

## PLOTT AND FRENCH UPDATES

At Plott and French Financial Advisors, we believe that giving back to our community is not just a responsibility—it's a privilege. Over the past year, we've been proud to support various causes and organizations that align with our values of service and community spirit.



In December, Tawana visited Prices Fork Elementary to surprise a very special group of Pre-K students with gifts from Plott & French. She learned that these sweet kids were in need of a little extra support during the holidays, so after coordinating closely with their teacher, Mrs. Ruppert, wish lists were created—and we were honored to help.

Each child received a backpack filled with a toy of their choice and, more importantly, winter essentials including clothing, a hat, scarf, gloves, socks, underwear, a new book, a travel cup, and a special treat. The students and their families were incredibly grateful for the holiday kindness, and the joy on their faces meant everything to us.

Our team has continued to grow, and we have some new members who have joined the team over the past few months.

With new faces in the office, in each quarterly newsletter for the remainder of 2026 we will highlight and introduce some of our new and existing members of the team so you'll be able to connect a name with a face next time you may be stopping by.

And when it comes to stopping by, never hesitate to reach out between scheduled meetings or just swing by for some coffee and a chat; your peace of mind and confidence in your financial plan are our top priorities.



### RADFORD

104 Wadsworth Street  
Radford, VA 24141

(540) 639 – 2139

[www.PlottAndFrench.com](http://www.PlottAndFrench.com)

### BLACKSBURG

2401 South Main Street, Suite C  
Blacksburg, VA 24060

## MARKETS CHURN HIGHER IN CHOPPY WATERS

2025 delivered another solid year for US investors, as tech stocks associated with AI investments propelled major indices to valuation levels not seen since the peak of the dot-com bubble. International markets performed even stronger and with more uniform performance across sectors. The US dollar's approximately 10% decline versus other major currencies during the year helped boost foreign-denominated investments.

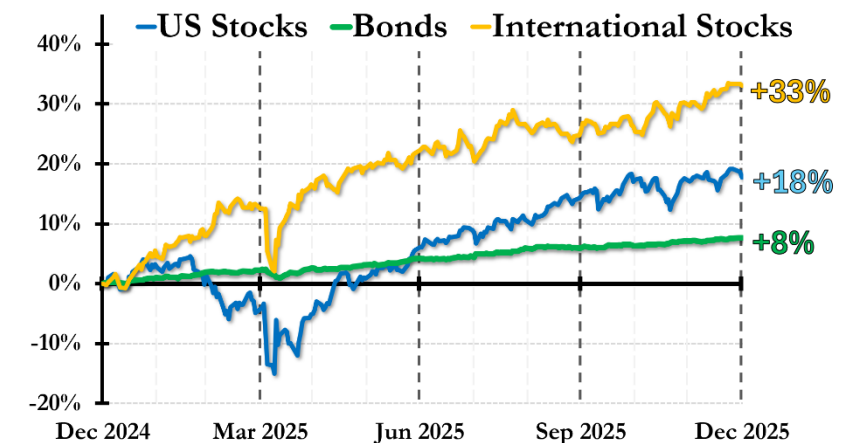
Fixed income was a welcome source of stability and income. As interest rates gradually moved lower, bonds provided positive returns and meaningful yield: something investors had been unable to rely on for much of the prior couple decades. High-quality bonds played their traditional role as portfolio ballast, while select credit sectors benefited from resilient economic conditions.

Real assets and alternatives experienced varied outcomes. Real estate faced headwinds from higher financing costs early in the year, while infrastructure and select real-asset strategies benefited from long-term demand trends. Commodities were volatile, reflecting shifting growth expectations and geopolitical developments.

Despite strong returns, markets remained narrowly led and sensitive to economic data, inflation trends, and central-bank policy. As we look ahead, the key question is not whether markets will face challenges, but how disciplined planning, diversification, and long-term perspective help investors navigate them successfully.

	2024	2025
International Stocks (HDEF)	+2.9%	+33.0%
Gold (GLD)	+26.6%	+63.7%
US Stocks (SPY)	+24.9%	+17.7%
Bonds (JMSIX)	+7.7%	+7.6%
Real Estate (VNQ)	+4.8%	+3.2%
Cash (IJLXX)	+5.3%	+4.3%

Total Return Dec 31, 2024 - Dec 31, 2025



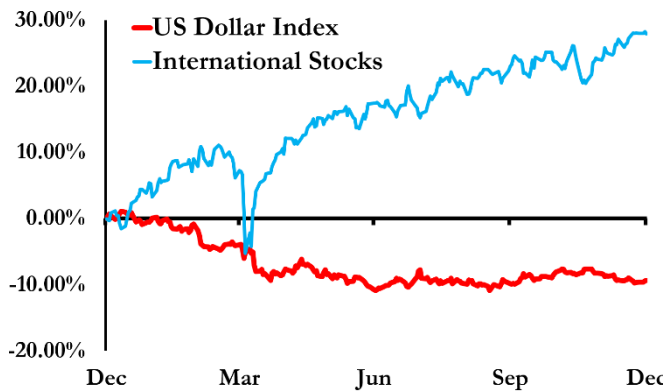
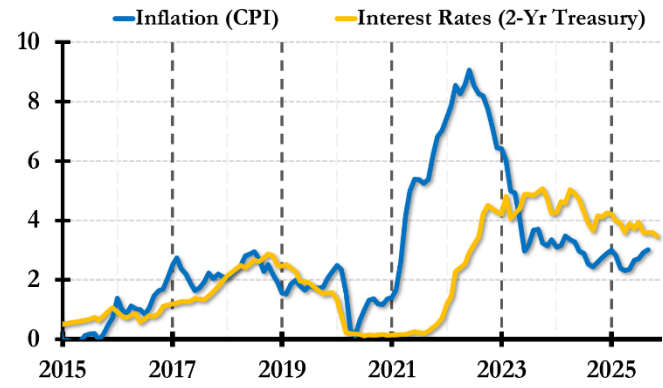
FACEBOOK

## 2025 MAJOR TRENDS

As US stocks headed for a 4<sup>th</sup> straight year of gains, the gains became more narrowly concentrated in a small handful of large technology companies.

While inflation remained stubbornly above the Fed's 2% target, we did see interest rates start to creep down towards the second half of the year, with potential for further cuts in 2025 if inflation remains in check.

The big winner for 2025 was the International Stock sector. The nearly 30% increase was driven by a combination of three factors. The first, unsurprisingly, were lower overall valuations in foreign markets which made their stocks more attractive from a risk/return perspective, a factor we have been mentioning over the past few years and is not unexpected. The second came more as a surprise: European concerns on their ability to rely upon the US as a military ally led to significant increases in defense spending for many European economies, with Germany being a prominent spender, boosting profits for European defense contractors and other connected industries. The third tailwind to international stocks came with the declining value of the US dollar, driven in part by tariffs. A weakening dollar improves returns for US investors into foreign-denominated stocks.



## A BETTER WAY TO SEE YOUR FINANCIAL PICTURE: YOUR NEW ENHANCED CLIENT PORTAL APP

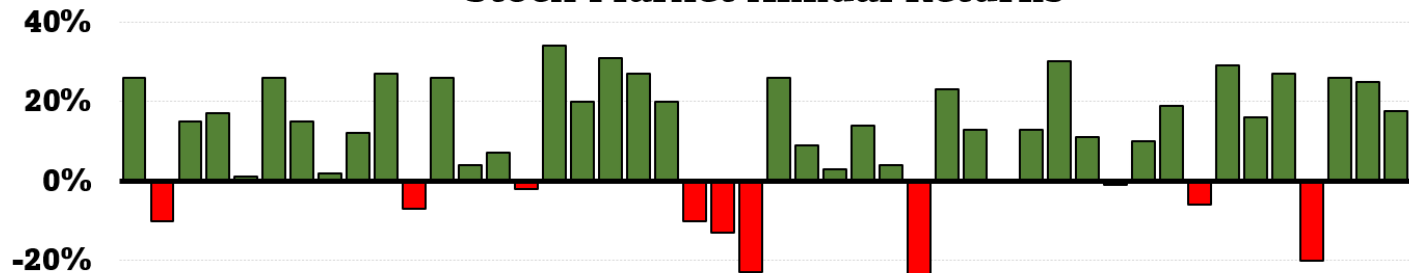
We are excited to share a meaningful upgrade to how you can interact with your financial plan: the new Premium Client Portal powered by eMoney. This enhanced digital experience is designed to make your financial life easier to understand, more interactive, and more personalized than ever.

The portal gives you a single, secure place to view all your linked accounts, financial goals, and key documents — whether you're at your desk or on the go via the mobile app. The new experience includes features like a personalized homepage that highlights what matters most to you and an Explore section where you can dig into financial topics that interest you and share insights with us for even more focused and productive planning conversations.

Our goal with this upgrade is simple: to give you greater clarity, convenience, and control over your financial picture. With this platform, you'll be able to stay more engaged between meetings, track your progress in real time, and collaborate with us in a way that strengthens understanding and confidence.

In the coming months we'll be helping all clients get the most out of this tool and we're confident it will elevate your planning experience in 2026 and beyond. You can find the app in your Google Play or Apple App store under "eMoney Client Portal" and you'll use the same eMoney login information you've been using on the website. If you haven't used eMoney before, just ask your advisor at your next meeting to go over the functionality and help you get setup.

### Stock Market Annual Returns

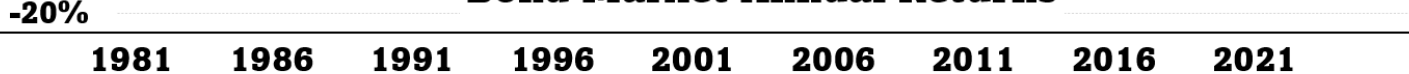


2000-2002 Dot Com Bubble Bursting

2022

2008 Financial Crisis

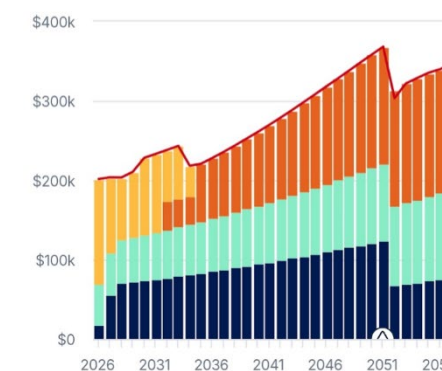
### Bond Market Annual Returns



Data Source: Ycharts. Annual total return of S&P 500 is used for Stock Market Annual Returns. Annual total return of Bloomberg U.S. Aggregate Index used for Bond Market Annual Returns.

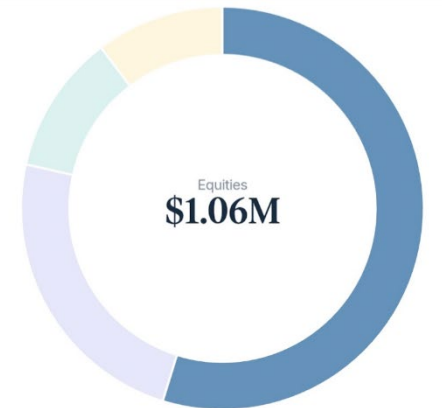
You are projected to be able to fund your retirement until age —/97.

John's Retirement Age: 65  
Jane's Retirement Age: 65  
Annual Retirement Living Expenses: \$120,000



### Accounts

Account Type	Value
Cash	\$35,000
Credit Cards	\$0
Taxable	\$295,492
Tax Advantaged	\$1,611,900
Life Ins Cash Values	\$0
Loans	-\$170,729
Property	\$635,000
Stock Options	\$0



Asset Class	Value	% Portfolio
EQUITIES	\$1,064,668.79	54.81%
TAX EXEMPT BONDS	\$279.04	0.01%
TAXABLE BONDS	\$460,174.61	23.69%
OTHER	\$200,000.00	10.30%
CASH	\$217,269.82	11.19%

## MAJOR 2026 FIGURES AND REMINDERS

Each year, inflation adjustments and legislative changes quietly reshape the financial planning landscape. While these updates rarely make headlines, staying aware of them can have a meaningful impact on saving, gifting, and tax-efficient planning. Below are several of the most important numbers we believe are worth keeping in mind as we head into 2026.

### Contribution Limits

- IRA Contribution Limit: \$7,500 (\$8,600 for Age 50+)
- 401(k) Contribution Limit: \$24,500 (\$32,500 for Age 50+, \$35,750 for Age 60-63)
- SIMPLE IRA: \$17,000 (\$20,500 for Age 50+, \$22,250 for Age 60-63)

### Income Limit Thresholds and Tax Brackets

- MAGI Income Limit for Full Roth IRA Contributions: \$150,000 Single, \$236,000 Married
- Net Investment Income Tax Threshold: \$200,000 Single, \$250,000 Married
- Standard Deduction: \$15,000 Single, \$30,000 Married
- Additional Standard Deduction Over Age 65: \$1,600 Single, \$3,200 Married
- OBBBA Senior Enhancement (Over Age 65, AGI under \$75,000 single, \$150,000 married): \$6,000 Single, \$12,000 Married

Tax Rate	Single	Married Filing Jointly
37%	\$640,600	\$768,700
35%	\$256,225	\$512,450
32%	\$201,775	\$403,550
24%	\$105,700	\$211,400
22%	\$50,400	\$100,800
12%	\$12,400	\$24,800
10%	Up to \$12,400	Up to \$24,800

### Gifting:

- Annual Gift Tax Exclusion: \$19,000
- Lifetime Basic Exclusion Amount (Estate Tax Threshold): \$15 Million per Individual

### Planning Items

- **Review Impacts of 2025 OBBBA Law.** This law introduced a number of changes that had impacts on almost all our clients. See our newsletter from 3<sup>rd</sup> quarter of 2025 for a detailed list, or ask your advisor.
- **Roth Conversions:** These continue to be one of the most attractive planning options for clients holding large amounts of pre-tax retirement accounts, particularly those who have already retired but not yet reached Age 73 when Required Minimum Distributions begin.
- **Qualified Charitable Distributions:** If you are over age 70 ½, have a Traditional IRA, and donate any money to charities, these should be on your radar. If they're not, talk to your advisor for one of the easiest ways to magnify the impact of your giving in the most tax-efficient way possible.
- **Stress Testing:** We have mentioned the importance of stress testing before, but with the market near all time highs, it is always a good time to look at how your financial condition would change with a significant market drop. If you haven't done a stress test recently, make sure to bring it up with your advisor at your next meeting.

## IRRATIONAL EXUBERANCE (THE SEQUEL)

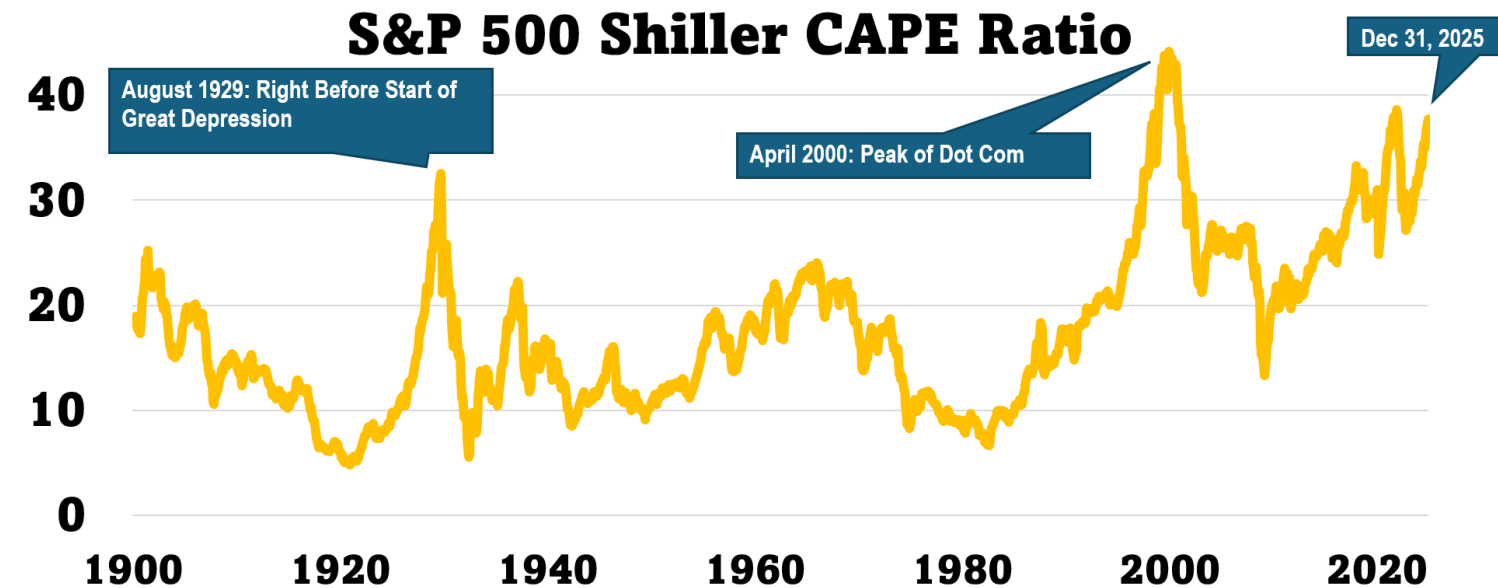
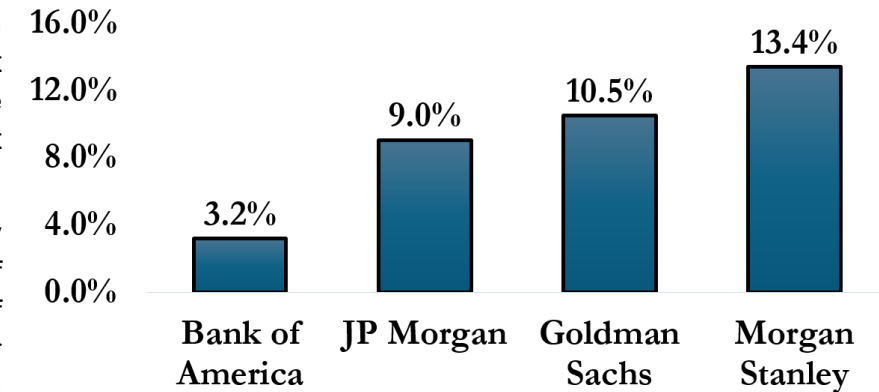
Last year, we wrote about elevated equity valuations and the concept of irrational exuberance—a term first popularized by former Federal Reserve Chairman Alan Greenspan and later explored in depth by Yale economist and Nobel Laureate Robert Shiller. As we close the books on 2025, that discussion remains just as relevant.

The S&P 500 finished the year at a cyclically adjusted price-to-earnings (CAPE) ratio of approximately 38.5. In more than a century of market history, valuations have been higher only once: at the peak of the dot-com bubble in early 2000. At that time, investor enthusiasm, compelling narratives, and fear of missing out combined to push prices far beyond what fundamentals ultimately justified: precisely the dynamic Shiller described in *Irrational Exuberance*.

If today's market feels familiar, you are not alone. Most major U.S. banks, including Bank of America, J.P. Morgan, and Goldman Sachs, have acknowledged in their recent outlooks that current valuation levels are unlikely to be sustainable over the long term and are expected to revert toward historical norms over the next decade. Many, such as Vanguard, are forecasting mid-single-digit annualized returns over the coming decade. At the same time, few see a clear near-term catalyst for such a shift. Historically, major valuation resets tend to be triggered not by forecasts, but by unexpected events that abruptly change investor psychology resulting in significant shifts in market values over a short period of time.

Importantly, elevated valuations in large-cap U.S. stocks do not imply that all assets are similarly priced. Many other areas of the market appear far more reasonably valued. This is where diversification, discipline, and long-term planning matter most. A well-constructed financial plan, regularly stress-tested against a range of outcomes, remains the most effective way to navigate both optimism and uncertainty.

Bank Forecasts for 2026 Performance of S&P 500



# 2026: WHAT TO WATCH

As we enter 2026, markets are once again balancing optimism with a growing list of unanswered questions. Most major financial institutions expect equities to continue grinding higher in the year ahead, supported by resilient corporate earnings, easing monetary policy expectations, and continued enthusiasm around technological innovation. At the same time, leadership within markets remains narrow, valuations are elevated by historical standards, and the global economic backdrop is increasingly complex. Rather than focusing on predictions or point forecasts, we believe the more productive exercise is understanding what matters most for markets in the coming year—and how those dynamics could impact diversified, long-term portfolios. Below, we outline the key areas we are watching as 2026 unfolds, along with the risks that deserve thoughtful attention.

## US Stocks

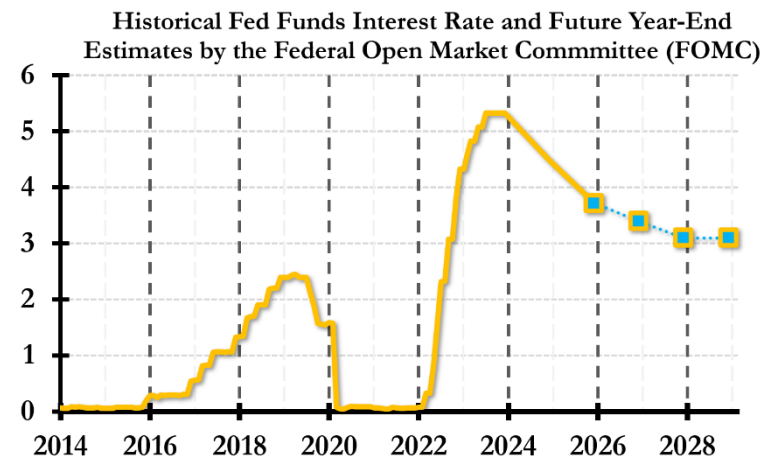
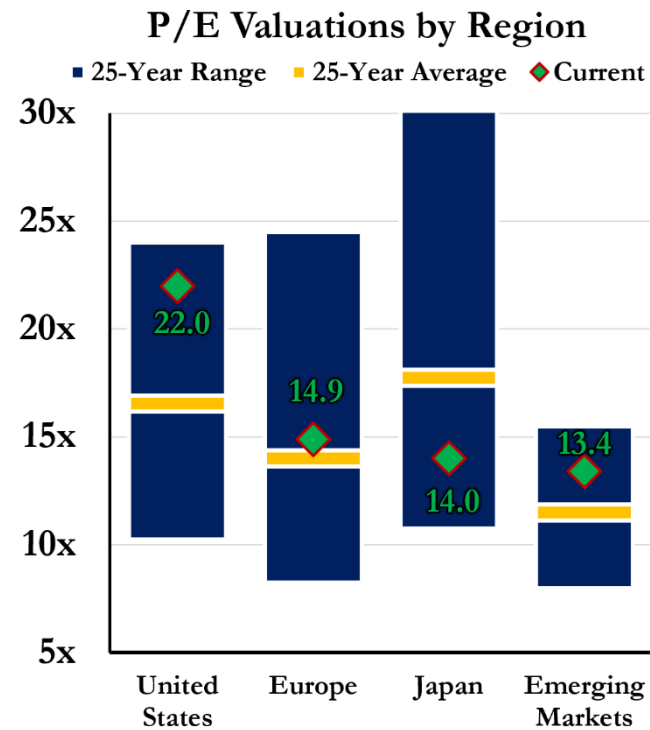
Approximately half of the return in the S&P 500 over the past 3 years has come from just 7 stocks: Apple, Amazon, Google, Meta (Facebook), Microsoft, Nvidia, and Tesla. Whether the market continues into a 5<sup>th</sup> year of gains largely depends on the performance of these seven companies, and in turn, on whether these companies are able to monetize the significant investments they are making into artificial intelligence and data centers. We continue to view this with caution and believe that when investing in US stocks, it is important to stay diversified, including owning small/mid size companies and not just the mega tech companies that have driven the market for the past few years.

## International Stocks

Despite the robust performance of international stocks last year, we continue to see value there, but also uncertainty. Valuations close to historical averages help protect against downside shocks, but the potential for those downside shocks, especially in the form of increasing geopolitical risks, is high. A continuation of tariffs and potential for further interest rate cuts should continue to put pressure on the value of the dollar providing additional protection to US investors.

## Bonds

The current outlook from major banks predicts no major changes to the bond market. While yields could come down slightly if interest rates fall, whether this happens is very much uncertain. Inflation has drifted higher going into the end of 2025 and gaps in economic data from the extended government shutdown have made it hard to get a sense of the true state of the economy. For conservative investors looking to avoid the potential volatility of stocks but still looking for a meaningful return on their investments, bonds remain an attractive place to invest.



## Potential Risks

As we mentioned in our “Irrational Exuberance” article, most major banks acknowledge current valuations are unsustainable over the long term, but also that major valuation resets (otherwise known as market crashes), tend to be triggered by sudden unexpected events rather than gradual changes. Here are some of the potential unexpected events we think could derail markets from having a positive year in 2026.

**Geopolitical** – With the new year starting with the capture of Maduro from Venezuela, it is a good time to remember that geopolitical risks remain some of the hardest to predict. While market response to the unfolding situation in Venezuela has been muted, other parts of the world could present more impactful geopolitical events. As it has the past few years, the situation in Ukraine presents both upside and downside risks depending on whether an unexpected escalation or peaceful resolution can be reached. The continuing decline of popularity of governments for the three big European economies – The United Kingdom, Germany, and France – raises the potential for snap elections and potential major shifts in policy as those countries confront continuing unfavorable demographic realities. China is walking a tight rope with an overcapacity of manufacturing leading to layoffs and tightening margins, multi-year decline in home prices eroding personal wealth, and a government more focused on long-term investment than short term stimulus to cushion the blow. Meanwhile at home, a looming potential government shutdown at the end of the month and midterm elections at the end of the year should leave us all expecting the unexpected.

**Artificial Intelligence Bubble** – Hyper scalers like Amazon and Google are spending trillions of dollars on data centers and advanced chips to power new AI models. Much of the growth in US stocks over the past few years and projections for 2026 are underpinned by assumptions that these massive investments will have a similarly massive return and increase in profits for not just the tech companies investing in them, but the wider economy as industries become more productive by leveraging AI. Two clear financial risks present themselves: First, that these productivity gains fail to materialize and stock valuations fall significantly to reflect economic reality. Second, the opposite: those productivity gains do materialize, leading companies to significantly reduce their workforces as they leverage new technologies, materially increasing unemployment and economic pain. Either way, we view the AI stocks very cautiously.

**Inflation Returns** – Inflation has come down from 2022, and most analysts expect it to remain flat or continue down towards the Fed’s 2% target. There are risks that this will not be achieved. Notably this year we should expect to see electricity costs to increase significantly to feed demand from new data centers. Projections suggest a 6% annual increase in consumption expected to last through next decade after many years of flat demand. This will require heavy investment in energy infrastructure and resulting increase in energy prices. Increased healthcare costs, housing costs, and imported product costs further increase the risk of inflation moving higher, which could reverse the expected interest rate cuts for 2026, hindering growth.

**Economy Slows** – Analysts move into 2026, flying partially blind, after the extended government shutdown resulted in a pause in the usual stream of economic data used for forecasting. Many signs suggest the economy will hum along in 2026, including the expectation of an increase in tax refunds following the impact of the 2025 tax changes, and the potential for “tariff rebate checks” to the population which would provide short term stimulus. Despite this, there are visible cracks in the economy: bankruptcies in small businesses are increasing (typically the canary in the coal mine), companies are hiring less, and tariffs create a challenging operating environment for domestic companies that rely on global supply chains.

Current P/E vs 20-year Average			
	Value	Blend	Growth
Large	17.1	22.0	28.8
	14.0	16.2	19.8
Mid	15.6	17.3	26.8
	14.6	16.5	21.3
Small	17.2	23.4	34.5
	16.9	23.0	31.3
Current P/E as a percent of 20-year Average			
	Value	Blend	Growth
Large	122%	136%	145%
	107%	105%	126%
Mid	107%	105%	126%
	102%	102%	110%
Small	102%	102%	110%
	102%	102%	110%
2025 Return			
	Value	Blend	Growth
Large	16%	18%	19%
	11%	11%	9%
Mid	11%	11%	9%
	11%	11%	9%
Small	13%	13%	13%
	13%	13%	13%

Data Source: FactSet Market Aggregates. JP Morgan Asset Management. Russell indices used for each segment of market, except large blend, which uses S&P 500. As of 12/31/2025