

Financial WISDOM



WINTER 2026



INVESTMENT CORNER

A THIRD CONSECUTIVE YEAR OF STOCK GAINS

2025 was a very strong year for investors, with gains across equities, fixed income, and commodities. During the year, the S&P 500 Index increased nearly 18%, the tech-heavy Nasdaq was up 21%, and the Bloomberg US Aggregate Bond Index climbed 7%. This marked the third consecutive year of double-digit returns for U.S. equities, as measured by the S&P 500.

Equities abroad performed even better. The MSCI EAFE Index, which tracks developed international markets, climbed 31% in 2025, benefiting investors with globally diversified portfolios.

On the commodity side, gold and silver had their strongest annual performances since 1979, with silver dramatically outperforming. Silver surged over 140%, fueled by strong industrial demand and persistent supply deficits. Gold rallied 64%, supported by expectations of Federal Reserve interest rate cuts, inflation concerns, heightened geopolitical risk, and robust central-bank buying.¹ Historical context is important, as over long horizons, broad commodity investments have generally delivered much lower returns than stocks, with similar or higher levels of volatility.

U.S. equity gains were widespread across sectors. All S&P 500 sectors posted positive returns, with eight of 12 rising more than 10%. Communication Services and Information Technology led the market, increasing 33% and 24%, respectively, supported by continued enthusiasm around artificial intelligence (AI) driven growth and expectations for lower interest rates. Industrials gained 19% as “pick-and-shovel” companies benefited from the physical infrastructure buildup required to support these themes.

IN OUR WINTER 2026 ISSUE

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

- **Navigating Today's Big Purchases**
- **Key Tax Changes**
- **Contribution Limits**

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

MARKET PERFORMANCE

% as of December 31, 2025

	1 YR	3 YR*	5 YR*
Dow Jones	14.92	15.36	11.58
S&P 500	17.88	23.01	14.42
Nasdaq	21.14	31.43	13.35

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

ROBUST RETURNS 3 YEARS IN A ROW FOR THE S&P 500

2023 26.29%

2024 25.02%

2025 17.88%

Source: Morningstar.

REWIND 2025

It's worth remembering that even in a strong year like 2025, markets still saw a sharp correction that tested sentiment. After reaching a record high on February 19, the S&P 500 sold off in early April following President Trump's "Liberation Day" tariff announcement. From peak to trough, the Index fell just under 20%. Even with the volatility, markets rebounded quickly, and by the end of the second quarter, major indexes had recovered and finished at a record high.

In the second half of the year, the rally was fueled in part by two Federal Reserve rate cuts, as investors anticipated easing monetary policy would lower borrowing costs and support corporate profits, consumer demand and economic growth. Optimism around AI and technology also played a role, with investors continuing to reward companies seen as leaders in innovation and future productivity gains.

While investors are certainly appreciative of the various markets' strong performance over the past several years, it is prudent to maintain a well-diversified portfolio throughout all market cycles. At Jemma Financial, we partner with you to keep your portfolio aligned with your goals, time horizon, and risk tolerance, adapting as your financial objectives or circumstances evolve.



FIRST-TIME HOMEOWNERSHIP IS TAKING LONGER

One of the most telling indicators is the changing profile of first-time homebuyers. As shown below, they represent a small portion of current home purchases. In addition, the typical first-time buyer age rose to a record high of 40 years old, reflecting how affordability may be delaying potential entry into homeownership.⁵ In comparison, the typical first-time homebuyer in the 1980s was in their late 20s.

21%
OF HOME SALES
were first-time
buyers—the lowest
share since 1981.*

*Based on home purchases from July 2024 through June 2025

Several affordability headwinds help explain this change. Elevated mortgage rates above 6% increase monthly payments and reduce the price range younger buyers can afford. At the same time, loan qualification has become more challenging due to credit requirements, debt-to-income standards, and larger down payments—especially for first-time buyers without home equity.

As a result, homeownership has become a longer-term goal requiring careful preparation.

In order to spend less than **30% of gross income** on **HOUSING PAYMENTS**, annual **gross income** would need to be about **\$115,000.**⁴



VEHICLE AFFORDABILITY HAS ALSO BECOME A MAJOR OBSTACLE

Housing is only part of the challenge. Buying a new automobile has become increasingly expensive as well. The average transaction price of a new car in 2025 totaled over \$50,000, with affordability emerging as a primary concern, especially for lower-income families.⁶

Interestingly, Americans bought more new cars priced over \$75,000 than under \$30,000 in November 2025.⁷ To manage monthly payments, many buyers are taking on longer loan terms, which can increase the total cost of ownership and limit financial flexibility.

In 2025, some lower-income consumers struggled to afford payments. In fact, 6% of subprime auto loan payments were 60 days or more overdue, while delinquency rates for other borrowers remained relatively steady.

For Millennials (born between 1981 and 1996) and Generation Z (born between 1997 and 2012), these trends often lead to alternative transportation options, heavier reliance on used vehicles, or keeping current cars longer than planned—especially when combined with housing costs, student loan obligations, and overall cost-of-living pressures.

\$760
is the estimated
**average monthly
CAR PAYMENT**
and **terms** for
some loans reach
100 months.⁸

THE IMPORTANCE OF Financial Planning

These challenges require a plan that focuses on measurable steps to improve readiness and reduce borrowing costs, such as:

- » Work on improving your credit score so it's easier to get approved for a loan and qualify for lower interest rates.
- » Set up an automatic savings account to save for a down payment for larger purchases and have a cushion for unexpected expenses.
- » Start smaller if possible. A starter home or more modest option can be a first step into homeownership.
- » Avoid hefty car loans with long repayment schedules as stretching payments usually costs more overall and can limit your budget later.

For parents or grandparents looking to help younger buyers with saving for these large purchases, consider tax-smart strategies such as gifting. This allows parents or grandparents to provide meaningful help over multiple years.

\$19,000
PER RECIPIENT, PER DONOR
is the **tax-free 2026 annual gift exclusion.**

THE BOTTOM LINE

Buying a first home or a car is more expensive than in past decades. The result is that Gen Z and Millennials are reaching these milestones later. With realistic expectations and sound planning, many younger adults can still build wealth and make progress toward their short- and long-term goals.

Did You Know?



As of July 2025, **\$31.9 MILLION 401(K) accounts** were considered abandoned.

The balance in these left-behind accounts averaged nearly **\$67,000.**⁹

Scan the QR code to learn about your options if you have a 401(k) from a past job.



TAX CHANGES

KEY HIGHLIGHTS FOR 2026

Knowing what's changed can help you plan with confidence.

TAX DEDUCTIONS FOR CHARITABLE CONTRIBUTIONS

Taxpayers who take the *standard* deduction will be able to claim a new deduction for cash contributions made directly to qualified public charities. Single filers can deduct a maximum of \$1,000; \$2,000 for married couples filing jointly.

Taxpayers who *itemize* deductions can only deduct the portion of their total charitable contributions that exceeds 0.5% of their Adjusted Gross Income (AGI). For example, a taxpayer with a \$200,000 AGI can only deduct contributions above the first \$1,000 of their donations.

SENIOR BONUS DEDUCTION

Starting in the 2025 tax year, eligible taxpayers who are 65 or older by December 31, 2025, can claim an additional deduction to reduce taxable income. This temporary deduction is authorized for tax years 2025 through 2028. Single filers may deduct up to \$6,000, and married couples filing jointly may deduct up to \$12,000, subject to income-based phaseouts. The deduction applies whether you take the standard deduction or itemize and is added on top of the existing additional standard deduction for seniors (\$2,000 for single filers and \$1,600 per spouse for the 2025 tax year).

HIGHER EARNERS & CATCH-UP CONTRIBUTIONS TO 401(K)S

Employees age 50 and older have the ability to make "catch-up" contributions to their 401(k) or 403(b) account. However, beginning on January 1, 2026, those workers with 2025 wages totaling \$150,000 or more will need to put those catch-up contributions in a Roth 401(k) account. This means the contributions will be made with after-tax dollars and the withdrawals in the Roth 401(k) account will be tax-free.¹⁰

When it comes to investing for retirement, education or current income, take tax-smart steps.

2026 CONTRIBUTION LIMITS

■ Contribution Limit ■ Catch-Up for Age 55+
■ Catch-Up for Age 50+ ■ Catch-Up for Age 60-63

401(K), 403(B), 457(B) AND TSP

\$24,500 **\$8,500** **\$3,250**

SIMPLE IRA AND SIMPLE 401(K)

\$17,000 **\$4,000** **\$1,250**

TRADITIONAL AND ROTH IRA

\$7,500 **\$1,100**

INDIVIDUAL HEALTH SAVINGS ACCOUNT

\$4,400 **\$1,000**

FAMILY HEALTH SAVINGS ACCOUNT

\$8,750 **\$1,000**

Source: Internal Revenue Service

2026 INVESTMENT STRATEGY IDEA

Don't have **\$7,500** to invest in an IRA all at once? Keep it budget-friendly: Set up automatic deposits into an investment account and start with a small, consistent amount.

\$624
MONTHLY



\$288
BI-WEEKLY

If you have a 401(k) or 403(b), then you're already using this strategy because you are contributing a set percentage of your paycheck to your retirement account every pay period.

Ready to develop your own systematic purchasing plan? Talk to a Jemma Financial Advisor.



1 The Wall Street Journal, 12/31/25. 2 U.S. Government Accountability Office, 8/14/24. 3 National Association of Realtors, 11/25. 4 Redfin, 1/6/25. 5 National Association of Realtors, 11/4/25. 6 Kelly Blue Book, 10/13/25. 7 Kelly Blue Book, 12/10/25. 8 J.D. Power, 11/20/25. 9 Capitalize Money, 9/25. 10 To make a qualified withdrawal you must have had your first contribution to the Roth 401(k) for at least five tax years. Modified Adjusted Gross Income (MAGI) is an individual's adjusted gross income (AGI) plus certain deductions and excluded income.

Past performance is no guarantee of future results.

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