BWM Monthly

Investing Through Understanding™

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The Consumer Blues Have Yet to Derail the U.S. Economy

Household spending accounts for more than two-thirds of all U.S. economic activity. This is why businesses, investors, and policymakers — including Federal Reserve officials who must determine when and how much to lower interest rates — pay close attention to how consumers are feeling about the economy. The University of Michigan's index of consumer sentiment, a psychological gauge based on monthly surveys, historically has risen during periods of economic expansion and fallen sharply at the beginning of recessions.

Since the pandemic, however, there has been a perplexing disconnect between how Americans say they feel about their financial prospects and how much they spend. In May 2026, consumer sentiment fell to an all-time low and improved only slightly in the following months, while the U.S. economy continued to grow at a modest 2.2% annual rate in the second quarter.



Index value Q1 1966 = 100; *Shaded areas represent periods of economic recession.*

Sources: U.S. Bureau of Economic Analysis, 2026; Surveys of Consumers, University of Michigan, 2026 (data from January 1978 to September 2026)

Help Clarify Your Retirement Goals with an Elevator Pitch

Imagine stepping into an elevator and realizing that you're about to spend the 30-second ride with someone who could make your retirement dreams come true — if only you could explain them before the doors open again. How would you summarize your financial situation, outlook, aspirations, and plans if you had 30 seconds to make an elevator pitch about achieving one of your most important goals?

Answering that question — and formulating your own unique retirement vision — could help bring your dreams for the future into sharper focus.

What are your goals?

Start with an overview of what you hope to accomplish. That typically includes describing what you want, when you want it, and why. For example, you might say, "My goal is to retire in 10 years and move to a different city to be closer to family." Or, "In the next 15 years, I need to save enough money to retire from my regular job and open a part-time business without sacrificing my current lifestyle."

If your plans include sharing life with a loved one, make sure you're both on the same page. Rather than assume you have similar ideas about retirement, discuss what you want a future together to look like.

How much will you need?

To put a price tag on your retirement vision, consider working with a financial professional to calculate how much money you'll need. Making multiple calculations using different variables — such as changing your anticipated retirement date and potential investment growth rate — could help you develop a better understanding of the challenges and opportunities you may encounter.

If your calculations indicate you may be facing a retirement savings shortfall, revisit your spending habits to help find ways to save more money. Make a list of your fixed expenses and then keep track of your discretionary purchases every day for a month. It might be startling to realize how much you routinely spend on non-essential items, but you'll quickly discover exactly where to start applying more financial discipline.

How will you save?

You'll need to manage the funds you earmark for retirement by choosing the types of accounts to use and allocating your money within each account. If you have access to an employer-sponsored retirement account with matching contributions from your employer, you might want to start there and then invest in additional tax-deferred and taxable investments.

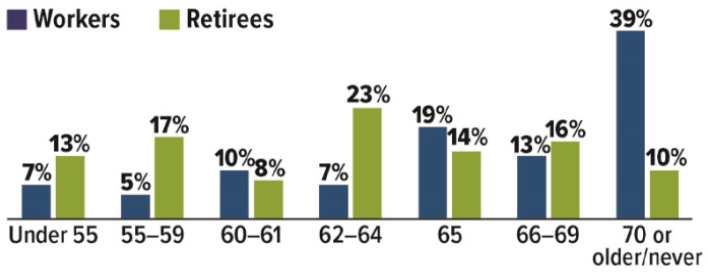
Regardless of the types of accounts you choose, your specific investment decisions should reflect your personal tolerance for risk and time frame, while addressing the priorities outlined in your retirement elevator pitch.

Will life surprise you?

It's important to remember that plans might not work out the way you intend. For example, you might decide to retire earlier than planned because of health challenges, job loss, burnout, or if you are more financially secure than you expected to be. Or, you might decide to delay retirement because you enjoy working or need additional income. Anticipating the possible implications of a change in plans could make it easier to adjust your finances accordingly.

Retirement Age Expectations Don't Always Match Reality

A survey found that there is often a significant gap between when workers expect to retire and when retirees reported they actually retired.



Source: Employee Benefit Research Institute, 2026

And don't forget, if your retirement outlook changes at any point, take a fresh look at your investment strategy to make sure you're still potentially on course.

All investing involves risk, including the possible loss of principal. There is no guarantee that any investment strategy will be successful. Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. There is no assurance that a model will be accurate. Because of the many variables involved, an investor should not rely on models without realizing their limitations. There is no assurance that working with a financial professional will improve investment results.

Retirees: Here's One Financial Move for Three Different Objectives

As fall transitions to winter, many retirees turn their thoughts to certain specific year-end objectives: supporting favorite charities, taking a required minimum distribution (RMD), and preparing for tax season. If you find yourself among this group, consider that a qualified charitable distribution (QCD) can help you tackle all three objectives at once.

Support your favorite charities

A QCD allows you to donate money directly from your traditional IRA to an eligible 501(c)(3) public charity.

If you're age 70½ or older, you can use a QCD to donate up to $111,000 in 2026. If you're married and your spouse also meets the age requirement, each of you may make a QCD from your own IRA, potentially doubling the donation. This high annual dollar limit allows you to build into your overall financial strategy a plan for providing strong support to the charities of your choice.

A few caveats, however: QCDs can be made only from eligible IRAs (generally, traditional IRAs other than SEP and SIMPLE IRAs), and the recipient must be an eligible public charity. Distributions to private foundations, donor-advised funds, and certain supporting organizations don't qualify. In addition, a QCD must be made directly from your IRA to the organization; you can't take a distribution, write a personal check, and claim it as a QCD.

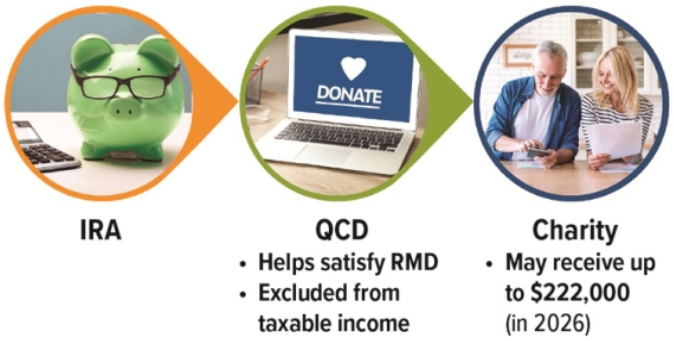
Help manage your RMDs

Once you reach a certain age (73 or 75, depending on year of birth), you must begin taking RMDs annually from traditional IRAs.* The required amount is typically calculated by dividing the value of your IRA as of December 31 of the previous year by a life expectancy factor determined by the IRS. If you have multiple IRAs, an RMD must be calculated separately for each one. The total amount can then be taken from one or a combination of different IRAs.

How do QCDs fit into this equation? Quite simply: QCDs can be used to satisfy your annual RMD. For example, if your RMD for 2026 is $25,000, you can instruct the IRA custodian to direct all or part of the amount to an eligible charity through a QCD.

A word of caution, though: You can't take your RMD first and later decide to treat those dollars as a QCD. Under the IRS "first-dollars-out" rule, the first distributions you receive each year are applied toward satisfying your RMD. Once you've taken the money, you can't retroactively convert it into a QCD.

Benefits of a Qualified Charitable Distribution



Prepare for tax season

A key point about RMDs is that the tax-deferred portion of the distribution is generally subject to ordinary income taxes. Depending on the amount of the RMD, it could potentially push you into a higher tax bracket, render Social Security benefits taxable, and result in higher Medicare premiums. In addition, failure to take an RMD can result in a substantial tax penalty of 25% of the amount not taken (10%, if corrected in a timely manner).

One of the biggest advantages of a QCD is that the amount is excluded from your taxable income, which means it can meet your RMD requirement while generally not affecting your tax situation (or Medicare premiums).

In addition, a QCD is treated as coming first from the taxable portion of your IRA, even if you've also made nondeductible contributions over the years. By contrast, RMD amounts distributed directly to you are subject to the pro-rata rule, which states that you must receive a proportional share of both taxable and nontaxable amounts.

Because the distribution is excluded from your taxable income, you can't also claim it as a charitable deduction for federal tax purposes.

One move, three potential benefits

As you think about your year-end financial objectives, consider that a QCD may be an effective way to support a favorite charity, satisfy your annual RMD, and help manage your tax bill. However, also bear in mind that not all charitable organizations are able to use all possible gifts. It is prudent to check first. Before taking any action, be sure to consult your tax professional.

*Certain employer plan accounts are also subject to RMDs; however, you cannot make QCDs from employer plans. RMDs are not required from Roth accounts.

Practical Tips to Help You Have a Stress-Free Holiday Season

The holidays can be joyful, but they can also put pressure on you and your budget. Some careful planning can help you save money and avoid common holiday headaches.

Start with a budget. To help keep your holiday spending under control, start with a budget. Decide who you'll buy gifts for, and include additional items like decorations, food, and travel. Along the way, keep track of your spending to make sure you are staying within your limits. Look for additional ways to save by monitoring sales and comparing prices before you make a purchase.

Plan for holiday tipping. Tipping is a way to say "thank you" to the people who make your life easier throughout the year, such as housekeepers, personal care providers, and building staff. Cash is often most appreciated, but a thoughtful gift or handwritten note can also be meaningful.

Shop online safely. Online shopping is popular during the holidays, but it also attracts cybercriminals. Before making an online purchase, make sure you are shopping on a secure and legitimate website by looking for "https" in the URL, which indicates a secure connection. You can further help protect yourself by keeping your devices updated, using strong passwords and multi-factor authentication, and looking out for phishing emails or suspicious package delivery messages.

Use caution with gift cards. Gift cards are a convenient way to give, but they are also a favorite target for scammers. To help protect yourself, always inspect cards for tampering, ask for a gift card receipt, and only purchase cards from trusted retailers and reputable websites.

Protect your packages. Package thieves, sometimes called "porch pirates," are a growing problem, especially around the holidays. To potentially avoid package theft, use surveillance systems, such as security cameras or video doorbells, closely monitor the progress of your package deliveries, and arrange for packages to be sent to a secure location if you aren't going to be home, such as a neighbor, your workplace, a parcel locker, or a store pickup site.

Remember to keep it simple. The holidays can be a good time to find joy in simple pleasures and to create meaningful traditions based less on spending and more on making connections. Instead of solely buying physical gifts, consider gifting shared experiences, such as tickets to a holiday show or a special family meal together. These experiences generally cost less than an assortment of gifts and can help create lasting memories.

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