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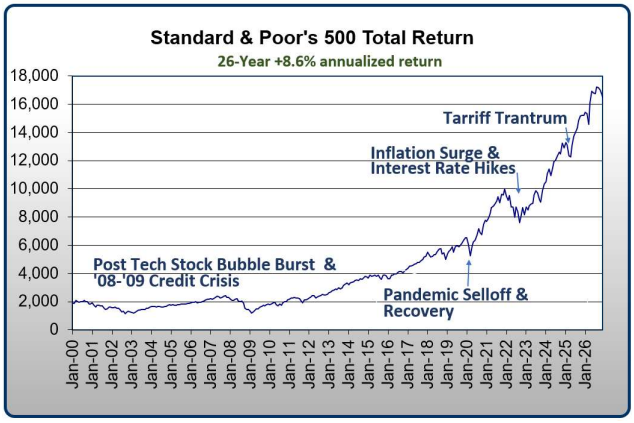
MARKET COMMENTARY

Fall, 2026



The Take

— *Russell B. Dow, J.D.*
Private Account Portfolio Manager

Dear Client:

The electorate has spoken. The call for change is clear. What change was meant is less certain. Even more ambiguous: the ultimate deliverables on new agendas. Politicians' promises and the changes they enact often fail fully to align. No doubt, however, the path ahead for the nation and investors will be different than any reality imagined only a few weeks ago.

Elections reshape the economic landscape, as much as the political one, as former spending trends give way to new priorities. The sands seem apt to shift most quickly in the twenty-two states now with Democratic trifectas: single-party control of the governorships and both houses of the legislature.

At the federal level, political gridlock caused by the split government might yield a few years of legislative predictability. That said, President Trump has indicated that he might meet the Democratic majority partway to implement its goals. The even bigger question, however, is what follows post 2028. With their now-sizeable and hard-to-overturn margins in the House and Senate, a Democratic win of the presidency would create an opportunity to implement a comprehensive social and economic new deal.

Presumably that movement would favor expanding public programs and worker benefits on the one hand. On the other, the private economy would likely face higher taxes and more business regulation. There is no give without a take.

Even disregarding prognostications, our starting point is not enviable. The potential need for higher taxes arises as much from the depth of our national debt and recurring deficits as it might come from more generous spending.

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The adults in Washington have something to learn about fiscal housekeeping. Disregarding their grammar, as the younger generation is fond of saying, *the math isn't mathing*:

1. The federal government is running nearly a $2 trillion deficit in 2026, forcing increased borrowing. Taxes now cover just 73% of annual spending.[1]

2. Interest owed on that growing debt is consuming more of the national budget. Net interest costs were 8.7% of federal revenue in 2021. Today, only five years later, interest expense gobbles up one of every five dollars as ever-higher borrowing pushes up rates on the expanding principal owed.[2]

3. We are getting older. An aging population pressures working taxpayers. In 2026, there are 2.6 workers per Social Security beneficiary. That figure is expected to drop to 2.3 in the coming decade.[3] That is equivalent to 13% more beneficiaries per worker, all else equal, intensifying the financing challenge.

4. Social Security and Medicare have fast-approaching financing deadlines.[4]

Program	Projected reserve depletion	Share of scheduled benefits continuing program income could cover at that point
Social Security's retirement and survivors' program	**Late 2032**	**78%**
Medicare Part A hospital insurance	**2033**	**89%**

Inflation

Cost of living, of course, was a major voter concern. In recent years, the compounding impact has been significant. Just since 2020, prices are up +31%.[5] In dollar terms, it now takes $131k to live the same lifestyle that $100k afforded at the start of the decade.

Inflation-adjusted returns are of particular interest to investors. Rising costs are tolerable so long as one earns more than expenses go up. For many, that has not been the case.

The stock and bond markets have delivered sharply different results. Since 2020, stocks have returned +137% while bonds have earned a mere +5% (that is the total, not an annualized figure).[6]

Adjusting those nominal returns for inflation paints an even bleaker result for fixed-income investors whose portfolios lost 20% of their former purchasing power.

Measure 12-31-2019 to 11-20-2026	VOO: S&P 500 ETF	BND: Total Bond Market ETF
Cumulative Return	**+137%**	**+5%**
Ending value of $100k Invested	**$237,000**	**$105,000**
Ending Value in year-end 2019 dollars	**$180,400**	**$79,900**

A depreciating dollar operates like a tax on purchasing power, albeit potentially an acceptable one depending upon how one is

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invested. Nonetheless, for those suffering its full weight, the cost has been exorbitant through no rightful fault of their own.

Paying the Piper

For a nation with a bad report card for meeting its fiscal obligations, accelerating the growth of public benefits while disincentivizing the private sector seems apt to compel change sooner than later. Unless the solution is to be yet more inflation, higher taxes seem likely on the agenda.

At the risk of taking politicians at their word, a fair bet on the targets for increased government revenue could include:

1. Higher taxes, especially on corporations, upper-income earners, and realized capital gains.

2. Lower gift and estate tax exemption amounts (now $15 million per person).

3. Treating gains as realized and taxable upon a gift or at death; or elimination of the cost-basis step-up upon death.

4. Restrictions on large retirement accounts, requiring taxable distributions and limits on backdoor Roth and high-income Roth conversions.

Investment success is about how much one gets to keep *after taxes,* not just how much one makes. While politics can change quickly and there is little certainty of legislative outcome, it is well worth keeping an eye on the prevailing winds for what may come our way.

Guiding Principles

Two life principles that I find effective are:

1. More data makes for better plans and decisions. In fact, if determining a promising direction seems difficult, it is often due to a lack of information. By continuing discovery, the better choice often emerges as self-evident.

   Unfortunately, that strategy falls short when a critical determinant is an unknowable future event.

   Future tax policy is one such data point. A crystal ball would guide us on when to realize taxable gains, retirement account funding choices, the pace of retirement account distributions, decisions on Roth IRA conversions, asset titling, and gifting, among other estate planning strategies.

   Those are critical decisions for families, yet the ultimate tax implications are only guesswork in a dynamic world.

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If an event is highly consequential yet unknowable, that leads to a second strategy:

2. Prepare robustly. Preparation and an agility to course-correct often greatly improve outcomes.

To help provide our clients with every advantage with tax planning and to be ready for potential law changes as they might come along, I am pleased to introduce a new colleague: Sarah Rushford, CPA.

Sarah R. Rushford, CPA
Connecting Wealth & Tax



Sound portfolio management is one piece of the financial-success puzzle. Thoughtful tax advice is its twin. Putting them together as a coordinated whole helps make for a more powerful solution than two siloed services.

Therefore, to promote optimal outcomes that span both wealth management and taxation, we have formed Strad Tax and Accounting Group, LLC (stradtax.com) as an affiliated company. We are proud that Sarah Rushford has joined as the firm's lead tax advisor and managing director.

Sarah has more than 20 years of experience helping individuals, families, and business owners address tax planning, tax filing, compliance, and advisory needs.

If you are interested in working with Sarah, she would be pleased to be of assistance to you. You are welcome to contact her directly.

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Please note that Strad Tax is a separate legal entity with services provided under a separate engagement agreement.

Tax policy is one uncertainty facing investors. The pace and economics of technological change present another.

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Automation to Autonomy & The Unsettled Stock Market



First, pictures. The image on the left is New York City, Easter morning 1900. The street, crowded with horse-drawn carriages, includes just a single car. The adjacent picture: Easter morning 1913 with a lone equine. At times, our world changes quickly and significantly.

Today, at the dawn of both AI and autonomous robots, the lifestyle transformation may come faster and be among the most profound.

Even so, although the promise of material improvement for humanity looms large, the path and timing of that realization, and who benefits, remains uncertain. That is what the stock market's recent downturn, in part, may reflect.

There is no greater bazaar of guesswork than Wall Street. Every price move is an updated prediction of future profits and when they will arrive. The recent downdraft, especially among AI-related stocks, is the collective investor worry that the arrival date might be delayed.

Compounding the concern is the enormous scale of the U.S. AI infrastructure buildout. One recent study anticipates spending through 2032 at nearly $9 trillion.[7] That is equivalent to 30 times the inflation-adjusted cost of the entire Apollo program—or roughly the annual GDP of the U.K. and Germany combined.

Taxes take, inflation takes, and the stock market does, too. On the upside, the latter is the only one that tends to give back for those with the tenacity to wait out the storms.

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Our modern-day industrialists are only beginning to build society's new tools. Building the steel mill is an expense. The benefits come later when its output is used to construct ships, railroads, bridges, and buildings.

AI infrastructure may follow a similar path.

Once deployed at full scale, the economic benefits could move from a trickle to a torrent. That, at least, might help solve for inflation with greater productivity and the budget deficits with a stronger tax base. The $9 trillion bet believes that it might.

A rocket can shake violently as it accelerates. Today's market volatility may be the turbulence accompanying our launch into a potentially much more prosperous era. (One cannot be a successful long-term stock investor without being an optimist.)

Thank you.

Wishing you and family a most enjoyable holiday season,



Russell B. Dow
President & Senior Portfolio Manager
Member: Maine State Bar Association

This paper represents the general economic overviews of Russell Dow, Dow Wealth Management, LLC, and does not constitute investment advice, nor should it be considered predictive of any future market performance. Any securities mentioned are for illustrative purposes only and are not recommendations to buy, sell, or hold such issues.

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[1] Congressional Budget Office, Fiscal Year 2026 Review
[2] U.S. Treasury, Monthly Treasury Statements
[3] Social Security Administration
[4] 2026 Social Security and Medicare Trustees' Reports
[5] Bureau of Labor Statistics, Historical CPI
[6] Vanguard
[7] National Bureau of Economic Research