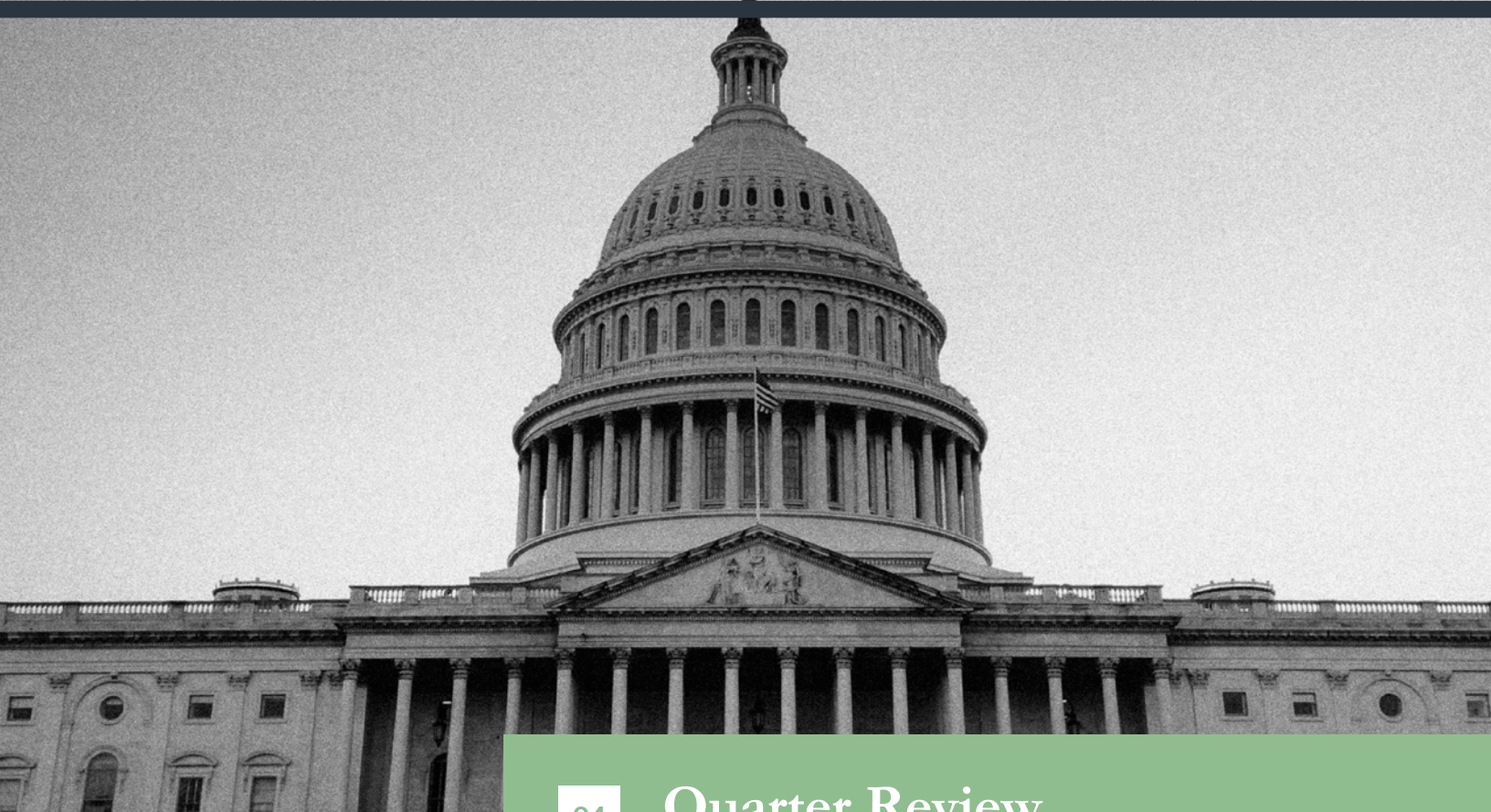


# the BENCHMARK



BCS Wealth Management's Quarterly Newsletter



04

## Quarter Review

*Despite policy uncertainty, the third quarter brought market highs fueled by rate cuts, tech strength, and global momentum.*



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### Planning for the Future: What Makes Pastoral Retirement Different

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### Big Changes Coming for 401(k) Catch-Up Contributions

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By Andrew Farmer

## Planning for the Future: What Makes Pastoral Retirement Different

While most people picture a straightforward path of saving, investing, and drawing income in retirement, pastors navigate a world with its own rules and traditions. Unique provisions like the housing allowance and the way Social Security fits into ministry careers create planning questions most people never have to consider. Shining a light on these differences can help us appreciate just how distinct retirement can be for those who serve in ministry.

The housing allowance is one of the most notable elements of a pastor's financial world. While they are working, pastors can have a portion of their compensation designated as a housing allowance, up to certain IRS limits. This amount can be excluded from federal income tax as long as it is actually spent on housing related expenses. This provides valuable tax savings, but it also creates a planning challenge: once that allowance ends in retirement, their full income becomes taxable. Without planning, that shift can shrink their after-tax spending power, even if their total income stays the same. For many pastors,

simply understanding this change ahead of time and consistently saving, even in a single Roth IRA, can go a long way toward softening that transition.

Those in ministry are often faced with the question of whether participating in Social Security aligns with their sense of stewardship and their personal convictions. Some choose to opt out early in their careers, while others decide that remaining in the system is a responsible way to help provide for their future. Whatever the choice, it carries lasting implications when it comes time to determine retirement income sources and benefits, making it an important decision to approach thoughtfully.

Alongside housing and Social Security considerations, the overall rhythm of a pastor's financial life often shapes retirement planning. Income can fluctuate from year to year, and many give generously through consistent tithing and other forms of support for their communities. These patterns can make it harder to build retirement savings in a steady, predictable way,

especially if a transition to a new church or a shift in calling creates gaps along the way.

All of this can make planning for retirement feel weighty in a different way. For those who have spent their lives serving others, it can be unfamiliar to focus on their own future after years of prioritizing their congregation. Giving attention to their own future can allow pastors to step into retirement with peace of mind.

Every path to retirement carries its own story. Some journeys are shaped by years in ministry, others by different kinds of work and service, but all reflect decades of effort, care, and commitment. Whatever the path looks like, our role is to provide steady guidance so clients can move into retirement with clarity and confidence.

Andrew Farmer,  
MBA, AAMS®,  
Financial Advisor  
Associate



# Investing at All-Time Highs? It's Not as Scary as You Think

If you're already invested in the stock market, it feels great seeing the S&P 500 hit record highs.

But if you've been sitting on cash waiting to jump in, buying at all-time highs can feel... risky. Nobody wants to invest at the top only to watch their portfolio dip right after. Our brains are wired to remember the pain of market drops much more than the slow, steady gains that actually drive wealth over time.

So here's the big question: if the goal is to "buy low, sell high," doesn't buying at record levels go against that rule? On the surface, maybe. But history shows that avoiding the market just because it's at all-time highs usually means missing out on growth.

Here's why long-term investors shouldn't fear new highs:

## Fed Cuts Are a Good Sign

The Fed's recent 0.25% rate cut, with two more expected this year, has historically led to higher markets a year later, averaging 14% gains.

## All-Time Highs Happen All the Time

By mid-September, the S&P 500 had already hit 25 new records this year (after 57 in 2024). Since 1975, the index has averaged 19 record highs a year, and in the last decade, it's closer to 33. Put simply: new highs often lead to more new highs. In fact, the market has spent almost half its trading days since 1952 within 5% of a record high.

People often ask if the market is going to correct. I often suggest that while I wouldn't be surprised, I also wouldn't be surprised if it increased before correcting. No one knows.

## Spread Out Your Buying

Worried about "bad timing"? Consider dollar-cost averaging, a method we use often. Instead of putting all your cash in at once, spread it out over a few weeks or months. If stocks go up, you're glad you started. If they go down, you get to buy more at a discount. Either way, you win.

## Even "Bad" Timing Works Out

What if you invested right before big crashes?

- Before Black Monday in 1987 → ~11% per year since
- At the peak of the dot-com bubble in 2000 → ~8% per year
- Just before COVID in 2020 → nearly 15% per year

Even the "worst" moments to invest have delivered strong long-

term returns. Not only that, your cash has done nothing but lose purchasing power over these time periods. A dollar invested in the S&P 500 30 years ago would now be worth nearly \$20. That same dollar left in cash? Less than 50 cents after inflation.

Warren Buffett was once asked for his biggest investing blunder, about the decision that's cost him the most. In a wise but perhaps unexpected response, Buffett explained that his biggest investing mistakes have not been in purchasing certain stocks, but rather the opportunities he had but didn't act on, knowing they would likely pay off in the long run.

Don't be paralyzed by new market highs. You haven't missed the boat. Long-term investing still wins at the end of the day.





The third quarter marked an exciting milestone for us at BCS Wealth Management. After two years of planning and anticipation, we officially moved into our new Gray location. See Nick’s article for more details on the move, but we cannot wait to host you in our new space.

Our physical location may have changed but our commitment to serving you remains steadfast. Just as we’ve experienced transition and growth within BCS Wealth Management, markets are also transitioning into fresh highs, policy pivots, and renewed uncertainty. With that, let’s review the market landscape and key themes that shaped the third quarter of 2025.

**Stock Markets**

As you can see from the chart,

U.S. equity markets continued their impressive run in the third quarter, with the S&P 500, NASDAQ Composite, and Dow Jones Industrial Average all achieving new highs over the course of the quarter. Small-cap stocks also saw a strong third quarter with the Russell 2000 surging 12% over the three months. These companies tend to be more sensitive to interest rates and benefited as investors anticipated rate cuts from the Federal Reserve. Overall market momentum was bolstered by ongoing strength in the

technology sector and resilient consumer spending. Toward the end of the quarter, however, domestic markets became more subdued as investors digested implications around evolving monetary policy from the Fed, mixed economic data, and the possibility of a prolonged government shutdown.

Most international markets

Major Stock Indexes	3rd Quarter 2025	YTD
DJIA	5.2%	9.1%
Nasdaq Composite	11.2%	17.3%
S&P 500	7.8%	13.7%
Russell 2000	12.0%	9.3%
Global: MSCI ACWI	7.3%	17.1%
Japan: Nikkei 225	11.0%	12.6%
Stoxx Europe 600	3.1%	10.0%
UK: FTSE 100	6.7%	14.4%
Major Bond Index	3rd Quarter 2025	YTD
Bloomberg US Aggregate (Total Return)	2.4%	6.2%

also continued their recent upward trajectory as the outlook for global economies improved. Like U.S. markets, international stocks have been the benefactor of expectations of lower interest rates around the globe. A weakening U.S. dollar over the course of 2025 has also provided a tailwind to international markets. In fact, year-to-date, several international indices, such as the MSCI EAFE, have outpaced U.S. indices. This has been driven by strong performance in parts of Europe and Asia, while emerging markets also found footing after earlier headwinds. This global participation has helped broaden the cycle and reminds us of the value of diversified exposure.

## Bond Markets

As you can see in the chart, the bond market also delivered solid returns in the third quarter, once again reflecting the prevailing theme of expectations that the Fed would restart interest rate cuts. As rates decrease, the value of already issued bonds at higher rates increases, all else being equal. After a prolonged period of bond underperformance, it is nice to see bonds doing their part in diversified portfolios.

## The Federal Reserve and Interest Rates

As mentioned, monetary policy was a central market driver in the third quarter. The Federal Reserve implemented its first interest rate cut since December 2024 at its most recent meeting in September. The Fed cut rates by 0.25%, lowering the top of its target rate to 4.25% from

4.5%. This decision was widely telegraphed and expected as part of a cautious easing cycle. Chair Jerome Powell indicated that rates remain “modestly restrictive,” and the central bank remains attentive to the delicate balance of its dual mandate: achieving full employment and maintaining stable prices.

While the rate cut was welcomed by the markets, there was some divergence amongst policymakers on where interest rates may go from here. The Fed noted an elevated uncertainty around the economic outlook as job gains have slowed yet inflation remains somewhat elevated. This uncertainty has caused some discord within the Fed around how many more rates cuts are warranted, if any at all, in the near-term. Incoming economic data around the labor market and inflation will play a crucial role in the Fed’s monetary policy moving forward. At the time of this writing, the government was headed toward a shutdown, suspending the release of most economic data, making the Fed’s job more difficult. One can hope this is old news by the time our newsletter reaches you!

## Corporate Earnings Reports

Another development I found interesting in the third quarter was President Trump’s proposal to change how often publicly traded companies report earnings. At present, companies must release quarterly financial updates. The proposal would shift this to semi-annual reporting. Supporters argue the change will encourage long-term strategic management and reduce the pressure of

short-term financial engineering by corporations to hit their forecasts. Opponents, however, warn that less frequent reporting could limit transparency and slow the availability of important information to investors. This will be interesting to watch as it plays out.

## Have a Plan and Be Disciplined

While quarterly headlines can bring both euphoria and trepidation, we take comfort in knowing that investing starts with a plan tailored to each client’s goals. Our approach will continue to be working with you to ensure your investment strategy is aligned with your goals. Staying diversified and resisting the urge to react to every market gyration has remained, and will continue to be, an effective approach.

Finally, as we approach year-end it’s a good time to remind you of key planning items such as taking required minimum distributions (RMDs) from IRAs and Inherited IRAs and considering gifting opportunities from your investment accounts. Our team is here to help you make the most of these strategies and keep your financial plan on track.

Thank you for your continued trust and partnership. It is a privilege and blessing to serve you.



Scott Linn,  
MBA, RMA®  
Financial Advisor

# A Fresh Chapter: BCS Wealth Management's Move to Gray

We are excited to share that BCS Wealth Management has officially moved into our new office space in Gray! After months of planning and preparation, our team is now fully operational and thriving in a modern, collaborative environment designed to better serve our clients and partners.

The transition was remarkably smooth, with only a brief afternoon pause to move our computer servers, allowing us to continue serving clients without interruption. From the moment we stepped into the new space, we've felt energized by the freshness and professionalism it brings.

## Designed for Collaboration and Client Experience

Our new Gray headquarters is more than just an address (although technically still a Johnson City address); it represents a forward-looking step for our firm. The office is equipped with advanced technology and professional amenities that match the high

level of service our clients expect and deserve. We are particularly excited about the opportunity this space creates for deeper collaboration with our partners at BCS and Covenant.

Even as we enjoy settling in, our team cannot wait to host clients here in Gray. We are putting the finishing touches on dedicated client meeting spaces, which we anticipate will be ready by mid-November. We look forward to welcoming you soon.

## Grateful for Our Partners in the Process

This move would not have been possible without the tremendous support of many individuals and teams. We are deeply appreciative of the expertise and dedication shown by our IT professionals, who ensured a seamless technology transition, our contractors and architects who brought the vision of our new office to life, and the designers who created a space that reflects both professionalism and warmth. Their hard work allowed us to make this move with

minimal downtime and maximum excitement for what's ahead. As they say, teamwork makes the dream work!

## A Unified Headquarters

Over the next several weeks, the move will expand beyond BCS Wealth Management. Our colleagues from BCS will begin relocating from the Kingsport and Johnson City offices. The Kingsport office will officially close at the end of October, and our goal is for all staff from both Kingsport and Johnson City to be fully transitioned into the Gray headquarters by mid-November.

During this transition period, our BCS Wealth team will continue meeting with clients in Johnson City as well as coffee shops, restaurants, etc. Virtual meeting options like Zoom, Teams, and others will remain available as well. Just like our philosophy in managing your financial well-being, we meet you where you are.

## Looking Ahead

This move reflects our ongoing commitment to growth, innovation, client service, and exceptional outcomes. We are grateful for the opportunity to write this new chapter from a space that reflects who we are today and who we strive to be tomorrow.

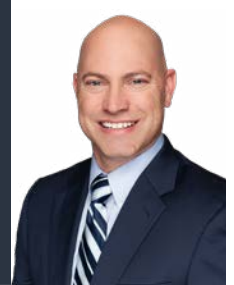
We look forward to seeing you soon in our new Gray office!





## Big Changes Coming for 401(k) Catch-Up Contributions

*John Brandon,  
AAMS®, CPFA®  
Financial Advisor*



If you're 50 or older, one of the best perks of retirement saving is the ability to put more money into your 401(k) through "catch-up" contributions. But starting in 2026, that perk is getting new restrictions, and it could affect your tax bill.

### What is Changing

Right now, workers age 50 years and older can contribute an extra \$7,500 on top of the \$23,500 annual 401(k) limit for 2025. The catch-up money can be classified as pre-tax/traditional or Roth contributions. Catch-up contributions were created under the Economic Growth & Tax Relief Act of 2001 and were scheduled to expire at the end of 2010. However, the Pension Protection Act of 2006 made catch-up contributions permanent. Under the Secure Act 2.0 (2022), if you're between 60 and 63, you even get a "super catch-up" of \$11,250. These extra dollars could go into your pre-tax/traditional 401(k), reducing your taxable income in the process.

Under the new rules, if you earned more than \$145,000 in wages the previous year (indexed for inflation), your catch-up contributions **must** go into a Roth 401(k) instead. Which means you'll pay taxes now on that money, during your high-earning years. The money will still grow tax-free, and withdrawals in retirement are tax-free later. It's the first time the tax code has ever required Roth savings.

### How This Impacts Your Taxes

For higher earners, this could be a noticeable shift. For example: A 60-year-old in the 35% tax bracket who makes an \$11,250 super catch-up today saves almost \$4,000 in taxes.

Starting in 2026, that same contribution won't lower taxable income, which could push you into a higher tax bracket, eliminate deductions or credits that phase out at higher incomes, and raise your adjusted gross income in ways that affect other parts of your tax return.

### What If Your 401(k) Doesn't Offer Roth?

A bigger wrinkle is that not every employer plan has a Roth 401(k) option. Among Fidelity-managed 401(k)s, 95% now offer Roth contributions. At Vanguard, the number is 86%. That still means some workers are left out. If your plan doesn't have a Roth option, and you earn more than the threshold, you won't be able to make catch-up contributions at all. The good news is employers are rushing to add Roth features, especially as employees start asking about them.

### Who's Exempt

Not everyone is affected. New employees may avoid the rule in their first year or two at a new job (since the threshold is based on prior-year wages at the same employer). The income test applies separately to each employer. So, you may still make pre-tax catch-ups at

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*BCS Wealth Management is an independent team of professionals dedicated to serving our community and helping our clients navigate life's financial challenges and opportunities. Our thorough, thoughtful, and customized financial services provide clarity and enrich our clients' lives.*

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one job if your wages there fall under the limit. Self-employed workers without W-2 wages can continue making pre-tax catch-ups.

### Why It's Not All Bad News

Yes, losing a tax deduction now stings. But Roth savings come with long-term advantages:

- Tax-free withdrawals in retirement
- No required minimum distributions (RMDs) from Roth IRAs or Roth 401(k)s
- More flexibility in retirement income planning, since you can choose which accounts to tap to manage your tax bill

### What You Can Do Now

**Check your plan.** Does your 401(k) offer a Roth option? If not, ask your employer about adding one.

**Plan for taxes.** If you're over the income limit, talk to a tax advisor about how losing this deduction might affect your return.

**Diversify your savings.** Spread money across pre-tax, Roth, and even taxable brokerage accounts for more flexibility later.

**Consider Roth conversions.** Depending on your situation, gradually converting some pre-tax savings into Roth could smooth out your future tax burden.

As always, your BCS Wealth Management advisor can help you understand how these rules fit into your broader financial plan.

