



Forward Focus

January 2026

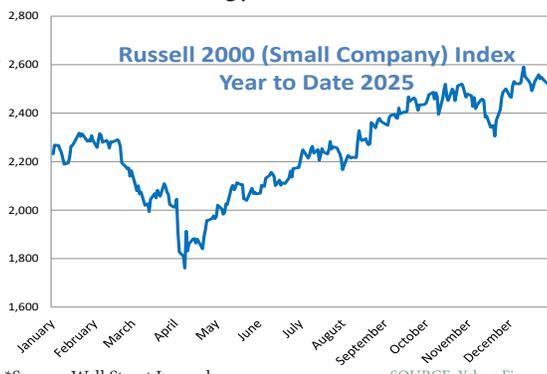


Yearly Market Review

Last year started out with overwhelming turbulence. A new administration, tariffs, and uncertainty dragged stock markets down almost 20% in the first 4 months of the year. After the initial shock and improved clarity, markets erased their earlier losses. Led by gains in the Communication Services and Technology sectors, 2025 marked the 3rd straight year of positive stock market returns. After years of muted returns, the Russell 2000 small cap index (see chart on right) advanced for the year despite intra-year declines.

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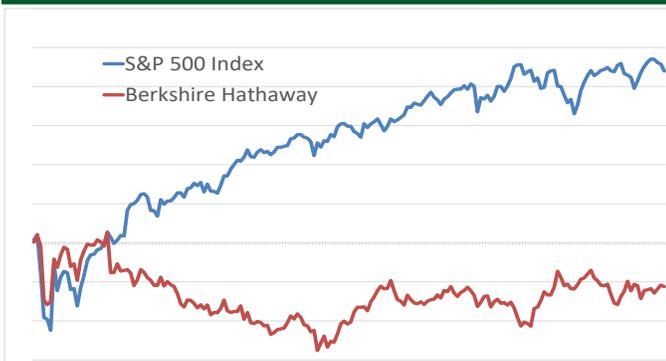
37% of the stocks in the Dow Jones Industrial Average declined in the final 3 months of 2025, but the index still posted double-digit returns for the full year.*



*Source: Wall Street Journal SOURCE: Yahoo Finance

Once again, Growth stocks outperformed Value stocks and Large cap outperformed Small cap. SOURCE: JPMorgan Asset Management. For the year, the best performing S&P 500 sectors were Technology, Communication Services, & Industrials, while the worst performing sectors were Real Estate, Consumer Staples, & Consumer Discretionary. 8 of the 11 S&P 500 sectors underperformed the overall market on a percentage basis in 2025. SOURCE: Morningstar

Warren Buffett steps down as CEO of Berkshire Hathaway



SOURCE: Yahoo Finance

After 60 years at the helm of Berkshire Hathaway, famed billionaire investor Warren Buffett stepped down as CEO on December 31, 2025, at the age of 95. According to Forbes, his current net worth is around \$148.9 billion. He amassed an investment record that will likely never be matched. During his tenure, Berkshire Hathaway stock gained 6,100% and made countless millionaires.

Recent years saw Buffett's value-based style out of favor. His penchant toward value stocks and a traditional lea-ri-ness towards technology stocks has led Warren to underperform the market in recent years as technology and growth stocks have led the way. He has hoarded hundreds of billions of dollars in cash as markets continued to climb higher and higher. The last 9 months of his tenure saw Berkshire underperform the S&P 500 by almost 28% (See above chart) and a passive S&P 500 index fund performed better in 4 of the last 7 years. No doubt, during the next downturn, Berkshire Hathaway could be well positioned to buy stocks at steep discount prices, should investors maintain their faith in companies' leadership.

So, what will the 95-year-old billionaire do now? Well, he will maintain his role as Chairman and is still planning on going into the office 5 days a week. Yes, while most people are counting the days until retirement, one of the world's richest people is planning on continuing to work 5 days a week. That is one way to spend your time.

Full Year 2025

Dow Jones Industrial Average 13.0% ● S&P 500 16.4% ● MSCI EAFE (International) 30.4%

Russell 2000 (Small Cap) 11.3% ● MSCI EMI (Emerging) 30.5% ● Barclays Capital Aggregate Bond 7.3%

Full Year Return SOURCE: Dow Jones Market Data, S&P Dow Jones Indices, Morningstar

New Years Hat Image courtesy of davidcasstillo/FreeDigitalPhotos.net

Preparing for Tax Day: Wednesday, April 15, 2026

Tax filing is a few months away, but here are a few helpful reminders to help you prepare. If any of these apply to you, look for these forms in your mailbox sometime in February or on Schwaballiance.com.

1099 Composite Form: A summary report Schwab will send to all taxable accounts (Individual, Joint, Trusts, UTMAs, etc.) in late January or February, which shows any taxable event that occurred throughout the year. It includes all Dividends, Interest, Short-Term and Long-Term Capital Gain/Loss, which occurred throughout the year that must be reported on your tax return. *Reminder:* Account ‘activity’ determines a taxable situation, **not** whether or not you took money out of the account. Dividends, interest, mutual fund activity, sales, etc., determine taxation.

Form 1099-R: This form reports any money distributed from a retirement account (Traditional IRA, SIMPLE IRA, SEP IRA, 401(k), 403(b), Roth IRA, etc..) throughout the year. This information must be reported on your tax return.

Form 1099-Q: This form reports any money distributed throughout the year from a Coverdell ESA (Education Savings Account). This information must be reported on your tax return.

Form 5498: This form shows regular and rollover contributions to traditional IRA’s, Roth IRA’s, SEP IRAs, SIMPLE IRAs, etc. that you made up until the April 15th deadline. NOTE: This form does not come until AFTER the tax filing deadline. Therefore, IF you made a contribution to one of these accounts, you will need to remember to note it on your tax return. The reason it does not come until AFTER April 15th, is because it is a summary of contributions up to April 15th, therefore, it cannot be sent beforehand. Kinda pointless, I know.

Retirement Contribution Limits for 2026

I have provided this helpful guide for several years. Here is the updated 2026 guide. Each year, the maximum amount one can contribute annually to various retirement accounts (401k, Roth 401k, 403b, 457, SEP IRA, SIMPLE IRA, IRA, Roth IRA, etc...) is adjusted for inflation by the IRS. Here is the update for tax year 2026 (Note: This is not for the upcoming 2025 tax filing that occurs in April 2026).

Traditional IRA and Roth IRAs: In order to qualify to make a contribution, you need to have taxable income from earnings below the highest amount listed in the corresponding table below. People with incomes within the phase-out range can make reduced contributions, and no contribution is allowed above the phase-out range.

Important: Your combined Roth IRA and Traditional IRA contributions cannot be more than \$7,500 (\$8,600 if age 50+). You cannot contribute \$7,500 to a Roth IRA and another \$7,500 to a Traditional IRA for a total of \$15,000. It is \$7,500/per person combined.

Workplace Plans: You can contribute up to \$24,500 of your salary in 2026 (\$32,500 if you are age 50+, and \$35,750 if you are age 60-63) into a workplace plan listed on the right. Company matches do not count towards this limit. SEP IRA’s and SIMPLE IRA’s have special contribution limits. Go to www.IRS.gov for additional details.

Important: You can contribute to BOTH a workplace retirement plan AND a Traditional IRA or Roth IRA, IF you qualify.

Retirement accounts provide tax-deferred growth and other tax advantages. When contributing towards retirement, the **goal** should be 15% of your gross income, not including a company match. If you are not already contributing 15%, try bumping your contribution by 1%-2% a year with the goal of eventually reaching 15%.

2026 Contribution Limits	
Roth IRA	
	\$7,500 : Under Age 50 \$8,600 : Age 50 and above
Married, Filing Jointly	\$242,000 - \$252,000 MAGI
Married, Filing Separately	\$0 - \$10,000 MAGI
Single or Head of Household	\$153,000 - \$168,000 MAGI
Traditional IRA (& offered a workplace retirement plan)	
	\$7,500 : Under Age 50 \$8,600 : Age 50 and above
Married, Filing Jointly	\$129,000 - \$149,000 MAGI
Married, Filing Separately	\$0 - \$10,000 MAGI
Single or Head of Household	\$81,000 - \$91,000 MAGI
401k, 403b, 457 & SARSEP Plans	
Under Age 50	\$24,500
Age 50 and above	\$32,500
Age 60-63	\$35,750
Coverdell Education Savings Account	
	\$2,000/year Beneficiaries under age 18
Single	\$95,000 - \$110,000 MAGI
Married, filing jointly	\$190,000 - \$220,000 MAGI
529 College Savings Plan	
	\$19,000 / \$38,000 single/married, filing jointly