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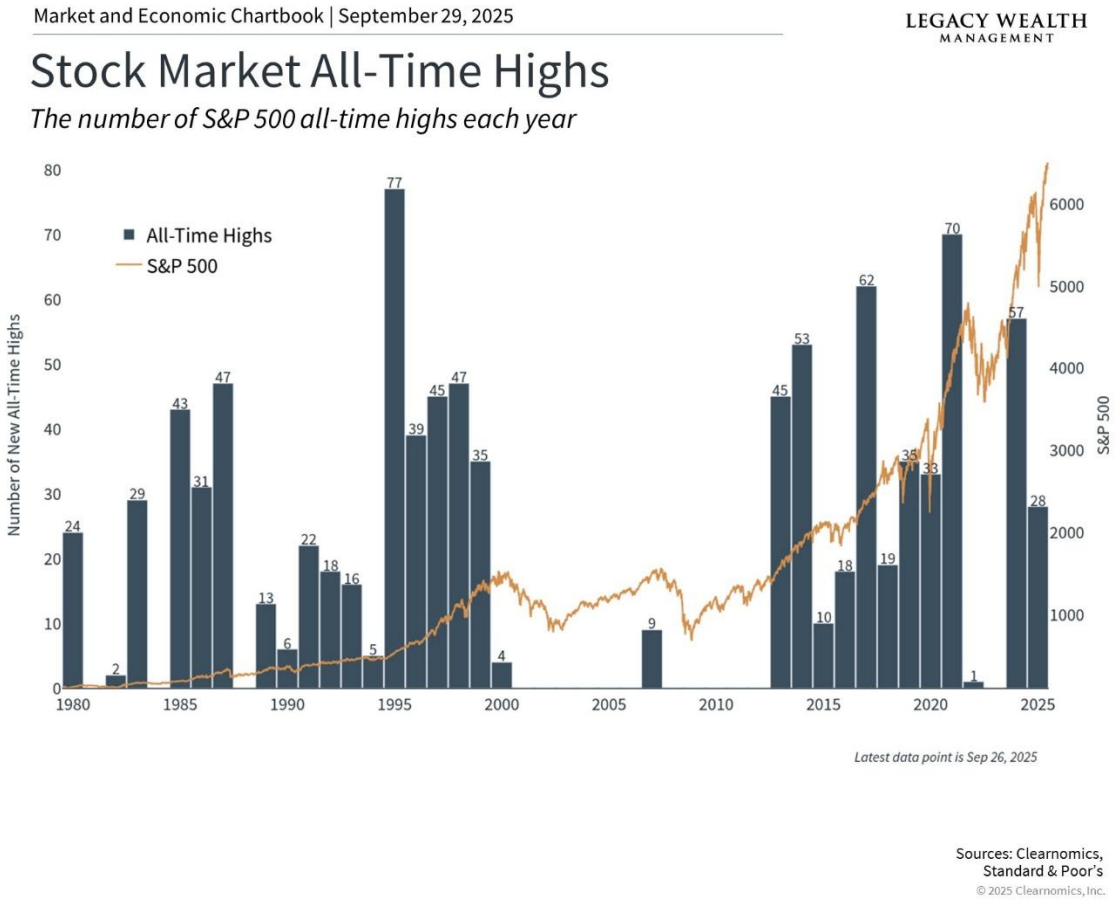
All Time Highs and Donor Advised Funds

After a very volatile second quarter, the third quarter was relatively calm on the investment front. The number of questions we've been getting about portfolios has been on the decline as we approach new all-time highs and the questions related to planning have been increasing. In this commentary, we plan to address two major topics that we've been covering in many client meetings lately: should I continue to invest with the market at all-time highs and what are some things I should be doing with the new One Big Beautiful Bill Act (OBBBA) that was signed into law on July 4th 2025.

Should I continue to invest in the market at all-time highs?

As with all things in the investment world, past performance does not guarantee future results, but history is the best record we have for questions like this. The chart below shows a history of the stock market. The line graph is the S&P 500, going back to 1980 and the point to note here is that most of the time, if you started investing, you would be starting at a new all-time high. Your returns moving forward from most of those periods are still very strong even though you started at a high point.



The bar chart in the same graph shows how many all-time highs the S&P 500 has hit in each calendar year. In 1980 the market hit 24 new all-time highs. Since the low in the 2009 financial crisis, we have hit over 400 new all-time highs - one every calendar year except 2023. The point here is that since the market trends upward, more likely than not, any investment you make has a good chance of being purchased at a high. It is less common not to be at a high and those should be viewed as buying opportunities with any excess funds.

That being said, while we believe that investing is still the best way to build long-term wealth, if you have known excess expenses (cars, down payments, big vacations) coming up in the next 6-15 months that will need to be funded from the portfolio, now could be a good time to set that cash aside in a money market account where we remove the equity market risks on those funds.

What are some things I should be doing with the new One Big Beautiful Bill Act (OBBBA) that was signed into law on July 4th, 2025.

The biggest change coming out of the OBBBA that we have been addressing is about charitable giving. Starting in 2026, charitable gifts will be impacted by a 0.5% of adjusted gross income (AGI) hurdle rate. This means that if you make $200,000 (AGI) and itemize charitable deductions, you will lose $1,000 of that deduction ($200,000 * 0.5%). Additionally, if you are in the 37% marginal tax bracket, you will only get a 35% tax deduction. These two pieces of the legislation mean that charitable giving may be more valuable in 2025 than it will be in 2026 and beyond.

When appropriate, we have been recommending donor advised funds to take advantage of this tax change. With a donor advised fund, you can fund several years of charitable giving up front, take the tax deduction now, and distribute the funds to charitable organizations for years to come. Using the same $200,000 income above, if a client has appreciated equity assets valued at $60,000, they can gift that to a donor advised fund (you can only gift appreciated stock up to 30% of AGI). The client receives a $60,000 tax deduction in 2025 and avoids capital gains taxes associated with selling the appreciated position. Gifts can be made to charities in future years from this fund, potentially for several years. Each year, the client can then take the cash that was set aside for charitable giving and move that back into the investment account to replenish their assets. See appendix one for a visual representation of a donor advised fund. Please note, this will only impact your tax return if you have enough itemized deductions to exceed the standard deduction on your tax return.

For clients over the age of 70.5, another great tax-friendly way to give is through Qualified Charitable Deductions (QCD) out of your IRA. This allows clients to use IRA dollars and give them away tax free while using your after-tax dollars for normal living expenses. These gifts must be made directly to the 501(c)(3) charity, not via a donor advised fund.

The best way to give to charities can vary greatly based on age, income, asset location, and cash flow. Reach out to your relationship manager to set up a discussion to determine if you are gifting in the most tax efficient manner for your individual situation.

Appendix 1

Explanation of Donor Advised Fund

Sale of Appreciated Security	**Gifting of Appreciated Security**
1 share stock  purchased for $10	Donate 1 share  with a cost basis of $10
Currently trading for $100 	Charity of choice sells the stock for $100 
Selling the share would result in a $90 capital gain	*(No one pays the capital gains)*
Tax consequence on gain: $13.50 (15%)	Receive $100 charitable gift deduction from taxes
Donate: $76.50 to charity of choice	Use current cash flow to purchase 1 share of stock for $100
Receive $76.50 charitable gift deduction from taxes	

Result:

The $13.50 tax goes away ✓

Gained a tax advantage ✓

Portfolio remains properly diversified ✓

Achieved a higher cost basis (future tax benefit)! ✓

**Note: This example assumes a 15% capital gains tax rate. Your individual tax rate may vary.*