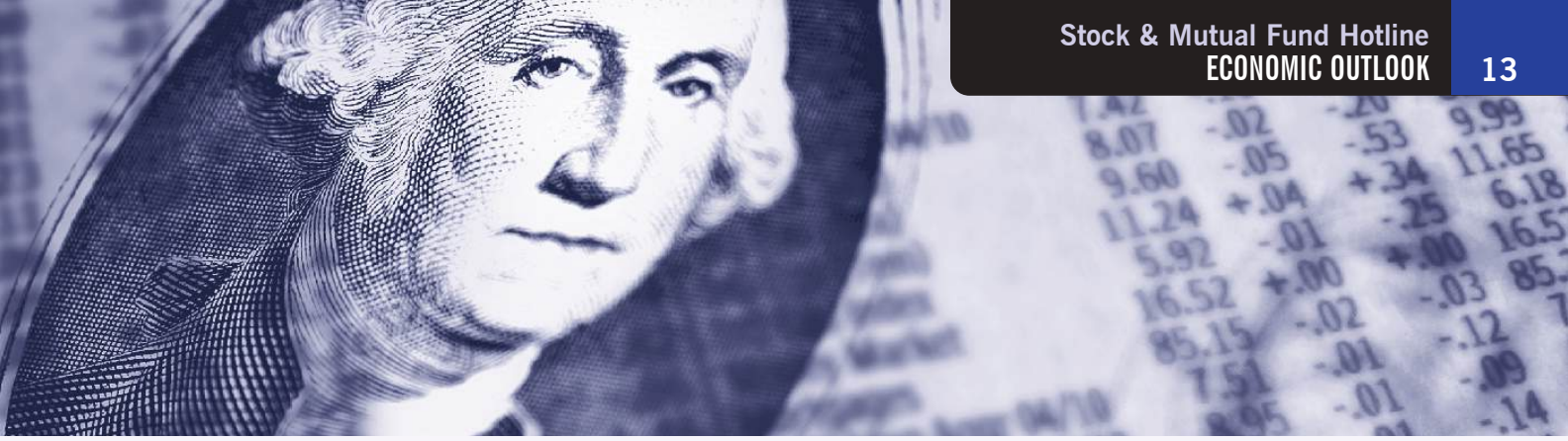
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Economic Outlook

–By Russ Colbert

The U.S, economy grew 2.0% in 2025 and it looks like it may come in close to the same for this year. So far for the first nine months of this year, we are around 2.2%.

This doesn't mean everything is fine and steady as she goes. The Data Centers have been on the news a lot and are springing up everywhere. They continue to grow at a rapid rate and are where the action continues to be. The construction value is up 23% from a year ago. Also, the shipments of computers and computer related products, plus communications equipment are also up over 23% from a year ago.

Capital spending by some of the largest Tech companies such as Google, Microsoft, Amazon, Meta, and Oracle are projected to be around $700 billion in 2026. This is going to outpace 2025 by over $300 billion. That will most likely account for over one percentage point of the GDP growth for this year.

The additional investment of companies in Artificial Intelligence (AI) has caused not only expansion in the Tech sector, but also in other sectors outside the technology sector, like water supply, and power generation, etc. At least as far as we can tell, despite the growth of AI and technological innovation, the overall economy is not booming, it is just growing slowly. But the year is not over, and we still have time and may see a pickup in the economy as we proceed toward the new year. We feel that after the outcome in the upcoming election and winding down the war with Iran, could have a more positive effect on the stock market.

Most people don't follow the moves on interest rates the Federal Reserve makes. They notice when costs go up, such as when the grocery bill jumps, or a car loan costs more, or a job takes longer to find. As I previously mentioned above, the economy is still growing slowly. Hiring has slowed, and prices such as gasoline have continued to climb. The Federal Reserve meet October 27th and 28th, and again in December to decide on whether to raise interest rates or leave them alone. They raised interest rates by a quarter of one percent at the last meeting in September. That was the first increase in more than three years. Many officials think they are not finished.

Most forecasters expect at least one more small increase before the end of 2026. We feel if we have a rate hike it will be in December after the election. One of the main reasons to raise interest rates is to slow down the rise in inflation. Recently the Consumer price index measuring retail inflation came in over a 4% annual rate and the Producer Price index measuring inflation for the wholesalers came in over a 6% annual rate. Much higher than the 2% annual rate the President and Administration are aiming for that we experienced during Trumps first term. The Federal Reserve rate affects the interest rates charged on cars and housing loans. When Federal Reserve interest rates go up so do the interest rates on cars and Houses.

We feel that things will settle down and improve once we get past the elections in November and after that the war with Iran starts to wind down and end. We should then start to see oil prices begin to fall having a positive effect on our economy and the stock market.

If you have any questions or need a portfolio review to keep you on track with your investment or retirement plan, please call me.

Russell Colbert-Senior Portfolio Manager-888-878-0001

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___ Investing in Mutual Funds
___ Transferring or Rollover of IRA or retirement account
___ Review of my Investment Portfolio
___ Where to invest in 2027

Savings (IRA, 401(k), CDs, etc.):

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___ $10,001 - $50,000
___ $50,001 - $100,000
___ $100,001 - $500,000
___ $500,001 +

Investment Goals:

_____

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