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Our quarterly newsletter

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Q3 MARKET & ECONOMIC REVIEW

The third quarter was volatile but generally positive for Wall Street. The S&P 500 and Nasdaq advanced, while the Dow Jones Industrial Average and small-cap stocks, as measured by the Russell 2000, lagged. The major indexes again approached record levels in August and early September, although gains were concentrated among large-cap technology and artificial intelligence companies, creating a meaningful gap between index performance and the broader market.

Energy was the strongest-performing sector, supported in part by higher crude oil prices, while rising Treasury yields pressured bond prices. Despite the narrow market leadership, corporate earnings remained generally strong. Higher energy costs and tighter financial conditions also renewed concerns about inflation, adding to the uncertainty facing investors.

Despite persistent inflation, higher energy costs, tighter financial conditions, and geopolitical tensions, the U.S. economy remained resilient. Gross domestic product (GDP) grew at an annualized rate of 2.2% during the quarter, easing concerns about an economic contraction. Consumer spending and business investment remained areas of strength, while employment growth moderated. Manufacturing activity was relatively flat, and the housing market continued to face affordability and financing challenges.

Inflation remained above the Federal Reserve's 2.0% target during the third quarter. Both the Consumer Price Index (CPI) and Personal Consumption Expenditures (PCE) price index remained elevated, while core inflation, which excludes food and energy, moved modestly higher. Energy prices contributed to higher headline inflation, while shelter costs showed some moderation in July before increasing again in August.

Against this backdrop, the Federal Reserve raised its federal funds target range by 0.25 percentage points in September, to 3.75%–4.00%, citing elevated inflation and resilient economic activity. The hike was the Fed's first since 2023 and reflected renewed concerns that inflation could remain above its 2.0% target.

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MEDICARE ADVANTAGE CHANGES FOR 2027

Many seniors across the nation may face disrupted or discontinued Medicare Advantage plans for 2027 as major insurers pull back or restructure their offerings due to rising medical and pharmacy costs. Minnesota is among the states experiencing some of the most significant disruption.

KEY CHANGES FOR 2027

- **Widespread Discontinuations & Reductions:** Over 320,000 Minnesota seniors are impacted by plan cuts or exits from major insurers, including Blue Cross and Blue Shield of Minnesota, HealthPartners, Medica, UnitedHealthcare, and Humana. Wisconsin will see the exit of Aspirus Health Plan.
- **Fewer Plans Available:** The total number of Medicare Advantage plans in Minnesota is estimated to drop from 82 to 66 in 2027 (a 20% decline). Every county in Minnesota and Wisconsin will see at least one plan leave or change.
- **Higher Out-of-Pocket Costs:** Many plans are shifting higher copays and coinsurance to members.

WHAT AFFECTED MEMBERS SHOULD DO

- **Check your Annual Notice of Change or Non-Renewal Letter:** If your plan is ending or changing, your insurer is required to send you a notification with more information.
- **Review Enrollment Dates:** If your plan is discontinued, you can choose a new Medicare Advantage plan or other Medicare coverage during the enrollment period.
 - * Standard Annual Enrollment Period: October 15 to December 7, 2026.
 - * Special Enrollment Period for Displaced Seniors: December 8, 2026, through February 28, 2027.
- **Explore Your Options:** During the Enrollment Period, you can switch to a new Medicare Advantage plan (where available), return to Original Medicare (with guaranteed-issue rights to purchase a Medigap supplement plan without medical underwriting), or pick up a standalone Part D prescription drug plan.



NEED HELP?

Contact your health insurance broker or the Minnesota Health Insurance Agency. They can help review your options and identify the best available Medicare Advantage or Supplemental (Medigap) plan for your situation.

Eric Anderson
MN Health Insurance Agency
790 South Plaza Drive Suite #300
Mendota Heights, MN 55120

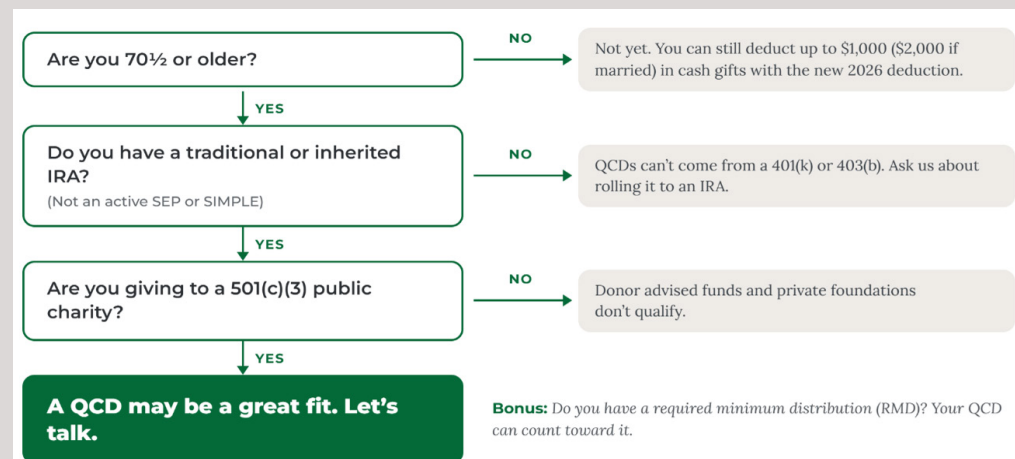
651-348-7220

www.minnesota-health.com

IS A QCD RIGHT FOR YOU?

THE SMARTEST WAY TO GIVE YOU MIGHT NOT BE USING

If you give to charity, a change in the tax law and a long-standing IRA rule could mean you're leaving money on the table. Start here to see whether this applies to you.



If you made it to the bottom of the flowchart, there's a much more powerful option available to you: the qualified charitable distribution, or QCD. Instead of taking money out of your IRA and then writing a check, you have your IRA send the gift directly to the charity. When your tax return is filed correctly, that money isn't counted as taxable income.

Picture a married couple in the 22% federal tax bracket who take the standard deduction, have a \$25,000

required minimum distribution (RMD) from their IRA, and give \$10,000 to their charity of choice each year. If they write a check to give the usual way, the new rule lets them deduct \$2,000 of that gift. The other \$8,000 gets no tax benefit, and all \$25,000 of their distribution is taxed.

Now suppose they send that same \$10,000 straight from their IRA to that charity as a QCD. None of the gift is taxable income, and it still counts toward their RMD. Instead of \$25,000 of taxable income from their IRA, they now have just \$15,000. (See illustration)

Depending on where you live, a QCD can lower your state income tax too.

The benefits can reach beyond your tax bill. Because a QCD lowers your income itself, it can even reduce how much of your Social Security is taxed and potentially help keep your Medicare premiums from moving into a higher tier in future years. The new deduction cannot accomplish either of those things.

You also don't have to pick one or the other. You can send your larger gifts as QCDs and still use the new deduction for the smaller checks you write during the year.

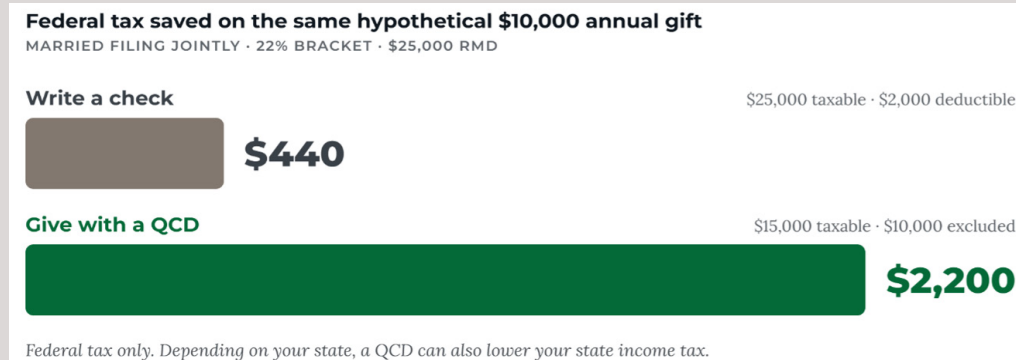
A FEW THINGS TO KNOW SO IT'S DONE RIGHT:

The money has to go directly from your IRA to the charity. If it passes through your bank account first, it doesn't count.

You can give up to \$111,000 per person in 2026. It has to be completed by December 31 to count for this year, and charities need time to receive and deposit the check.

That last point is why we're bringing this up now. If you plan to give before year end, let's get it set up in the next few weeks so it's handled well before the holiday rush. Give us a call and we'll help you decide whether a QCD makes sense for you and how much to send.

If you're under 70½, there's still good news. Starting this year, even if you take the standard deduction, you can deduct up to \$1,000 of cash gifts to charity, or \$2,000 if you're married filing jointly. For years, most people got no tax benefit at all from their giving, so this is a welcome change.



HSAs: A TRIPLE-TAX PERK WITH SHORT- AND LONG-TERM BENEFITS

A health savings account (HSA) is one of the most powerful savings and investment vehicles available to individuals and families; however, in order to take advantage of one, you must be enrolled in a qualified high-deductible health plan (HDHP) and not enrolled in Medicare. According to health policy research organization KFF, about 31% of companies that provide health benefits offered an HSA-eligible HDHP in 2025. In addition, people can purchase HDHPs via a health insurance marketplace.

While many people view an HSA simply as a way to set aside money for current medical expenses, it can also serve as a valuable retirement-planning tool. Thanks to its unique triple-tax advantage, an HSA offers benefits that few other financial strategies can match.

UNDERSTANDING THE TRIPLE-TAX ADVANTAGE

HSAs offer three opportunities to save on taxes:

- 1. Tax-deductible contributions:** Contributions made to an HSA are generally tax-deductible, helping reduce taxable income for the year. Contributions made via payroll deductions also avoid Social Security and Medicare payroll taxes, saving up to an additional 7.65%.
- 2. Tax-deferred growth:** Earnings generated within the account, including interest, dividends, and any potential investment gains, grow on a tax-deferred basis. That means that, unlike a savings or traditional brokerage account, participants don't have to pay taxes on earnings each year.
- 3. Tax-free withdrawals for qualified medical expenses:** Qualified withdrawals — i.e., those that pay for eligible health-care expenses — are not subject to federal income tax. Eligible expenses include doctor visits, prescriptions, dental care, vision care, and many other common health-care costs. In general, health insurance premiums are not qualified expenses with the exception of Medicare part B, D and Advantage premiums. (See IRS Publication 502 for a list of permissible expenses.)

Note that nonqualified withdrawals prior to age 65 are subject to income taxes and a 20% penalty tax.

SHORT-TERM BENEFITS

With an HDHP, participants typically pay a lower monthly premium in exchange for a high out-of-pocket deductible (see table). An HSA is often used to help individuals manage eligible deductible expenses. Combined with the immediate tax deduction associated

with contributions, an HSA can be an effective tool in an overall financial plan.

Because HSA money belongs to the account owner, unused funds do not expire at the end of the plan year. That means that if participants don't have many health-related expenses or need the money to help pay them, the account can continue to grow.

LONG-TERM WEALTH-BUILDING POTENTIAL

Participants can also use the account as a reserve fund for future health-care expenses, which tend to increase as a person ages. In fact, once a balance reaches a certain threshold, many HSA providers allow account holders to invest the money. Investment earnings can compound tax deferred over time, potentially creating a substantial pool of assets to help manage future costs.

Participants should consider investment objectives, risks, charges, and expenses associated with available investment options before making any decisions. In addition, there is no guarantee that any investment strategy will be successful.

After age 65, HSA funds can be withdrawn for non-medical purposes without the 20% penalty, although ordinary income taxes will still apply. Essentially, the HSA will be treated like a traditional retirement savings account, providing additional financial flexibility.

HSA CONTRIBUTION LIMITS

The IRS adjusts HSA contribution limits annually for inflation. Below are the current limits for 2026 and 2027.

COVERAGE	2026	2027
Self-only HDHP coverage	\$4,400	\$4,500
Family HDHP coverage	\$8,750	\$9,000
Additional catch-up contribution (age 55 or older)	\$1,000	\$1,000

A VALUABLE TOOL FOR FINANCIAL WELLNESS

As health-care costs continue to rise, maximizing HSA contributions can be a smart way to help manage both current financial wellness and long-term financial security. For those who qualify, the HSA remains one of the most versatile and tax-efficient accounts available.

GHOST TAPPING SCAMS ARE ON THE RISE: WHAT YOU NEED TO KNOW

As tap-to-pay technology becomes more common, scammers are finding new ways to take advantage of it. One emerging scam is known as ghost tapping. While the name may sound like something out of a scary movie, the consequences can be very real.

Tap-to-pay technology is designed to make payments quick and convenient. Whether you use a contactless bank or credit card or a smartphone wallet, the systems rely on near-field communication, or NFC, to send payment information when placed near a card reader. It's typically a faster, more secure way of paying that is protected by layers of encryption.

Unfortunately, criminals are always looking for new ways to take advantage of consumers and have begun to use contactless payment technology to steal money and personal data. In a ghost tapping scam, fraudsters use hidden card payment readers, fake terminals, or compromised devices to trigger an unauthorized contactless transaction. In some cases, they may try to get close enough to a person's wallet, pocket, or handbag to read a contactless card. In others, they use social engineering to trick someone into tapping their phone or card against a fake or altered payment terminal. Some scams may also involve stolen card details being loaded onto a fraudster's digital wallet and then used to make contactless purchases.

While the idea of someone stealing your money with a quick tap sounds frightening, most major banks and card providers have security systems that monitor unusual account activity, and many contactless transactions are limited in value. In addition, mobile wallets typically require facial recognition or a passcode before payment is approved. Still, there are steps consumers can take to help reduce the risk of falling victim to a ghost tapping scam, such as:

- Keep your cards and phone secure, especially in crowded places, such as airports, shopping centers, and public transportation.
- Be cautious if someone carrying a device gets unusually close to you for no obvious reason.
- See if your bank offers card controls through its online app and consider using contactless features only when necessary.
- Check your account regularly for fraudulent activity and set up fraud alerts with your bank or credit card provider so you are notified of any suspicious card activity.
- Consider using a wallet with RFID-blocking technology.

If you are targeted by a ghost tapping scam, contact your bank or credit card provider immediately and request that they freeze/cancel your card. You should also update any passwords that are linked to your banking and digital wallet accounts.

Ultimately, Tap-to-pay technology offers convenience and security, but staying alert and monitoring your accounts can help you spot suspicious activity early and protect your money.



BEWARE OF SCAMMERS IMPERSONATING SCHWAB EMPLOYEES

A growing threat in the financial services industry involves fraudsters impersonating employees. Schwab has had reports of bad actors claiming to be employees of Schwab, including Schwab Fraud investigators, Schwab Security, Financial Consultants, or another internal Schwab team to obtain sensitive information, gain online access, capture authentication codes, or convince individuals to move money. These schemes may include fabricated stories, realistic-looking websites or articles, spoofed phone numbers, urgent account warnings, and unsolicited links.

RECENT AWARENESS

Schwab has received reports of scammers calling clients while impersonating Schwab and asking them to "verify" suspicious transactions through links. As a reminder, Schwab will never ask you to confirm fraud through an unsolicited link, and will not unexpectedly contact you to request online credentials, passwords, one-time passcodes, authentication codes, remote access to a device, or movement of funds to a "safe" account.

BEST PRACTICES:

- Verify independently by contacting Schwab or our office through a trusted number, such as the number on your statement, Schwab Alliance, or our office number (651-379-4803).
- Be cautious of unsolicited phone calls, emails, or text messages.
- Do not rely on caller ID; phone numbers and names can be spoofed.
- Never provide sensitive information, including Social Security numbers, dates of birth, account numbers, usernames, any passwords, one-time passcodes, authentication codes.

RESOURCES

- For more resources on protecting yourself against fraud and what Schwab is doing to help protect your accounts, please visit www.schwab.com/schwabsafe
- To report suspected fraud to Schwab call 877-862-6352

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