



ALBION  
FINANCIAL  
GROUP

Guiding clients to  
a lifetime of good  
financial decisions

OCTOBER 2026

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## INTRODUCTION

As fall settles in, this quarter's letter considers how long-term planning can provide steadiness through changing conditions. John Bird looks at the nonlinear paths that shape markets and life, along with the resilience that can help a financial plan adapt along the way. Jason Ware reviews an economy that continues to show strength amid shifting expectations for inflation, interest rates, and market leadership. Natalie Richards explores the role taxes play in a broader financial life, including why a tax cost today may support greater flexibility and value in the years ahead. Read through to the Community section to meet the newest members of the Albion team.

## FROM JOHN BIRD'S DESK

"We expect linear outcomes in a nonlinear world."

I heard this statement today. And it resonated.

We are investors and planners. As investors we strive to find companies we can depend on to continuously improve. For their earnings to rise predictably year after year. To regularly increase their dividends. For their stock price, with fits and starts, to move higher over time.

As planners we create models to project what the future may hold. We read estate plans to see how well they fit with life goals you've shared. We work to optimize for tax efficiency based on our knowledge of the tax code and understanding of you and your family.

Our initial lens through which we view all things investing and planning is... linear. We project what we see today, the path our investments and our clients are on, into the future.

If this was as far as we went we'd be right in line with the majority of high-quality financial advisors. Our models are first-rate and durable, our investment thesis is sound, and the guidance we provide is supportable and on point.

And yet it's not enough. Because to riff on the statement made above we should not expect linear outcomes in a nonlinear world.

What we have experienced across decades is that even the soundest investment thesis, one that may work for ten, fifteen, or twenty years will eventually fall out of favor. And while our favorite holding period is "forever" we must always be on alert for signals that indicate the long-term linear trend is changing. And be prepared to respond accordingly.

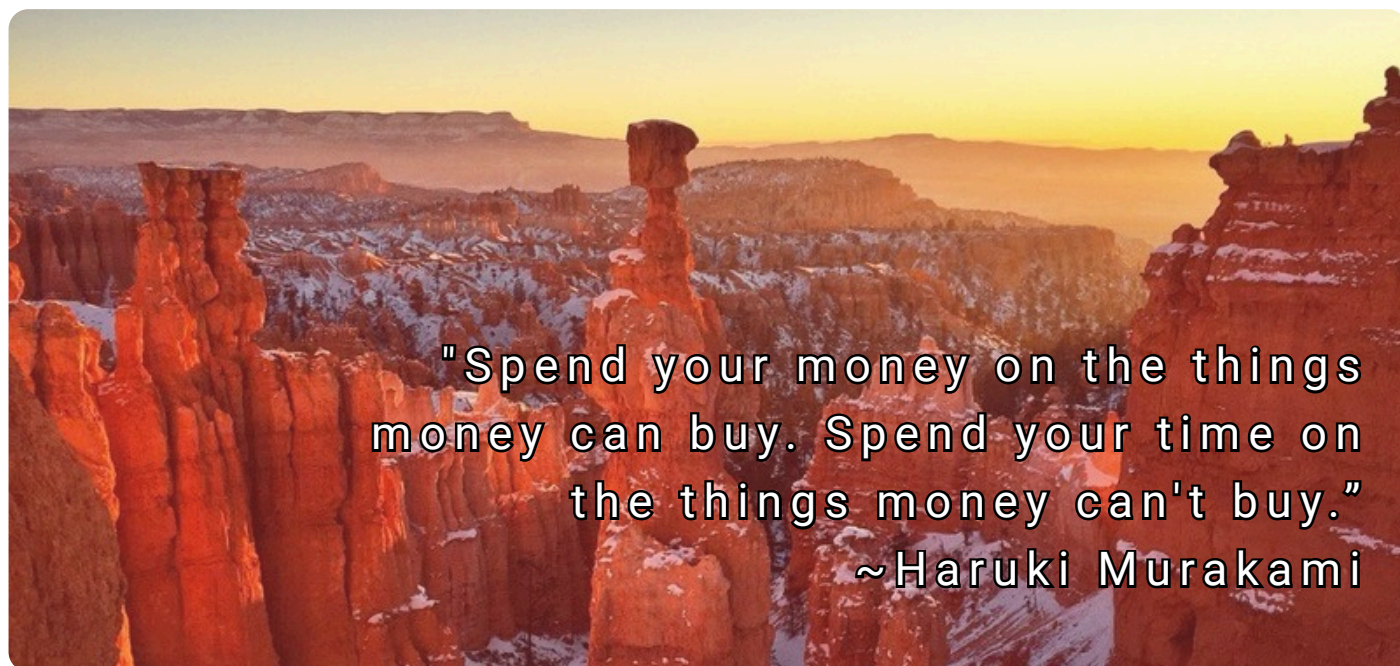
Nor are our lives as linear as we might expect. Curveballs change our course and we must do our best to respond. A forced retirement comes earlier than expected. A child, parent, or spouse experiences

adverse (and expensive) health issues. A new child or grandchild joins the family. An exciting opportunity - not without risk - for a new career surfaces. These curves in the road, some positive some not, are what give texture to our lives. So we embrace them even though they knock us off a linear track.

Our financial advising work cannot anticipate every possible scenario but it can build enough resiliency to create space for the inevitable ebb and flow of our lives. We work with you to stress test your plan, to explore a variety of "what ifs" and see how they'd impact your future years. As important we encourage you to circle back, to share the curves, no matter how shallow or tight, so we can reflect on their impact on both your present circumstance and path toward future goals.

We must build resiliency into investment portfolios as well as it is certain that not all projections will come to pass.

When I began this work in the early 1980's I'd often state that financial planning was a process not a product. This at a time when financial plans could run to well over one hundred pages. With all but a page or two useless. My opinion hasn't changed. Because the



nature of how we live has not changed. We all experience joys and sorrows, periods of calm and of chaos. Our goal is to help you use your financial assets as stabilizers - tools to help you ride through these inevitable periods of change – while keeping a clear focus on both your current and future life goals.

Thank you for allowing us to share this journey with you.

## ECONOMY & MARKETS

by Jason Ware, MBA, BFA™

**Executive Summary:** *The third quarter highlighted the continued strength of the U.S. economy. Growth accelerated, employment remained healthy, and corporate earnings continued to surpass expectations despite higher interest rates, persistent inflation, and geopolitical uncertainty. While the Federal Reserve modestly raised rates in response to stronger economic activity, the broader backdrop remains constructive. Significant investment in AI infrastructure continues to support productivity, earnings, and economic growth, while higher bond yields have improved opportunities for fixed-income investors. Although risks remain, we believe the combination of resilient economic fundamentals, strong corporate profitability, and a disciplined long-term investment approach provides a solid foundation for investors navigating an evolving market environment.*

The third quarter offered another reminder that economic and market narratives can change quickly. Just a few months ago, the prevailing debate centered on slowing growth and when the Federal Reserve might cut interest rates again. Today, the conversation has shifted toward an economy that may be running hotter than expected, stubborn inflation, higher bond yields, and whether the Fed needs to do more—not less. Through it all, the underlying message is familiar: the US economy is growing, corporate profits are surging, and recession risk remains low.

Starting with the economy, growth has once again proven hardier than expected. Real GDP is running +2.1% year-over-year (+5.3% nominal) and more recent data suggest activity *strengthened* as summer progressed. Consumer spending remains healthy, business investment is vigorous, and the AI-related capital spending boom has become an increasingly important economic force. The labor market is also holding up. Employers added +162,000 jobs in August, wages are higher, unemployment sits at 4.1%, and layoffs are limited. In short, the *re-acceleration* we discussed last quarter appears to be taking shape. Indeed, the US economy has absorbed an extraordinary collection of headwinds over the past several years—higher rates, tariffs, geopolitical conflict, political uncertainty, inflation, and repeated recession calls—without rolling over. That doesn't mean these things don't matter. But it does suggest the underlying capacity of households and businesses to adapt remains underappreciated.

Inflation, however, has become more complicated. Consumer prices were 3.4% higher than a year ago. This is higher than we would like and certainly higher than the Fed's 2% goal, but context matters. A meaningful portion of the recent uptick reflects the energy shock emanating from the Middle East rather than a broad breakdown in price stability. If energy markets eventually normalize—as remains our base case—some of that pressure should reverse. The stronger economy and firmer inflation backdrop caused the Fed to change course during the quarter. In September, policymakers raised their benchmark interest rate by +0.25%, reversing some of the cuts made in 2025. While that may feel like a significant change, we view it more as recalibration than alarm. Economic growth is solid, unemployment is low, and inflation endures above target. The Fed itself now describes economic activity as expanding at a "solid pace," with good productivity and robust capital investment.

Bond markets have delivered an even sharper message.

The 10-year Treasury yield moved above 5.3% late in the quarter, reaching levels not seen in nearly two decades. Some of that reflects recent inflation and expectations for Fed policy. But we think something else is at work too. Stronger nominal growth, large fiscal deficits, and substantial demand for borrowed capital—including enormous AI infrastructure investment—are all exerting upward pressure. Higher yields can create challenges, but they also mean something quite positive for savers and fixed-income investors ... bonds offer attractive income again.

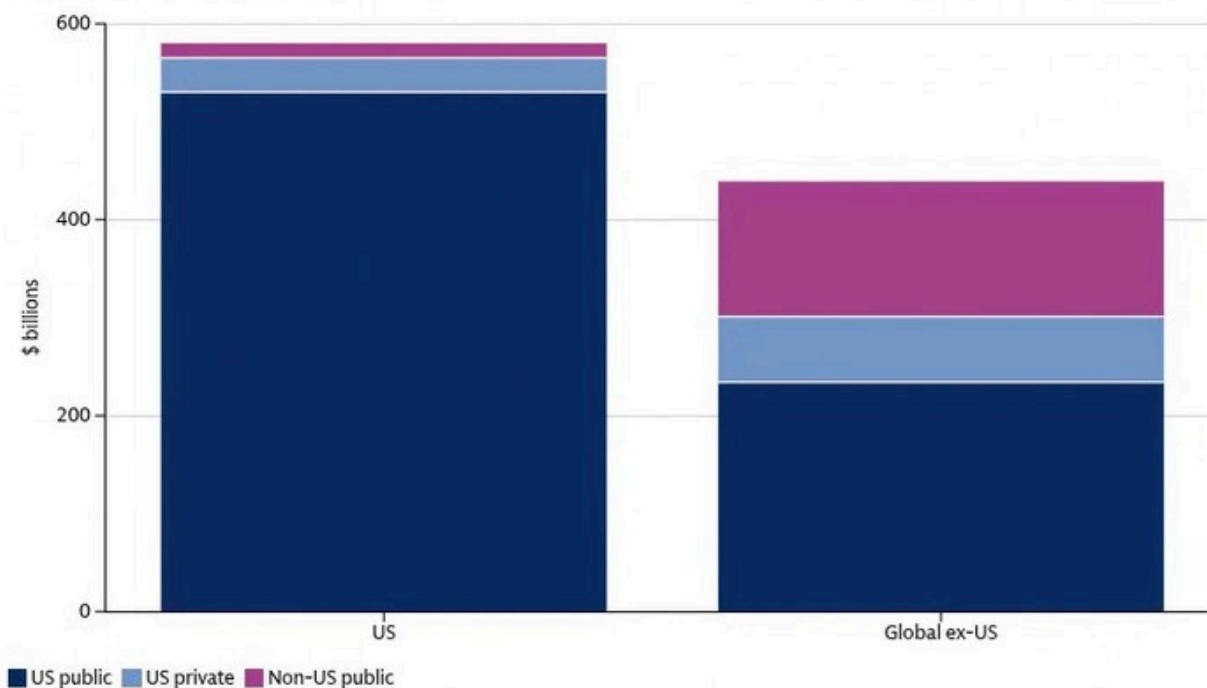
Perhaps nowhere is economic strength more visible than in record corporate profits. Earnings growth has materially exceeded expectations this year, and estimates for the third quarter actually rose during July and August—a period when analysts typically lower them. Current probabilities point toward another

strong quarter, with 2026 profits likely finishing well above where forecasts began the year and double-digit growth still expected in 2027. As we've said before, business profits are the anchor. Narratives change; earnings compound.

AI remains central to this story. The debate has understandably shifted from whether AI is real to whether the vast sums being spent to build it out can ultimately earn acceptable returns. It's a healthy question. Capital spending on data centers, semiconductors, power generation, networking equipment, and software is occurring on a remarkable scale. There will undoubtedly be winners, losers, excesses, and disappointments along the way. But today, this spending is also generating real economic activity, supporting productivity, and producing substantial profits for the companies enabling it. The

### Goldman Sachs Research estimates companies will invest \$1.019 trillion globally in AI this year

Total global AI-exposed hyperscaler capex



Source: Goldman Sachs Research

Goldman  
Sachs

AI investment will total around \$1 trillion globally and just under \$600 billion in the US in 2026. Source: Goldman Sachs Research

distinction between AI hype and the AI economy is becoming increasingly important.

Outside the US, the global economy has also weathered the year's shocks reasonably well. European growth has improved from a weak start to the year, China continues working through structural challenges, and the Middle East conflict has weighed on growth. Yet global activity has proven more durable than feared, helped in no small part by technology investment.

Turning to markets, US stocks spent much of the quarter near all-time highs despite July's dip and renewed volatility in September. Technology companies are important contributors, while higher oil prices and rising bond yields created some bumps late in the quarter. It has been an unusual mix of strong stocks, strong profits, yet higher commodity prices and bond yields. At first glance, sturdy stock prices and higher interest rates may seem incompatible. But stocks ultimately represent ownership in businesses, and businesses are making considerably more money. Earnings have risen more than prices, keeping valuations in check. There are certainly pockets of enthusiasm, particularly around AI, that warrant discipline. But broadly speaking, we see an equity market supported by healthy profit growth rather than speculation. Against this backdrop, careful investment selection and diversification remain our North Star.

All told, the economic expansion is intact, corporate America is performing exceptionally well, and the secular forces supporting investment and productivity remain persuasive. Inflation and higher interest rates deserve attention, as do geopolitics, fiscal imbalances, and elevated expectations in parts of the market. We don't dismiss those risks. We simply don't believe they overwhelm the underlying fundamentals. Markets will eventually correct. The economy will eventually experience another recession. No one knows precisely when either will occur—including us. That's why our

approach isn't built around predicting them. We own quality investments, diversify, maintain appropriate asset allocations, and think and act long-term. Through good quarters and difficult ones alike, our job is to keep portfolios aligned with the goals they exist to serve.

As always, we are humbled by the trust you place in us and grateful for the opportunity to serve you.

## PLANNERS CORNER

by Natalie Richards, CFP®

### The Cost You Feel and the Value You Build

#### *Why Taxes Deserve Attention, But Not Center Stage*

Why do we often spend more energy reacting to the tax bill than celebrating the wealth that created it? The answer may have less to do with taxes themselves and more to do with how we naturally experience financial gains and financial costs.

### The Difference Between a Tax Year and a Financial Life

One challenge in financial planning is that taxes are typically measured one year at a time, while most financial goals are measured across decades. The IRS cares about what happened between January 1 and December 31. Your retirement plan, legacy goals, and your long-term financial security operate on a much longer timeline: a lifetime.

Many of the planning opportunities we discuss involve accepting an immediate cost in pursuit of a better long-term outcome. We feel the cash flow cost today, while the benefit to our long-term financial position may not become fully apparent for years.

Consider Roth conversions, a planning strategy many of us will be discussing in the coming weeks as year-end tax planning deadlines approach. If Roth

conversions have been a part of your financial strategy, you've probably heard that they are often most effective when the tax is paid from funds outside of the IRA itself. In practical terms, that means finding the cash to pay an additional tax bill today, often from a bank account or other available resources.

This is where the tension between a tax year and a financial life becomes especially apparent. The purpose of a Roth conversion is typically long-term in nature: creating greater flexibility in retirement, building a hedge against future tax rate changes, reducing future required distributions, or potentially leaving a more tax-efficient legacy to children and grandchildren.

The tax bill, however, operates on a very different timeline: that check must be written by April.

### Why This Feels So Difficult

Why is this distinction so difficult to navigate? Part of the answer lies in how we experience these competing priorities. Taxes are typically felt as an immediate reduction in cash flow. They require action. They have deadlines, forms to gather, and payments to make. Investment growth, by contrast, is often reflected on account statements through numbers that can be harder to contextualize in our day-to-day lives. In fact, many of the best outcomes in long-term investing come not from taking action, but from allowing patience and discipline to do their work over time.

It's not surprising that these two priorities often compete for our attention. They live in different parts of a financial plan: taxes are primarily a cash flow consideration, while long-term investment growth is largely a balance sheet driver. One demands our attention in the present. The other requires us to evaluate it through a wider lens.

The world around us reinforces this distinction. Taxes are frequently front and center in headlines and

conversations with friends, family, and coworkers. Meanwhile, long-term compounding receives far less attention. Wealth is typically created slowly and quietly, and investment statement balances aren't exactly dinner table conversation.

As humans, we tend to be most comfortable when uncertainty is low. The amount of tax you owe this year, whether large or small, is known. Future investment returns, career changes, health events, and the many factors that influence a financial plan are inherently less certain. While we can make assumptions and run scenarios, the reality is that we simply don't know what the future will bring.

Of course, this dynamic is easiest to recognize when markets have been strong and investment balances are growing. But that doesn't mean taxes only feel meaningful during good markets. Quite the opposite. There are times when investors are faced with both a tax bill and a period of disappointing portfolio returns. In those moments, the frustration is even more understandable.

Yet even then, the question isn't whether taxes matter. The question is whether taxes should become the primary lens through which every financial decision is evaluated.

### When Tax Minimization and Wealth Maximization Diverge

In an ideal world, every financial decision would both minimize taxes and maximize wealth. Often those goals align. Sometimes they don't. There is an important difference between minimizing taxes this year and minimizing taxes over the course of a lifetime.

As planners, we spend a great deal of time helping clients evaluate decisions through a long-term lens. That means we are often less concerned with whether

a strategy increases or decreases taxes in a particular year and more interested in how it affects a client's after-tax financial position over the next 10, 20, or 30 years. That doesn't mean the current year is unimportant. Taxes paid today represent real dollars and real cash flow. They can affect spending plans, charitable goals, family support, and any number of other priorities. They deserve consideration. They just aren't always the most important factor.

This is what we mean when we say we don't want to let the tax tail wag the investment dog. Instead of asking "how do I avoid this tax?" a better question is often, "What am I receiving in exchange for paying this tax?" The answer may be something like greater retirement flexibility, reduced future taxes, improved diversification, or a stronger legacy plan.

Capital gains taxes offer another example. When investors realize gains, it is easy to focus on the tax bill and overlook what created it in the first place. While many investors can tell you exactly how much tax they paid on a gain, far fewer can quantify the value created by that gain or the role it played in helping them reach their long-term goals.

Sometimes a tax bill is not evidence that something went wrong. It can be evidence that something worthwhile happened.

None of this is meant to suggest that taxes don't matter. They do. Thoughtful tax planning can create meaningful value over time. The challenge is making sure tax considerations remain in service to your broader financial goals. Because taxes are immediate and tangible, they can sometimes command more attention than the outcomes they're meant to support.

The goal isn't to pay the least amount of tax in any given year, but rather to build the most successful financial life possible.

As we approach year-end, now is a good time to revisit planning opportunities and tax-related deadlines that may affect your broader financial plan. Depending on your circumstances, topics worth discussing with your advisor may include:

- Roth conversions and tax diversification strategies
- Charitable giving strategies, including appreciated securities, QCDs, and Donor Advised Funds
- Concentrated stock diversification
- Coordination of capital gains and losses outside of Albion-managed accounts
- Retirement plan and HSA contribution opportunities
- Required minimum distributions (RMDs) from IRAs, Inherited IRAs, and retirement plan accounts
- Fourth quarter estimated tax payments
- Annual exclusion gifting and family wealth transfer strategies
- Trust distribution requirements



## Albion Community Update

### NEW FACES

Introducing our newest Associate Wealth Advisors  
- **Kyle Keim** and **Alexis Anderson**.

Alexis is a graduate of West Virginia University where she majored in finance. She will be working alongside Brad Curtis and Heath Heavy.

Kyle hails from Whitman College where he studied Global History. Kyle will be supporting Senior Wealth Advisor Patrick Lundergan.

### SAVE THE DATE

#### Fall 2026 Client Conference Call

On Wednesday, October 28, 2026 @ Noon MT we will be hosting our next Client Conference Call. We look forward to this call and the opportunity to connect and share ideas with you. We encourage you to participate and welcome any questions you may have—either during the call or by sending us an email in advance. A recording of the call will be available afterwards. We hope you can join us.

[www.albionfinancial.com/events](http://www.albionfinancial.com/events)



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