

Third Quarter 2026	Quarter In Review
	Jensen Private Client

Firm Update

As we enter the final quarter of the year, now is an ideal time to review the financial planning items that are best addressed before December 31.

If you take required minimum distributions (RMDs) from an IRA or workplace retirement plan, your 2026 distribution must generally be taken by December 31. Those taking their first RMD may delay until April 1 of the following year, but doing so means two distributions in a single tax year. A missed or insufficient distribution can trigger a significant excise tax, and we will work proactively to ensure all required amounts are satisfied appropriately. Nevertheless, please get in touch if you have not taken your distribution and would like to get the process started now. Separate rules apply to inherited IRAs, and we are glad to review those with you.

For clients age 70½ or older, a 2026 qualified charitable distribution (QCD) allows up to \$111,000 per person to be donated directly from an IRA to a qualifying public charity. This can be a tax efficient method to make charitable contributions as the QCD counts toward your RMD but it is excluded from the donor's taxable income. This benefit has become more valuable under the new law (OBBA) that limits itemized charitable deductions to amounts above 0.5% of adjusted gross income and caps the tax benefit of itemized deductions at 35% for those in the top Federal income tax bracket. A QCD avoids both limits. Note that QCDs must be paid directly to the charity (not to a donor-advised fund or private foundation) and must be completed by the year-end, so we encourage you to begin the process early.

For those who make regular charitable donations and are unable to make QCDs due to age, there are other approaches worth considering. "Bunching" several years of gifts into a single tax year can help clear the standard deduction and the new floor. Also, gifting appreciated securities rather than cash allows you to support the causes you care about while avoiding potential capital gains on the appreciation, and we can help identify the most tax-efficient lots to give. For gifts to family, in 2026 you may give up to \$19,000 per recipient (\$38,000 for a married couple electing to split gifts) without using any of your federal lifetime exemption, currently \$15 million per person. The annual exclusion does not carry forward, so family gifts must be completed by December 31 to count for this year.

As a matter of course, we review our clients' taxable accounts for opportunities to harvest capital losses, offset realized gains, and manage year-end capital gains distributions in a way that fits your broader financial plan. Transfers of securities and other gifts can take time to process, so we recommend initiating any year-end gifts or distributions by early December. We are always pleased to discuss your specific planning needs and look forward to connecting soon.

Third Quarter 2026 in Review

U.S. equities advanced modestly in the third quarter, though the path was far from smooth. July reversed much of the AI and semiconductor leadership that had previously driven the second quarter's appreciation, as investors questioned the returns on enormous infrastructure spending. Chip stocks, and memory makers in particular, sold off sharply. Energy and financials led during the month, and the S&P 500 ended essentially flat, its first negative July since 2014, even though most of its constituents



rose. August brought a reversal to this trend, and sector leadership returned to technology and AI-related businesses, a trend the remained through quarter-end.

The dominant stories of the quarter focused on the price of oil and interest rates. Energy-driven inflation pressure persisted as disruption in the Strait of Hormuz continued, and Brent crude rose above \$100 per barrel. Treasury yields moved steadily higher. The 30-year yield rose above 5.3% in August, its highest level since 2007, prompting the Treasury to expand its buybacks of longer-dated bonds. After Fed Chair Kevin Warsh struck a hawkish tone at this year's Jackson Hole symposium, the Federal Reserve raised its policy rate by 0.25% in September. It was the first increase since 2023 and a unanimous decision, with most officials projecting at least one more hike before year-end. By quarter-end, the 10-year Treasury yield stood near 5.6%, roughly a full percentage point higher than at the start of the year.

Looking Ahead

Looking ahead, the macro backdrop is more challenging than it was at the start of the year. Interest rates are higher; energy prices remain a source of inflation risk, and the Federal Reserve has signaled it is prepared to tighten further. The events of this quarter, from the July rotation out of technology to the September divergence between the Dow and the Nasdaq, were a reminder of how quickly leadership can change when a market's gains rest on a narrow set of themes or when the cost of capital increases.

As long-time clients can appreciate, this environment plays to the strengths of high-quality businesses. Companies with pricing power, strong free cash flow, and conservative balance sheets are less dependent on the capital markets and are better positioned to invest through a period of higher interest rates. We continue to favor exceptional companies with enduring competitive advantages, attractive growth prospects, and management teams with proven records of capital allocation, rather than attempting to predict short-term economic or market movements. We believe that disciplined ownership of such demonstrably successful businesses remains the most reliable path to compounding shareholder capital over time.

Connect with Us

Thank you for your continued confidence in Jensen. It is a privilege to work with you and your families, and we are tremendously grateful for your ongoing support. Please do not hesitate to contact us with any questions you may have.

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