

MEMBERS' WEALTH
Preserve. Grow. Endure. Evolve.

When Higher Rates Change the Plan

Q3 2026 Quarterly Letter | Quarter ended September 30, 2026

There is a difference between being able to afford something and deciding it is worth the money.

Inflation and higher interest rates have a way of making that distinction clearer.

Financial success does not make us indifferent to value. A renovation, a family trip, or a business expansion may remain comfortably within reach. But when the price changes substantially, it deserves a fresh look. Will the experience be worth it? Does borrowing still make sense? Is this the best use of the money?

I find myself asking those questions, too. Having the resources to move forward does not mean every price makes sense. Sometimes we proceed because something matters enough to us. Sometimes we adjust. Sometimes we pass.

Those are decisions about priorities, and they are where I want to begin this quarter: with the decisions behind the headlines.

The Third Quarter in Perspective

September was difficult for bonds. Rising yields pushed prices lower, while the S&P 500 declined for the month but still finished with its second consecutive quarterly gain. Energy prices and uncertainty surrounding the Middle East remained part of the inflation backdrop. The Federal Reserve raised its policy rate during September, adding another consideration for borrowers and investors.

Index / Measure	Q3 2026	Year to Date	Trailing 1 Year	3 Years, Annualized	5 Years, Annualized
S&P 500 Index	2.3%	12.8%	15.7%	22.9%	13.8%
Bloomberg U.S. Aggregate Bond Index	−3.5%	−2.9%	−1.8%	4.1%	−0.6%
MSCI EAFE Index	0.8%	10.3%	15.7%	18.4%	9.3%
U.S. Inflation (CPI-U)	0.9%	4.0%	3.7%	3.1%	4.2%
WTI Crude Oil Spot Price	37.7%	69.7%	53.8%	2.3%	5.3%

By September 30, the benchmark 10-year Treasury yield was around 5.3%, near levels last seen in 2002. That is a meaningful change in the price of money. It affects what households pay to borrow, what businesses must earn to justify new investment, and what investors can receive from high-quality fixed income.



Figure 1. The 10-Year Treasury Yield Is Back Near Its 2002 Level

Source: Federal Reserve Bank of St. Louis (FRED series DGS10), 10-year Treasury constant maturity yield. Monthly averages, January 2000 to September 2026; marker shows the Sept. 30, 2026 daily close. Past performance does not guarantee future results.

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There is another distinction worth making. A slower inflation rate does not mean prices have returned to where they were. It means they are rising more slowly. Those accumulated increases still affect spending, retirement income needs, and long-term planning.

For investors, the challenge is to recognize those pressures without allowing them to dominate every decision. Headlines tell us what deserves attention. They rarely tell us how much risk a particular family should take, how long its money can remain invested, or which assets should fund next year's spending.

Those answers come from the plan.

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Wealth Done R.I.T.E.

At Members' Wealth, we believe the most important financial decisions rarely exist in isolation. That's why we approach financial planning through our Wealth Done R.I.T.E. framework: Risk, Investments, Tax, and Estate.

The value of the framework is in the connections.

This quarter, inflation and interest rates provide a useful way to see those connections.

R — Risk

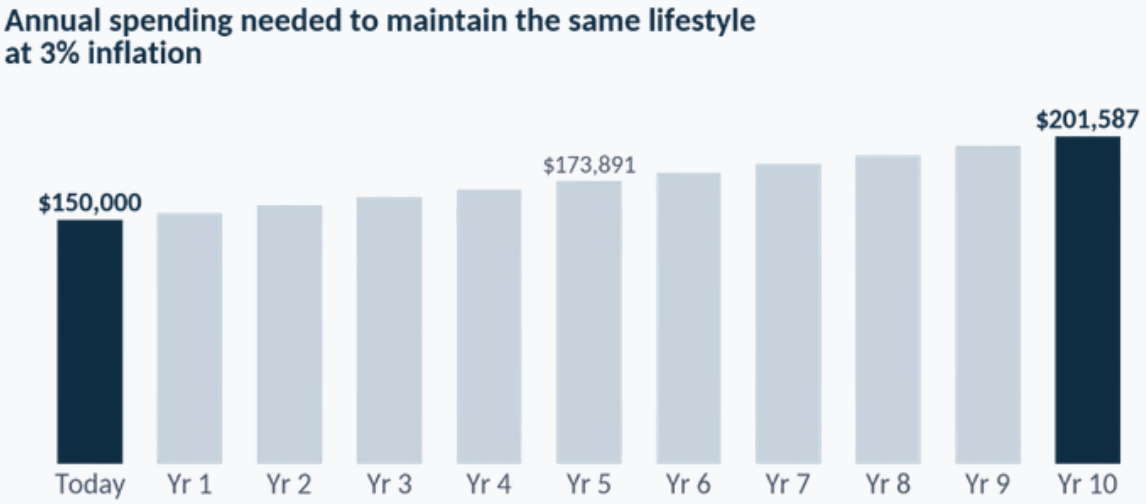
A Plan Built Around Yesterday's Costs

One of the quieter risks in wealth planning is relying on yesterday's cost estimates to fund tomorrow's life.

A retirement budget may have been reasonable when it was created. The family may still feel comfortable with the portfolio. But insurance, healthcare, travel, home maintenance, and support for children can change at different speeds. A general inflation assumption is useful. It cannot replace a review of what the family actually spends.

For illustration, a household spending $150,000 a year would need about $202,000 after ten years of 3% annual inflation to purchase the same basket of goods and services. That is not a forecast. It is a reminder that even an ordinary-looking inflation rate becomes consequential over a retirement that may last decades.

Figure 2. Inflation Raises the Cost of the Same Lifestyle



Source: Members' Wealth calculations. Hypothetical household spending $150,000 per year with costs rising 3% annually. Not a forecast; actual spending and inflation will vary.

The response should be thoughtful rather than dramatic. Revisit spending. Separate essential expenses from discretionary ones. Identify commitments that cannot easily be reduced. Then ask whether the portfolio and income sources still support the life the family wants to live.

That review should also clarify how much cash to keep available. Cash can protect near-term spending from market volatility and provide valuable flexibility. But money intended for needs many years away requires a different assessment. Over time, inflation can erode its purchasing power, even after accounting for interest earned and taxes paid. The goal is to hold enough cash to meet upcoming needs with confidence while keeping longer-term money working toward longer-term goals.

Borrowing and Insurance Deserve Another Look

Higher rates do not affect every borrower immediately. A fixed-rate mortgage can provide stability while a floating-rate credit line changes quickly. A business loan might remain manageable until it matures and must be refinanced. The important date may be years away, but the decision deserves attention before it becomes urgent.

Imagine a business project that made financial sense when borrowing cost 4%. If that debt must be refinanced at 8%, the margin for error can shrink substantially.

Families face similar decisions. We should know which debts can reset, when they mature, and whether a higher payment would change other priorities.

Higher costs also warrant a fresh look at insurance coverage. The market value of a home and the cost to rebuild it are different numbers. A policy that once appeared adequate may now leave the family responsible for a larger share of the cost to recover from a loss.

At Members' Wealth, we do not sell insurance. Our role is to help identify exposures and coordinate a review with the appropriate professionals.

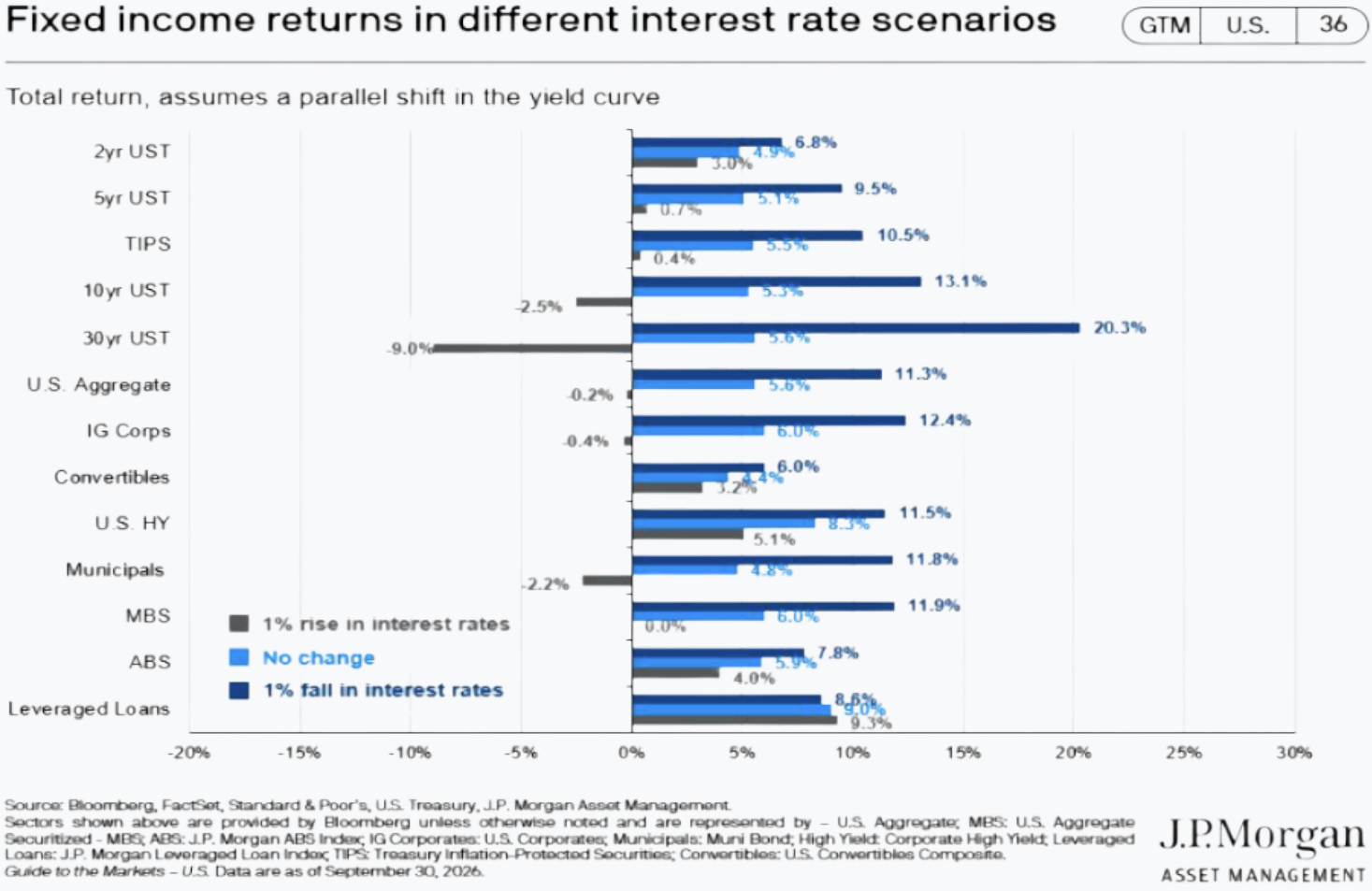
I — Investments

Bonds Have Become More Interesting

Falling bond prices are uncomfortable, especially when bonds were purchased to provide stability. But lower prices also mean higher yields for buyers putting money to work today.

In an early-October post, Stephanie Aliaga, Global Market Strategist at J.P. Morgan Asset Management, highlighted why that matters: higher starting yields provide more income to help offset price declines if yields rise further, and the potential for additional gains if yields fall.

See “Fixed income returns in different interest rate scenarios.” Graph below.



Source: Bloomberg, FactSet, Standard & Poor's, U.S. Treasury, J.P. Morgan Asset Management.
Sectors shown above are provided by Bloomberg unless otherwise noted and are represented by – U.S. Aggregate; MBS: U.S. Aggregate Securitized - MBS; ABS: J.P. Morgan ABS Index; IG Corporates: U.S. Corporates; Municipals: Muni Bond; High Yield: Corporate High Yield; Leveraged Loans: J.P. Morgan Leveraged Loan Index; TIPS: Treasury Inflation-Protected Securities; Convertibles: U.S. Convertibles Composite.
Guide to the Markets – U.S. Data are as of September 30, 2026.

J.P.Morgan
ASSET MANAGEMENT

That is a meaningful improvement from the low yields available at the start of 2022. Income provides more cushion today, although it cannot prevent losses in every scenario.

The question is how to put that opportunity to work. For families with identifiable spending needs, a bond ladder—bonds scheduled to mature in different years—can help align investments with future expenses. As bonds mature, the proceeds can fund spending or be reinvested at prevailing yields. This creates a schedule for making decisions without requiring us to identify the exact peak in interest rates.

The tradeoffs still matter. Longer-term bonds are generally more sensitive to changes in yields. Selling before maturity can produce a loss, and inflation can erode the purchasing power of fixed payments. Waiting in cash carries its own uncertainty: the income available today may decline before that money is invested for longer-term needs.

I find the starting income more compelling today. But maturity, liquidity, and position size deserve as much attention as the headline yield. We do not need to predict the next move in rates to decide whether a particular bond helps fund a particular goal.

Equities

Higher rates also raise the standard for other investments. When high-quality fixed income offers meaningful income, an equity investment should offer enough potential reward to justify its additional uncertainty.

For businesses, we are interested in pricing power, balance-sheet strength, refinancing requirements, and cash flow. Can the company pass along higher costs without losing customers? Does it have to borrow to sustain operations? Are attractive earnings translating into cash after the spending needed to maintain and grow the business?

Price remains part of the answer. A strong company can still be a disappointing investment when too much future success is already reflected in its valuation. Enthusiasm about artificial intelligence does not excuse us from asking who earns the return, how much capital is required, and what expectations the purchase price assumes.

Diversification remains useful for the same reason. Different businesses, regions, and sources of return respond differently to changing conditions. A portfolio should not require one sector or a handful of companies to keep exceeding expectations indefinitely.

Our investment question remains consistent: does the potential reward justify the risks required to help this family achieve its goals? That question serves us better than trying to own whatever makes the most interesting headline.

T — Tax

The Tax Return Measures Dollars

Inflation creates a peculiar problem in the tax system. The tax return generally measures nominal dollars, while the family needs purchasing power.

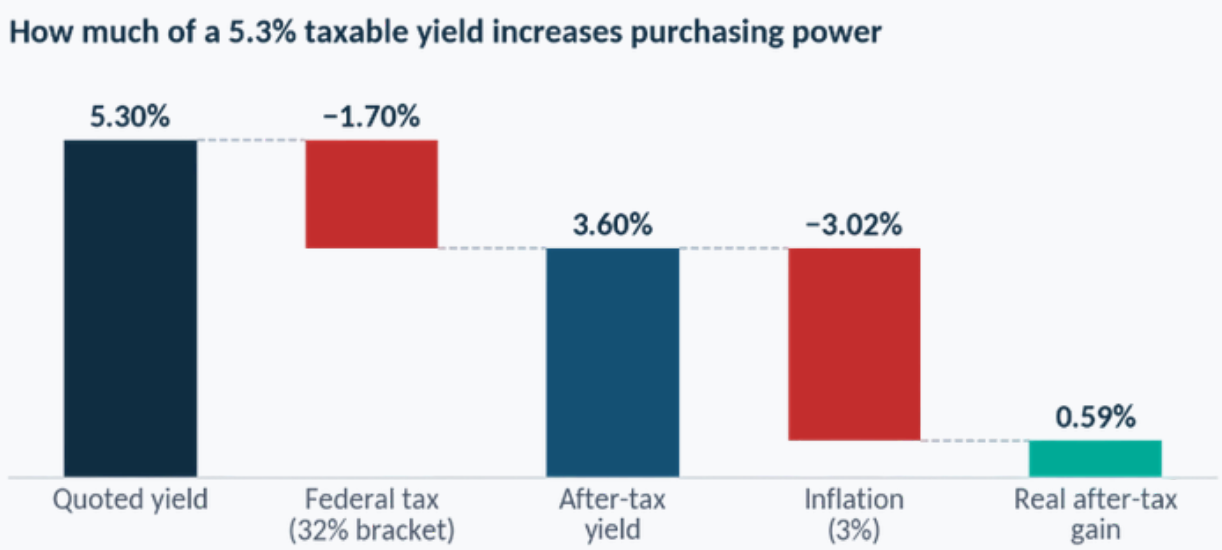
Suppose an investment purchased for $100,000 is sold years later for $150,000. In a simplified example with no basis adjustments, the taxable gain is $50,000. If the cost of what the investor wants to buy has also risen 50%, the investment has merely preserved purchasing power before tax. Yet the gain can still generate a tax bill.

The result can feel strange. The investor has more dollars and a tax liability, without necessarily having more financial capacity.

That does not mean holding appreciated assets forever is the best answer. It means the tax cost should be considered alongside diversification, spending needs, and the risk of continuing to own the asset. Avoiding a tax bill is valuable only when the broader decision still serves the plan.

Interest income presents a more immediate version of the same issue. For illustration, a fully taxable 5.3% yield becomes about 3.6% after a hypothetical 32% federal income tax, before state taxes or any additional investment-income tax. At hypothetical 3% inflation, the increase in purchasing power is only about 0.6% using a compounded calculation.

Figure 6. From Quoted Yield to Real After-Tax Return



Source: Members' Wealth calculations. Hypothetical fully taxable 5.3% yield, 32% federal income tax rate, and 3% inflation (compounded). Excludes state taxes and the 3.8% net investment income tax. For illustration only; individual tax situations vary.

The quoted yield is real income. It is simply not the same as the amount available to improve the family's standard of living.

Use the Remaining Months Intentionally

The fourth quarter gives us time to influence this year's outcome. Once December 31 passes, many of the choices become a reporting exercise.

For families spending from taxable accounts, a capital gains budget can help coordinate withdrawals with the broader tax picture. The amount sold and the taxable gain are different numbers. Choosing which tax lots to sell can change the result without changing the cash raised.

- **Loss harvesting** may provide another opportunity, particularly after market declines, but the decision must account for wash-sale rules and the exposure the portfolio should retain. A tax benefit should not accidentally become a large investment bet.
- **Charitable plans** deserve coordination as well. Depending on the circumstances, donating appreciated assets may be more efficient than selling them and giving cash. The benefit depends on the recipient, the asset, deduction limits, and the family's return. It should support generosity that was already intended, rather than create spending solely to claim a deduction.
- **Roth conversions** can be useful when a family's current tax cost is attractive relative to expected future costs. Higher taxable interest, gains, or business income can change that calculation. We should evaluate the conversion alongside future required distributions, available cash to pay taxes, beneficiaries, and any related Medicare effects.

Finally, **asset location** deserves review. The account holding a bond can materially affect its after-tax usefulness. Taxable bonds, municipal bonds, equities, and retirement accounts each bring different considerations. The highest pretax yield is not always the highest after-tax opportunity for a particular family.

These decisions work best when we coordinate with your accountant before year-end. Our aim is to improve the durability of your wealth across years, while keeping the investment plan intact.

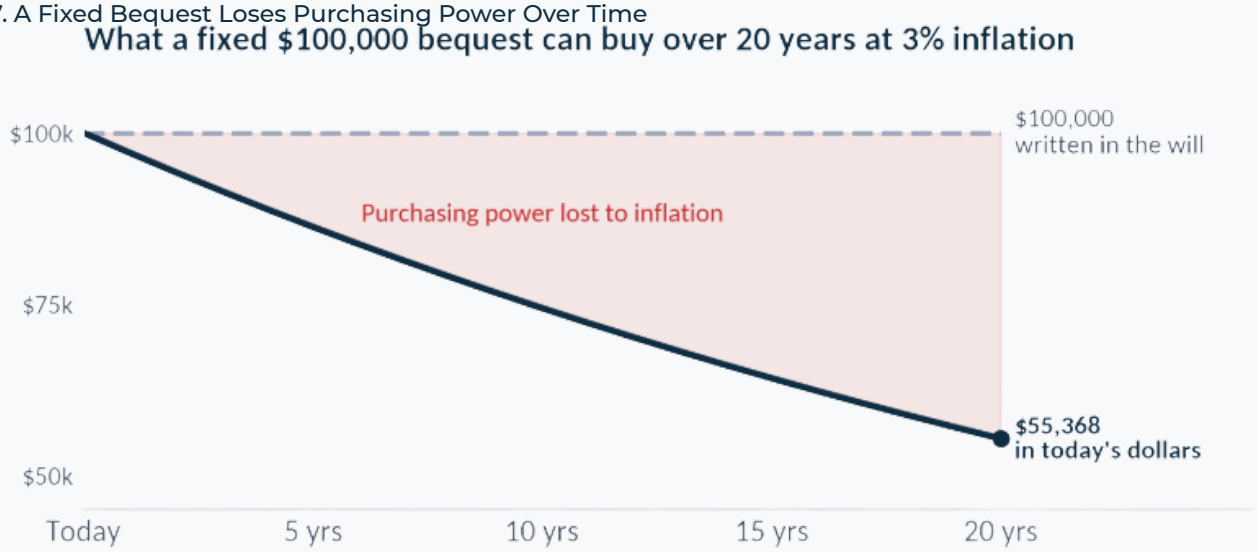
E — Estate

The Document Can Stay the Same While Its Meaning Changes

An estate plan may be legally current and still deserve a practical review.

Consider a hypothetical provision leaving a grandchild $100,000. That is a clear instruction. But after twenty years of 3% inflation, it would have purchasing power equivalent to approximately $55,000 today. The words and the dollar amount have stayed the same. The opportunity created by the gift has changed.

Figure 7. A Fixed Bequest Loses Purchasing Power Over Time



Source: Members' Wealth calculations. Hypothetical $100,000 fixed-dollar bequest with 3% annual inflation. Not a forecast; actual inflation will vary.

The same concern can arise with a fixed monthly trust distribution, money intended for education, or a provision meant to support a surviving spouse. Costs change. Family circumstances change. A decision that once seemed generous may eventually fall short of its intended purpose.

This is especially relevant when the plan names an objective as well as an amount. Paying for college, helping with a first home, or supporting a family member's care can mean very different things over time. We should periodically ask whether the structure still connects the resources to the intention.

Fairness Requires More Than a Number

Inflation can also affect fairness when different parts of an estate change in value at different speeds. One beneficiary might receive a fixed-dollar amount while another receives the remainder of the estate. A business or property might grow in value while liquid assets are spent down. The resulting distribution may diverge from what the family originally understood to be fair.

Equal dollar amounts are not always the family's objective. Some parents want to recognize different needs, prior support, or responsibilities within a business. What matters is that the result reflects a deliberate choice rather than the accidental effect of an old formula.

The solution is not automatically to index every distribution to inflation. That can create its own problems if the trust's assets, income, or competing obligations cannot support the adjustment. Percentage distributions, discretionary provisions, and language addressing specific needs each have tradeoffs.

Those choices belong in a conversation with the estate attorney. Our role is to help connect the documents to the family's balance sheet, cash flow, and objectives, so the attorney can evaluate the appropriate legal structure.

Closing Thoughts

The world changes the numbers. We have to revisit the decisions. We evolve.

An insurance limit, a borrowing arrangement, a portfolio allocation, a tax strategy, or a trust provision can remain untouched for years. That does not mean its effect remains unchanged. Good planning includes the willingness to look again—and to recognize opportunities that may arrive alongside uncomfortable changes.

We do not have to be certain where rates will go to make a thoughtful decision today. We do have to understand what the money is for, when it will be needed, and which risks the family can reasonably carry.

As we begin the final quarter of the year, consider what deserves another look in your own financial life. Have your spending priorities changed? Could your portfolio better support your income needs? Does your insurance coverage reflect today’s replacement costs? Do your tax strategies and estate provisions still serve your intentions?

These questions guide the planning work we do with you throughout the year. If something has changed—or a decision has been on your mind—let’s bring it into the conversation.

Preserve what matters. Grow with intention. Endure through change. Evolve when the facts require it.

Thank you for trusting us to help your wealth serve the life and people you care about.

Dane Czaplicki, CFA
CEO & Chief Investment Officer
Members' Wealth LLC

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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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