



ALBION
FINANCIAL
GROUP

Guiding clients to
a lifetime of good
financial decisions



OCTOBER 2025

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INTRODUCTION

Welcome to our third-quarter update, where we reflect on the key events that shaped the past quarter and share insights to help you prepare for the months ahead. First, “From the Desk of Liz Bernhard,” Albion’s President and Senior Wealth Advisor balances subjective investor sentiments with the stronger realities of hard economic data. Then, Chief Investment Officer Jason Ware analyzes and interprets recent economic events to provide an assessment of our current trajectory. And Senior Wealth Advisor Jackson Watson makes his debut in the “Planner’s Corner” by framing the remainder of the year around a checklist of practical financial planning considerations. Finally, don’t miss the final segment of this letter to meet the newest member of our team and for registration details to our Fall Conference Call on October 29th.

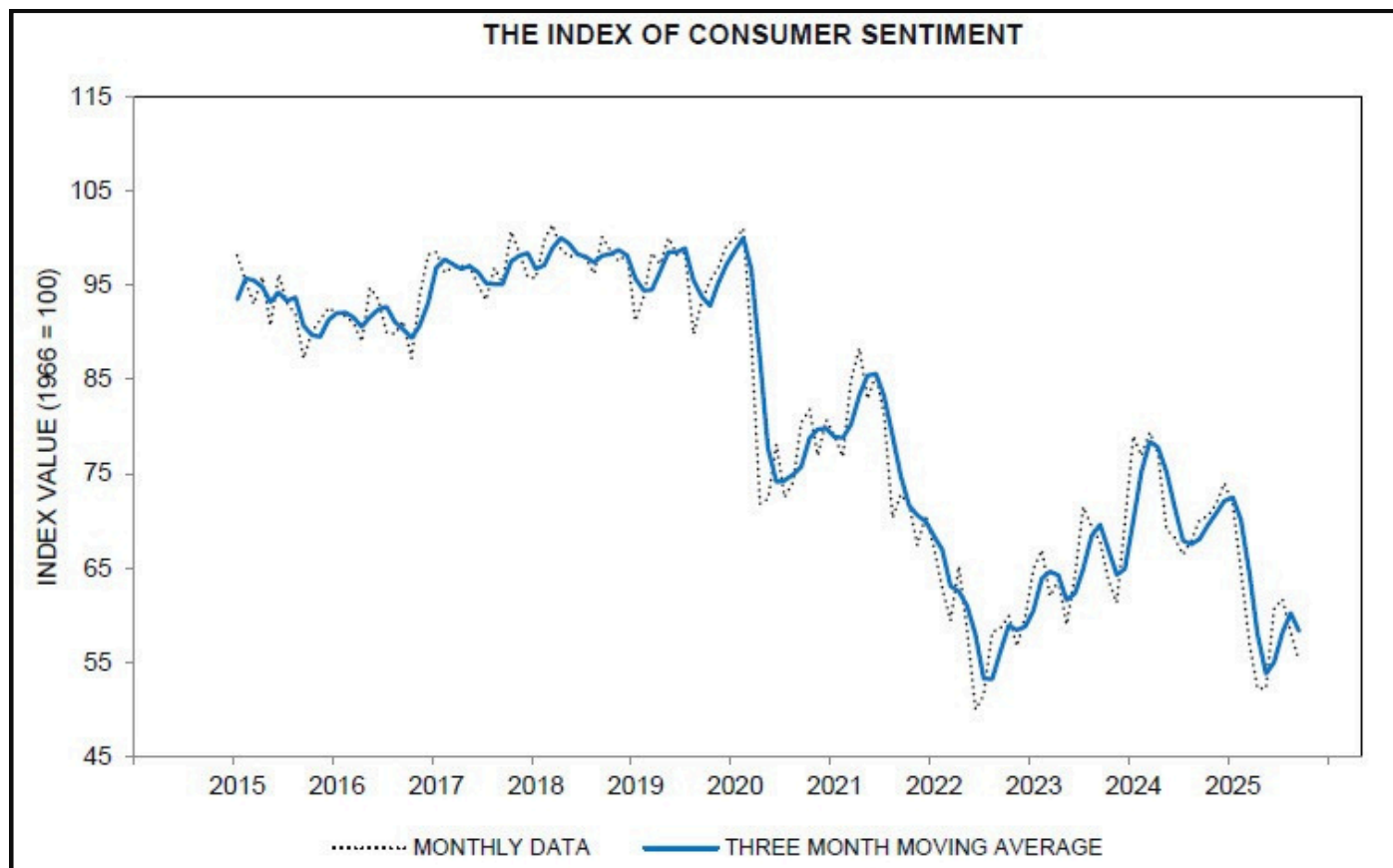
FROM LIZ BERNHARD’S DESK

Vibecession is Still a Thing

First, a definition.

Vibecession: an economic situation in which people feel like the economy is in a recession even if the objective data such as GDP, employment, and inflation don’t actually meet the criteria for a recession.

The term vibecession was coined in 2022 when we had tension between high inflation on one side and strong labor markets and growth on the other. Fast forward 3 years and the disconnect between how people feel about the economy and what is actually happening in the economy is still prevalent. I can’t tell you how many conversations I’ve had recently in which clients



Consumer sentiment for the US was revised lower to 55.1 in September compared with 58.2 in August. This marked the second consecutive monthly decrease, pushing sentiment to its lowest level since May. Source: University of Michigan.

express their disbelief at how well their accounts and the markets in general have performed this year. For many, their somber expectations stem from what they hear in the news, on social media, or in their social circles. We know that doom and gloom sell – negative headlines get more attention than positive ones, and just about everything counts as “breaking news” these days. It is easy to understand how people’s perception of the economy may not mirror the objective economic data however, as prudent investors tasked with making the best decisions possible on behalf of our clients, we ask ourselves, what is really happening in the economy?

Let’s dig in.

You may have heard the term “soft data” and wondered what constitutes data that is soft. Statistics on laundry detergent or plush toilet paper? Nope. The term “soft data” is generally used to categorize information about

how people feel. Think surveys. Two of the most frequently referenced surveys are the University of Michigan Consumer Sentiment Survey and the Conference Board’s Consumer Confidence Survey. Both surveys poll households across the U.S. monthly by asking a series of questions aimed at determining how people feel about the economy, their financial situation, and their outlook for the future. Although they use slightly different methodologies, both surveys (as of August/September) show consumer confidence/sentiment continuing to decline.

Can survey responses be subjective? Absolutely. Wording of questions, the respondents’ recent experiences, headline news, and political identity all contribute to the responses given on these surveys. In fact, consumer sentiment has increasingly diverged along party lines since the early 2000s.

If many consumers are generally feeling uneasy about the current state of the economy and the future, what is driving the markets higher? The answer: hard data! Hard data is not statistics on steel or cement, but rather measurable, quantifiable, observable happenings. The unemployment rate, inflation, GDP, retail sales, businesses fixed investments, and default rates are all examples of hard data. And so far, these data are holding up ok – some might even say they are holding up well (*depending on how the question is asked and what side of the bed you woke up on*). The overall unemployment rate is hovering around 4.3%, inflation is hovering around 3%, GDP for the second quarter was just revised up to an annual growth rate of 3.8%, and retail sales continue to climb. In this hard data environment companies are growing their earnings – on average earnings of S&P 500 companies are up more than 11% in the last year. Earnings drive stock prices and if companies are growing their earnings, investors are willing to pay more to be owners of the stock.

In an ever-divergent population where data is questioned and opinions are given ad nauseum, where clickbait sells, and feel-good stories are buried on page 6, it seems hard to envision the unification of sentiment. Some portion of the population is always dissatisfied with their current situation and pessimistic about the future. We are human and to be human is to be biased. However, to be a good investor we must put aside our personal feelings colored by our relationships, politics, and beliefs and look at the facts. That doesn't mean we ignore the collective sentiment of consumers in the U.S. – we would be remiss to do so as consumer spending drives over 70% of our economy. If enough consumers feel bad about their lot in life, this collective sentiment, this “soft data” can impact the hard data too. Yet we must strike a balance. Regardless of your current vibes, we must look through the noise and focus on the measurable, trackable, quantifiable metrics that drive growth.

Thank you for entrusting Albion to do this work on your behalf day after day, year after year. We are honored to be working side by side with you to reach your goals.

ECONOMY & MARKETS by Jason Ware

The third quarter gave investors more plot twists (when does it not?): the first Fed (FOMC) rate cut in nine months, a notably cooling labor market, green shoots in both housing activity and the manufacturing sector, and equity markets that – despite periodic jolts from Washington – keep grinding higher.

Beneath the headlines, the real economy continues to expand. Not a boom like just after the pandemic, but a solid pace. After a soft(ish) first half due almost exclusively to spring tariff shocks, growth has resumed and looks far better in the second and third quarters. To wit, we think GDP growth over the summer may have tracked as high as +3% (annualized). For its part, the Atlanta Fed's 'GDPNow' presently sits around +4%. Combined, that keeps *full-year* growth in a good lane underscoring the resilience of consumer demand and business investment (especially AI capex!). Private sector balance sheets are in good shape. Meanwhile, the job market has cooled but is overall healthy. Unemployment sits at 4.3%, while hiring slowed to sub 50K per month (average) and is more mixed across industries. Manufacturing jobs, energy, and government sectors were a drag while healthcare and education endured as bright spots. Other metrics within the labor market, like layoffs (low), wages (beating inflation), and demand (buoyant, though AI is probably having *some* impact), suggest that the overall employment situation is constructive. From our perch, waning monthly job adds might have more to do with labor *supply* than anything else. Consequently, a sub 100K cadence may, for now, be equilibrium.

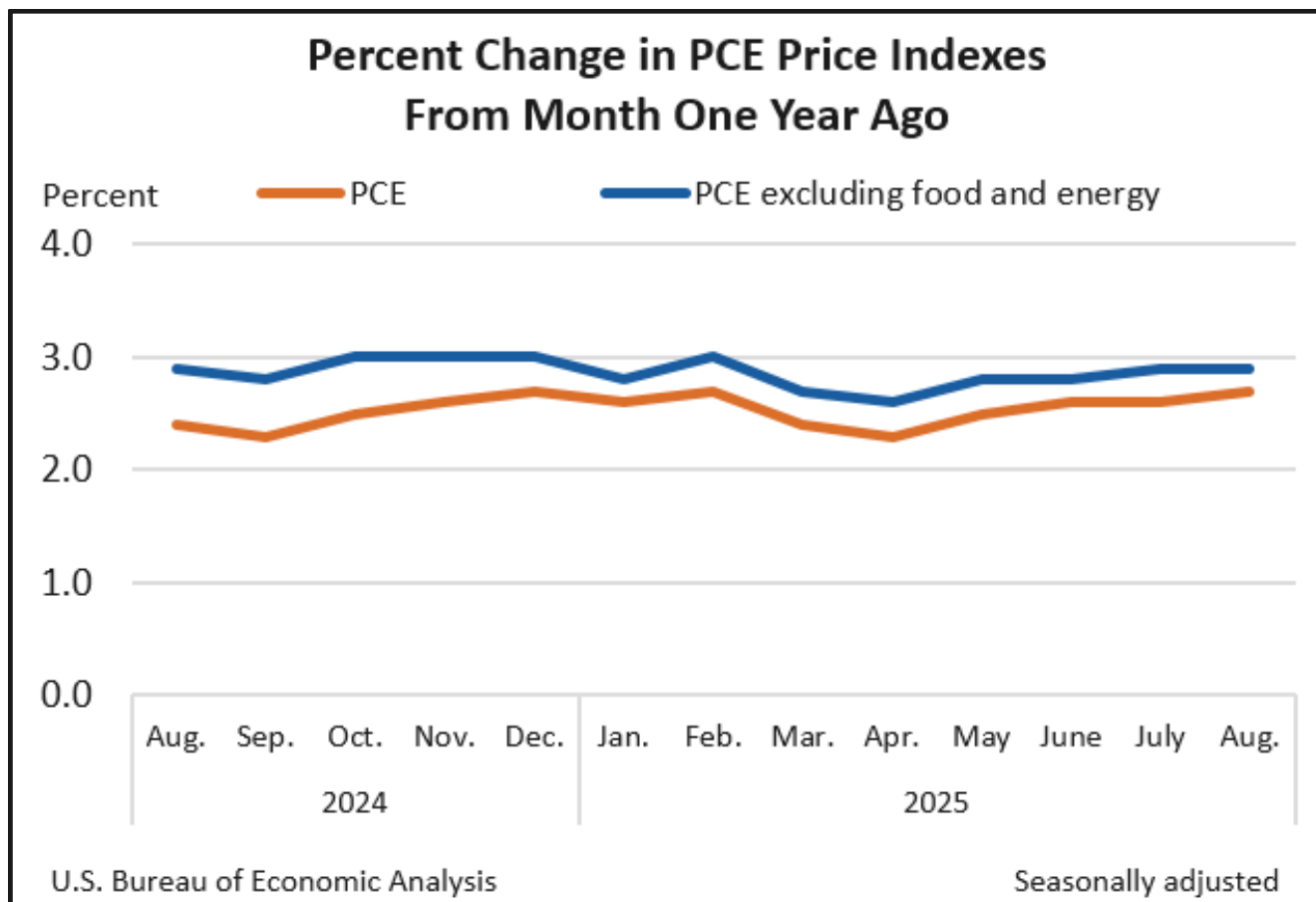
On the inflation front, things remain sticky, largely benign, though still above Jerome Powell's 2% goal. The latest read on core PCE – the US central bank's preferred gauge – ran at 2.9% y/y (headline 2.7%). Services continue to produce most of the inflation we experience, while goods prices are low yet have seen an uptick (perhaps due to tariffs). Within the service category, housing and insurance obstinacy lingers, though drifting down. Overall, inflation has not surprised us, and remains in the zone that we've long said was likely (mid/upper-2s).

Housing has stirred a little recently. With mortgage rates easing into the low-6s by late September, purchase and refi activity perked up a bit and pending home sales surprised to the upside (+4% m/m in August). Certainly

not boom levels of activity – inventories remain pretty tight – but lower financing costs and buyers finally losing patience have housing transactions thawing some. US manufacturing is also showing some promising signs after over two years mired in a slump. Time will tell if this is a durable upturn ... it's early ... but we are encouraged by what we've seen in the data lately. Services continue to do more of the economic heavy lifting (as is typical).

On policy, the Fed delivered a fresh rate cut at quarter's end and (re)emphasized data-dependence. We expect additional easing in the months to come, particularly if the labor side softens further while inflation behaves. The present internal debate on the FOMC is interesting. Some favor moving faster, although the current center of gravity

Personal consumption expenditures (PCE) is the value of the goods and services purchased by, or on the behalf of, "persons" who reside in the United States.



From the same month one year ago, the PCE price index for August increased 2.7 percent. Excluding food and energy, the PCE price index increased 2.9 percent from one year ago.

is *gradualism*. We continue to reason a *destination* near a mid-3s “neutral” funds rate is sensible; the glidepath will reflect the jobs-inflation tradeoff in the months ahead. Meanwhile, yields finished the quarter lower at the front end (on the Fed cut) but the 10-year Treasury hovers around 4.15% as term premium, growth and inflation data (plus expectations), and supply dynamics offset much of the easing impulse.

Against this backdrop, equities continue their advance. Many US indices notched fresh highs in late September as mega-cap tech, semis, select communication services, and consumer discretionary groups led, while breadth improved on the margins with cyclical participation waxing and waning alongside rates. Small caps also (finally) logged a solid quarter. Indeed, year-to-date returns are firmly positive. Driving this are corporate earnings (critically important) with the summer reporting period posting double-digit growth (+11%). Q3 is tracking for further gains. Importantly, the AI-levered “super earners” still anchor the markets story, but we are seeing some level of a “quiet broadening” under the surface.

Valuation is an open question. By most lenses stocks are “fully valued” versus history, though not egregiously so, expressly when paired with double-digit profit growth – both now and in the pull through 2026/27. There’s also the prospect of policy tailwinds from the Fed as well as tax cuts, deregulation, and other “business friendly” impulses on the fiscal side. Nevertheless, P/E multiples currently carry a premium to long run averages. That premium however is (still) more concentrated in higher growth, exciting areas like tech and AI – which, to date, continue to deliver.

We kicked off 2025 talking about a “*year of three-twos*”: roughly +2% GDP, core inflation in the (mid) 2s, and at least two Fed cuts. That framework largely holds. Growth is proving sturdier than most feared, inflation sports a 2-

handle, and we now have [Fed] “Cut #1” in the books with at least one more plausible before corks pop on New Year’s Eve. Add in steady corporate cash flows, the dream of AI productivity propelling profit margins, and a more pro-growth policy stance (both fiscal and monetary), and the bull case remains intact. Risks haven’t vanished, of course. Policy errors, including ever-present DC drama (e.g., late-September funding standoff, tariffs, etc.), geopolitics, and the penchant for markets to, at times, go to extremes, all could produce turbulence along the way. However, volatility is part of the experience in the stock market on the path toward reaping the magic of compounding returns.

As always, we’ll keep adapting as facts change and stay grounded in what matters – discipline, resilience, and the long view. Thanks for your continued partnership.

PLANNERS CORNER by Jackson Watson, CFA®, CFP®

Fall Reflections & Year-End Readiness

As the third quarter wraps up and the days start to cool, I always enjoy the slower pace that fall brings—time with loved ones, crisp mornings, and the anticipation of ski season. It’s also a natural moment for reflection: to take stock of what the year has brought, and to focus on what still needs attention before it draws to a close.

While the world around us continues to shift—markets, legislation, technology—the principles of good financial planning remain steady. As we head into the final stretch of the year, the planning team at Albion is here to help you tie up any loose ends and ensure everything is aligned with your goals.

Here are a few key items to review:

Retirement Contributions

If you're contributing to a 401(k), 403(b), 457(b), or another employer-sponsored plan, now's a great time to check whether you're on track to contribute what you intended by the December 31st deadline. Reviewing your paystub or custodian's website is a helpful place to start—and we're always here to assist with questions about contribution amounts, Roth vs. traditional, or anything else.

Required Distributions

If you're turning 73 this year (or are already older), you may need to take Required Minimum Distributions (RMDs) from tax-deferred accounts by year-end. First-time RMD recipients have until April 1, 2026—but all others must take their RMD by December 31, 2025. If Albion manages these accounts for you, this is likely already in place. But if you have outside accounts, let's make sure nothing gets missed.

If you have an inherited IRA that you inherited after 2019, RMDs were not required for 2020-2024, but they must be taken this year. As a reminder, these accounts need to be fully distributed within 10 years.

The same goes for trust distributions—some irrevocable trusts require income to be distributed by year-end. If we manage a trust account for you, we're happy to help with this review.

Charitable Giving

Gifts of cash or appreciated stock—including to Donor Advised Funds—must be completed by December 31st to count for 2025. If you're making Qualified Charitable Distributions (QCDs) from an IRA, those must be made before taking the full RMD, or they won't reduce your taxable income. Timing matters, and we can help ensure things are processed correctly.

Annual Exclusion Gifting

The end of the year is also a great time to consider annual

exclusion gifts as part of your wealth transfer strategy. In 2025, you can gift up to \$19,000 per recipient without using any of your lifetime gift and estate tax exemption. Married couples can combine their exclusions to give \$38,000 per recipient. These gifts can be a simple, tax-efficient way to support children, grandchildren, or others—and when done consistently over time, they can significantly reduce the size of a taxable estate. To count for 2025, gifts must be completed by December 31st.

Estimated Taxes

Fourth-quarter estimated taxes are due January 15, 2026. This is a good time to check if those payments are still appropriate based on your income and realized gains this year. We can assist in reviewing your year-to-date picture to avoid under- or overpaying.

Roth IRA Conversions

For some clients, converting a portion of pre-tax IRA funds to a Roth IRA can be a valuable long-term strategy—especially if your current tax rate is lower than what you expect in the future. With the OBBBA tax changes arriving in 2026, this may be a particularly important year to review your Roth conversion potential.

Realized Gains & Losses

We'll review realized gains and losses in Albion-managed accounts, but if you've sold assets elsewhere, let us know. We may be able to help coordinate with your CPA or adjust your estimated tax payments accordingly.

Closing Thoughts

The leaves are changing, and the first snowfall won't be far behind. Just like prepping your skis for the season or doing a bit of fall yard cleanup, a little proactive financial prep now can save stress later.

If any of these items apply to you—or if you simply want to check in—we're here to help. Thank you for your continued trust, and we look forward to helping you close out the year with confidence.

ALBION COMMUNITY UPDATE

Save the Date

On **Wednesday, October 29, 2025 at 10:00 AM MT** we will be hosting our next Client Conference Call. We always look forward to these calls and greatly value the opportunity to connect and share ideas with you. We encourage your participation and welcome any questions you may have—either live during the call or in advance by sending us an email. A recording of the call will be available on our blog and YouTube channel afterwards, and a copy will be emailed to you. Go to our website to register - www.albionfinancial.com/events.

New Faces

Please join us in welcoming the newest member of our Financial Planning team, **Lily Prunty**. Lily is from Sandy, Utah. She graduated from Utah Valley University with a bachelors degree in Personal Financial Planning. Lily also recently passed the CFP® exam and is working on completing her certification. She will be working alongside Michelle Buxton and Paige Christensen.



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