



Thomas Ford Library Investment
Discussion Group – December 9, 2025

Market Update, Long-Term Return Assumptions, Tax Planning with OBBBA

Pebble Valley Wealth Management

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Nibble on cookies and information

Agenda

- Market Update – Fed, bonds, equity
 - Also see month-end market updates on my blog
- Long-Term Return Assumptions
 - Recent historic returns are different than future expectations
- Tax Planning with OBBBA
 - Still time to take action... but many moving parts!
- See last slide + <http://www.pvwealthmgt.com/> for free market-related resources
 - “The Financial Translator” PVWM podcast, Video on YouTube, Spotify; subscribe Mthly Newsletter

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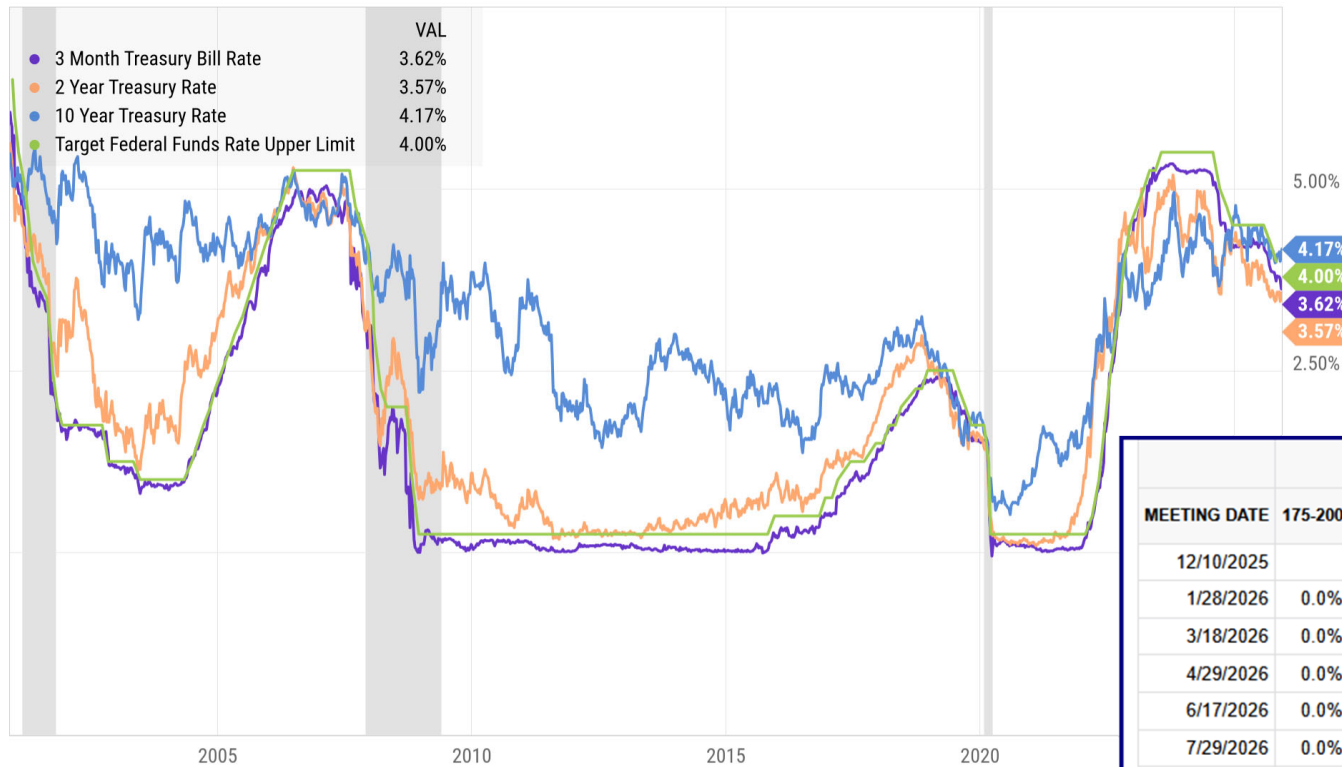
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Federal Reserve and Impact on Short vs Long Rates

Market Update

Key Rates Past 25 Years ending 12/8/2025



Sources: Federal Reserve, Department of the Treasury



CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES									
MEETING DATE	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400
12/10/2025				0.0%	0.0%	0.0%	0.0%	87.4%	12.6%
1/28/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	23.2%	67.5%	9.2%
3/18/2026	0.0%	0.0%	0.0%	0.0%	0.0%	5.9%	34.5%	52.7%	6.9%
4/29/2026	0.0%	0.0%	0.0%	0.0%	1.1%	11.2%	37.9%	44.2%	5.6%
6/17/2026	0.0%	0.0%	0.0%	0.5%	6.0%	24.1%	40.9%	25.5%	2.9%
7/29/2026	0.0%	0.0%	0.1%	1.9%	10.6%	28.4%	37.0%	19.7%	2.2%
9/16/2026	0.0%	0.0%	0.7%	4.6%	16.1%	31.1%	31.7%	14.3%	1.5%
10/28/2026	0.0%	0.1%	1.2%	6.1%	18.1%	31.1%	29.4%	12.6%	1.3%

Dec 9, 2025, 3:25 PM EST Powered by YCHARTS



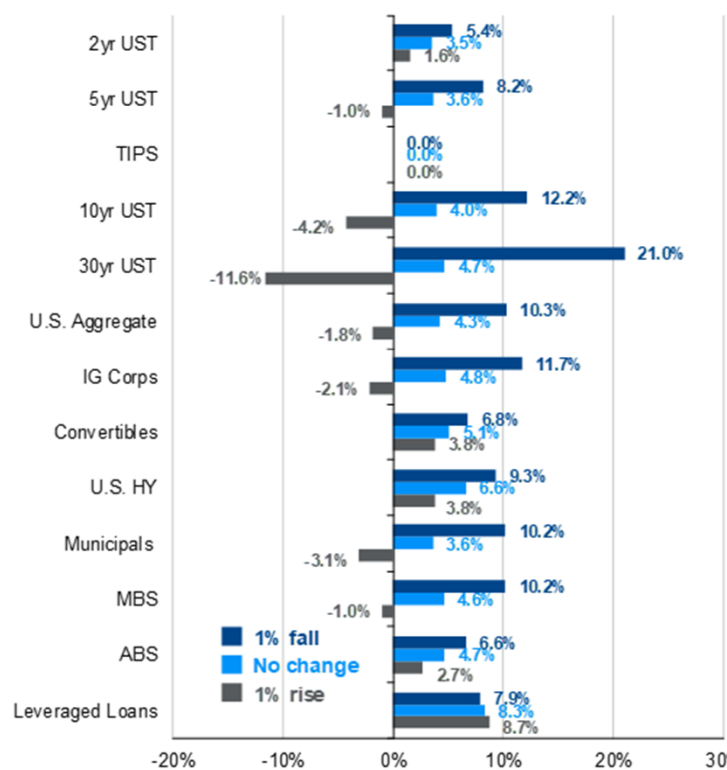
Decent yield across various fixed income markets

Market Update

U.S. Treasuries	Yield		Return	Avg. Maturity	Correlation to 10-year	Correlation to S&P 500
	11/28/2025	12/31/2024	2025			
2-Year	3.47%	4.25%	4.61%	2 years	0.74	0.02
5-Year	3.59%	4.38%	7.32%	5	0.94	0.01
TIPS	1.53%	2.13%	7.44%	7.2	0.75	0.36
10-Year	4.02%	4.58%	8.98%	10	1.00	-0.02
30-Year	4.67%	4.78%	5.99%	30	0.93	-0.05
Sector						
U.S. Aggregate	4.27%	4.91%	7.46%	8.2	0.91	0.28
IG Corps	4.76%	5.33%	7.99%	10.5	0.70	0.50
Convertibles	5.06%	6.13%	17.66%	-	0.00	0.86
U.S. HY	6.57%	7.49%	8.01%	4.8	0.11	0.79
Municipals	3.58%	3.74%	4.15%	13.6	0.73	0.30
MBS	4.61%	5.27%	8.35%	7.2	0.83	0.29
ABS	4.68%	5.38%	5.53%	2.2	0.41	0.27
Leveraged Loans	8.30%	8.68%	5.27%	4.7	-0.21	0.61

Fixed income returns in different interest rate scenarios

Total return, assumes a parallel shift in the yield curve



Higher yields mean coupon income helps offset further rate rise

US High Yield, Leveraged Loans appear attractive but ignores credit spread widening and defaults

Note Muni underperformed YTD; adjust yield for pre-tax equivalent to compare to taxable corporates, including Medicare if applicable;
Tax equiv yield = $(\text{Muni Yld}) / (1 - \text{Fed-State} \cdot 0.038)$

Source: JPM Guide to Markets

– Nov 28, 2025



Major asset class returns and volatility

Market Update

Total Returns and Volatility by Major Asset Class - 11/30/2025

	Total Return - 1 Mth	Total Return - YTD	Total Return - 3 Yr	Total Return - 5 Yr	Volatility (Std Dev - 5 Yr)
US Large Cap Equity	0.25%	17.81%	20.57%	15.28%	15.0%
US Small Cap Equity	0.96%	13.47%	11.43%	7.99%	20.7%
US Real Estate (REITs)	3.09%	6.30%	7.46%	7.87%	18.6%
Int'l Equity - Developed	0.62%	27.40%	16.11%	9.27%	15.4%
Int'l Equity - Emerging	-2.39%	29.69%	14.72%	5.06%	15.9%
US Treasury Bonds (1-3 Yrs)	0.46%	4.80%	4.42%	1.69%	2.0%
US Treasury Bonds (7-10 Yrs)	0.99%	9.00%	3.50%	-1.61%	7.5%
US Treasury Bonds (20+ Yrs)	0.24%	6.99%	-0.36%	-8.06%	15.0%
US Treasury Bonds (TIPS)	0.18%	7.44%	4.01%	1.44%	5.7%
US Municipal Bonds	0.23%	4.15%	3.94%	0.91%	5.7%
US Inv Grade Corp Bonds	0.65%	7.99%	6.02%	0.04%	7.4%
US High Yield Corp Bonds	0.58%	8.01%	9.63%	4.78%	6.3%
Int'l Bonds ex-US (\$ Hedged)	-0.12%	3.09%	4.78%	0.92%	4.1%
Commodities	3.20%	16.15%	3.21%	11.79%	15.0%
Bitcoin (Bitwise ETF)	-17.35%	-3.01%			

Source: Y-Charts; PVWM Research

- YTD 2025 shows impressive returns across the board
- 5-year annualized returns helps normalize, though US equity outsized and bonds still digging out of '22 hole
- S&P500 mkt cap of top 10; Mag 7 - 45% '25 YTD returns
- Int'l equities helped by weaker US \$ by about 12%



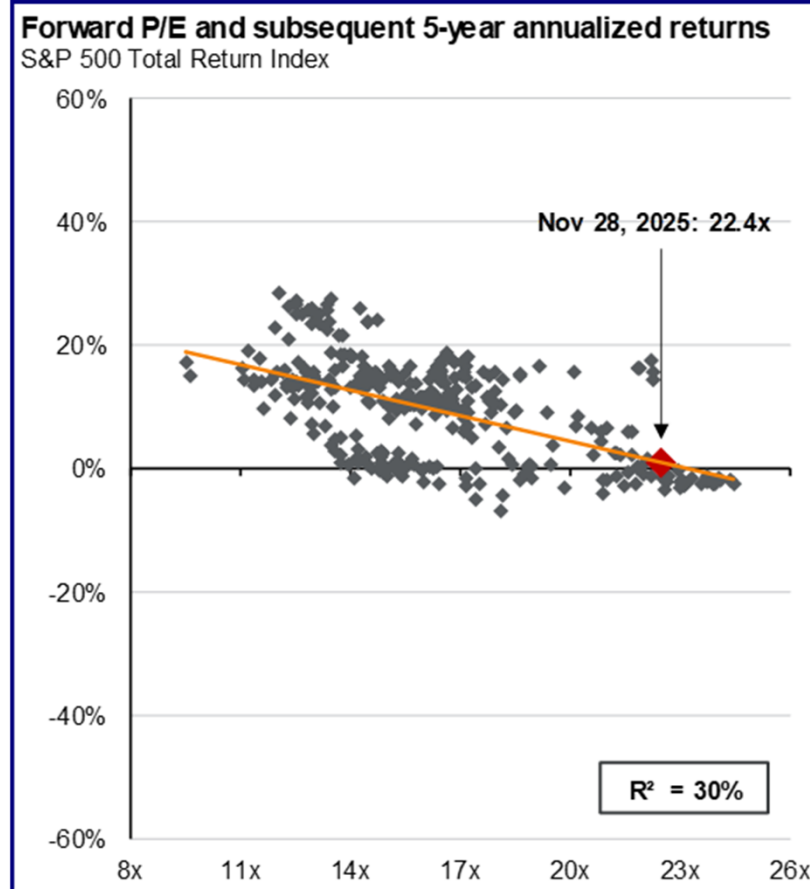
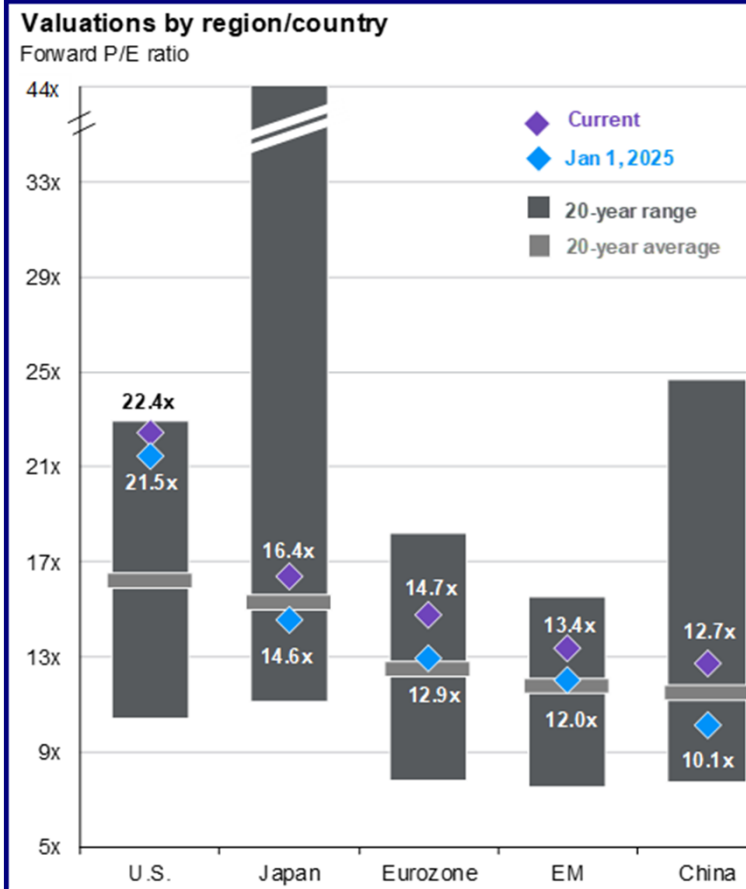
Source: JPM
Guide to
Markets – Nov
28, 2025



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Market paying up for US vs. global; next 5 years?

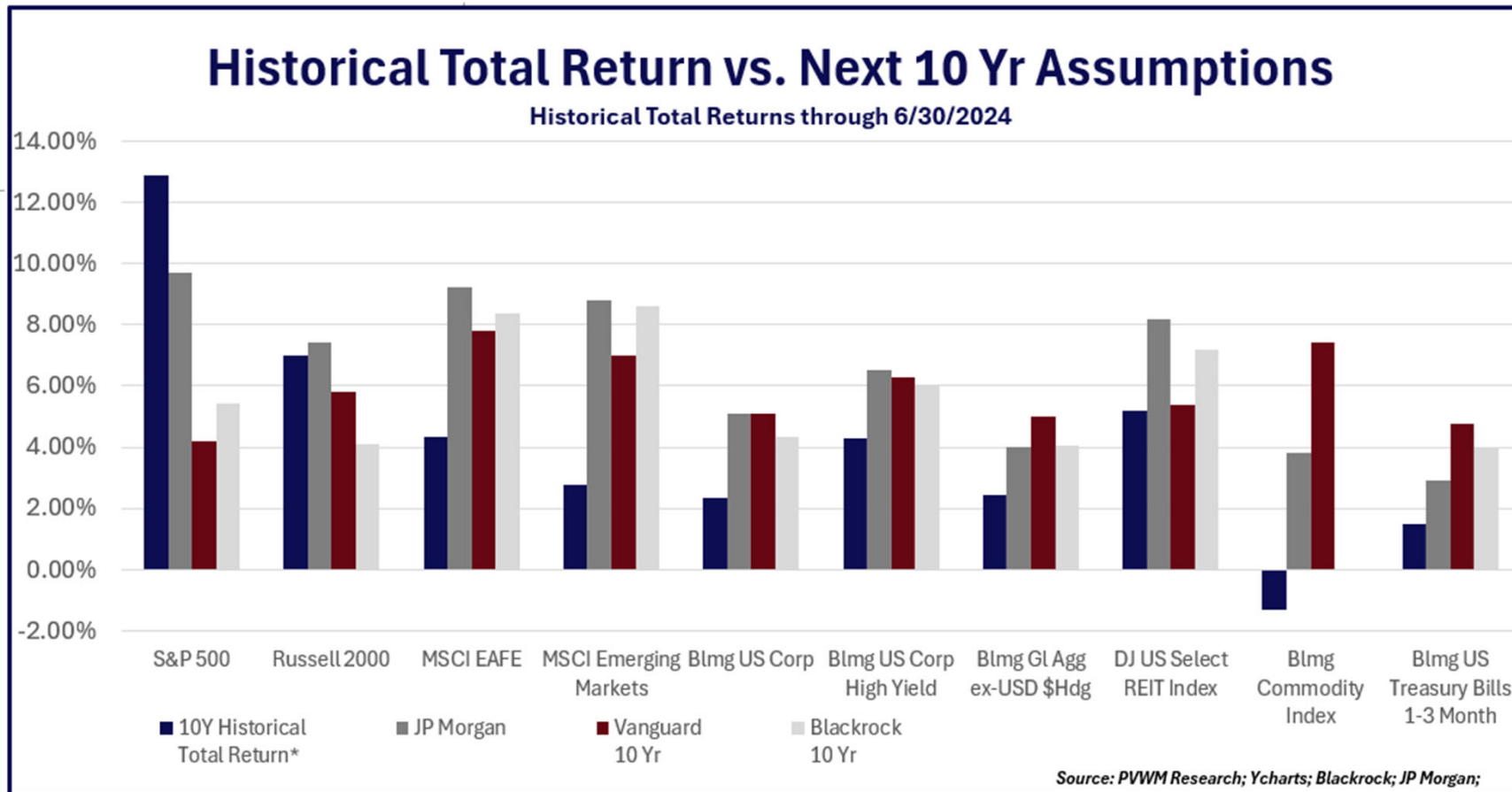
Long-Term Assumptions



Source: JPM Guide
to Markets – Nov 28,
2025

Markets will keep returning 12%, right? Right?!

Long-Term
Assumptions



Tax brackets, deductions, extra Medicare premium

Tax Planning with OBBBA

- Focus on Federal taxes only; states vary but IL friendly to retirees (SS, IRAs, Pensions)

MFJ - 2025 - FEDERAL TAX RATE				
income over	but below...	Tax Rt	Eff Rate	CG Rate
\$ -	\$ 23,850	10%	10.0%	0.0%
\$ 23,850	\$ 96,950	12%	11.5%	0.0%
\$ 96,950	\$ 206,700	22%	17.1%	15.0%
\$ 206,700	\$ 394,600	24%	20.4%	15-18.8%
\$ 394,600	\$ 501,050	32%	22.8%	18.8%
\$ 501,050	\$ 751,600	35%	26.9%	18.8-23.8%
\$ 751,600	...and above	37%	??	23.8%

*CG Breaks \$96k; \$600k; 3.8% Medicare tax starts \$250k AGI

SINGLE - 2025 - FEDERAL TAX RATE				
income over	but below...	Tax Rt	Eff Rate	CG Rate
\$ -	\$ 11,925	10%	10.0%	0.0%
\$ 11,925	\$ 48,475	12%	11.5%	0.0%
\$ 48,475	\$ 103,350	22%	17.1%	15.0%
\$ 103,350	\$ 197,300	24%	20.4%	15.0%
\$ 197,300	\$ 250,525	32%	22.8%	15-18.8%
\$ 250,525	\$ 626,350	35%	30.1%	18.8-23.8%
\$ 626,350	...and above	37%	??	23.8%

*CG Breaks \$48k; \$533k; 3.8% Medicare tax starts \$200k AGI

2024	2025
<u>Standard Deduction*</u>	
\$ 29,200	\$ 31,500
<u>Age 65+ Extra Std Deduction</u>	
\$ 3,100	\$ 3,200
<u>Enhanced Senior Deduction**</u>	
\$ -	\$ 12,000
<u>First IRMAA Band Trigger (2yrs+)</u>	
\$ 212,000	\$ 218,000

2024	2025
<u>Standard Deduction*</u>	
\$ 14,600	\$ 15,750
<u>Age 65+ Extra Std Deduction</u>	
\$ 1,950	\$ 2,000
<u>Enhanced Senior Deduction**</u>	
\$ -	\$ 6,000
<u>First IRMAA Band Trigger (2yrs+)</u>	
\$ 106,000	\$ 109,000

* Itemized Deduction SALT raised

** subject to income limits

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OBBBA for 2025 – 2028 (unless noted)

- Standard deduction changes ('28+)
 - Extra \$750/\$1,500 all incomes
 - Age 65+ continues
- Enhanced Senior Deduction
 - Receive even if itemize
 - Subject to MAGI phaseouts
 - MFJ: \$150k-\$250k
 - Single: \$75k - \$150k
- Itemized deduction changes
 - State and Local Tax (SALT) ('29)
 - Was capped at \$10k; now \$40k
 - Subject to MAGI phaseouts
 - MFJ and Single: \$500k-\$600k

RMDs + reminder on two strategies

Tax Planning with
OBBBA

- Required Minimum Distributions (RMDs) on own – taxable income unless Form 8606
 - If 73 on or before 12/31/2025 must begin distributions on Traditional (NOT ROTH)
 - $(\text{Previous yr-end balance}) / (\text{IRS factor}) = \text{min amount must withdraw; more if wish}$
- RMDs on inherited IRA - must do both Traditional and Roth; tax planning over 10 years!
 - If decedent passed prior to 2020, follow old stretch rules (but use 2022 IRS table)
 - If 2020+, withdraw by 10th year; if decedent was taking RMDs, MUST RMD IN 2025
- Qualified Charitable Distributions (QCD)
 - If age 70.5+ can contribute directly from IRA to Charity
 - Not taxable income (including IRMAA!), counts toward RMD
- Partial Roth conversions if lower tax bracket now vs. projected; if RMDs, do those first
 - Often occurs after retire but before claim SS and RMDs
 - Project expected tax rate throughout retirement... be willing to pay tax early but at same or lower rate

Proactive moves now vs. “darn it, too late” in spring

Tax Planning with
OBBBA

- Watch impact on income levels driving Senior Deduction, SALT, IRMAA, ... and brackets
- Be aware of “SS Tax Torpedo”; if currently 85% of SS is not taxable be very careful
- Recall if in 12% or lower bracket, long-term capital gains rate = 0% (state may apply)
- Extra Medicare Premium (IRMAA) income triggers off MAGI (before deductions!)
- Examples of using extra \$6,750 / \$13,500 Standard Deduction ... CAREFULLY
 - More room for Roth conversions... but adds to income so watch above triggers
 - More room in 12% Fed bracket so harvest tax gains... yes gains... at 0% Fed
 - Low bracket, 0% SS taxable => recognize more income at 0% tax with higher deduct
 - If don't want to mess with Roth (I do!) just withdraw more from IRA

Proactive moves now vs. “darn it, too late” in spring

Tax Planning with
OBBBA

- Charitable Contribution Changes and Strategies – mentioned QCDs earlier
 - In past SALT drove many to Standard Deduction; not all charitable helped itemize
 - If itemizing, maybe full charitable deduction; enhance with Donor Advised Fund (DAF)
 - Starting 2026:
 - If standard deduction, cash charitable deduction of \$1,000 / \$2,000 for S/MFJ
 - If itemize, lose first 0.50% x MAGI; consider adding to DAF in 2025; appreciated stock
- Other Considerations and Nuances
 - Ideally pay tax for Roth convert with outside funds; if under 59.5 absolutely or incur 10% penalty
 - Pay estimated taxes with RMDs; IRS assumes paid in evenly during year
 - Large Roth convert year-end and 4Q est tax, tell accountant NOT assume income even (w/h penalty)
 - QCDs in total IRA distribution on 1099-R; TELL ACCOUNTANT; new code coming for 2025 but optional
 - IL Cook County Senior Freeze - \$65k now; \$75k in 2026 but applies to 2027 bills (
 - Other OBBBA – my blog post <https://www.pvwealthmgt.com/blog/summary-new-tax-bill-obbba>
 - Trump accounts; child born 1/1/25 – 12/31/28 get \$1,000; can also contribute but check other accts
 - No tax on tips, overtime; select new car loan interest deduct, child tax credit \$2.2k; estate \$15mm
 - Home energy credits expire earlier, farmland gain tax spread, bonus depreciation

Free sources to reference

Resources

- PVWM Resources
 - <https://www.pvwealthmgt.com/market-graphs>
 - Summary graphs of rates, corporate spreads, inflation, unemployment – updated daily
- PVWM Blog and “The Financial Translator” Podcast AND VIDEO ON YOUTUBE, SPOTIFY
 - <https://www.pvwealthmgt.com> (also monthly newsletter; provide email)
 - Semi-monthly: financial topic mid-month; market summary with graphs end of month
- JPM Guide to the Markets
 - <https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/guide-to-the-markets/>
 - Graphic summary of various markets – **updated monthly on-screen; PDF download qtly unless login**
- FRED
 - <https://fred.stlouisfed.org> (check out “Macro Snapshot”)
 - Resource for all economic data - Graphs, FRED Blog, Economic Research Resources > Publications

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