GWM Monthly Newsletter

Gauthier Wealth Management

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Happy August! The Federal Reserve held interest rates steady at 3.5 to 3.75 percent for the federal funds overnight rate at their July 2026 meeting. Core inflation declined to 2.6 percent from 2.9 percent in June year-over-year while overall inflation declined to 3.5 percent from 4.2 percent in May. While the Federal Reserve re-committed to a 2 percent target, it appears the market is doing much of their work. Meanwhile, the current estimate for GDP growth in the 3rd quarter of 2026 is 6.2 percent according to the Federal Reserve of Atlanta's GDPNow ™. This follows GDP growth of 2.1 percent and 1.5 percent for the 1st and 2nd quarters of 2026, respectively. I hope you have the opportunity to enjoy the last days of summer with family and friends!

All the Best, Jon Gauthier, President, GWM

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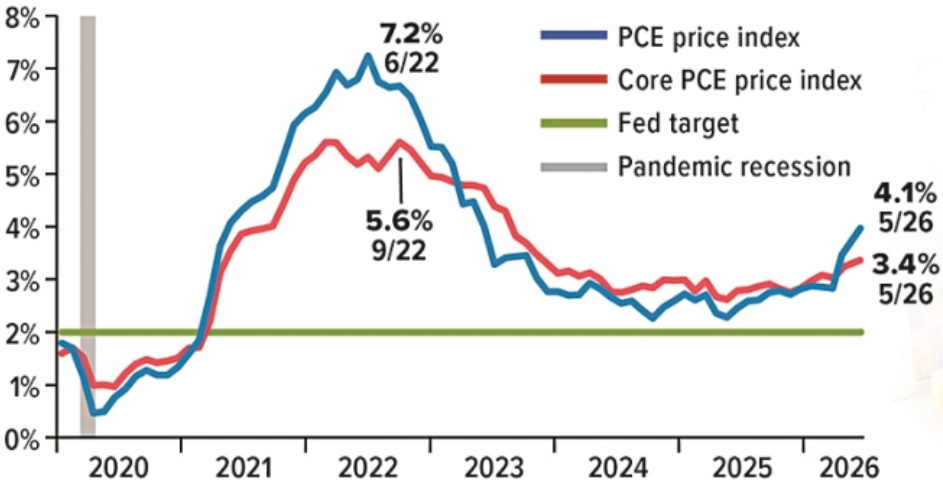
The Fed's Inflation Measure

While the media typically cites the consumer price index (CPI) as a measure of "headline inflation," the Federal Reserve prefers the personal consumption expenditures (PCE) price index. The PCE price index measures a broader range of expenditures and adjusts when consumers purchase less expensive alternative products, providing a clearer signal for setting interest rates.

The Fed targets a 2% annual increase in the PCE price index as a healthy rate of inflation. The central bank also looks closely at the core PCE price index, which strips out volatile food and energy costs. It may be surprising that full PCE inflation, which includes food and energy, generally ran lower than core PCE from early 2023 until the spring of 2026, when the Iran war caused surging energy prices.



Source: U.S. Bureau of Economic Analysis, 2026

Test Your Knowledge of Estate Planning

Estate planning can mean different things to different people. This quiz may help you increase your understanding of estate planning.

Questions

1. What is the primary function of a last will and testament?

a. To provide legal instructions for the distribution of assets after death

b. To bypass the probate process entirely

c. To manage assets during the grantor's lifetime

d. To appoint a health care proxy for medical emergencies

2. If an individual dies intestate, what does that mean?

a. All assets were held in joint tenancy

b. He/she died without a valid will

c. The estate value is below the federal tax threshold

d. He/she died with a valid revocable living trust

3. What is a major advantage of a revocable living trust compared to a will?

a. It is a public document that anyone can view

b. It eliminates the need to pay any estate taxes

c. It cannot be changed once it is signed

d. It allows assets to bypass the probate process

4. Who is the person responsible for managing and settling the estate as specified in a will?

a. Grantor

b. Trustee

c. Beneficiary

d. Executor/personal representative

5. Each of the following assets typically bypasses probate because of its ownership structure except:

a. A house owned solely by the deceased

b. A checking account with a payable on death designation

c. Real estate owned as joint tenants

d. Life insurance proceeds with a named beneficiary

6. What is the purpose of a durable power of attorney?

a. To grant someone authority to act on your behalf if you become incapacitated

b. To guarantee that an estate will not be taxed

c. To provide instructions for funeral arrangements

d. To designate who will inherit real estate

7. In the context of a trust, who is the trustee?

a. The person who creates the trust

b. The person who manages the trust assets according to its terms

c. The judge who oversees the trust in court

d. The person who receives the income from the trust

8. The unlimited marital deduction does not apply to property you bequeath to someone other than your spouse.

a. True

b. False

56% of U.S. adults do not have a will or living trust.

Source: Gitnux.org, 2026

Answers

1. a. The primary purpose of a will is to direct how a person's property should be managed and distributed upon death.

2. b. Intestacy occurs when there is no legally binding will, leaving the state's laws to determine how and to whom assets are to be distributed.

3. d. A properly constructed and funded revocable living trust controls the management and distribution of assets held by the trust, generally eliminating the need for probate relative to the trust assets.

4. d. The executor, or personal representative, is the individual or institution named in the will to carry out the deceased person's instructions according to the terms of the will.

5. a. Real estate owned solely by an individual will almost always have to go through the probate process upon the death of the individual owner.

6. a. A durable power of attorney allows an individual to appoint another person to act on his or her behalf, even if the individual is no longer mentally capable of making decisions.

7. b. The trustee is the individual or entity appointed by the person who creates the trust to manage trust assets according to the terms of the trust.

8. a. The unlimited marital deduction lets you deduct the value of property from your gross estate that you leave only to your spouse.

The College Landscape in 2026

The world of higher education is constantly evolving. Here are some key updates for 2026.

Rising costs and operational headwinds

Over the past 20 years, average costs for college tuition, fees, housing, and food have outpaced general inflation by 30% at public colleges and 28% at private colleges, straining the budgets of many families, though cost increases have slowed over the past decade. For the 2025–2026 academic year, average costs were $25,850 for in-state public colleges, $45,780 for out-of-state public colleges, and $60,920 for private colleges.[1] But these numbers don't tell the full story. Many colleges cost substantially more, and when the cost of books, transportation, and personal expenses are factored in, the total cost of attendance at many selective private colleges can be over $90,000 per year.

The higher education industry as a whole is grappling with several operational headwinds, including financial instability and funding disruptions at both the federal and state levels, rising operational costs, demographic shifts with projected declining enrollment in coming years, unique political pressures, and ongoing family concerns about return on investment.

Alternative education gets a boost

Against the backdrop of ever-increasing college costs, interest in apprenticeship training, certification programs, bootcamps, and other types of non-traditional educational paths has been steadily increasing. Here are three key initiatives in this area:

- In 2026, the list of eligible expenses for 529 plans has expanded to include a wide range of workforce training, professional certification, and credentialing programs.
- In February 2026, the U.S. Department of Labor announced $145 million in funding to organizations to help expand apprenticeship training programs in high-demand industries.[2]
- Starting July 1, 2026, a new Workforce Pell Grant became available to students enrolled in short-term (8–15 weeks' duration) job-focused programs.

New borrowing caps for student loans

Starting July 1, 2026, new borrowing rules took effect for several federal loan programs:

- **Direct Loans.** There is a new lifetime borrowing cap of $257,500 per student, which includes undergraduate and graduate loans. The interest rate for 2026–2027 is 6.52% for undergraduate loans and 8.07% for graduate loans.
- **Grad PLUS Loans.** This program is eliminated and replaced by graduate loans made under the Direct Loan program. New limits for graduate Direct Loans are $20,500 per year and $100,000 total for traditional graduate students and $50,000 per year and $200,000 total for professional graduate students (for example, law, medical school).
- **Parent PLUS Loans.** There is a new borrowing cap of $20,000 per year and $65,000 total per dependent undergraduate student. The interest rate for 2026–2027 is 9.07%.

Student loan debt and delinquencies: Q1 2026

Source: New York Federal Reserve, Quarterly Report on Household Debt and Credit Q1 2026

Streamlined student loan repayment

Starting July 1, 2026, two new student loan repayment plans became available. These will be the main plans going forward for federal student loans:

- **Tiered Standard Plan.** Under this plan, a borrower's payments are fixed each month, and the amount of time to repay is based on the outstanding loan balance, ranging from 10 to 25 years.
- **Repayment Assistance Plan.** Under this income-based plan, a borrower's monthly loan payments are set as a percentage of adjusted gross income (AGI), generally ranging from 1% to 10%.

Here are some other updates related to repaying student loans:

- **Employer-provided student loan repayment assistance.** Starting in 2026, $5,250 in employer-provided student loan repayment assistance is permanently tax-free. The $5,250 limit will be indexed for inflation starting in 2027.
- **Wage garnishment.** In January 2026, the U.S. Department of Education announced that it was temporarily delaying involuntary collections on defaulted student loans, including wage garnishment, in an effort to give borrowers more time to get their repayments back on track and give the administration more time to complete its overhaul of the student loan repayment system.[3] Involuntary collections had started in May 2025 after a five-year pandemic reprieve. As of publishing time, it was unclear when collections would restart.

1) College Board, *Trends in College Pricing 2025*

2) U.S. Department of Labor, February 2026

3) U.S. Department of Education, January 2026

Helping Protect Your Child's Identity in a Digital World

A recent survey estimated that about 10 million children have been victims of identity theft.[1] Children, unlike adults, generally do not have a credit history, which can make them attractive and easy targets. Criminals can use a child's clean credit record to open fraudulent accounts that can go undetected for years, as these activities rarely trigger red flags at financial institutions.

In today's digital world, your child may have established many online profiles on social media, gaming platforms, and educational and financial websites. This digital presence may put your child's data at risk since identity thieves can piece together basic information, such as a name or a birthday, to create fraudulent accounts in your child's name.

Criminals can use a child's clean credit record to open fraudulent accounts that can go undetected for years.

Taking action early may help reduce the impact of any breaches of your child's personal information. Consider these steps to help protect your child's identity:

- **Limit online information.** Do not share your child's name, birthday, school, or other similar data in social media posts because criminals can use this seemingly harmless information for illicit purposes.
- **Secure sensitive documents.** Store your child's Social Security card, birth certificate, medical records, and other sensitive information in a safe place.
- **Monitor online activity.** Review all applications, games, and websites your child visits and instruct your child to never share personal information.
- **Freeze credit.** Restrict access to your child's credit by requesting a credit freeze from the three major credit bureaus (Experian, Equifax, and TransUnion). This simple step may help prevent identity thieves from opening accounts in your child's name.
- **Watch for warning signs.** Be on the alert for any mail or calls from debt collectors in your child's name as this may indicate someone has fraudulently used your child's personal information to open credit accounts.
- **Leverage technology.** Use tools such as parental controls, strong passwords, and multi-factor authentication to help secure your child's sensitive data.

1) Security.org, December 2025

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