GWM Monthly Newsletter

Gauthier Wealth Management

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Happy New Year! As we begin 2026, we are beginning to see the end of the economic slowdown caused by the government shutdown. The Congressional Budget Office estimates the shutdown reduced economic activity by 1.5 percent. Even with this slowdown, we are still expecting GDP to grow by 2.7 percent in Q4 2025. Of course, all eyes will continue to be on the Federal Reserve which anticipates only one interest rate cut of 0.25 percent in 2026. However, if the unemployment rate continues to climb above the current level of 4.6 percent, the number of cuts could easily increase. I hope you and your family have a wonderful and prosperous new year!

All the Best, Jon Gauthier, President, GWM

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How Will AI Transform the Workplace? Employers Weigh In

Rapid developments in artificial intelligence (AI) have left workers wondering when their jobs might be significantly affected or even eliminated. One international survey found that it won't be long — 86% of employers across the globe expect AI and other information technologies to transform their businesses by 2030. Here are the top strategies employers surveyed expect to adopt within the next five years to leverage AI in the workplace.

Source: World Economic Forum, 2025

Keeping Cool in Volatile Markets

On April 2, 2025, President Trump announced sweeping tariffs that were larger and different in structure than expected. Over the next two days, the S&P 500 Index plunged by 10.5%. The Dow Jones Industrial Average lost 9.3%, and the tech-heavy NASDAQ Index dropped 11.4%.[1] The two-day rout erased $6.6 trillion in market value, the largest two-day loss of shareholder value in U.S. history.[2]

Faced with such a dramatic downturn, some investors might panic and sell their stocks. But if they did, they would have missed the equally dramatic bounceback the next week, after Trump announced a 90-day pause on most of the new tariffs. Stocks soared on April 9, with the S&P 500 gaining 9.5%, the largest one-day gain since 2008.[3] Although volatility continued, the index set a new record by the end of June and more records over the following months. The Dow and NASDAQ also bounced back to record highs.[4]

Tune out the noise

It's likely that the tariff program will continue to influence the stock market for some time, as will decisions around interest rates and other economic news. The media generates reports 24 hours a day, and you can check the market anywhere you carry a mobile device. This barrage of information might make you feel that you should buy or sell investments in response to the latest news or market movement. But as the events of April 2025 illustrate, it's generally not wise to react emotionally to market swings or to news that you think might affect the market.

Historically, some of the best days of stock market performance have followed some of the worst days. Pulling out of the market due to an emotional reaction can lead to missing gains on the way back up. On the other hand, buying heavily just because the market is rising could mean overcommitting at higher prices.

Stay the course

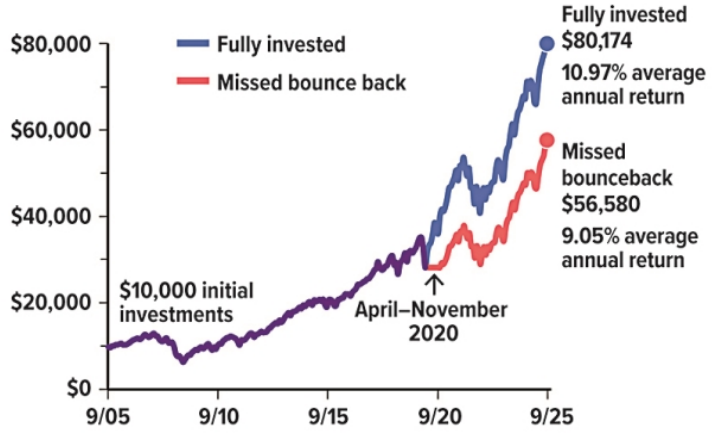
The market will always move up and down, but the long-term trend has been upward for almost a century, the period covered by modern analysis. Since 1928, the S&P 500 Index has returned an annual average of about 10%.[5] Annual returns have varied widely, but, on average, bull markets have lasted over three times longer than bear markets and gained over three times more than bear markets have lost.[6]

Consider this advice from famed investor and mutual fund industry pioneer John Bogle: "Stay the course. Regardless of what happens in the markets, stick to your investment program. Changing your strategy at the wrong time can be the single most devastating mistake you can make as an investor."[7]

This doesn't mean you should never buy or sell investments. However, the investments you buy and sell should be based on a sound strategy appropriate for your risk tolerance, financial goals, and timeframe. And a sound investment strategy could help carry you through market ups and downs.

Missing the Bounceback

The best two months of stock market performance during the last 20 years came in April and November 2020, immediately after the pandemic bear market plunge. An investor who sold in March 2020 and missed the period from April to November would have received only about 70% of the 20-year return of an investor who stayed fully invested.



Source: London Stock Exchange Group, 2025, S&P 500 Composite Total Return Index for the period 9/30/2005 to 9/30/2025. This hypothetical example is used for illustrative purposes only and does not consider the impact of taxes, investment fees, or expenses. Rates of return will vary over time, particularly for long-term investments. Past performance does not guarantee future results.

Be calm

It can be tough to remain calm when you see the market dropping or to control your exuberance when you see it shooting upward. But overreacting to market movements or trying to "time the market" by guessing its future direction can create additional risk that could negatively affect your long-term portfolio performance.

All investments are subject to market fluctuation, risk, and loss of principal. When sold, investments may be worth more or less than their original cost. The S&P 500 Index is an unmanaged group of securities considered representative of the U.S. stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Actual results will vary.

1, 4) Yahoo Finance, April 7, 2025, and September 4, 2025

2) Morningstar, April 4, 2025

3) CBS News, April 10, 2025

5) Investopedia, May 16, 2025

6) Yardeni Research, January 21, 2024

7) MarketWatch, June 6, 2017

Q and A on RMDs

Tax-deferred retirement savings accounts, including IRAs and employer-based plans, are an appropriate way to build assets. Your accounts can potentially grow without losing ground to income taxes each year, and depending on the account type and your income level, you may also benefit from a tax deduction for your contributions.

However, with traditional, non-Roth accounts, you can't defer taxes indefinitely. The IRS will eventually get its share through what's known as required minimum distributions (RMDs).[1]

What are RMDs?

RMDs are annual distributions that must be taken from traditional, non-Roth IRAs and employer plans once you reach a certain age. If you were born from 1951 to 1959, you must begin RMDs after you reach age 73. If you were born in 1960 or later, your RMD age is 75. There is one exception to this rule: If you work beyond RMD age and you're not a 5% owner of your company, you can defer RMDs from your *current* employer's plan until you retire. You'll still be required to take RMDs from any previous employer plans.

Which accounts are subject to RMDs?

Traditional IRAs, SEP IRAs, SIMPLE IRAs, SARSEPS, and all work-based retirement plans — including 401(k), 403(b), 457(b), and profit-sharing plans — are all subject to RMDs.

How much must I withdraw?

RMDs are calculated based on the value of your account as of the previous December 31, divided by a life expectancy factor published in tables included in IRS Publication 590-B. There are three different tables, each of which applies to certain situations.

For example, say you reach age 73 in 2026 and your work-based retirement plan account was worth $750,000 on December 31, 2025. Assuming you use Table III, the Uniform Lifetime table, your plan account RMD for 2026 would be $28,302 ($750,000 ÷ 26.5).

You must calculate RMDs for each account you own. With IRAs, the IRS allows you to total all RMD amounts and take your distribution from one IRA. Similar rules apply to 403(b) plans. With other work-based plans, you must calculate your RMD and take a distribution separately from each account.

You can always withdraw more than the required amount in any given year.

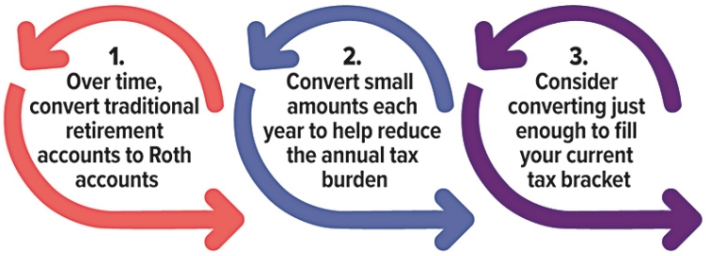
How do RMDs affect my income taxes?

RMDs (except amounts that were previously taxed, i.e., non-deductible contributions) are reported as taxable income. Consequently, a large RMD could result in a sizeable tax obligation.

Generally, you must take RMDs by December 31 each year; however, you may delay your first RMD until April 1 of the year following the year you reach RMD age. Keep in mind that your second RMD will be still be required by December 31 of that same year, which could significantly increase your income taxes.

Another Tax Strategy: Consider Roth Conversions

Roth conversions are taxable events, but they may help reduce RMDs later. How they work:



Taxes owed are payable in the year of conversion.

In addition, neglecting to withdraw the required amount can result in a penalty tax of 25% of the difference between what you should have withdrawn and the actual distribution. This amount may be reduced to 10% or even waived entirely if corrected as soon as possible within two years (see IRS Form 5329 and associated instructions).

One way to satisfy your annual IRA RMD without increasing your tax burden is to make a qualified charitable distribution (QCD). A QCD is a charitable contribution made directly from your IRA trustee to a qualified charity of your choice. Although QCDs are not tax deductible, you can exclude up to $111,000 in 2026 ($222,000 if you're married filing jointly) in QCDs from your gross income.[2]

[1] Unlike traditional accounts, Roth accounts don't offer tax-deductible contributions. Withdrawals from traditional accounts prior to age 59½ and non-qualified withdrawals from Roth accounts are subject to ordinary income taxes and a 10% early distribution penalty, unless an exception applies. Qualified withdrawals from Roth accounts are those made after a five-year holding period and the participant reaches age 59½, dies, or becomes disabled. Roth accounts are not subject to RMDs during the account owner's lifetime, but most Roth account beneficiaries, like traditional account beneficiaries, are subject to highly complex RMD rules beyond the scope of this article. For more information, speak with a tax professional.

[2] QCDs are not permitted from employer plans.

Don't Take the Bait: Top Tax Scams in 2025

As tax filing season approaches, the IRS warns taxpayers to watch for scams that can cause identity theft, financial loss, or criminal penalties. The agency's "Dirty Dozen" list, published annually since 2002, highlights 12 common tax schemes.

- **Phishing and smishing:** Fake emails and texts that appear to be from the IRS or other tax agencies lure you into disclosing your personal and financial data.
- **Bad social media advice:** Social media platforms circulate inaccurate tax tips that can lead to improper filings or disclosure of sensitive personal data.
- **IRS Individual Online Account help from scammers:** Third parties pose as "helpful" guides who offer to set up IRS online accounts for you but instead steal your identity or file fraudulent returns.
- **Fake charities:** Fraudulent charities prey on your goodwill to steal your donations and personal information.
- **False Fuel Tax Credit claims:** Scammers who encourage you to improperly file a Fuel Tax Credit claim, which is not available to most taxpayers.
- **Credits for Sick Leave and Family Leave:** Employees following bad advice have been improperly claiming a pandemic-era tax credit available only to self-employed individuals. This credit is no longer available.
- **Bogus self-employment tax credit:** Social media posts that promote a nonexistent self-employment tax credit to entice you into filing a fraudulent claim.
- **Improper household employment taxes:** Fraudsters convince you to file for fictional household employees to claim a refund based on false sick and family medical leave wages that you never paid.
- **The overstated withholding scam:** Social media messaging that encourages you to fabricate large income and withholding amounts through W-2s, 1099s, and other forms to inflate refunds.
- **Misleading Offers in Compromise:** Promoters, or "mills," that misrepresent the federal tax debt relief program to trick you into paying fees for resolutions for which you do not qualify.
- **Ghost tax return preparers:** Unscrupulous tax professionals who prepare returns without signing them or providing their IRS Preparer Tax Identification Number as required by law, subjecting you, the taxpayer, to potential tax fraud claims.
- **New client scams and spear phishing:** Cybercriminals who impersonate clients in an email to trick tax professionals into responding to access sensitive client information.

To help avoid scams, the IRS recommends never clicking on unsolicited links purporting to be from the IRS, verifying charities before donating, and only working with trusted tax professionals to potentially protect your personal information.

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