

RISING DIVIDEND

REPORT

Your Stewardship Journey



Through the years, we've met many families whose lives reflect decades of commitment, hard work, and sacrifice. They manage resources with intention and care, looking forward to sharing a legacy with the next generation. Legacy is about more than numbers; it is a chance to create a future that reflects what matters most.

At DCM, we embrace our role as a financial steward, walking alongside you in the journey of building, living, giving, and leaving a legacy that reflects your deepest values. To support this journey, we've introduced the Stewardship Journey Guidebook—a tool to help bring clarity and purpose to every decision.

This guidebook is more than a financial tool, it's an invitation to pause and reflect on what truly matters to you. During our annual reviews, we encourage you to explore these questions with us:

- What does stewardship mean for your legacy?
- How can we ensure your values endure for generations?
- What story do you want your wealth to tell about your life and impact?

Thank you for allowing us to partner with you as we tackle transformative questions and shape a lasting impact for your community and loved ones. Together, we can turn this milestone into a purposeful journey that honors your vision for the future.

If you'd like to explore the guidebook, just let your advisor know—they will make sure you have a copy.

Blessings,

Brandon R. Roop, CFP®, CRPS®
Partner, VP of Investment Advisory & Senior Investment Advisor


DONALDSON
CAPITAL MANAGEMENT

Highlights from the Investment Policy Committee

1 TARIFF VOLATILITY

The “Liberation Day” tariffs in April 2025 triggered a sharp 20% market correction.

2 WEIGHTED INFLUENCE

The S&P 500 is market-cap weighted, meaning its performance is disproportionately driven by the largest companies rather than the broader economy.

3 EXTREME CONCENTRATION

The top 10 holdings now represent roughly 40% of the entire index, leaving the remaining 490 companies with significantly less impact.

4 MIDTERM ELECTION VOLATILITY

Stocks have been flat in the 12 months preceding midterm elections with a 20% correction, on average, since 1934.

5 2026 OUTLOOK

Midterm election uncertainty and AI-related volatility to close 2025 may lead to a drawdown in 2026, but we expect that to give way to a post-election relief rally; be prepared to add “risk-on” exposure if that happens.

Read the IPC Letter on page 3

What to Know for Tax Season & 2026 Planning

With the start of a new year and tax season approaching, here are key dates and planning tips to help you stay organized and make the most of your financial opportunities.

- Your 2025 tax return is due on Wednesday, April 15, unless you file an extension.
- If you took a retirement account distribution in 2025, expect to receive a Form 1099-R by late January.
- By late February, you'll receive a Form 1099 document for taxable accounts. This form shows earned dividends and interest income and comes from your account custodian.
- You have until April 15 to contribute to your IRA (deductible and non-deductible), Roth IRA, and HSA for the 2025 tax year.
- Filers over 50 years old are eligible for catch-up contributions for 401(k), 403(b), 457(b), traditional and Roth IRAs, as well as SIMPLE IRAs.
- Making quarterly estimated tax payments? Mark your 2026 calendar with the following due dates: April 15, June 15, September 15, and January 15, 2027.
- For 2026, the standard deduction has increased to \$16,100 for single filers; \$32,200 for married filing jointly; and \$24,150 for head of household filers.
- If your employer updated compensation for the new year, check your elective deferrals to make sure you're maximizing savings opportunities.
- The One Big Beautiful Bill Act (OBBBA), signed into law in 2025, brings several tax changes for 2026 and beyond, and some that may impact your 2025 return.

For more, read our article
“Your Guide to 2026 Tax Changes” on page 6.

HERE'S HOW WE CAN HELP

Once you have filed your taxes, consider sending your tax return to your advisor. Sharing your tax return allows us to spot issues, suggest planning opportunities, and most effectively manage your taxable investment portfolios. If you prefer, we can also coordinate with your CPA or tax preparer on your behalf.

2026 CONTRIBUTION LIMITS FOR RETIREMENT ACCOUNTS

401(K), 403(B), 457(B) ELECTIVE DEFERRALS	\$24,500
Catch-up Contributions Limit (age 50-59, & 64+)	\$8,000
Super Catch-up Contribution (ages 60-63)	\$11,250
TRADITIONAL & ROTH IRA LIMITS	\$7,500
Catch-up Contribution Limit (age 50+)	\$1,100
*SIMPLE IRA EMPLOYEE DEFERRALS	\$17,000
Catch-up Contributions Limit (age 50-59, & 64+)	\$4,000
Super Catch-up Contribution (ages 60-63)	\$5,250
HEALTH SAVINGS ACCOUNT (SINGLE)	\$4,400
HEALTH SAVINGS ACCOUNT (FAMILY)	\$8,750
Catch-up Contribution Limit (age 55+)	\$1,000
Defined Contribution Plan, Contribution Limit	\$72,000
Defined Benefit Plan, Benefit Limit	\$290,000
Annual Compensation Limit for Retirement Contributions	\$360,000
Highly Compensated Employee Threshold	\$160,000
Social Security Wage Base	\$184,500

**If you are unsure what deferral amounts are right for you, your advisor is happy to help.*

TAX REFUNDS ARE GOING DIGITAL

Starting in 2026, the IRS will stop mailing paper refund checks and move to electronic payments. This change is designed to make refunds faster and more secure. If you haven't set up direct deposit yet, now's a good time to do it. For more details, visit irs.gov.

Mrs. Q: Tariffs, Interest Rates, & Midterm Elections

by Nathan Winklepleck

It's a tradition for our Winter newsletter to feature Mrs. Q, a hypothetical client. In this conversation, we focus on many of the same questions we've gotten from you as we review 2025 and look ahead to 2026.

MRS. Q: WHAT CHANGES DID YOU SEE IN THE ECONOMY BECAUSE OF TARIFFS?

DCM: In April 2025, the United States dramatically escalated tariffs under what the administration dubbed “Liberation Day.” President Trump imposed a blanket 10% tariff on all U.S. imports and country-specific rates up to 50% on dozens of trading partners. Imports from China were hit with effective tariffs of 145%.

These sweeping measures were the most drastic since the 1930 Smoot-Hawley Act. The uncertainty sent the S&P 500 down nearly 20% in under two months. Corporate bonds also declined in price.

The sharp stock and bond market reaction forced the administration to recalibrate, both delaying and lowering the effective rate of the tariffs. Since then, the tax provisions in the One Big Beautiful Bill Act (OBBBA) have aimed to further reduce any negative impact from tariffs.

MRS. Q: I'VE READ A LOT ABOUT THE S&P 500 THIS YEAR AND HOW IT HAS BEEN DRIVEN BY ONLY A FEW STOCKS. WHY IS THAT?

DCM: The S&P 500 is heavily impacted by just a handful of stocks because it is market capitalization weighted. A company's “market cap” is the total value of the company, so total shares outstanding multiplied by price.

So, the most valuable companies get the largest weight. And as a stock's price goes up, so does its market cap.

Nvidia, for example, is the largest weight in the S&P 500 at 8.5%. Apple is the next highest at 6.8%, then Microsoft at 6.6%, and so on.¹



In total, the biggest 10 companies in the S&P 500 make up roughly 40% of the index. The other 490 stocks make up the other 60%.

MRS. Q: SO, IF ONE OF THOSE STOCKS GOES UP IN PRICE, THE INDEX BUYS MORE?

DCM: Yes, that's right.

MRS. Q: DOESN'T THAT RESULT IN STOCK BUBBLES?

DCM: In a way, yes. If a stock or group of stocks gets dramatically overvalued, new assets into the index funds that track that index will continue to buy them at a higher weight.

MRS. Q: IS MY PORTFOLIO WEIGHTED LIKE THAT?

DCM: No, your portfolio is most similar to an equal-weighted portfolio. For example, if your portfolio is invested in our Cornerstone™ model, it typically has between 30 to 35 stocks, so a full position would be roughly 3% in one stock.

¹ Source: Vanguard S&P 500 ETF (VOO). Morningstar, December 9, 2025.

At times, we do allow a stock to drift higher in value. In some cases, the stock could reach as high as 5% or more before we would trim it back. That all depends on your specific tax situation and overall portfolio.

MRS. Q: IS THERE AN EQUAL-WEIGHTED VERSION OF THE S&P 500?

DCM: Yes, an equal-weighted version of the S&P 500 is when all stocks are purchased at a 0.2% weight each and then rebalance back to 0.2% periodically.

In 2025, the equal-weighted S&P 500 was up 11.2% compared with the S&P 500 market-cap weighted index up 17.9%.

If we look for the cumulative 3-year period, the equal-weighted version of the S&P 500 was up 42.5% compared with 86.01% for the market-cap weight.

MRS. Q: SHOULDN'T WE JUST SWITCH TO A MARKET CAP WEIGHTING SCHEME?

DCM: If the past few years were any indication, that would make sense. However, longer-term history would favor an equal-weight methodology.

Raymond James did a study comparing equal-weight to market-weight. They found that, in the short term, market-cap weighting has been the best. Longer term, however, tends to favor equal-weight methodologies, as seen in the chart below.

MRS. Q: DO YOU THINK 2026'S MIDTERM ELECTIONS WILL HAVE A BIG IMPACT ON STOCK PRICES?

DCM: Midterm election years have historically been weaker than average. Since 1932, midterm election years have generated 5.8% per year price returns (not including dividends); that's the weakest of all years in the presidential cycle.²

In the 12 months leading up to the midterm election, which we're already in, stocks have been roughly flat (0.3%) compared with the historical average return of 8.1%. We've also historically seen corrections in the year leading up to a recession.

We have seen an average top-to-bottom decline of 20.6% at some point prior to the election. Even with that volatility, which we could very well see in 2026, stocks have generated positive returns in those midterm years.

Much of that has to do with the relief rally after the midterm election year lows. From 1934-2019, the average gain from low to high was 46.9% post midterm-year.

After the midterm elections, the market typically gains clarity and rallies into the third year of the presidential cycle, which has historically been the best year for stock markets—averaging 16.3% price-only returns since 1932.

So, history would suggest that midterm election headlines and the political uncertainty they cause may weigh on stocks in 2026, especially in the first half, but then give way to a relief rally as results become clearer toward the end of 2026 and into 2027.

Annualized Total Returns



Source: Raymond James. FactSet as of 2/29/2024

MRS. Q: IF YOU THINK WE WILL GET A PULLBACK, DOES THAT MEAN WE SHOULD DO SOMETHING?

DCM: As tempting as it is to try to time the market, doing that has rarely paid off. However, we would suggest a few things heading into 2026, or any year for that matter:

1 Have an emergency fund.

While everyone's situation is different, we typically suggest setting aside a few months' worth of expenses in cash. This way, if a large, unexpected expense arises, you won't need to sell stocks at a lower price to cover it.

2 Prepare yourself mentally.

Remember, market volatility is a normal and healthy part of investing. If stocks went up 10% every single year with no downside, everyone would invest in them and drive the prices up to the point where they wouldn't return that much. In effect, stocks pay you for tolerating the volatility.

3 Stick with your plan.

Since you're living on the interest and dividends from your portfolio, there's no need to panic if market prices fall. It's better to be disciplined, not getting excited when prices rise or scared when prices fall. Remember, your financial plan projections included assumed market corrections throughout your retirement. We account for those as an unfortunate, but necessary, and normal part of everyone's retirement.

4 Prepare to take advantage of it.

If we get a correction, that almost always presents an opportunity. If you've been looking to get more aggressive, either in strategy or asset allocation, a correction is a great time to do that. It's also a good time to consider Roth conversions or other tax-efficient transfer strategies.

MRS. Q: LAST QUESTION, DO YOU THINK THE FEDERAL RESERVE IS LIKELY TO CONTINUE CUTTING INTEREST RATES IN 2026? AND WHAT IMPACT WILL THAT HAVE ON STOCKS?

DCM: Remember that the Federal Reserve has a two-part mandate: stable prices and low unemployment. With inflation appearing contained, the Fed's attention is towards some weakness developing in the labor market. That puts them on more of a path of monetary stimulus, which means continuing to lower the Federal Funds rate in 2026.

How the Fed progresses in 2026 will be data dependent, of course. We've seen expectations about what will happen to monetary policy, even from the Fed itself, shifting rapidly. But, to start the year, the Fed seems to be viewing employment as the biggest risk. President Trump has also been outspoken about a new Fed chair who he would like to see lower interest rates. Regardless of how they get there, lower interest rates should continue to be supportive of the stock market, reducing some of the elevated political risks.

MRS. Q: CAN YOU SUMMARIZE YOUR VIEWS ON 2026?

DCM: Just to wrap up our conversation, we expect 2026 could be a year of elevated volatility from uncertainty about midterm elections. It wouldn't be a surprise if we had a correction, or were close to it, at some point. Historically, stocks have had a 10%+ pullback every single year, 15% every other year, and 20% every 3 to 4 years.³

Offsetting the uncertainty from midterm elections will be lower interest rates and tax breaks from the OBBBA, which should both support the economy and markets. Earnings expectations are strong, which also tends to boost stocks.

We also expect the artificial intelligence (AI) trade to soften, something we started to notice toward the end of 2025. AI spending is already significant, and expectations are high. Much of that optimism is being baked in, so we would expect a valuation-driven slowdown at some point. Ideally, the market expands from just the "S&P 10" into the "S&P 490"—where the benefits of AI start to trickle into the real economy and positively impact all businesses, not just a few.

MRS. Q: DO YOU HAVE ANY FINAL THOUGHTS FOR ME?

DCM: As we enter a new year, it's a good time to reflect and re-evaluate. We would encourage you to take another look at your entire financial picture, from beneficiaries and insurance, to any major spending needs or account windfalls. If there's anything major, we can re-work your financial plan and tweak your portfolio, if necessary, to prepare.

MRS. Q: I'LL DO THAT. THANK YOU, AND I LOOK FORWARD TO OUR CONVERSATION AGAIN NEXT YEAR!

3. "How Frequent Are Market Corrections of Various Sizes?" Sound Mind Investing, 2024. <https://soundmindinvesting.com/articles/how-frequent-are-market-corrections-of-various-sizes>.

Your Guide to 2026 Tax Changes

The new year brings some important tax and financial updates designed to give you more flexibility and opportunities. Recent legislation, like the One Big Beautiful Bill Act and SECURE 2.0 Act, introduced changes that could have an impact on your savings, retirement, and overall financial plan. Here's a quick look at what's new and how it might benefit you.

EXTRA SAVINGS FOR ADULTS AGE 65+

If you're 65 or older, you can claim an additional \$6,000 deduction, regardless of whether you take the standard deduction or itemize. A married couple where both spouses are 65+ can claim \$12,000.

This benefit begins to phase out once income exceeds \$75,000 (single) or \$150,000 (joint) and phases out completely at \$175,000 (single) and \$250,000 (joint).

CHARITABLE DONATIONS COUNT, EVEN WITHOUT ITEMIZING

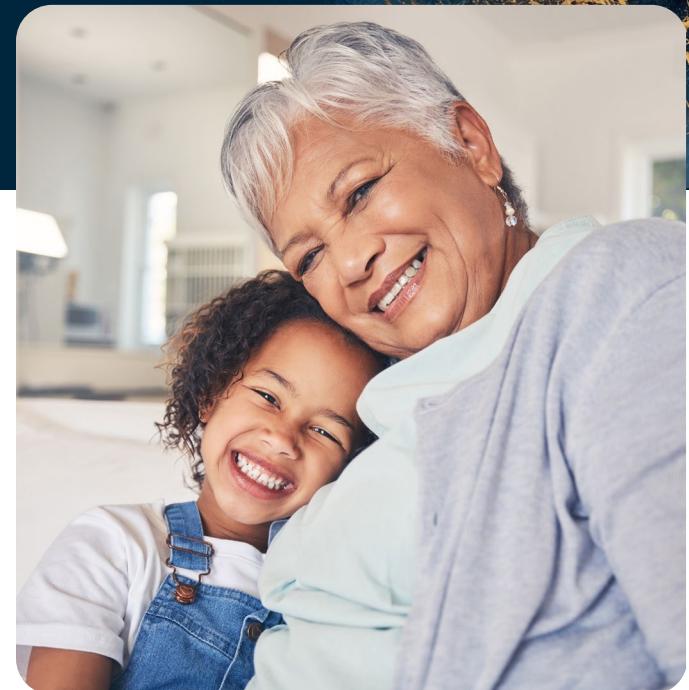
Even if you don't itemize deductions, you can still deduct up to \$1,000 (single) or \$2,000 (joint) in cash gifts to public charities.

NEW DEDUCTIONS FOR TIPS, OVERTIME, & CAR LOANS

Several worker-focused deductions continue in 2026:

- Up to \$25,000 of qualified tip income
- Up to \$12,500 per person, or \$25,000 per couple, of the "extra" portion of overtime pay (the half in "time-and-a-half")
- Up to \$10,000 in interest on qualifying loans for new, U.S.-assembled vehicles

These deductions phase out at higher income levels.



MORE FLEXIBILITY WITH 529 PLANS

529 plans are now more flexible. Eligibility has expanded to more career training programs, and you can use up to \$20,000 per student for K-12 expenses (up from \$10,000).

TRUMP ACCOUNTS FOR KIDS

Children born between 2025 and 2028 may qualify for a new savings account with a \$1,000 government deposit and allow annual family contributions up to \$5,000. Funds grow tax-free and can support education and other future expenses in adulthood.

ROTH CATCH-UP CONTRIBUTIONS FOR HIGH EARNERS

If you're 50+ and earned more than \$150,000 last year, any extra 401(k) contributions you make must go into a Roth account. You'll pay taxes upfront, but your money grows tax-free and stays tax-free when you withdraw it in retirement.

WE'RE HERE TO HELP

These changes could open new opportunities for your tax and retirement plans, and we'd love to help you make the most of them. If you have questions or would like to explore your options, please don't hesitate to reach out at any time.

We're Growing to Serve You Better

This year, we are making it easier to connect with us by expanding our office locations.

INDIANAPOLIS, INDIANA

We are thrilled to open an office for the first time in Indianapolis. We've chosen Keystone at the Crossing to put us right in the heart of the north side for easy access and a comfortable setting for every conversation.

More details on our new Indianapolis office are coming soon—stay tuned!

9000 Keystone Crossing, Suite 1075
Indianapolis, IN 46240



ALPHARETTA, GEORGIA

Our Atlanta team has relocated from Sandy Springs to Alpharetta. The new location is right off GA-400, close to Avalon's top-rated restaurants, coffee shops, and shopping center.

We are quickly making progress on the Alpharetta location, and we look forward to welcoming you soon.

3460 Preston Ridge Road, Suite 560
Alpharetta, GA 30005



COLUMBUS, INDIANA

We're expanding in our current location. Our new space is designed to give you the hospitality experience you deserve, with a new welcome area and meeting rooms designed with you in mind.

Our Columbus office remains open while the expansion is underway. Come by any time, we'd love to see you.

700 Washington Street, Suite 203
Columbus, IN 47201





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