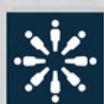


Quarterly RITE Investment Letter – Q3 2025



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MEMBERS' WEALTH
Preserve. Grow. Endure. Evolve.

Introduction – Resilience Amid the Divide

“There ain’t gonna be any middle anymore.” – Porch, Pearl Jam, 1991

IMO, Porch is deliberately vague and open to interpretation by design. So, to the Pearl Jam purists, bear with me. The lyrics are surely personal to Eddie Vedder, just as their meaning has become personal to me after 30 years of shouting them back. That openness to meaning, to interpretation itself, is in a way what life is. For me, this lyric has always pointed to the dangers of extremes and the unease of a world without a middle. But lately, after much contemplation (and a few long discussions about Elon Musk’s biography with my brother during marathon training runs), I’ve realized a world without extremes isn’t necessarily a good one either. Look closely at such a world, and I doubt you’d like what you see. Today, extremes seem to define the reality many investors, companies, and societies are wrestling with: social vs. lonely, in-person vs. remote, tech vs. human, left vs. right, and of course, rich vs. poor.

Market Update

Symbol	Name	1 Mo	3Q	YTD	3 Yr	5 Yr	7 Yr	10 Yr
^SPXTR	S&P 500 Total Return	3.65%	8.12%	14.83%	24.94%	16.47%	14.45%	15.30%
^RUTTR	Russell 2000 Total Return	3.11%	12.39%	10.39%	15.21%	11.56%	6.76%	9.77%
^DJURET	Dow Jones US Real Estate Index Total Return	0.11%	3.12%	6.24%	9.31%	6.98%	5.90%	6.80%
^BCTR	Bloomberg Commodity Index Total Return	2.15%	3.65%	9.38%	2.76%	11.53%	5.76%	3.96%
^BBUSATR	Bloomberg US Aggregate	1.09%	2.03%	6.13%	4.93%	-0.45%	2.06%	1.84%
^BBMBTR	Bloomberg Municipal Bond	2.32%	3.00%	2.64%	4.74%	0.86%	2.38%	2.34%
JNK	SPDR Bloomberg High Yield Bond ETF	1.04%	2.43%	7.30%	10.82%	4.73%	4.48%	5.05%
^MSEMTR	MSCI Emerging Markets Total Return	7.18%	10.95%	28.22%	18.81%	7.51%	6.62%	8.43%
EFA	iShares MSCI EAFE ETF	2.07%	4.45%	25.62%	21.90%	11.21%	7.75%	8.10%

Divisions aside, on the surface, Q3 was a positive one – nearly all equity and bond categories posted gains, reminding us of the resilience that markets can show even in complex times. Yet beneath the surface, the divides are growing sharper: **inflation vs. growth, jobs vs. layoffs, assets vs. debt, AI-driven capital spending vs. stagnation elsewhere.**

Markets can and often do climb walls of worry. With stocks strong this late in the year, history suggests they may continue to do so. But the divides we see today require vigilance, discipline, and perspective – which is where our **R.I.T.E. framework** comes in.

R - Risk

We're living in an age defined by the hollowing out of the middle, not just economically, but across markets, politics, and society. Polarization seems to have become the baseline condition.

In markets, the extremes are clear:

- **The “haves” vs. the “have-nots.”** The top 10% of companies and households capture a growing share of wealth, capital, and returns, while the middle grinds to maintain purchasing power.
- **Booms vs. busts.** AI-fueled equity euphoria contrasts with sluggish small caps, commercial real estate stress, and tight credit for households.
- **Longevity vs. insolvency.** Families are living longer, but retirement systems, healthcare funding, and insurance models are stretched thin. The risk of outliving money is now more common than the risk of losing it in markets.

One might say the middle, once the ballast of portfolios, economies, and households is now being eroded.

At Members' Wealth, we prepare for both sides of the barbell: the risk of excess and the risk of fragility by structuring portfolios that protect against both overexuberance and erosion.

Current Themes We're Monitoring

1. **Concentration Risk:** The top seven companies now represent over 30% of the S&P 500's market cap. That level of dominance has historically led to thinner breadth and higher volatility when leadership reverses.
2. **Policy Polarization:** Fiscal expansion and rate cuts coexist uneasily — the Fed and Treasury are pulling in different directions. The result: higher-for-longer inflation risk, even as growth cools.
3. **Insurance and Longevity:** From coastal property coverage to long-term care, costs are rising faster than incomes. This is a “cash flow risk” hiding in plain sight.
4. **Liquidity Gaps:** Private credit and private real estate funds have grown rapidly in a zero-rate world. Now, redemption gates and markdowns are reappearing. We remind clients: what feels stable often isn't liquid.
5. **Geopolitical and Technological Extremes:** AI and automation are rewriting productivity — and displacing work. Meanwhile, global realignments in trade and defense spending increase volatility at the macro level.

At Members' Wealth risk is not just what extremes show up in headlines — it's what shows up quietly in your cash flow, your coverage, and your concentration.

Our focus remains the same:

- Protect the downside through disciplined structure and diversification.
- Capture selective upside where dislocation creates opportunity.
- Plan for longevity and inflation, not just volatility.
- Manage non-portfolio risks with planning, insurance, business structures, etc.

We prepare for the extremes but manage to the middle.

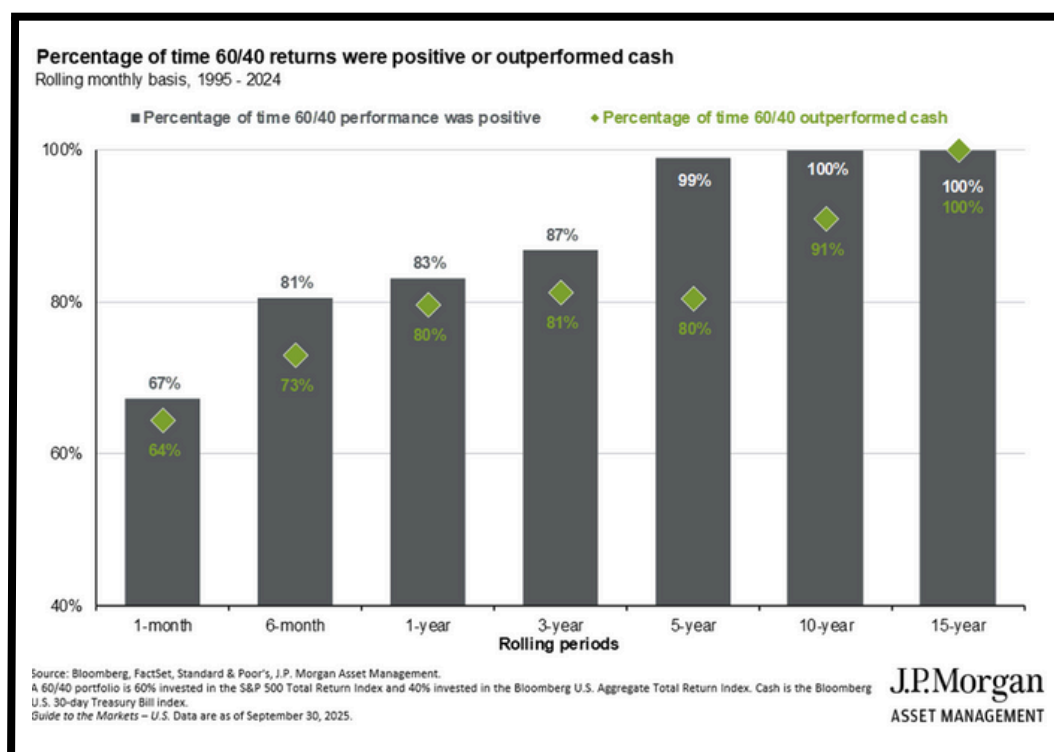
I – Investments

This quarter, nearly every asset class delivered positive returns – a welcome change from recent years of volatility. Still, discipline remains key.

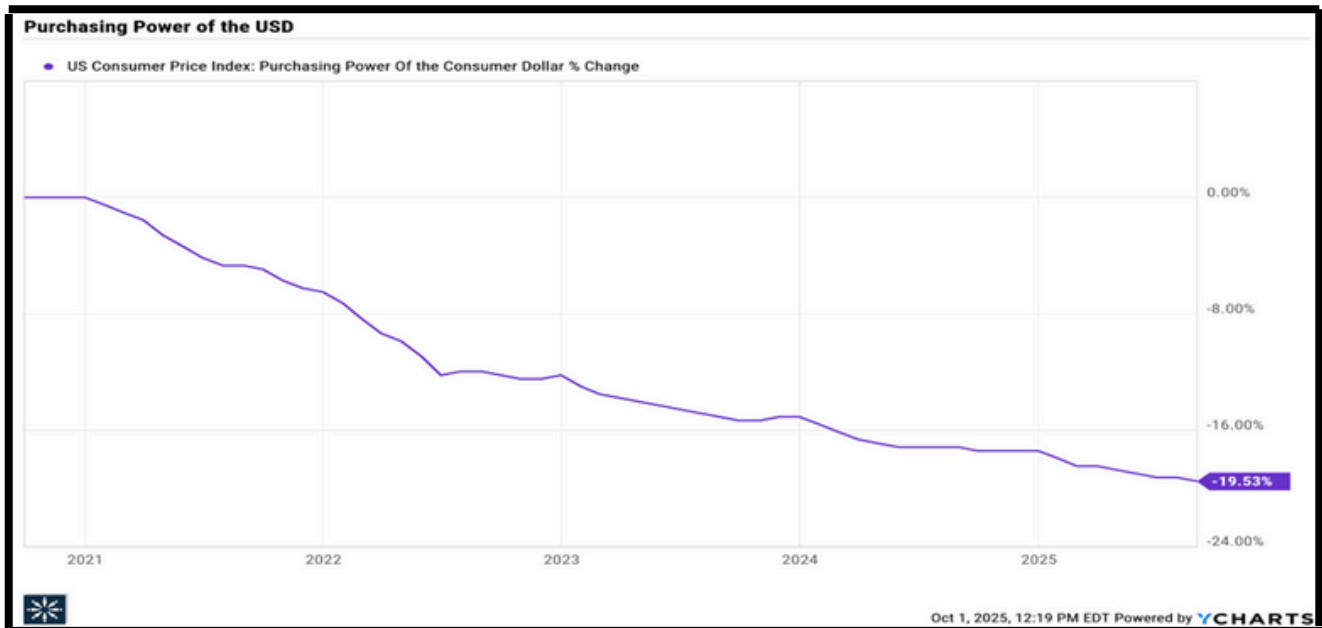
1. Cash & Short-Term Bonds

Yields remain in the 3–5% range, attractive for liquidity. But reinvestment risk is real if the Fed continues cutting. Cash is a tool, not a strategy – and its role is temporary.

Take a look at this chart from JP Morgan: Percentage of time 60/40 returns were positive or outperformed cash.



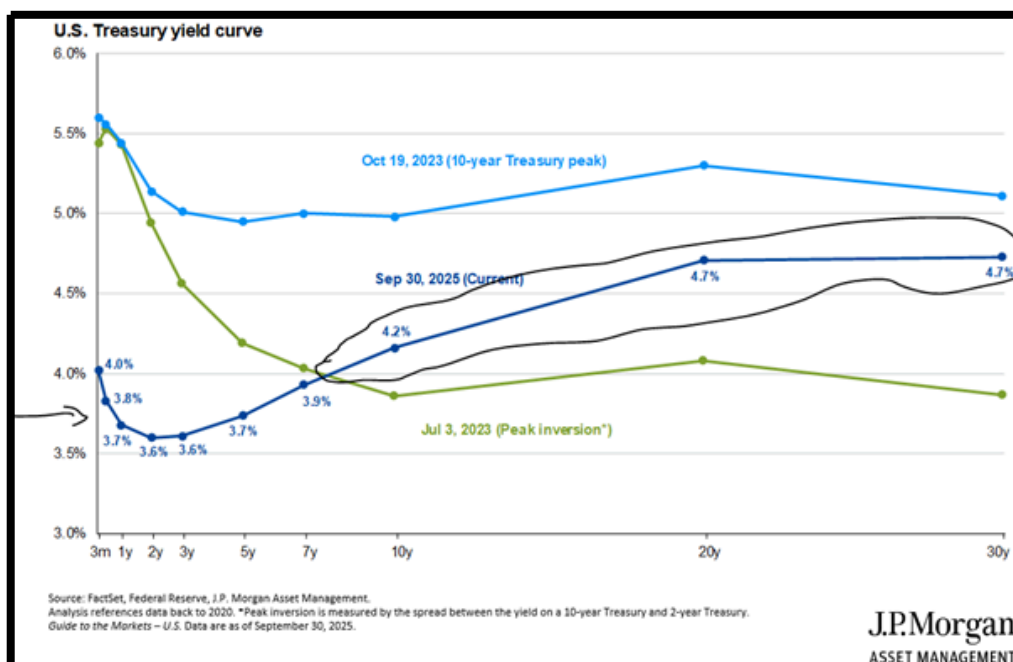
Here is the purchasing power of the USD over the last 5 years.



Shall we move on or leave everything in cash?

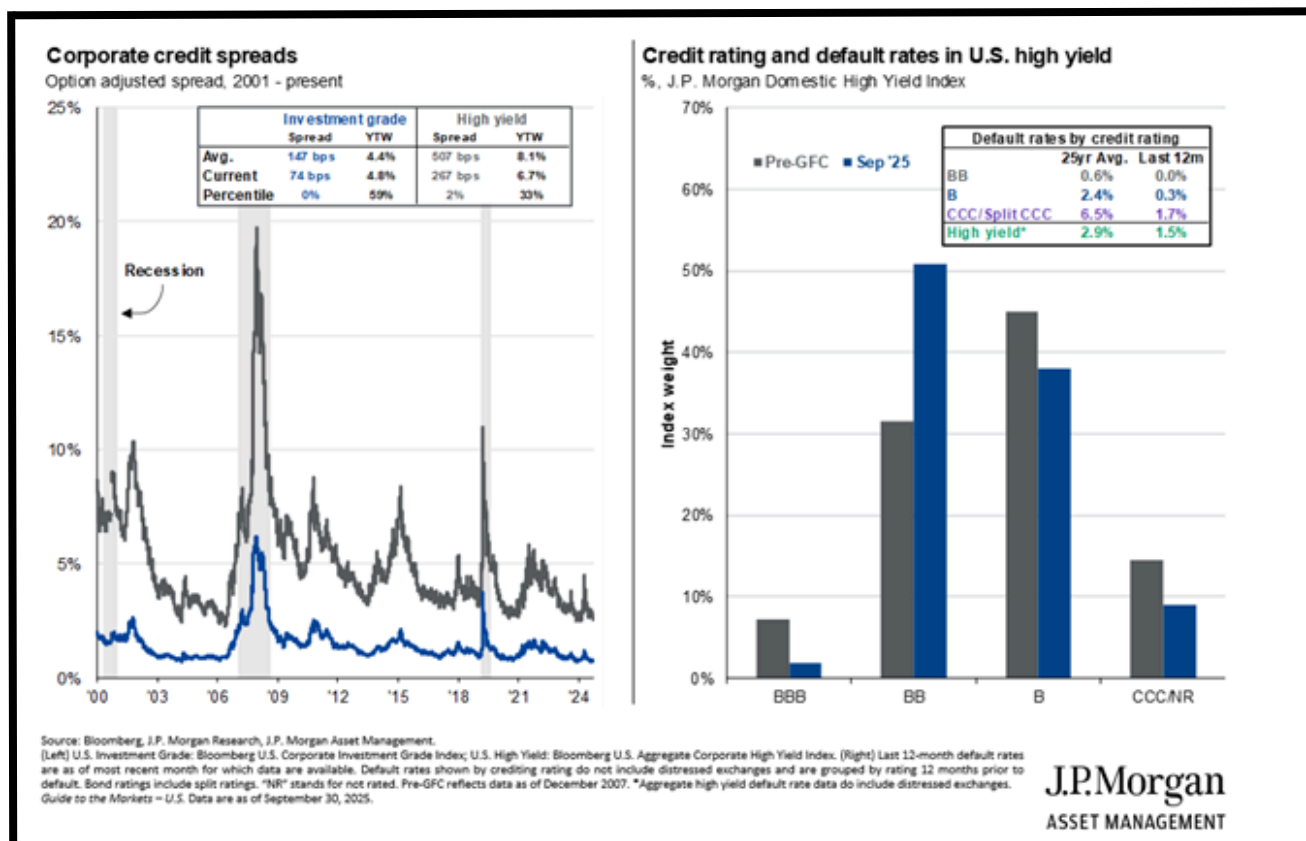
2. High-Quality Bonds & Interest Rates

After years of disappointment, bonds are paying investors again. Yields are competitive, spreads are tight, and returns have been positive year-to-date. With a more “normal-shaped” (See U.S. Treasury Yield Curve Graph) yield curve forming, extending duration (buying longer-term bonds) selectively makes sense as a hedge and to lock in higher yields for a longer time period, though we remain mindful of interest rate risk.

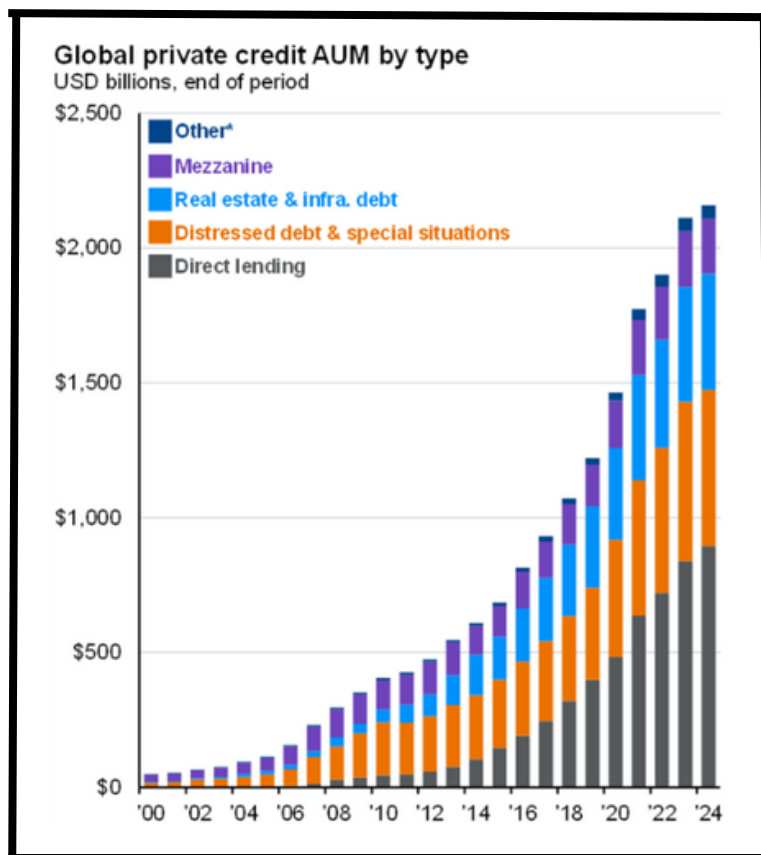


3. Credit / High-Yield

Corporate and high-yield corporate bonds have been resilient, but spreads are compressed (See Corporate Credit Spreads Graph). Compressed spreads generally mean investors are not being paid much for the risk they're assuming. As such, we remain tilted toward quality issuers and defensive positioning.



4. Alternatives



Alternative investments tend to have their day in the sun, but then when it rains, it tends to pour or at least stays cloudy for a really long time. While Private Credit continues to be a boon for those issuing it, which always raises the hair on the back of my neck, clouds do seem to be accumulating. (See Chart Global Private Credit AUM by type). At the risk of sounding like a broken record, I was concerned with the growth in this space back in 2015, but it keeps growing. We are keeping a very close eye on default rates, payment-in-kind bonds, and loosening covenants, all echoes of the last 2008 credit crisis. Perhaps because of the behind the scenes growing concerns, not surprised to see that the sun is shining on gold and that it is now up approximately 50% year to date. Gold's rise could also be due to a lack of confidence in central banks as well as international turmoil. Gold and even Bitcoin have resurged as hedges against fiat currency concerns, cracks in the debt markets, and government debt expansion. We emphasize measured allocations – **speculation on price movement is not a substitute for strategy.**

5. Equities

The S&P 500 and global equity markets advanced again this quarter, with nearly all categories in the green. Yet the divide is clear: large-cap tech and AI-related companies dominate leadership, while many other sectors lag. Valuations remain high, particularly among the “Magnificent 7.” I think I have hit these topics a lot lately – for more on this see any one of our **insights**, but specifically these:

1. Circularity
2. Exuberance, Electricity, and the Edge of Reason
3. Mind the Ride: Markets at Record Highs, Risks in the Shadows
4. To name but a few...

International and small-cap equities, by contrast, offer compelling relative value – trading at discounts of 30–50% versus U.S. large caps, with higher dividend yields.

Our message remains consistent: **stay diversified, trim winners, and rebalance toward what is underpriced rather than simply chasing what has already worked.**



T – Tax

For most families, the extremes in tax policy reform are not where they find value but rather in applying timeless strategies in the context of today's thresholds and opportunities.

This quarter, four areas stand out: deciding between the standard and itemized deduction, using required minimum distribution (RMD) withholdings to simplify tax payments, leveraging qualified charitable distributions (QCDs), and making thoughtful Roth conversions. Together, these tools represent practical steps you can take now as part of the next phase of your financial plan.

Standard vs. Itemized Deduction

The standard deduction has grown significantly, and for 2025 it stands at \$30,000 for married couples under 65. Couples where both spouses are over 65 can claim up to \$42,000 (income phase-outs apply). That's a large hurdle for many households to clear with itemized deductions.

Still, itemizing remains valuable for taxpayers with high state and local taxes (now deductible up to \$40,000 under the new cap), significant mortgage interest, or substantial charitable contributions.

Don't assume this year will look like last year. The right choice is the one that produces the lower taxable income after weighing both paths. Running the numbers annually, and not defaulting to habit, is essential.

RMD Withholding as a Tax Tool

Retirees often wrestle with the hassle of quarterly estimated tax payments. One of the more generous features of the tax code is that any withholding from retirement account distributions is treated by the IRS as if it occurred evenly throughout the year, regardless of when it's taken.

That means you can satisfy your entire federal tax obligation through withholding on your RMD – even if you make the election in December. The benefit is two-fold:

- Convenience. No quarterly vouchers, checks, or online payments.
- Accuracy. You can calculate your year-end tax liability with real numbers, then set withholding accordingly.

This approach won't make your tax bill smaller, but it simplifies life for retirees who would rather focus on their families and activities than IRS deadlines.

Qualified Charitable Distributions (QCDs)

For those age 70½ and older, a QCD is one of the most tax-efficient ways to give. You can transfer directly from an IRA to a qualified charity. This distribution is excluded from taxable income and still counts toward your RMD.

Why is this so powerful?

- Tax savings even if you don't itemize. Since the gift bypasses income altogether, the benefit is preserved regardless of whether you take the standard deduction.
- Lower adjusted gross income (AGI). Reducing AGI can help avoid Medicare premium surcharges (IRMAA) and preserve eligibility for other credits or deductions.
- Philanthropy with impact. You get to support causes that matter to you while aligning the move with broader tax efficiency.

For charitably minded retirees, QCDs represent a way to meet required distributions, lower taxable income, and make a difference — all at once.

Roth Conversions

Roth IRAs remain one of the most powerful vehicles in long-term planning. Unlike traditional IRAs, Roths are not subject to RMDs, and withdrawals are tax-free. A conversion moves money from a pre-tax account into a Roth, with income tax paid on the amount converted.

The most strategic time to consider a conversion is often during lower-income years — such as the window between retirement and the onset of Social Security or RMDs. During this period, income may be low enough that filling up the 22% or 24% tax bracket with conversions is attractive.

Benefits include:

- Reducing the size of future RMDs.
- Building a tax-free pool of assets for retirement spending.
- Passing wealth to heirs in a more tax-efficient form.

Conversions must be calibrated carefully; large moves can push income into higher brackets or trigger higher Medicare premiums. But used in moderation, they provide a path to long-term tax flexibility.

The third quarter of 2025 may not have delivered new legislation, but that doesn't mean it's quiet on the planning front. Tax optimization is not necessarily about chasing the extremes toward tax minimalization, but walking the middle, balancing the current rules to reduce taxes and strengthen long-term outcomes.

E – Estate

Legal Structure and Asset Titling in Estate Planning: The Overlooked Cornerstone

When most families think of estate planning, they focus on Wills, Trusts, and tax strategies. Yet, the legal structure and title of assets are often the overlooked foundations that determine whether a plan functions as intended. Proper structuring can enhance efficiency, minimize conflict, and create clarity for heirs. Improper structuring can lead to probate delays, avoidable taxes, and disputes that unravel even the most carefully drafted documents.

Why Legal Structure Matters

The way assets are held—whether in individual name, joint tenancy, a limited liability company (LLC), or a trust—determines who controls them and how they transfer. For example:

- **Jointly Held Property:** Assets titled jointly with rights of survivorship pass automatically to the surviving owner, bypassing probate. That can be efficient, but it may unintentionally disinherit other heirs.
- **LLCs and Partnerships:** Business or investment property held in an entity can streamline management, centralize control, and establish clear succession rules. Without proper structure, ownership transitions may be contested or trigger unnecessary tax recognition. Do you have a properly structured Buy-Sell-Agreement?
- **Trusts:** A revocable living trust can consolidate titling of multiple assets, simplify administration, avoid ancillary estate administration in another state, and coordinate distribution. But if assets are not actually retitled into the trust, the document may have little effect. Is your Revocable Living Trust funded?

In each case, the legal structure functions as the delivery system for the broader estate plan. Without alignment between structure and intent, even sophisticated planning can fall short.

The Importance of Title

Beyond structure, the title on each asset controls its disposition. Beneficiary designations on retirement accounts, life insurance, and transfer-on-death accounts supersede the instructions in a Will. A common mistake occurs when designations are not updated after major life changes, such as marriage, divorce, or the birth of children.

Similarly, a mismatch between trust provisions and asset titling can lead to fragmented administration. A trust designed to benefit multiple heirs equally will not achieve that goal if a significant account is left titled jointly with one child.

OBBBA's Impact

The One Big Beautiful Bill Act (OBBBA) increases the standard deduction significantly beginning in 2025—\$15,750 for individuals and \$31,500 for couples, with higher amounts for those over 65. New \$6,000 senior deduction (2025–2028):

- Who is eligible: Taxpayers aged 65 or older with modified adjusted gross income (MAGI) below certain thresholds.
 - Single filers: MAGI below \$75,000.
 - Married filing jointly: MAGI below \$150,000.

This shift reduces the number of taxpayers who will itemize deductions, changing the landscape for charitable planning.

How does this relate to asset structure and titling? Families who intend to maximize charitable giving strategies may consider vehicles such as donor-advised funds or charitable trusts, both of which require correct titling and contribution methods. In addition, for high-net-worth households, entity structuring and trust planning remain important in order to align tax outcomes with charitable goals. OBBBA heightens the need to review whether assets are positioned in ways that allow for flexibility, particularly when bunching charitable gifts to surpass the new deduction thresholds. The idea is that the client can combine gifting with other deductions to substantially exceed the standard deduction, allowing the client to itemize and claim a much greater deduction for that year.

The Wealth Done R.I.T.E. Takeaway

Estate planning is not only about drafting documents—it is about execution through structure and title. Reviewing these details ensures that a plan is resilient, intentional, tax-efficient, and effective across generations. A periodic review, especially in light of OBBBA's tax changes, can safeguard both family harmony and financial legacy.

Firm Updates

This quarter, we're thrilled to welcome [Isaac Martin](#) to our advisory team and [Makeda Wubayeh](#) to our marketing team. Both bring energy and expertise that strengthen our ability to serve you.

We also unveiled our **new office sign** — a small but meaningful symbol of the growth and permanence of Members' Wealth in our community.



We just concluded our now 9th quarterly firmwide meeting. The meeting started as a way to bring together the early few who worked on different coasts to reflect, review, and plan. It has grown into a firm-wide get-together. We kick off the process with a firm-wide survey. We then aggregate responses and look for similarities, differences, and great ideas. When we come together, we share the company's financials, the company's wins and losses, and our individual and company values, visions, and priorities for the next 90 days. I am grateful for this process, the light it shines, the alignment it brings, and the improvements that come out of it.

- Values – Honesty & Integrity, Service Excellence, Better Every day. I feel the team embodies these.
- Vision – To be the gold standard in wealth management where prospective clients, advisors, and employees form a line out the door to join.
- Priorities – Service, growth, improved systems.

Our quarterly meetings help us find our own middle—between growth and reflection, ambition and gratitude.

Closing Thoughts

As we head into the final stretch of 2025:

- **Stay invested.**
- **Trim winners.**
- **Be ready for the opportunity created by volatility.**

We remain grateful for the families we serve. Your trust allows us to focus not just on numbers, but on purpose.

Wealth Done R.I.T.E - **Preserve, Grow, Endure, and Evolve.**

—

Dane Czaplicki, CFA

CEO & CIO | Members' Wealth

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Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Bloomberg US Aggregate Bond Index, is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States.

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