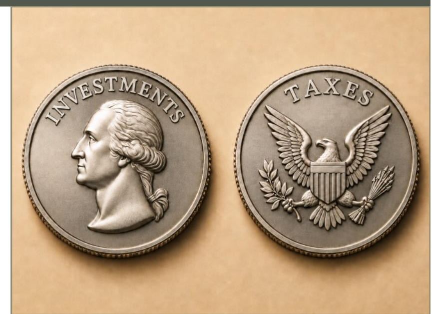
Monteith Wealth, LLC

Heads or Tails

Two Sides of the Same Coin

We hope our thoughts on investing and the related fields of taxes will help you achieve and enjoy financial independence. We believe only when you combine knowledge of both can you be a successful investor.



Quarter 3, 2026
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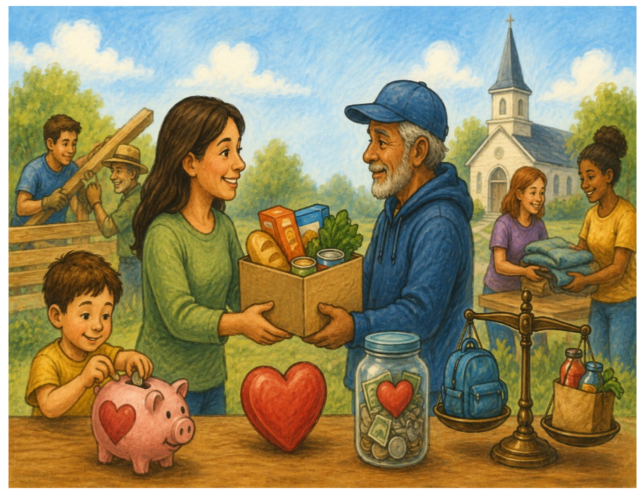
Quarter Quote

"The function of economic forecasting is to make astrology look respectable."
– John Kenneth Galbraith

Giving to Charity Just Got More Complicated

Beginning in 2026, the tax rules for charitable giving are changing in two opposite directions. Some taxpayers will receive a charitable deduction for the first time, while others may find that part of their donation is no longer deductible. Taxpayers who claim the standard deduction can now deduct up to $1,000 of qualifying cash contributions, or $2,000 for married couples filing jointly. Previously, taxpayers generally needed to itemize deductions to receive a federal income tax benefit from charitable giving. This change should help many households. A family may regularly give to its church, a food bank or another charity but still claim the standard deduction because its mortgage interest, state and local taxes and donations do not add up to enough to itemize. The new deduction allows at least some of those donations to reduce taxable income.

The important details are the words cash and qualifying. Gifts of property do not qualify for this particular nonitemizer deduction, and neither do payments to individuals or organizations that are not eligible charities. For taxpayers who itemize, the new rule moves in the opposite direction. Beginning in 2026, charitable contributions are generally deductible only to the extent they exceed 0.5% of adjusted gross income. For example, assume someone has adjusted gross income of $200,000 and makes a $10,000 charitable contribution. The first $1,000 — 0.5% of $200,000 — would generally not produce an itemized charitable deduction. The remaining $9,000 could still be deductible, subject to the normal charitable-contribution rules and limitations. So, the person gave away $10,000, but the tax deduction may be only $9,000. A 0.5% threshold may not sound dramatic. For someone who donates consistently over many years, however, losing the first portion of the deduction every year can add up. It also makes the timing of donations more important.



One possible strategy is commonly called "bunching." Instead of donating the same amount every year, a taxpayer combines several years of intended contributions into one larger gift. Consider someone who normally gives $10,000 each year. Rather than giving $10,000 in three consecutive years, the person might give $30,000 in one year and then make no additional gifts during the next two. The larger contribution may make it easier to itemize deductions during the contribution year, while the taxpayer claims the standard deduction in the other years. The charity does not necessarily have to receive all the money at once. A donor-advised fund may allow the taxpayer to make a large deductible contribution in one year and recommend that grants be distributed to charities over several future years. That can preserve a regular giving schedule for the charities while improving the timing of the taxpayer's deduction.

What someone donates can also matter as much as when the donation occurs. Writing a check may be simple, but donating appreciated investments can be considerably more tax-efficient. Suppose someone purchased an investment for $10,000 and it is now worth $30,000. If the investment is sold, the owner may owe capital-gains tax on the $20,000 increase. If the investment is instead transferred directly to a qualifying charity, the donor may be able to deduct its fair market value without first realizing the gain, subject to the applicable rules and limitations. The charity receives the full $30,000 investment, the donor may receive a charitable deduction, and nobody has to pay tax on the embedded gain. That is generally much more efficient than selling the investment, paying the tax and donating what remains.

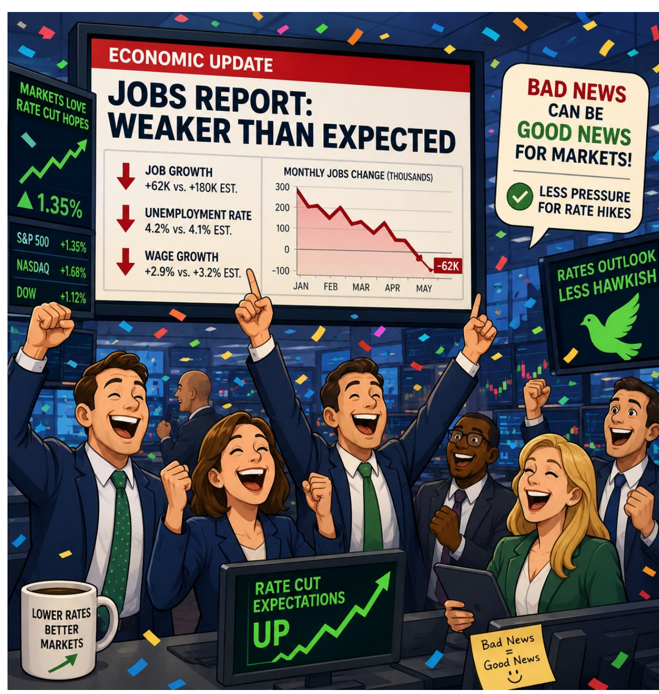
Eligible IRA owners have another option through qualified charitable distributions. A qualifying payment made directly from an IRA to an eligible charity may be excluded from taxable income and can count toward a required minimum distribution. This can be especially valuable for someone who claims the standard deduction. Instead of reporting an IRA distribution as income and then trying to claim an itemized charitable deduction, the qualifying distribution may never enter taxable income in the first place.

Reducing adjusted gross income can also affect other items on a tax return, including the taxation of Social Security benefits, Medicare premiums and certain deductions or credits. The benefit may therefore extend beyond the charitable deduction itself. Of course, nobody should give $10,000 to charity solely to save a fraction of that amount in taxes. A deduction lowers the cost of a donation; it does not make the donation free.

The first question should always be where you want your money to go. Once that decision has been made, good planning can help more of the money reach the charity and less disappear through unnecessary taxes. Charitable giving may come from the heart, but the tax planning does not have to come from the hip.

Why Wall Street Sometimes Cheers Bad News

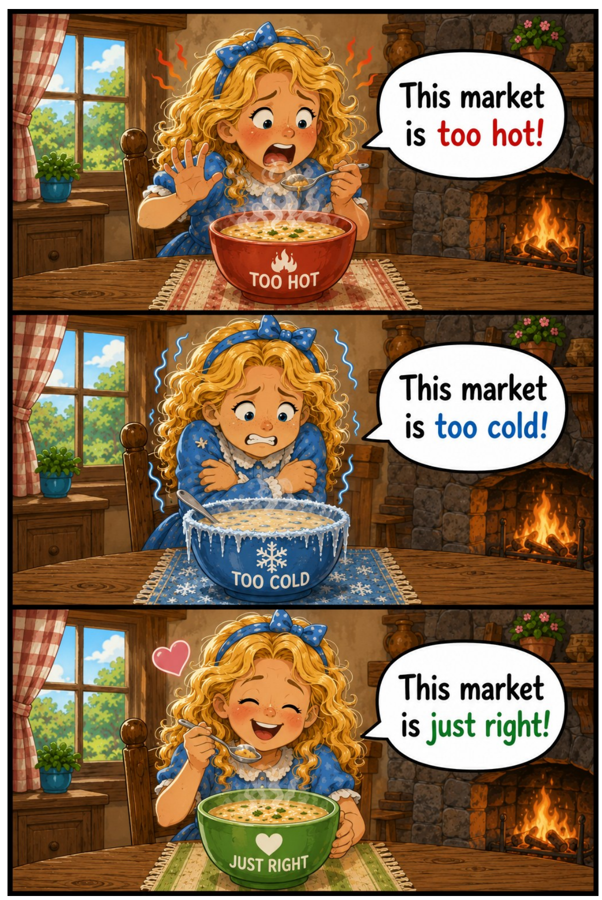
The June employment report, released July 2, showed that the U.S. economy added only 57,000 jobs, approximately half the number economists had expected. The employment estimates for April and May were also revised downward by a combined 74,000 jobs. At the same time, unemployment remained relatively low at 4.2%. That sounds like bad news. In some respects, it was. However, the weaker report also reduced pressure on the Federal Reserve to raise interest rates. The Dow Jones Industrial Average rose to a record closing high on the day the report was released, although the S&P 500 finished approximately flat and the technology-heavy Nasdaq declined.



This is where investing becomes confusing — bad economic news can sometimes be good market news. The Federal Reserve is attempting to balance maintaining stable prices and supporting employment. If the economy grows too quickly, employers may compete for a limited supply of workers, wages and prices can rise, and inflation may remain elevated. The Federal Reserve can respond by raising interest rates. Higher rates make mortgages, vehicle loans and business financing more expensive, which slows borrowing and spending.

Higher rates can also make stocks less attractive. When investors can earn a better return from relatively safe Treasury securities, they may be less willing to accept the uncertainty of owning stocks. Rising rates also reduce what future corporate earnings are worth in today's dollars, which can be particularly difficult for fast-growing companies whose expected profits are many years away.

The June employment report initially reduced the perceived need for an immediate rate increase. The Federal Reserve ultimately held its target range at 3.50% to 3.75% at its July 29 meeting, but three members preferred a quarter-point increase. That split is a useful reminder that one weak employment report does not settle the debate, particularly while inflation remains above the Fed's 2% goal. That is the "good" portion of the bad news. Slower hiring can give the Federal Reserve more time to observe inflation before raising rates again. There is, however, a point where bad news stops being helpful.



Investors may welcome an economy that cools enough to reduce inflation while businesses continue earning profits. They will not welcome a severe slowdown in which employers stop hiring, unemployment rises and consumers sharply reduce their spending. The market would prefer an economy that is neither too hot nor too cold. Unfortunately, the economy has never agreed to remain at the perfect temperature.

The June report was also more complicated than the headline unemployment rate suggested. The labor-force participation rate fell to 61.5%, its lowest level since March 2021. Nearly 700,000 people left the labor force during the month. A lower unemployment rate is not necessarily a sign of strength when part of the decline occurs because fewer people are looking for work. In its July statement, the Federal Reserve said economic activity was expanding at a solid pace, job gains had kept pace with the workforce and inflation remained elevated, partly because of energy-related supply shocks. The committee held rates steady, but the three dissents in favor of an increase showed that policymakers were not viewing the weak jobs report in isolation.

The takeaway from all of this is that economic news is rarely simply “good” or “bad” for investors. A weak jobs report can reduce pressure for higher interest rates, while too much weakness can eventually threaten consumer spending and corporate profits. Markets are constantly weighing those competing effects against what investors already expected. That is why stocks can sometimes rise on disappointing news and fall on seemingly good news. The headline tells us what happened; the market is trying to decide what happens next.

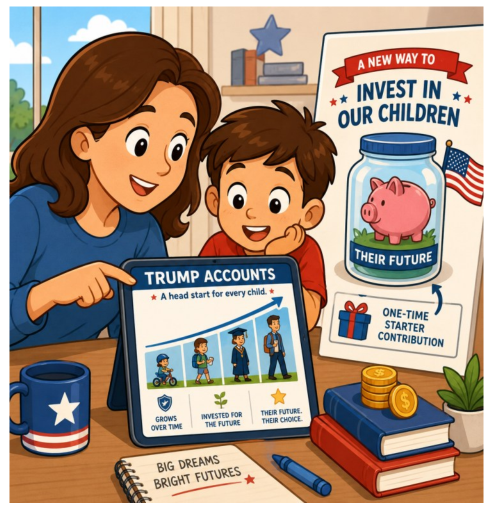
Trump Accounts Arrive: Take the Free Money, Then Ask Better Questions

Contributions to the new investment accounts officially known as Trump Accounts began July 4, 2026. By mid-July, the IRS said nearly 6 million accounts had been opened, including about 1.4 million elections for the one-time $1,000 pilot contribution. Politically branded name aside, how does the account work and is it the best place to save additional money for a child?

A Trump Account can be established for a qualifying child who has not turned 18 by the end of the year in which the election is made. The federal government will make a one-time $1,000 contribution for eligible U.S.-citizen children born from January 1, 2025, through December 31, 2028. A parent or other authorized individual must make the appropriate election for the child to receive the contribution. The election can be made on Form 4547, including through the IRS online account.

For an eligible family, accepting the government’s $1,000 is the easy decision. The harder question is whether parents, grandparents or others should contribute more. Individuals, employers, and certain organizations may contribute to the account, generally subject to a combined annual limit of $5,000 during the child’s growth period. An employer can contribute up to $2,500 toward the Trump Account of an employee or an employee’s dependent without the contribution being included in the employee’s taxable income, provided the applicable requirements are satisfied.

The money must generally be invested in qualifying mutual funds or exchange-traded funds that track the S&P 500 or another index made up primarily of U.S. companies. Withdrawals are generally prohibited before January 1 of the year in which the child turns 18. After the growth period ends, the account is generally treated as a traditional IRA. The investment restriction is not necessarily a disadvantage. A diversified, low-cost index fund is likely to serve a child much better than whichever stock happens to be popular on social media when the contribution is made. And the withdrawal restrictions may be helpful by making it harder to spend the money prematurely. That’s because the beneficiary, rather than the parent, is ultimately the owner of the account.



With what we currently know, it would appear that Trump Accounts are a welcomed addition to a family’s investment plan. However, a Trump Account does not replace every other type of account for our young ones. A 529 education account remains an excellent option when the primary goal is education. Investments can grow tax-free, and withdrawals for qualifying education expenses are generally tax-free. The owner — commonly a parent or grandparent — also retains control of the account and can often change the beneficiary if the original child does not use all the money. The tradeoff is that the best tax treatment depends on using the money for qualifying purposes. Although the rules have become more flexible, a 529 account is still primarily an education account.

A custodial brokerage account offers far more flexibility. The money can generally be used for the child’s benefit without being restricted to education or retirement. The investments are also not limited to a particular type of index fund. The disadvantages are that investment income may be taxable, the kiddie-tax rules may apply and the child generally receives control of the account upon reaching the age established under state law. Some parents are perfectly comfortable handing a young adult a large investment account. Others remember what they were like at 18.

Parents can also invest in their own brokerage account and give the money to the child later. This preserves control and flexibility but does not place the assets in a separate tax-advantaged account for the child. A Roth IRA may become attractive once the child has earned income. Contributions are limited by the child’s compensation and the normal annual IRA rules, but the account can provide tax-free long-term growth and considerably more investment flexibility.

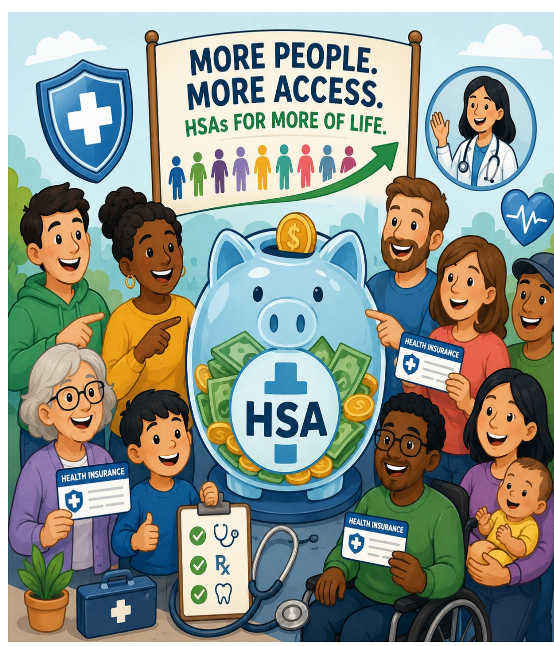
We believe the correct strategy involves several accounts rather than choosing one winner. A family could accept the free Trump Account contribution, use a 529 for education expenses, and later help fund a Roth IRA when the child begins working. Parents should consider what the money is intended to accomplish, when it may be needed, and who should control it. A retirement-oriented account may be excellent for money intended to remain invested for decades but a poor home for money that may be needed for a first vehicle or other early-adulthood expenses.

Don't let the name turn you on or off. Take the free money when eligible. And after that, make sure the account fits the goal rather than allowing the account to choose the goal for you.

More People Can Now Use an HSA

Health savings accounts offer some of the most favorable tax treatment available, but many people have previously been unable to use them because their insurance did not satisfy the strict definition of a high-deductible health plan. Beginning in 2026, bronze and catastrophic health insurance plans purchased on the individual market are generally treated as HSA-compatible, even when they do not satisfy the traditional deductible requirements. The rule applies whether the plan is purchased through a health insurance exchange or outside one.

The new law also allows someone participating in certain direct primary care arrangements to remain eligible to contribute to an HSA. Qualifying direct primary care fees may also be paid from the HSA without tax, subject to the applicable rules and limits. This matters because an HSA can provide three separate tax advantages. Contributions may be deductible or excluded from taxable wages, investment earnings are not taxed while they remain in the account, and withdrawals used for qualifying medical expenses are generally tax-free. For 2026, an eligible person can contribute up to $4,400 with self-only coverage or $8,750 with family coverage. Someone age 55 or older may generally contribute an additional $1,000. Unlike many flexible spending accounts, HSA money does not

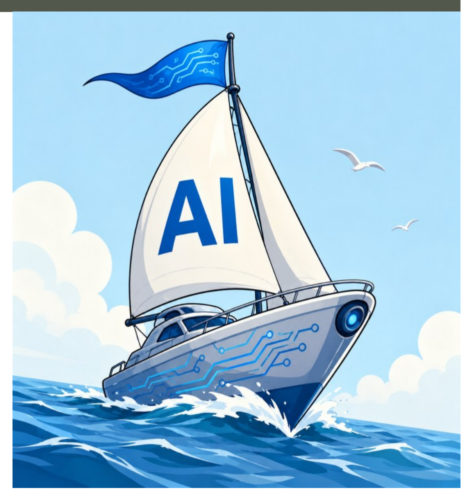


disappear at the end of the year. It remains in the account, belongs to the individual and can be invested for future expenses.

If you can afford to pay current medical bills from other funds, it may be best to leave your HSA invested. Because medical costs often increase with age, the account can become a valuable long-term retirement resource rather than simply a checking account used to pay this year's deductible. And make sure to keep medical receipts. Under current rules, you can potentially reimburse yourself from an HSA years later for qualifying medical expenses incurred after the account was established, as long as the expenses were not previously reimbursed or deducted. That provides unusual flexibility.

As powerful as an HSA can be, the expanded rules do not mean everyone should automatically select a health plan based on HSA access. Premiums, deductibles, prescriptions, provider networks and expected medical needs are more important than the tax account attached to the insurance. But if can use an HSA, chances are you won't regret contributing to one in the long run.

Has The AI Ship Sailed?



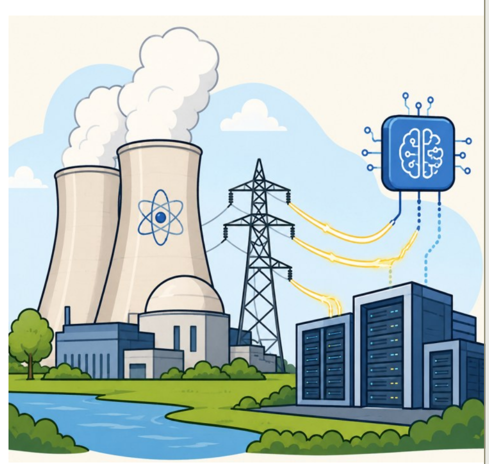
One of the most frequently asked investment questions we receive right now is whether investors have already missed their chance to invest in artificial intelligence. We do not think so, but the easy answer of simply buying anything associated with AI has become much harder. Most of the obvious AI companies are already expensive, which does not mean they are bad investments or cannot continue growing. It means investors are already expecting a lot from them. The AI ship has not sailed — tickets have just become considerably more expensive.

A stock's price reflects what investors expect the company to become, not simply what the company is today. Nvidia is the easiest example. Its growth has been extraordinary, and it remains central to the AI buildout, but that success is no secret anymore. Investors are already paying for a great deal of future growth, which means Nvidia does not merely have to perform well — it has to perform well enough to meet extremely high expectations. Put simply, this is the law of big numbers. If you own one restaurant and open a second, you have doubled. If you own 50 restaurants, you need to open another 50 to accomplish the same thing. The larger a company becomes, the harder it is to continue growing at the same rate. A great company can therefore be a disappointing investment if investors expected even greater results.

AMD provided a nearly perfect example in early August. The company reported excellent growth, including rapidly expanding data-center revenue, yet its shares fell after the announcement because investors had hoped for even more. Nothing suddenly went wrong with the business. The problem was that excellent results had already been expected. That is an important distinction whenever investors pile into an exciting new technology.

Fortunately, buying Nvidia, AMD or another chipmaker is not the only way to invest in AI. We think there are at least three broad opportunities: the companies building AI, the infrastructure needed to support it, and the businesses that will use it to become more profitable. The first group is the obvious one. Nvidia and AMD make the chips and systems powering much of the AI buildout, while Microsoft, Google, Amazon and others are spending heavily to develop AI tools and integrate them into products people already use. Microsoft, for example, now has more than 30 million paid Microsoft 365 Copilot seats. AI has clearly moved beyond an interesting experiment and into everyday business software. These companies may continue to do extremely well, but the concern is price. When everybody already knows a company is one of the likely winners, investors generally have to pay accordingly. You are no longer discovering something the market overlooked; you are making a bet that the future will be even better than the market already expects.

The second opportunity is the infrastructure behind AI. Artificial intelligence may feel entirely digital, but it requires an enormous amount of very physical equipment. Data centers need land, chips, servers, cooling systems, transmission lines and, most importantly, electricity. Global data-center electricity consumption is expected to increase dramatically over the remainder of the decade, and AI is a major reason why. That is why utilities, power producers and nuclear-related companies have suddenly become part of the AI conversation — although new nuclear projects remain expensive, slow to build and politically complicated. There is an old saying that during a gold rush, the people selling picks and shovels sometimes make more money than the people looking for gold. AI may follow a similar pattern. Some winners will create the technology, but others may make money supplying the electricity, data centers, networking equipment, cooling systems and other infrastructure everyone else needs.



The third opportunity may ultimately be the one we find most interesting: companies that are not considered AI companies at all. Imagine an established business whose sales are growing only modestly. If AI allows that company to automate administrative work, improve customer service, reduce staffing needs, make better purchasing decisions, or operate more efficiently, profits could rise much faster. The company does not need to invent artificial intelligence. It simply needs to use it well. This could create opportunities among larger, more value-oriented companies that receive almost none of the excitement surrounding AI today. Many already have customers, distribution networks, profitable businesses and established brands. If AI allows them to reduce costs or improve margins, shareholders can benefit without needing the company to grow revenue at Nvidia-like rates. If they also pay a dividend while we wait, even better.

The larger point is that investors have not necessarily missed AI simply because the first group of AI stocks has already increased dramatically. If this technology becomes as important as many expect, its effects should spread throughout the economy for years. Some of the biggest eventual winners may not even be thought of as AI investments today. Our view is cautiously optimistic. AI is the real deal, and its economic impact could be enormous. Valuation is also real, and a technology changing the world does not automatically make every company associated with it a good investment at any price. We would rather participate in AI in a diversified and disciplined way than try to guess which stock becomes the next Nvidia.

MONTEITH WEALTH, LLC.

About Us

Monteith Wealth, LLC is a unique blend of a registered investment advisor and a CPA firm. Nestled in the town of Bozeman, Montana, we serve clients from all over the United States. At Monteith Wealth, we take pride in our collaborative approach. Unlike traditional firms, we believe in harnessing the collective expertise of our entire team of professionals. This team-focused approach allows us to provide our clients with comprehensive and well-rounded advice that encompasses various financial perspectives. At Monteith Wealth, your financial success is our top priority!

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