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PRACTICAL SOCIAL
SECURITY INFORMATION
By Ashley R. Gardiner



KEY 2026 TAX RULES &
YEAR-END ACTIONS
By Joseph P. Clark



PRESIDENT'S
COMMENTARY
By Richard A. Hewitt



FINDING MISSING
ASSETS
By Marc A. Wehmeyer

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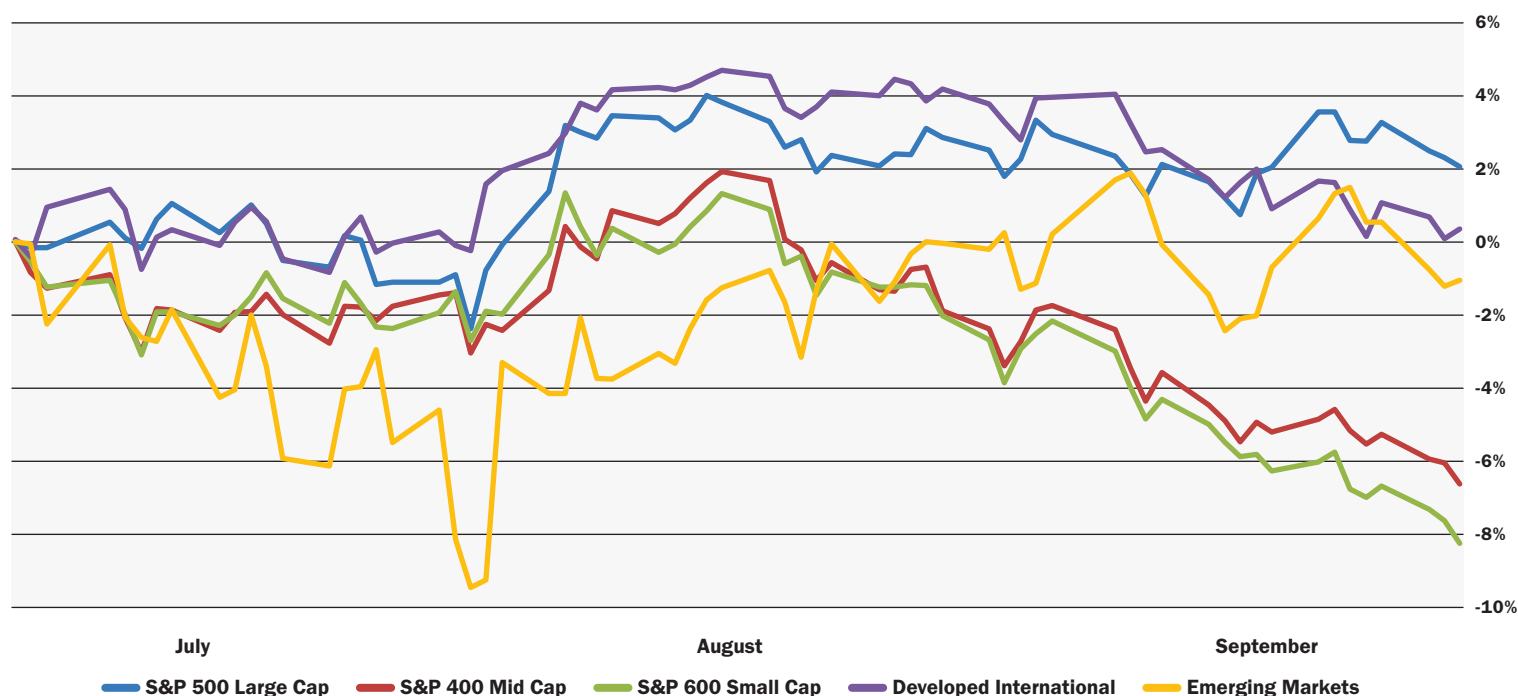
THIRD QUARTER 2026 MARKET REVIEW



By **Richard A. Hewitt, CFP®**

It was a challenging quarter for markets as there were headwinds from the ongoing Iran conflict, the Federal Reserve's 1st rate increase since July 2023, and continued upward pressure on interest rates across the board. U.S. large cap stocks continued to perform well, with Info Technology and the broad Artificial Intelligence buildout showing no signs of age. Energy did well as oil markets continued to respond to Middle East fighting but West Texas Intermediate crude oil stayed below \$100 for all but a few days of the quarter.

Third Quarter 2026 U.S. & International Equity Market Performance



Source: S&P, Yahoo Finance

The energy impacts were more keenly felt in the mid and small cap companies as they have less pricing power to pass along higher energy/diesel costs and they generally operate on smaller profit margins. However, for 2026 year to date, both are turning in strong performance with the S&P 600 (Small Cap) returning +12.8% and S&P 400 (Mid Cap) coming in at + 8.8%.

There are several indicators that reflect the U.S. economy has weathered this geopolitical impact and is poised to increase GDP growth by a solid amount (+0.5% to +0.7%) above earlier predictions at the start of the year—still falling short of 3% annual growth but an improvement nonetheless.

What to watch for in the 4th quarter: first, the yield on the 10-year Treasury, which is currently at the highest level in almost 20 years. This is a function of both stubborn inflationary pressures AND economic growth improving, along with a voracious demand for debt financing by the Government and the private sector. Second, earnings—it will be the indicator that growth is poised for accelerating. Finally, Iran's domestic unrest. Indications are that their government is tightening at the same time the citizens are growing more restless. Dictatorships are strong until they aren't... and economic pressures are building. 🌐



For many Americans approaching retirement, the decision about when to take Social Security is one of the most consequential financial decisions they will make. Social Security represents a lifetime, inflation-adjusted stream of income that is often the foundation of a retirement plan. Yet as important as the decision is, there is no single “right” age to claim Social Security. The decision depends on a multitude of factors, including health, life expectancy, employment plans, other sources of income, spending goals, and, for married couples, how when one spouse claims can affect the other spouse.

When Can You Claim Social Security?

For anyone born in 1960 or later, Social Security considers age 67 to be their Full Retirement Age (FRA). At age 67, retirees are entitled to 100% of their calculated benefit, often referred to as their Primary Insurance Amount (PIA). Claiming before or after FRA adjusts the benefit from this amount.

The earliest a person can claim Social Security benefits is at age 62. However, claiming before FRA has two potential drawbacks. First, it permanently reduces the monthly benefit. Although the reduced benefit will receive annual Cost-of-Living Adjustments (COLA), the reduction for claiming early is permanent. The reduction for claiming at age 62, for someone whose FRA is age 67, is 30%. The reduction schedule is detailed in the chart below:

Age	FRA Benefit	Reduction From FRA	Reduced Benefit Amount
67 (FRA)	\$3,000		
66 (Age 50+)		6.67%	\$2,799 per month
65		13.33%	\$2,599
64		20%	\$2,399
63		25%	\$2,250
62		30%	\$2,100

One important point is that the reduction is calculated monthly, not simply by year. For example, someone claiming two months before FRA would only have a reduction of about 1.1%.

The second potential drawback for taking Social Security early occurs if a person continues to work before reaching FRA and earns above a certain threshold. For 2026, someone who will remain below FRA for the entire year can earn up to \$24,480. Workers who earn more than this amount will have \$1 withheld from their Social Security benefit for every \$2 earned above \$24,480.

For those reaching FRA this year, the earnings cap is \$65,160. They will have \$1 withheld from their benefits for every \$3 earned above \$65,160 before the month in which they reach FRA. Those drawing Social Security who have already reached FRA retain 100% of their benefits regardless of how much they earn from working.

For those who wait until after reaching FRA to begin drawing their benefits, there is a reward in the form of an increased benefit. For each year that a retiree waits to claim Social Security, their benefits are increased by 8%. An example is shown in the chart below:

Age Benefits Begin	Percent of FRA Benefit	Example Benefit Amount
67	100%	\$3,000 per month
68	108%	\$3,240
69	116%	\$3,480
70	124%	\$3,720

Taxation of Social Security Benefits:

Social Security benefits may be subject to income tax depending on a retiree's combined income. This combined income is different than the Modified Adjusted Gross Income (MAGI) used elsewhere in the tax code. For an individual filer, combined income above \$25,000 may cause up to 50% of Social Security benefits to become taxable, while combined income above \$34,000 may cause up to 85% of benefits to become taxable. For married couples filing jointly, the corresponding thresholds are \$32,000 and \$44,000. Importantly, this does not mean that benefits are taxed at an 85% tax rate. Rather, up to 85% of the benefits received may be included as taxable income then taxed at the applicable marginal tax rate.

The calculation is unusual. Social Security's “combined income” generally equals adjusted gross income, plus tax-exempt interest (usually from Municipal Bonds), plus one-half of Social Security benefits. As a result, municipal bond interest, although generally exempt from federal income tax, can still affect how much of a retiree's Social Security benefit becomes taxable.

Why Would Someone Claim Early?

Given the reduction in benefits, it may seem logical that everyone should simply wait until 70. Retirement planning, however, involves more than maximizing a monthly check.

Consider someone who retires at age 62 with some savings and dreams of spending the next several years traveling. They are healthy today and want to hike through Europe, take extended vacations, or spend more time visiting children and grandchildren. An additional source of income in their early 60s may help them enjoy those experiences while they are physically able to do so.

Health and longevity are also important factors. Someone with a serious medical condition or a family history suggesting a shorter life expectancy may reasonably decide that receiving smaller payments sooner is preferable to waiting years for a larger benefit that they might not receive for very long.

Others simply need the income. Claiming early could reduce the amount they must withdraw from investment accounts during the first several years of retirement. For some retirees, there is value in having a predictable monthly income stream rather than relying on portfolio withdrawals.

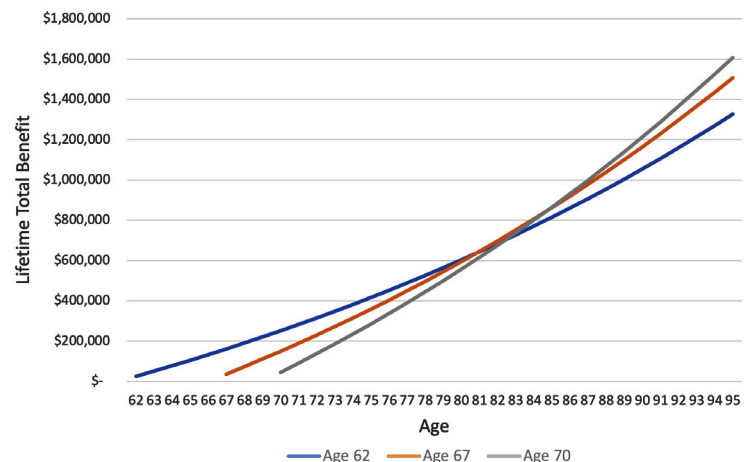
Why Wait Until 70?

For retirees who have sufficient assets to fund their early retirement years, delaying Social Security can be a valuable planning strategy.

First, delaying provides a substantially larger guaranteed monthly benefit. A person entitled to \$3,000 at age 67 would receive approximately \$36,000 annually at FRA versus about \$44,640 annually at 70. That higher starting benefit can be particularly valuable for someone who lives well into their 80s or 90s.

Social Security also provides annual cost-of-living adjustments. Because those adjustments apply to your benefit amount, delaying creates a larger base upon which future adjustments are calculated.

Breakeven and Lifetime Total Benefit



PRACTICAL SOCIAL SECURITY INFORMATION (continued)



Longevity is perhaps the strongest argument for waiting. Retirees often focus on the possibility of dying young, but the opposite risk can be financially more challenging: what happens if you live much longer than expected? Someone retiring today could potentially need income for another 30 or even 40 years. A larger Social Security benefit provides additional protection against that longevity risk.

For married couples where one spouse had significantly higher earnings during their career, the decision is especially important. In many situations, delaying the higher earner's benefit can provide greater financial protection for a surviving spouse. When one spouse dies, the surviving spouse may be eligible to receive a

survivor benefit based on the deceased spouse's benefit, making the higher earning spouse's claiming decision a decision that can affect both spouses.

Conclusion:

There is no "right" age to claim Social Security. The right decision is the one that best fits your health, financial resources, goals, and family circumstances. Individuals can check their estimated Social Security benefits directly on the Social Security website at ssa.gov.

As you approach this important decision, your advisor at Praetorian Guard can help you evaluate the trade-offs, model different strategies, and help determine how Social Security fits into your broader retirement plan. 🧐

KEY 2026 TAX RULES & YEAR-END ACTIONS



By Joseph P. Clark, CFP®

The tax landscape for 2027 is heavily shaped by the aftermath of the One Big Beautiful Bill Act (OBBBA), which permanently extended the Tax Cuts and Jobs Act (TCJA) individual rates, and a substantial 3.2% inflation adjustment driven by recent economic shifts.

The projected 3.2% IRS inflation adjustments provide a powerful defense against bracket creep, a phenomenon where a cost-of-living raise inadvertently forces a worker into a higher tax bracket. When inflation drives up the cost of goods, employers often offer raises to help workers maintain their purchasing power. However, if tax brackets remain fixed, those higher wages are taxed at higher marginal rates—effectively punishing workers with a higher tax bill even though their standard of living hasn't actually improved. The projected IRS adjustments for the 2027 tax year prevent this through two primary mechanisms. First, by raising the standard deduction to \$33,200 for joint filers and \$16,600 for singles, the IRS expands the initial baseline of "tax-free" income. For a single filer, an extra \$500 of income is completely shielded from federal taxes compared to 2026. For a married couple, an additional \$1,000 is completely excluded from taxation. This adjustment ensures that a portion of your paycheck going strictly toward basic, inflation-impacted living expenses is not taxed. Second, in tandem with the standard deduction, the thresholds for all seven federal tax tiers are projected to increase by roughly 3.2%. Higher income caps mean you keep more money in lower brackets before hitting a higher rate.

As you consider your end-of-year charitable giving, here are a couple of important considerations:

Starting in tax year 2026, taxpayers who take the standard deduction can claim charitable giving tax deductions for donations to qualifying 501(c)(3) public charities of up to \$1,000 for single filers or \$2,000 for married couples filing jointly. The deduction applies to cash donations only (not property, appreciated stock or other assets). Also, any gifts made to donor-advised funds do not qualify. For those that itemize, there's now a charitable gift deductibility floor. Starting in 2026, only the portion of charitable gifts that exceed 0.5% of a taxpayer's Adjusted Gross Income (AGI) is eligible for

itemized deduction. If you're a couple with an AGI of \$300,000, the first \$1,500 of charitable donations won't reduce your taxable income. This change means that you might do better to lump donations into a particular year rather than spread them out. If you are older and taking required minimum distributions (RMDs) from your retirement accounts, you might consider donating by taking a qualified charitable distribution (QCD) from your traditional IRAs. These donations may save you substantially more tax than an itemized deduction for a charitable gift.

Deferred QOF (Qualified Opportunity Fund) capital gains from the original 2017–2021 program must be recognized for tax purposes no later than December 31, 2026, however new tax-saving opportunities from Opportunity Zones will begin in 2027. Opportunity Zones allow investors to gain substantial tax advantages by investing in economically distressed communities. The program was essentially nearing its end, but instead this tax incentive was made permanent via OBBBA. There's a new 10-year cycle, which will run from January 1st of 2027 through the end of 2036.

TCJA reduced the estimated number of taxpayers that paid AMT from more than 5 million in 2017 to just 200,000 in 2018. The OBBBA is likely to boost that number. Although OBBBA makes bigger exemptions permanent, the law also returns the exemption phaseout thresholds to the lower 2018 levels, beginning in 2026. The AMT phaseout thresholds will be \$1 million for joint returns and \$500,000 for other taxpayers, adjusted annually for inflation going forward. And the OBBBA doubles the rate at which the exemptions phase out to 50%. As a result, more high-income individuals may be hit with the AMT, starting in 2026. In particular, you could be at risk if you have significant income from capital gains or private activity municipal bond interest, claim a large federal income tax deduction for state and local taxes, or exercise incentive stock options.

As we approach the end of the year, it is critical that you stay in close contact with your financial advisor and your tax professional so you don't miss out on any planning opportunities that could reduce your 2026 or 2027 tax liabilities. 🧐

PRESIDENT'S COMMENTARY



By Richard A. Hewitt, CFP®

A great deal of attention has been on the bond market globally and the rise in long-term interest rates. Here is my take—this is a long overdue correction following 15+ years of suppressed interest rates that obscured the true cost of government (not just in the USA). By now it is clear that elected officials of both parties are incapable of imposing spending discipline. Thus, the bond market will do the heavy lifting.

Is this a financial catastrophe? I don't believe that it is because we are still in the midst of a long overdue reset to market expectations on the cost of borrowing. There were benefits during this period of below historical levels of interest rates—ask anyone with a 2% mortgage. There were also significant costs. Those chickens are starting to come home to roost. In the United States we have passed the \$40 trillion national debt threshold and are paying more in interest annually to service that debt than we are spending on defense.

The signal from the bond market is that governments need to go on a Fiscal GLP-1 regimen. The objective is NOT (at least for now) to balance the annual budget—let's try something realistic like decreasing spending by 5% (that translates to about \$350 billion). We will learn we can live with this after the screaming and hysterics die down. Bottom line—we can decide how to do it or the bond market will force us to do it. 🧐

FINDING MISSING ASSETS



By Marc A. Wehmeyer, CFP®

You may have more assets than you realize, and you may not know they exist. When a financial institution loses contact with an account owner, the asset may eventually be turned over to the state. This process is often called escheatment. States then become the custodian for the unclaimed property, subject to the owner's eventual claim.

Unclaimed financial property can come in many forms, including forgotten bank accounts, investment accounts, insurance proceeds, uncashed checks, and security deposits. You could also have unclaimed assets from a former employer if you changed jobs and moved without updating your contact information.

All 50 states maintain an unclaimed property program. A good place to start is the National Association of Unclaimed Property Administrators (NAUPA). The NAUPA website at <https://unclaimed.org/> provides general information about unclaimed property and links to official state government unclaimed property websites. NAUPA also provides a multi-state search tool at <https://missingmoney.com/>.

In addition to your current name, consider trying variations like maiden name, former married name, middle initial, or different spellings. Consider searching for previous addresses in addition to your current one. It could also be worth searching for property belonging to deceased family members. An executor, personal representative or other authorized heir may be able to claim property that belonged to a parent, spouse or other relative.

If you do find a potential match, that is only the first step. You will then need to submit a claim, and the state will generally require some amount of documentation to prove you are the rightful owner of the property. Prior to submitting a claim and providing sensitive personal information, verify that you are dealing with the legitimate state organization or official government website. Claiming your own unclaimed property is generally free when you go directly through the appropriate government program. Be cautious if someone contacts you unexpectedly and tells you that they can recover lost money for you for a fee.

Workplace retirement accounts can present another possibility for missing assets. If you have worked for multiple employers, you could have an old retirement plan that you've forgotten about, especially if you didn't update your address following a move.

For private-sector workplace retirement assets, you can check the Retirement Savings Lost and Found Database that was established as part of the SECURE 2.0 Act of 2022. The website is located at <https://lostandfound.dol.gov> and it is administered by the U.S. Department of Labor's Employee Benefits Security Administration (EBSA). The Lost and Found Database website can help you find retirement plans linked to your Social Security number that were sponsored by private-sector employers and unions, including:

- **Defined-benefit pension plans:** These guarantee a lifetime monthly payment option, such as an annuity, or a lump-sum payment at retirement.
- **Defined-contribution plans:** These include plans like 401(k)s, which are primarily funded through individual employees' accounts which grow during their working years.

Another place to check is the Pension Benefit Guaranty Corporation (PBGC) unclaimed retirement benefits database. The PBGC holds unclaimed benefits for missing participants from private-sector employer retirement benefit plans that have been terminated. The PBGC website is located at <https://www.pbgc.gov/workers-retirees/find-unclaimed-retirement-benefits/search-unclaimed> and the database is updated quarterly.

If you have never searched for unclaimed property, it could be worth a few minutes of your time to potentially uncover assets that belong to you. If you find nothing, you can be happy that none of your assets are missing. If you do discover potential missing assets, you can go through the appropriate claim process, update your records, and make sure your financial institutions have your current address and contact information. 🚗

MISTAKES AND OVERCONFIDENCE



CLOSING THOUGHT

"In the business world, the rearview mirror is always clearer than the windshield."

— Warren Buffett



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