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Commerce Concepts

Market Updates, Asset Allocation, and Investment Education for Plan Participants and Individuals

Considerations for Roth and 2026 Catch-Up Contributions

Making retirement plan contributions on a Roth, rather than pre-tax, basis shifts your tax benefit from the present into the future. Instead of receiving an immediate tax deduction on the amount of your deferral and then paying taxes on both your deposits and earnings at withdrawal, with Roth you pay taxes on your contributions upfront, but your earnings may be entirely tax free. Because of this, a Roth 401(k) can be a powerful tool for reducing your total lifetime tax burden. However, there are a few things you need to keep in mind to make this planning tool work for you.

Pros of Roth 401(k)

1. If you satisfy the qualified distribution rules (see below), you won't pay any income tax on withdrawals from Roth accounts.
2. Unlike Roth IRAs, eligibility for Roth 401(k) contributions isn't based on income. As long as you're an eligible participant and your employer offers a Roth option, you can use it.
3. Having both Roth and pre-tax savings gives you tax flexibility in retirement.

Cons of Roth 401(k)

1. Roth contributions don't reduce your taxable income now, which can be a disadvantage, especially if your household income is just over the line of a marginal tax bracket increase.
2. No current tax deduction means a bigger impact to your take home pay, so it can be challenging to save as much when using Roth.
3. To get the full benefit of tax free earnings, your distributions must adhere to certain qualification criteria, as described below.

Qualified Distributions and the Five Year Rule

To take a "qualified" distribution from a Roth account, two conditions must be met:

1. You are at least 59½ years old, disabled, or the distribution is being made to a beneficiary after your death.
2. The Roth account has been in place for at least five years, counting from January 1 of the year in which you made your first Roth contribution.

All Roth IRAs under your Social Security Number are assumed to share the age of your oldest Roth IRA. However, this does not apply to employer sponsored plan accounts. Each Roth 401(k) or 403(b) account maintains its own age based on the year of the first Roth contribution to that specific plan.

When money is rolled from a 401(k) to an IRA, those dollars take on the age of the destination IRA. This means that if you've made contributions to a Roth 401(k) over the

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WIN A $25 GIFT CARD

to your choice of Starbucks or Powell's! (See page 2 for details)

Congratulations to our most recent winner:

Lndsey W. of Bird Alliance of Oregon

Visit ***thecommco.com/commerce-concepts*** *for the answer to last issue's question.*

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Retirement & Investment Services

Indexes are unmanaged and cannot be invested in directly. Past results are not predictive of future results. Individual results will vary. The trailing returns shown include dividends. See page four for index definitions.

Source:
Raymond James Financial Services

To be entered into a drawing to win a

$25 Gift Card,

email free@thecommco.com with the answer to this question:

For 2026, the new Roth catch up rule applies to employees whose 2025 income was over what amount?

Market Update

Through September 30, 2025

		Trailing Returns			
		3 mos	12 mos	5 yrs	10 yrs
Blue Chip US Stocks	Dow Jones Industrial Average	5.67%	11.50%	12.98%	13.50%
Large Company US Stocks	S&P 500	8.12%	17.60%	16.47%	15.30%
Small Company US Stocks	Russell 2000	12.39%	10.76%	11.56%	9.77%
Non-US Stocks	MSCI EAFE (Gross Div)	4.83%	15.58%	11.71%	8.70%
US Bonds	Bloomberg US Aggregate	2.03%	2.88%	-0.45%	1.84%
Cash Alternatives	ICE B of A 3 Month US Tsy Bill	1.08%	4.38%	2.98%	2.08%

Economic Snapshot

Gross Domestic Product (GDP)
Growth will remain weak during the 4th quarter. Depending on the timing of the tariff-induced inflation, that weakness may spill over into the first quarter of 2026.

Employment
The labor market has weakened, as expected, and will remain weak as long as tariff-related inflation uncertainty remains in play.

Manufacturing
The manufacturing sector will benefit from lower rates, a weaker US dollar, and the investments made in new factories as a consequence of the CHIPS and IRA acts.

Housing and Construction
High mortgage rates, rising construction costs, increase in deportations, and new tariffs will keep this sector of the economy in the red.

Monetary Policy
We expect further rate cuts in 2025 and 2026, taking the federal funds rate to 3.25-3.50% at the end of 2027.

Inflation
Inflation is expected to continue moving higher later this year and into next year as the effects of tariffs move through the price chain. We expect the tariff-induced inflation to start to fade later in 2026.

Investment Strategy Quarterly: Published by Raymond James and Associates, October 2025. For a complete PDF copy of the current issue of Investment Strategy Quarterly, click here or email newsletter@thecommco.com.

September Market Review

- Equity markets, especially small-cap stocks, continued to climb following the Fed's decision to cut rates by 0.25%, marking the first official action of its revised stance on the balancing of risks between fighting inflation and protecting jobs. We could see two more rate cuts of 0.25% each in October and December.
- Throughout the past several months, corporations have relied on existing inventories and capitalized on delays to mitigate the price effects of tariffs. But as those inventories dwindle, we may begin to see a sharp escalation in the effects tariffs will ultimately have. Until now, the markets have surged to record highs in spite of tariff headlines, partly because those effects weren't reflected in actual earnings, but that could change in the coming months.
- All-time record gold prices have persisted, with other precious metals like silver and platinum also seeing record values. However, prices for a broad range of industrial metals – including iron, nickel, lithium and silicon – are flat or down this year, amid sluggish demand from China. Mergers and acquisitions have emerged as one of the few pathways for mining companies to boost earnings.

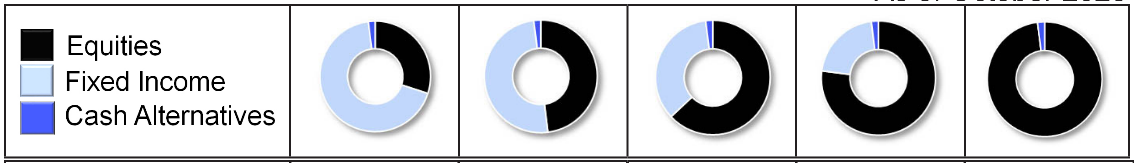
For additional asset allocation and disclosure information, please [click here](#) or visit the Resources section of our website at

thecommco.com

The investment profile is hypothetical, and the asset allocations are presented only as examples and are not intended as investment advice. Asset allocation and diversification do not assure a profit or protect against loss. Investing involves risk and investors may incur a profit or a loss, including the loss of all principal. International investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility. Investing in small- and mid-cap stocks generally involves greater risks, and therefore may not be appropriate for every investor. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. High-yield bonds are not suitable for all investors. When appropriate, these bonds should only comprise a modest portion of your portfolio. Commodities and currencies are generally considered speculative because of the significant potential for investment loss. They are volatile investments and should only form a small part of a diversified portfolio. Real estate investments can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.

Strategic Asset Allocation Models

As of October 2025



	Conservative	Moderate	Balanced	Growth	Aggressive
Equity	**30%**	**48%**	**63%**	**77%**	**98%**
Equity allocation comprises:					
U.S. Large Cap Blend	18%	19%	23%	28%	41%
U.S. Large Cap Growth	0%	3%	5%	7%	8%
U.S. Large Cap Value	0%	3%	5%	7%	8%
U.S. Mid Cap Equity	4%	4%	7%	9%	11%
U.S. Small Cap Equity	1%	2%	4%	6%	7%
Non-U.S. Developed Market Equity	7%	17%	15%	16%	18%
Non-U.S. Emerging Market Equity	0%	0%	4%	4%	5%
Fixed Income	**68%**	**50%**	**35%**	**21%**	**0%**
Fixed income allocation comprises:					
Investment Grade Intermediate Maturity	58%	41%	31%	21%	0%
Investment Grade Short Maturity	0%	0%	0%	0%	0%
Non-Investment Grade (High Yield)	7%	6%	4%	0%	0%
Non-U.S. Fixed Income	3%	3%	0%	0%	0%
Multi-Sector Fixed Income	0%	0%	0%	0%	0%
Alternative Investments	**0%**	**0%**	**0%**	**0%**	**0%**
Cash & Cash Alternatives	**2%**	**2%**	**2%**	**2%**	**2%**
Totals	**100%**	**100%**	**100%**	**100%**	**100%**

These asset allocation targets are based on our changing views of the risk and return in the various asset classes, looking out over three or more years. The models assume fully allocated portfolios and do not take into account outside assets, additional cash reserves held independent of these models, or any actual investor's unique circumstances. Investors should consult their financial advisor to decide how these models might assist in the development of their individual portfolios. Material is provided for informational purposes only and does not constitute a recommendation.

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course of 20 years, and then you open a new Roth IRA and roll the money over at retirement, the five-year clock on those contributions starts over based on the IRA opening date. You must then wait another five years before a distribution from your new Roth IRA is qualified for its full tax advantage.

If your distribution does not satisfy both requirements, you may still withdraw your already-taxed contributions, but any withdrawn earnings will be subject to taxation and potentially penalties as well. For this reason, if Roth deferrals are a part of your 401(k) strategy, it's important to establish and make an initial deposit to a Roth IRA at least five years before you anticipate making your first retirement withdrawal.

New Rule for 2026: High Earners' Catch up Contributions Must Be Roth

The IRS allows retirement plan participants age 50 or older to contribute an additional "catch up" amount to their accounts each year, above the ordinary annual limits. Beginning in 2026, catch up contributions for high-earning employees will be required to be made on a Roth basis.

This rule was passed as part of the SECURE 2.0 Act of 2022, but implementation of it was delayed until 2026 due to the administrative complexity. It applies only to employees whose prior year earnings exceed a certain threshold (for 2026, that amount is $145,000 earned in 2025; the figure for future years will be indexed to inflation) and does not apply to ordinary retirement plan salary deferrals, only the additional catch up amounts for older employees.

A Personal Decision

The choice between making pre-tax or Roth contributions (or a combination) is an individual one and relies on a number of personal and financial factors. If you'd like to discuss your options and strategies with a financial advisor, email us at newsletter@thecommco.com to start the conversation.

Index definitions: The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index. The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations. The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The ICE BofAML 3-Month US Treasury Bill index consists of a single issue that is purchased at the beginning of the month and held for a full month. At month's end, that issue is sold and rolled into a newly selected issue, which is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. The selected issue must have settled on or before the month-end rebalancing date. Past performance may not be indicative of future results. An investment cannot be made in these indexes. The performance mentioned does not include fees and charges, which would reduce an investor's returns.