

Financial WISDOM



FALL 2025



INVESTMENT CORNER

RATES LOWER, STOCKS HIGHER, WHAT'S NEXT?

In the third quarter of 2025, equity markets delivered strong results across the board. The S&P 500 Index gained 8%, the Dow Jones Industrial Average rose nearly 6%, the Nasdaq jumped 11%, and international stocks, as measured by the MSCI EAFE Index, advanced 5%.

The rally was fueled by the Federal Reserve's rate cut in September, as investors anticipated accommodative monetary policy would lower borrowing costs and support corporate profits, consumer demand and economic growth. Optimism around artificial intelligence and technology also played a role, with investors continuing to reward companies seen as leaders in innovation and productivity gains.

At the same time, corporate results proved more resilient than expected—earnings growth came in stronger than expected across several sectors, balance sheets remained healthy, and companies showed an ability to manage costs despite ongoing inflationary pressures. Finally, the U.S. gross domestic product rose 3.8% in the second quarter,¹ which was higher than previously thought due to stronger-than-expected consumer spending.

For the year, the S&P 500 has increased 15% through September, while the MSCI EAFE Index of international stocks has risen 25%. With the tech rally fueling the S&P 500's return, it's no surprise that stocks in the Communication Services and Technology sectors increased the most. Both sectors have rallied more than 20% on a year-to-date basis through September. On the other hand, the weakest sectors have been Health Care and Consumer Staples, gaining less than 4% each in the same period.

Continued on page 2.

IN OUR FALL 2025 ISSUE

We hope you enjoy this edition of our newsletter where you'll find:

- Financial Tips for Families
- Your Spending Game Plan in Retirement
- Understanding Target-Date Funds

As always, Jemma Financial is here to help you meet your financial goals.

MARKET PERFORMANCE

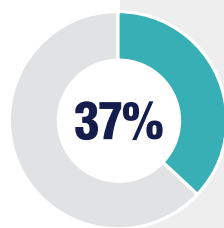
% as of September 30, 2025

	1 YR	3 YR*	5 YR*
Dow Jones	11.50	19.63	12.98
S&P 500	17.60	24.94	16.47
Nasdaq	25.42	29.92	16.07

*Average annual total return. Past performance is no guarantee of future results.
Source: Morningstar.

Given strong market performance for the past three years, uneven sector returns may have unintentionally increased investors' portfolio exposure to more growth-oriented stocks, especially technology companies.

Regularly rebalancing portfolios can help reduce risk and improve long-term outcomes by staying diversified. Your Jemma Financial Advisor is always available to ensure that your portfolio stays aligned with your short- and long-term goals.



The **TOP 10 STOCKS** in the **S&P 500** are primarily **tech-focused** and currently make up **37%** of the composition of the **S&P 500!**

FROM DIAPERS TO DIPLOMAS

NEW BABY? FINANCIAL TIPS FOR FAMILIES

Welcoming a new baby is a life-changing experience that brings both joy and new financial responsibilities. Parents need to balance everyday expenses with long-term planning, while grandparents have an opportunity to help support the family—financially or by sharing lessons from their own investing journeys.

Here are financial tips for both parents and grandparents:

BUILDING A SAFETY NET

Family life is full of surprises, making financial preparation a top priority. For parents, focus on fortifying an emergency fund—ideally 3 to 6 months of essential expenses—to weather unexpected costs or job changes. Grandparents can play a stabilizing role, whether by setting aside funds earmarked for emergencies or encouraging their children to save and invest.

For both parents and grandparents, it's a good idea to review and update Wills and guardianship provisions to include the family's newest member.

INVESTING FOR TOMORROW

The rising cost of education means saving early is essential. For a child born this year, assuming costs rise 4% annually, the average annual in-state price of a 4-year public college could total over \$200,000 for tuition, fees, housing, and meals when they reach college age. A private 4-year education could top \$500,000. Beginning a saving program early allows more time for compounding to work in your favor.

Both parents and grandparents can open and contribute to tax-advantaged accounts such as a 529 education plan. Grandparents can also help financially by establishing a custodial account, brokerage account, or a milestone gift such as help with a first car or future down payment of a house. Each grandparent can gift up to \$19,000 per grandchild without gift tax consequences in 2025.

TAKING THE FIRST STEP

Together, families can provide both the resources and the wisdom needed for future success. Your Jemma Financial Advisor can help you map out a plan to secure your child's—or grandchild's—future, from the time they are in diapers to the day they receive their diploma.

Did you know that the funds from 529 plans can be used for K-12 education as well as college?

529 accounts allow families to save for future education costs while providing Federal and state tax advantages, and the money can be withdrawn for qualified educational expenses without paying tax on investment gains.

Up to \$10,000 per year of 529 Plan funds can be used for private, public and parochial school tuition for elementary and secondary students without incurring Federal taxes or penalties.

Most states have also adopted the Federal tax law allowing for tax deductions or income tax breaks for 529 contributions. However, certain states do not consider K-12 tuition a qualified expense, so check your state's rules and regulations before opening an account to fully understand the tax advantages.



YOUR RETIREMENT SPENDING GAME PLAN

Retirement is often seen as a reward after decades of work, bringing flexibility and time to a once routine-oriented schedule. Although many people prioritize saving and managing their investments, far fewer take the time to plan how they'll access their retirement funds once their regular paychecks end. Making the shift from earning a steady income to relying on retirement savings demands thoughtful and strategic planning.

A common question for retirees is how much of their savings can they safely spend each year without running out of money? One factor to consider is how expenses vary with age. Retirement spending for many people tends to follow a pattern:



Early Retirement: Many retirees spend more on travel, hobbies, and lifestyle activities while their health is good. This time of life often includes bucket-list trips, home renovations, or investing in experiences that were harder to pursue during working years.



Mid-Retirement: During mid-retirement, there tends to be a natural slowdown in activity. Spending often levels off as travel becomes less frequent and routines become more home-based. Retirees may still enjoy dining out and time with family, but overall expenses are usually more predictable during this stage.



Late Retirement: Lifestyle spending often declines further; however, this is also the phase when health care, prescription drugs, and potential long-term care needs can arise, offsetting the reduction in discretionary spending.

Because spending changes throughout your retirement, it's important to match your withdrawal strategy to these phases of retirement.

AVERAGE ANNUAL HOUSEHOLD SPENDING BY AGE

AGE 45-54	\$97,319
AGE 55-64	\$83,379
AGE 65-74	\$65,149
AGE 75+	\$53,031

Source: U.S. Bureau of Labor Statistics, 2023.

YOUR RETIREMENT PLAYBOOK

When coming up with your spending game plan, look at your overall retirement picture, taking into consideration:



Sources of income: Make sure to factor in all income sources including Social Security, pensions, or annuity payments in addition to retirement and taxable accounts.



Taxes: Withdrawals from different accounts—Traditional Individual Retirement Accounts (IRAs), 401(k)s, Roth IRAs, or taxable investments—can create very different tax bills. Coordinating withdrawals can help minimize taxes and preserve savings.



Required Minimum Distributions: RMDs dictate how much you must withdraw from certain tax-advantaged retirement accounts, such as Traditional IRAs, 401(k)s, or 403(b)s, once you reach a certain age. Retirees may need to manage RMDs in a way that minimizes tax consequences.



Health-care costs: Medical expenses, particularly in later years, can rise faster than general inflation. Building flexibility into your withdrawal plan can help cover these expenses as you age.

Withdrawing money in retirement involves more than just taking funds from your accounts. Your Jemma Financial Advisor can help you plan a smart, personalized strategy that fits your retirement plans. Importantly, now it's time to savor the rewards and enjoy the retirement lifestyle you've worked so hard to earn!



UNDERSTANDING TARGET-DATE FUNDS

Target-date funds have taken center stage in workplace retirement plans including 401(k)s and 403(b)s, with fund assets climbing to an impressive \$4 trillion in 2024.

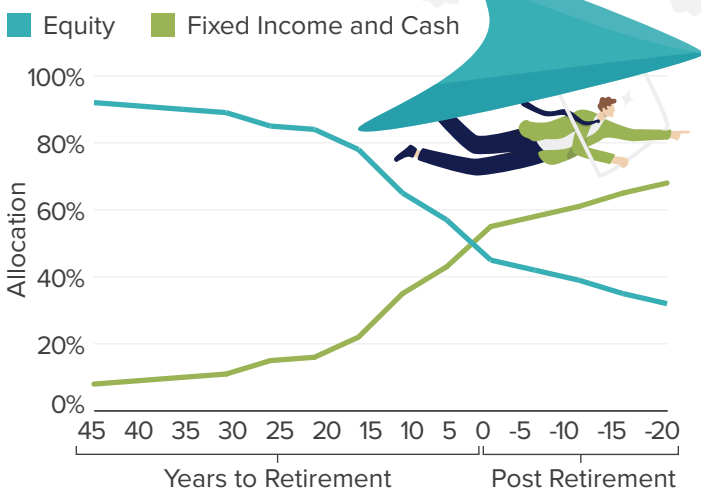
Target-date funds were built to make retirement investing effortless—offering a “set-it-and-forget-it” strategy that automatically adjusts over time, so investors can focus less on managing their portfolios.

Let's take a closer look at how target-date funds work.

WHAT IS A TARGET-DATE MUTUAL FUND?

A target-date fund holds a mix of securities and asset classes—primarily stocks, bonds, and cash—that gradually shifts based on a specified retirement date, usually noted in the name (for example, “2045 Target-Date Fund”). Early in the investment horizon, these funds tend to hold a higher percentage of equities to seek capital appreciation. As the date for needing the money approaches (usually near retirement), the fund gradually changes toward more conservative investments, such as bonds and cash equivalents, to reduce volatility and preserve capital.

AVERAGE ASSET ALLOCATION GLIDE PATH TO AND THROUGH RETIREMENT^{2,3}



THE GLIDE PATH

The glide path is the rate and style at which the asset mix changes from stocks to bonds and dictates the risk profile over time. While many investors assume the composition of all funds with the same target year are similar, this is generally not the case. Different fund managers use different glide paths, reflecting their views on risk tolerance, market conditions, and retirement spending needs.

For example, some funds may maintain a higher equity exposure even after retirement, targeting long-term growth, while others may prioritize capital preservation.

FACTORS TO CONSIDER WHEN SELECTING TARGET-DATE FUNDS

- 1 Retirement Year.** Generally, target-date series is divided into 5-year increments (2030, 2035, 2040, etc.). Select the target-date fund year closest to your expected retirement date.
- 2 Asset Allocation in Retirement.** A target-date fund's mix of assets will either remain static at expected retirement (a "To" retirement fund) or continue to change through expected retirement (a "Through" retirement fund), becoming more conservative and income-oriented.

Target-date funds are well-suited for investors seeking a ready-made, hands-off approach to retirement investing. They can serve as the cornerstone of a broad-based retirement portfolio, complemented by other savings vehicles such as Individual Retirement Accounts, Health Savings Accounts or taxable accounts for additional diversification. Your Jemma Financial Advisor can help bring these various accounts together into one cohesive plan based on your financial situation.

Did You Know?

If target-date funds were a country's gross domestic product, it would be the fifth-largest in the world at \$4 trillion, ranking behind only the U.S., China, Germany, and Japan.²

¹ Bureau of Economic Analysis. ² Morningstar Manager Research Insights, 2025 Target-Date Fund Landscape. ³ Represents the average asset allocation of all target-date funds as of 2024.

Past performance is no guarantee of future results.

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