OUTLOOK *and* INSIGHTS

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Ferguson Wellman, founded in 1975 is a privately owned registered investment adviser, established in the Pacific Northwest. As of June 30, 2026, the firm managed over $11.6 billion for 1,148 clients that include individuals and families; Taft-Hartley and corporate retirement plans; and foundations and endowments with portfolios of $4 million or more.

Octavia Group, our private family office, provides fee-based personal financial services exclusively for Ferguson Wellman and West Bearing clients with a minimum of $10 million managed by our firm.

West Bearing, a division of Ferguson Wellman, serves clients with assets starting at $1 million.

Investment Excellence
Lifelong Relationships



Home Stretch

George Hosfield, CFA
Chief Investment Officer and Director

In our 2026 Outlook titled "Mission Impossible," we outlined the likelihood of the S&P 500 enjoying a fourth consecutive year of positive returns. Powered by outsized earnings growth, we are entering the final three-month home stretch of 2026, with the S&P 500 up 13.2% and well-positioned to deliver on our optimistic thesis.

This year's advance has been driven by earnings, rather than speculation, which gives us confidence that the market is on healthy footing. To that point, consensus expectations for the S&P 500 earnings growth have roughly doubled over the course of the year, from 15% in January to 32% today. Because earnings have risen faster than prices, the S&P 500's forward price-to-earnings (P/E) has fallen 18% from its peak in October 2025 to 19.2x, in line with its 10-year average. Market bubbles are generally characterized by prices running well ahead of fundamentals. This year's rapid earnings growth alongside a contracting multiple is the opposite dynamic, and in our view, puts today's market outside bubble territory.

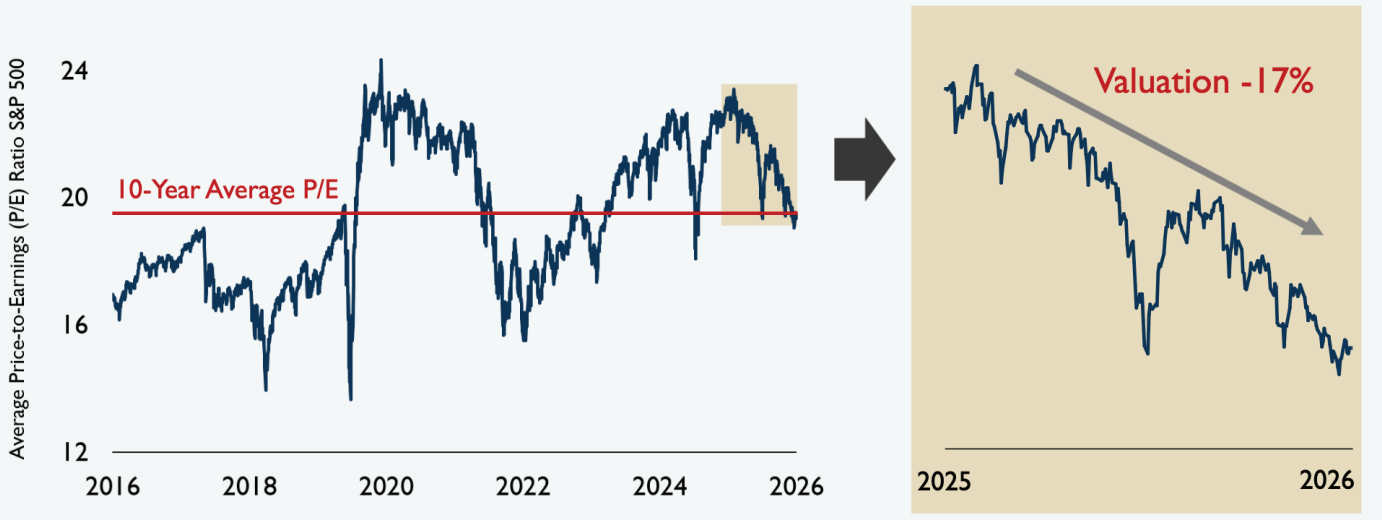
Another positive development for the long-term health of the equity market has been the improved breadth; the megacap, technology "Magnificent 7", that have led the market in recent years, have taken a pause in 2026. Specifically, the "Mag 7" has returned just 8% year-to-date while the other 493 names in the S&P 500 have enjoyed a return of 14%. Because these seven stocks still make up 34% of the S&P 500, a market that no longer depends on a handful of megacaps for its direction is, in our view, a more durable foundation.

Interest rates remain the most important counterweight to the strong earnings outlook. The bond market had already tightened financial conditions before the Fed acted in September, pushing the 10-year Treasury yield 100 basis points higher this year to 5.28%. The Fed then raised rates for the first time in three years, with Chair Kevin Warsh emphasizing a low tolerance for inflation remaining above the Fed's 2% target and an openness to additional increases.

Higher rates increase borrowing costs and place downward pressure on equity valuations. The market now faces a tug-of-war between the positive impact of strong earnings growth and the pressure of higher interest rates. In our view, the threat of still higher rates represents the greatest risk to equities in the months ahead.

Despite persistent inflation and the resultant rise in interest rates, the economy remains on solid footing and fears of recession remain quite low. One positive development in this regard is, though we have seen the job market slow to a low hiring, low firing environment, beneath the surface the mix shift of job creation has become decidedly more favorable

Equity Market Valuations Appear Reasonable



Time period: September 28, 2016 – September 28, 2026
Source: FactSet

this year as private job creation is now outpacing government job creation.

Finally, with the midterm elections just weeks away, we would like to reiterate that historically, elections are not capital market events. By this, we mean that ultimately tax, regulatory and foreign policies can be impacted by the results of elections. But any changes in the aforementioned policies take years to gain economic traction and would require a significant majority by one party or the other in order to enact any policy of economic significance. While the media will do its usual best to use the election as a lever to stir anxiety and fear, we don't envision an outcome that would cause us to alter our current asset allocation posture that continues to modestly overweight large-cap, U.S. equities. ■

All data as of September 29, 2026



The Bond Market is Doing the Fed's Work

Brad Houle, CFA
Principal, Head of Fixed Income

The Federal Reserve raised the federal funds rate by 0.25% in September, bringing the overnight lending rate to 4%. The decision was unanimous and reflected a familiar challenge: economic growth remains solid and consumer spending has been resilient, and inflation is still above the Fed's 2% goal.

The increase was important, but it largely confirmed what the bond market had already been signaling for much of the year. The Fed controls the overnight lending rate, while the bond market controls longer-term rates that often matter more to households, businesses and investors.

That rise in longer term rates matters because the 10-year Treasury influences mortgage rates, corporate borrowing costs, government debt service and the valuation of risk assets. Higher yields make homes and business investments more expensive to finance. They also increase the government's interest expense and create more competition for stocks because investors can earn attractive returns from high-quality bonds.

Several forces have pushed longer-term yields higher. Rising oil prices renewed concerns that inflation could remain elevated. Economic data remained stronger than expected, supported by solid retail sales, corporate earnings and capital investment. Investors also demanded more compensation for the growing supply of government debt and the uncertainty surrounding future budget deficits.

Global markets have also added pressure. Government bond yields rose in the United Kingdom amid political and fiscal concerns. Japanese yields moved higher as investors considered the cost of an aging population, greater defense spending and additional fiscal support. Ultimately, higher global yields make United States Treasuries relatively less attractive, unless their yields rise as well.

The good news is that long-term inflation expectations remain relatively contained. Market-derived future inflation expectations remained near 2.3%; close to the Fed's long-term target. Investors are telegraphing some concern about current inflation, but they are not forecasting return to the high inflation following the COVID pandemic.

The September increase shows the interaction between the Fed's monetary policy and the financial markets. If bond investors believe inflation will remain elevated, they generally demand higher yields. Those higher yields can tighten financial conditions even without a change in the fed funds rate and could thereby make it more difficult for the Fed to leave its overnight rate unchanged.

For investors, higher rates often create near-term volatility but also a better long-term opportunity. Bond yields are now among the most attractive levels we have seen in many years. Investors are being paid more to hold high-quality bonds, and those higher-starting yields improve the outlook for future bond returns. In addition, we expect bonds to act like bonds during the next inevitable volatility in the stock market. In "risk off" environments, bonds most often appreciate in value as risk assets sell off, creating an important anchor to windward for client portfolios. ■



One Federal Code, Fifty State Answers

Samantha Pahlow, CTFA, AWMA®
Wealth Management Chair
Executive Vice President

Federal tax law often receives much of the attention from tax payers and tax professionals as its rules generally apply nationwide. State tax laws

are different. Rates, exemptions and even the types of taxes imposed can vary considerably from one state to another, and those rules continue to change.

For families deciding where to live, work or retire (or considering how assets may eventually pass to the next generation), state taxes can be an important part of a broader planning conversation.

State Tax Systems Are Stable, but Rates Are Not

An average of 15 states change at least one tax rate in a typical year, according to a paper from the National Bureau of Economic Research. That churn is easy to miss, because the overall architecture of state taxation looks settled. States have rarely added or eliminated entire categories of tax since roughly 1970. An aggregate state tax collections have stayed near 5% of U.S. gross domestic product since the 1980s. While the framework is relatively stable, the numbers inside it are not, which means the state tax picture a family relied on even a few years ago may no longer hold.

States Are Moving in Different Directions

To add further complexity, tax rate changes have not all moved in the same way. According to a 2026 analysis of the Institute on Taxation and Economic Policy's historical rate database, states have reduced top personal income tax rates 210 times since 1990 and raised them 73 times. During the same period, states increased sales-tax rates 68 times and reduced them 29 times. The median top state personal income-tax rate is now lower than it was in 1990, while the median sales tax rate is higher. More recently, some states have moved in the opposite direction by increasing taxes affecting higher-income households.

Washington illustrates how quickly a state's tax landscape can change. The state has historically had no broad-based individual income tax. However, in 2022 Washington imposed a 7% tax on certain long-term capital gains. Starting with tax year 2025, an additional 2.9% surtax was added for taxable long-term gains that exceeded $1 million, for a 9.9% marginal rate, subject to certain exclusions.

In March 2026, Washington enacted a separate individual income tax scheduled to begin January 1, 2028. The law imposes a 9.9% tax on taxable Washington income and provides a $1 million standard deduction. The law faces a state constitutional challenge, creating uncertainty before its scheduled effective date.

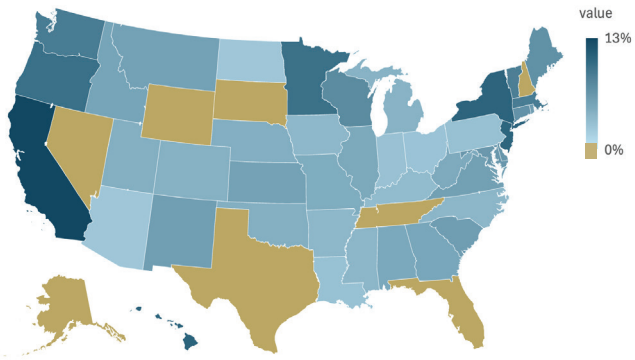
Another Consideration: Estate and Inheritance Taxes

Estate and inheritance taxes add another layer of state-by-state variation and can affect how much wealth ultimately passes to beneficiaries. At the federal level, the basic estate tax exclusion is $15 million per individual for deaths in 2026. Sixteen states and the District of Columbia currently impose an estate tax, an inheritance tax or both, at substantially lower thresholds in many cases.

Oregon is one example. Its estate tax applies above a $1 million threshold, with marginal rates ranging from 10% to 16%. Data from the Oregon Department of Revenue shows that 3,134 estate-tax returns were filed for tax year 2023. Approximately 63% reported tax liability and the median gross estate reported was about $1.9 million.

Thresholds and rates vary considerably among the states that impose these taxes, so exposure depends on the particular state or states involved.

Top Marginal State Individual Income Tax Rate
As of January 1, 2026



Planning is About More than the Lowest Tax Rate

Headline tax rates tell only part of the story. States that do not impose an individual income tax generally raise revenue through other sources, making property taxes, sales taxes and excise taxes relevant to the comparison. Housing, healthcare and other living costs matter as well.

Changing residence also does not necessarily establish domicile for tax purposes. Domicile rules vary by state and may depend on a range of facts and circumstances, making legal and tax

guidance important when a move has significant tax implications.

For families with substantial income or larger estates, the planning conversation may include where they live, where they are domiciled and their potential exposure to income, capital-gains, property, estate and inheritance taxes. Those factors should be weighed alongside family, lifestyle, employment and other financial considerations rather than viewed in isolation.

State tax laws can change considerably even when the overall structure of state taxation appears relatively stable. That makes periodic review worthwhile, particularly when a family is considering a move, approaching retirement or reviewing an estate plan.

Taxes are rarely the only reason to make a major life decision. Understanding how different state rules may affect that decision, however, can help families identify issues worth discussing with their portfolio manager, tax advisor and attorney. ■



In Search of the Perfect Gift

Mary Lago, CFP®, CTFA
Chief Wealth Strategist, Principal

As the holiday season and year-end approaches some are beginning their search for the perfect gift. We will leave the selection of the right accessories and experiences for family and friends to others, but would like to share some thoughts on creating more impactful charitable gifts. Coordinating with your portfolio manager to be strategic in sourcing charitable funds may reduce your tax bill, while focusing on how funds will be received and used by organizations may be more inspiring and drive the changes donors are motivated to support.

We often help our clients strategize on the tax-optimized method of sourcing charitable funds. We evaluate strategies, such as bunching multiple years of gifts into a single calendar year, gifting appreciated securities for the double tax benefit, considering qualified charitable distributions from IRAs and charitable trusts to defer taxation on the sale of real estate or other appreciated assets. This planning allows some donors to reduce the after-tax cost of charitable giving, from one dollar for every dollar given to less than 30 cents for each dollar received by charity. With the compelling tax benefits of proper sourcing, it is certainly worth the time to evaluate each circumstance to identify and implement tax-wise strategies.

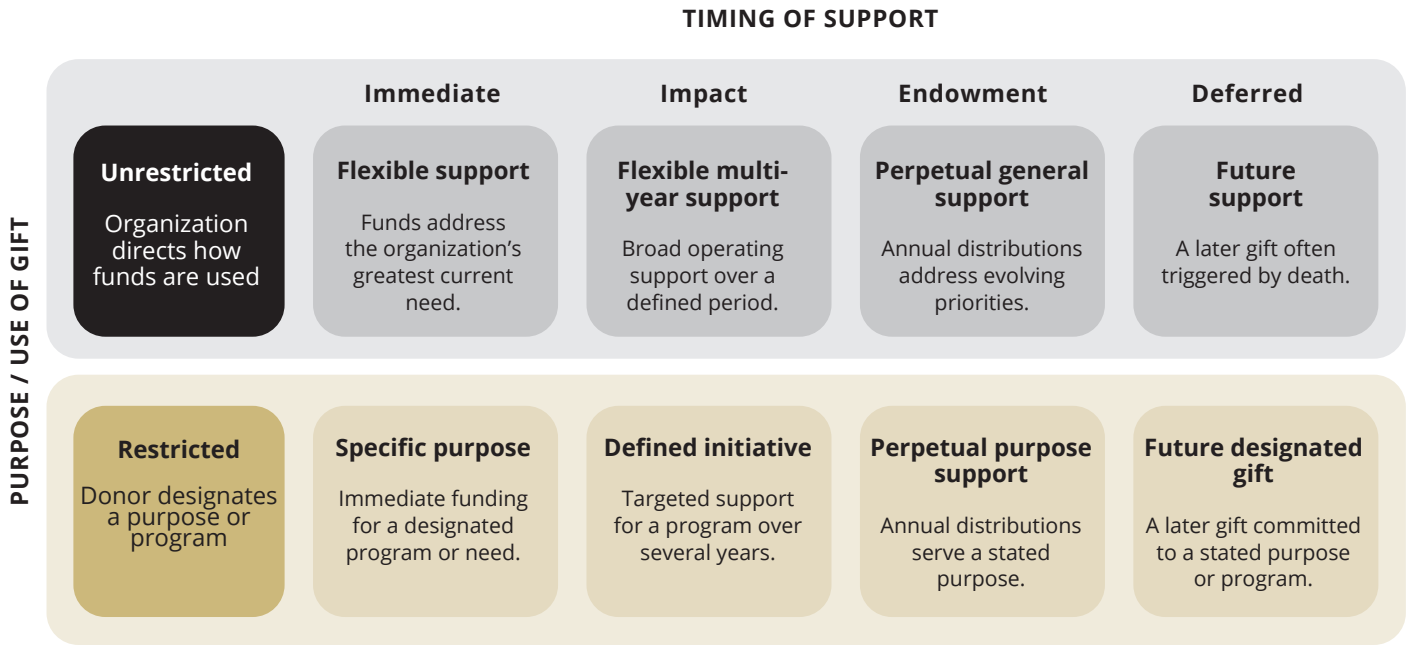
But ultimately, it is the impact the financial support will have on our favorite causes that is the best part of giving. Just as using the right technique for sourcing charitable dollars can make a dramatic difference, the same is true for how the gift is structured to be received by the charity(ies). Gifts can be restricted for specific purposes or programs within an organization or simply given to the area of greatest need. Similarly, gifts can be structured to benefit an organization over different timeframes. One gift type is not necessarily better than another, but each should be understood as unique tools designed for a specific purpose or outcome.

Immediate giving puts resources to work now. Unrestricted gifts offer leadership flexibility to respond to the organization's most pressing priorities, from staffing and supplies to emerging community needs. Restricted gifts are designed to meet a clearly defined purpose, such as building capacity at a children's hospital, providing eye care in rural regions, funding scholarships or maintaining recreational access to clean rivers. Immediate gifts allow donors to see the most visible benefits of their gift in the short term, can address urgent needs and are often very rewarding.

Impact giving provides substantial support over a defined period, often three to five years. It can help a nonprofit launch a program, expand services, hire specialized staff or test an innovative approach. Unlike a single contribution, impact gifts allow leaders the confidence to plan and invest in transformative ideas. Donors, the development team and leaders often collaborate to explore alignment of purpose, feasibility and sustainability, prior to finalizing a gift agreement. It is critical to have a plan to address future funding so a successful program does not face an abrupt financial cliff.

Endowment giving is designed for durability. The initial funds are invested while a stated spending policy provides annual support. Creating or adding to an endowment can sustain a program, faculty position, scholarship or area of greatest need for generations. Because future conditions will evolve, it is especially

Two Dimensions of Charitable Giving
Gifts can be structured for a designated purpose and/or a designated time frame



The structure can be mixed: a donor may combine several timing options and purpose choices within one philanthropic plan.

important to collaborate with the development team and organizational leadership to ensure donor intent can be honored without making the funds difficult to use. Careful attention to the investment policy, spending rules and provisions for changed circumstances help preserve both purchasing power and purpose.

Deferred giving allows donors to make a meaningful commitment today while the charity receives assets in the future through a will, charitable remainder trust or beneficiary designation. This approach may enable a larger gift without compromising current cash flow or financial security. Some arrangements can also provide lifetime income or estate-planning benefits. Because circumstances, laws and organizations change, deferred plans should be coordinated with legal, tax and financial advisors and reviewed periodically.

Examples of Tax-Wise Charitable Giving

- Bunching multiple years of gifts into a single calendar year to exceed the standard deduction and limit the impact of the new charitable floor
- Gifting appreciated securities for the double tax benefit of lowering taxable income and avoiding capital gains tax
- Qualified charitable distributions from IRAs for non-itemizers who are subject to required minimum distributions
- Charitable trusts to defer taxation on the sale of real estate or other appreciated assets, while also creating an income stream

For many families, the best plan combines multiple approaches. Annual support may address current operations, a multiyear commitment may advance a strategic initiative and a bequest may strengthen the organization for future generations. A coordinated plan can also involve family members, creating shared understanding and encouraging the next generation to participate in philanthropy.

Gifts that are thoughtfully structured in purpose and timing are likely to create the most significant impact and being strategic in sourcing charitable funds frequently allow larger charitable gifts with the same after-tax cost to donors. Reach out to your portfolio manager for support in sourcing charitable funds, discussing the impact of timing or reviewing charitable gift agreements. It would be our pleasure to help you structure the perfect gift. ■



How 530A Accounts Are Best Utilized

Nate Putnam, CFP®
Senior Vice President, Portfolio and Wealth Management

Like any planning strategy we review with our clients, the first question to answer is: what is the goal the family wants to accomplish? For setting future generations up for success, common goals include education funding, a first home purchase or starting a business. Since July 4, 2026, families have a new tool at their disposal: 530A accounts, also known as Trump accounts, which were created under Section 530A of the tax code.

What is a 530A Account?

530A accounts are a type of tax-advantaged savings vehicle designed to give children a headstart on building long-term wealth. They function somewhat like a starter retirement account: money goes in during childhood, grows tax-deferred and then becomes accessible in adulthood under rules similar to a traditional IRA. Withdrawals are generally taxed as ordinary income (depending on contribution source) and may be subject to a 10% additional tax if taken before age 59½ unless an exception applies.

Parents, grandparents and friends are all permitted to contribute to a 530A account, subject to a $5,000 annual aggregate limit for 2026. Employers may contribute up to $2,500 per year, which counts toward that same $5,000 limit. Separately, eligible children born between January 1, 2025, and December 31, 2028, may receive a one-time $1,000 government pilot contribution that does not count against the limit.

Where 530A Accounts Fit

For most families, a 530A account should be a complement, but not a replacement, for 529 plans, Roth IRAs and Uniform Transfer to Minors Act (UTMA) accounts, and should be driven by their individual goals.

While each family planning situation is different, setting up a 530A account to capture the government $1,000 pilot contribution makes sense for children born between 2025 and 2028, and is a great starting point for savings. 529 plans are likely the next most effective "bucket" to save for children if education funding is a priority, as 529 plans are highly tax efficient. 529 accounts grow tax deferred and offer tax-free distributions if used for qualified expenses.

Funding a Roth IRA (assuming the child has earned income to support the contribution) then likely makes sense as the next "bucket." Roth IRAs offer tax deferred growth as well as tax-free distributions in retirement after age 59½. Starting a Roth IRA at a young age allows for decades of growth in this favorable tax structure.

Beyond that, UTMAs and additional 530A account funding may both serve a role: UTMA accounts offer

Quick comparison

Information as of September 2026 and subject to change. For general educational purposes only; not tax, legal, or investment advice. Additional exceptions, requirements or rules may apply. Consult your tax advisor before acting.

Feature	530A Account	529 Plan	Custodial Roth IRA	UTMA/UGMA
Federal grant money	$1,000, births 2025-2028	No	No	No
2026 contribution limit	$5,000 combined	State limits	Lesser of earned income or $7,500	None; gift tax rules apply
Tax-deferred growth	Yes	Yes	Yes	No; kiddie tax may apply
Tax-free withdrawals	No	Yes, qualified education	Yes, if qualified	No
Requires earned income	No	No	Yes	No
Investments	U.S index funds until 18	Program menu	Broad	Broad
Control	Child at 18	Account owner	Custodian until state age	Custodian until age of majority
Gift tax exclusion	Yes, via safe harbor	Yes, 5-year superfunding	Yes	Yes
Early withdrawal penalty	10% penalty on earnings prior to age 59½	10% penalty on earnings if used for non-qualified expense	10 penalty prior to age 59½ (exceptions exist)	No

flexible withdrawals and custodian control that can be extended longer than in a 530A account, while the 530A account offers tax-deferred growth that the UTMA does not. However, the child's unrestricted access to the 530A funds beginning on January 1st of the year they turn 18 may lead some families to prioritize other options.

A Potential Roth Conversion Strategy

If funding a 530A account aligns with your families' planning, a strategy one may consider is to convert the account to a Roth IRA when the child reaches adulthood. In many situations children are in lower income brackets at this stage in life and can take advantage of moving dollars into a Roth structure utilizing those low-income brackets, but may have other implications one should discuss with their tax planning professionals. Growing dollars in a Roth structure is potentially a powerful long-term tax structure to allow compounding growth.

In summary, for families who have already maximized contributions to 529 plans and other tax-advantaged accounts such as Roth IRAs, 530A Accounts may offer an additional savings option allowing for deferred growth. Because these rules are new and still developing, families considering a 530A account should review both the decision and its timing with their portfolio manager and tax advisor. ■



Five Years of Octavia Group: Supporting Families Across Generations

Kirstin Havnaer
Senior Vice President, Private Family Office

Over the past five years, Ferguson Wellman's private family office, Octavia Group, has had the privilege of serving an increasing number of families whose financial lives extend well beyond investment management. As our relationships have deepened, so has our understanding of what distinguishes successful multigenerational wealth stewardship from simple wealth accumulation.

Complexity compounds over time. As wealth grows, so do the interconnected decisions surrounding taxes, estate planning, philanthropy, business interests, trusts, family governance and risk management. A well-constructed investment portfolio remains essential, but it is rarely sufficient on its own. Families benefit most when these moving pieces are coordinated through a thoughtful, integrated plan that considers family tradition and values.

Communication is often more important than technical expertise. While sophisticated planning strategies can create significant value, long-term success frequently depends on clear conversations among family members. Families who intentionally discuss their values, goals and expectations tend to navigate transitions more effectively and preserve both wealth and family harmony across generations.

Preparation creates opportunity and insulates during crisis. Markets, tax laws and personal circumstances inevitably change. Families who invest time in building strong governance structures, maintaining current estate plans and organizing financial information, are generally better positioned to respond confidently when change occurs. Preparation often turns uncertainty into a manageable decision rather than a disruptive event.

Wealth carries responsibilities as well as opportunities. Many of our clients are motivated by a desire to support causes they care about, create meaningful legacies and prepare future generations for stewardship. The most enduring legacies are rarely defined solely by financial assets. They are often built around shared values, purposeful planning and a commitment to future generations.

Coordination amongst trusted advisors is crucial. Family office services succeed when advisors, attorneys, accountants, trustees and other professionals work together in the service of a common objective: helping families make informed decisions with confidence.

As we reflect on the growth of Octavia Group, we are grateful for the trust our clients have placed in us. We remain committed to helping families navigate complexity, preserve what matters most and build enduring legacies. ■

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