BKMWM Newsletter August 2026

Topics:
1) Interest Rates & The Stock Market
2) Financial Planning
3) Gray Divorce
4) The Gift of Time

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BKM WEALTH MANAGEMENT

1) Interest Rates & The Stock Market

Interest Rates

Coming into 2026, most economists expected at least one more rate cut, and both the Fed's own projections and market pricing reflected that view.[1] Since then, the story has flipped. Inflation proved stickier than hoped. May's consumer price index (CPI, an inflation index) ran 4.2% year-over-year, well above the Fed's 2% target.[2] The Fed hasn't cut rates at all this year, and as of July 29th, futures markets showed roughly 92% odds of a rate increase, and 0% chance of a decrease by year end.[3] Rising oil prices have only added to that pressure.[4] In short: "rates are coming down" has given way to "rates may need to rise a bit further."

Stocks

Valuations look a bit stretched. The Shiller CAPE ratio has recently traded above 40 — a level seen only once before, during the dot-com era.[5] The rally has also been narrow: the "Magnificent Seven" and other AI names now make up close to a third of the S&P 500's weight, with the top 10 holdings alone accounting for over a third of the index.[6] High valuations concentrated in a handful of AI-driven stocks suggests that the stock market is "priced for perfection." If AI earnings keep climbing, the market may grow into these valuations.[5] But there's little room for error: a disappointing earnings quarter or any unwelcome surprise from a mega-cap leader could trigger an outsized reaction, given how much of the index now rests on so few companies.[7]

Our takeaway

Neither dynamic is cause for alarm, but both argue for discipline: stay diversified, keep risk aligned with your goals and time horizon, and resist chasing last year's winners. Contact us to discuss how this applies to your plan.

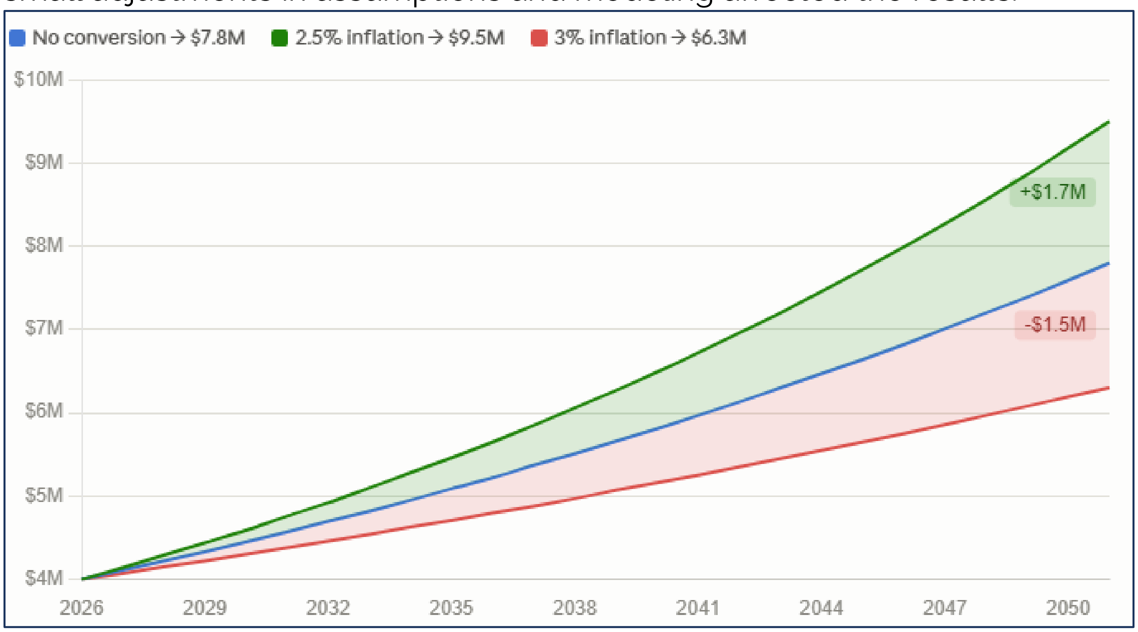
Sources:
1. *iShares/BlackRock, "Fed Outlook 2026: Rate forecasts and fixed income strategies"*
2. *Yahoo Finance, "Fed predictions for 2026: Is a rate cut still a possibility this year?"*
3. *CME Group. Implied by 30-day Fed Funds futures prices as of 7/28/26. www.cmegroup.com*
4. *CBS News, "Will the Federal Reserve raise interest rates? Here is what experts predict for July's meeting," July 2026*
5. *Financial Content/Market Minute, "The High-Wire Act: S&P 500 Enters 2026 'Priced for Perfection' Amid AI Euphoria," December 2025*
6. *Financial Content/Market Minute, "Priced for Perfection: Goldman Sachs Issues Warning as S&P 500 Valuations Hit 2021 Peak Levels," January 2026*
7. *Financial Content/Market Minute, "Bank of America Issues 2026 'Priced for Perfection' Warning," January 2026*

2) PSA: Don't Sleep on Financial Planning

Clients and advisors alike often get bogged down in the investment side of things and tend to shortchange financial planning. In an age where indexing and portfolio allocation are virtually commoditized, financial planning is often where the most significant impacts on your finances—and your life choices—are made.

The benefit of planning is often most powerful when it comes to tax-related strategies, including decisions about which types of accounts to contribute to, when to claim Social Security, and how to structure an estate plan. It is extremely important not only to have a plan, but to have a competent one.

Looking at a case study based on an actual BKM client's situation, we sought not only to implement a Roth conversion but to optimize the timing and amount year by year to minimize taxes and maximize portfolio assets over the client's lifetime. For this recent retiree with approximately a $4 million portfolio, we found that different Roth conversion strategies could alter the ending portfolio value by millions of dollars over a 25-year period. What was even more remarkable, however, was how significantly small adjustments in assumptions and modeling affected the results.



An analysis was completed using two separate planning suites. A modest 0.5% change in the inflation assumption, along with several other minor methodological adjustments, created a spread in outcomes equal to roughly 80% of the portfolio's value. More strikingly, it was the difference between adding $1.7 million in value and losing $1.5 million.

This highlights how essential it is to have a plan that isn't merely plausible, but is founded on a rigorous understanding of financial planning dynamics, the tax code, and the tools being used. Without that expertise, two different advisors could arrive at entirely different million-dollar conclusions and confidently recommend them to their clients based solely on which planning tool they happened to use—both quality tools with reasonable default assumptions.

Be sure to have a plan that is not only confident, but competent. At BKM Wealth Management, we help clients make informed decisions by combining sophisticated planning tools with the experience and expertise needed to use them effectively.

3) The Rise in Gray Divorce

While overall U.S. divorce rates have declined in recent decades, married couples ages 65 and older are now divorcing at roughly three times the rate seen in the 1990s.[1]

National surveys in 2025 identify lack of commitment, infidelity, conflict, and financial issues as the leading causes of divorce. Financial disagreement, in particular, remains a strong predictor of marital breakdown, contributing to an estimated 20% to 40% of all divorces.[2]

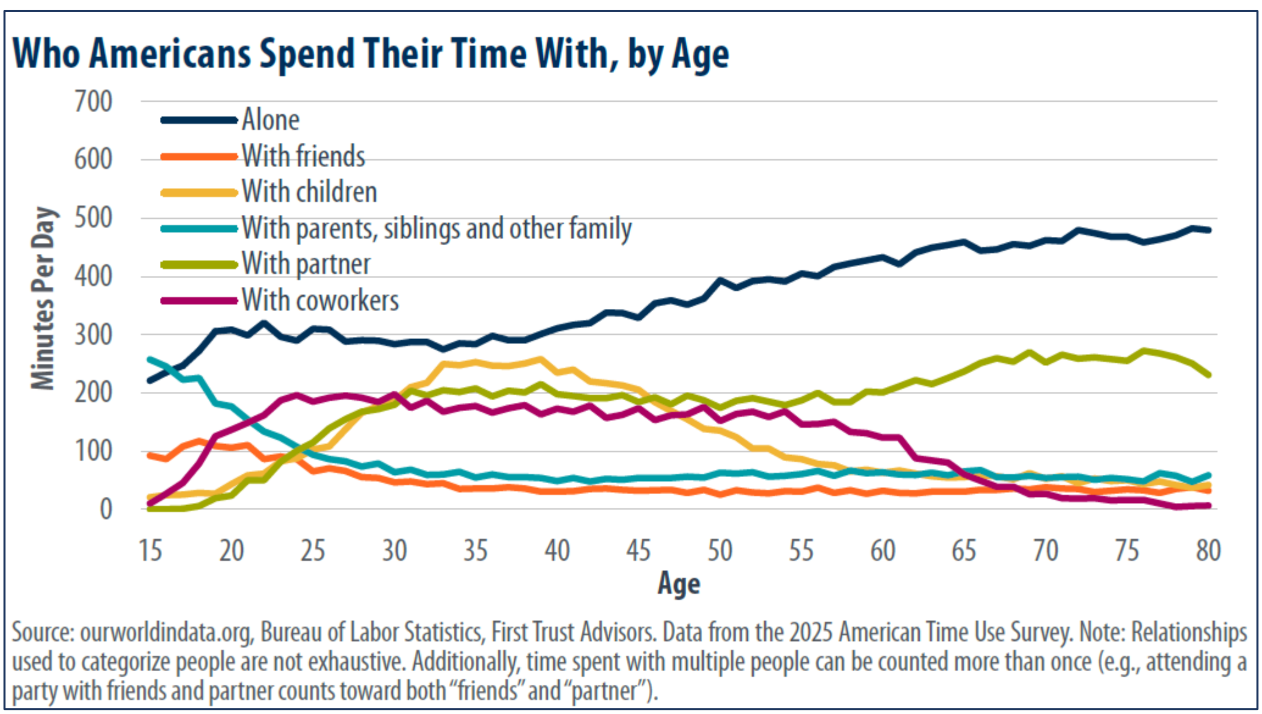
After many years of living at a certain standard, many "gray" divorcees struggle to accept that a lifestyle adjustment may be necessary. Regardless of income level, divorce means supporting two households on the resources that once supported one — a shift that requires compromise from both parties and can make maintaining one's previous standard of living difficult.

Divorce can complicate the path to a comfortable retirement, but it doesn't have to derail it. We've helped many clients rebuild their finances after divorce and move forward toward stability and financial independence.

If you or someone you love is facing divorce, we invite you to consider BKM Wealth Management as a resource.

Sources:
1 Purdue expert: Overall divorce rates lowest in decades but 'gray divorce' soars – News | College of Health and Human Sciences
2 Why People Divorce and What are the Reasons for Divorce?

4) The gift of Time



Take a look at the chart above from First Trust. It tracks how many minutes per day Americans spend with different people in their lives — friends, children, parents, partners, coworkers — as they age from 15 to 80.

A few things jump out. Time with friends falls off a cliff in our twenties. Time with children rises through our thirties and forties, then declines sharply once kids grow up and move on. And running through all of it is a steady, unrelenting climb in time spent alone, well into our seventies and eighties.

There's no judgment in that data — life naturally reorganizes itself as we age. But it's a useful reminder of something we don't say out loud often enough: none of us are promised a long, healthy life, and the seasons when we have the most access to the people we love don't come back once they pass.

That has real implications for financial planning, and it's a big part of why we do the work we do.

Financial planning is often talked about purely in terms of tomorrow: saving enough, investing wisely, not running out of money in retirement. That matters enormously. But planning has an equally important job today: giving you the confidence to actually use some of what you've built while you're still in each season. A plan that only optimizes for age 90 can quietly cost you something at age 45 — a trip with your kids while they still want to go, or the freedom to work less while your parents are still here. One of our primary roles is to help you find that balance, with real numbers behind it rather than guesswork, guilt or fear.

Another role is to give clients time itself. At BKM, investment management, financial planning, and tax planning, preparation, and filing can be handled for you. Hours spent researching investments, creating and monitoring your plan, and keeping up with tax laws are hours not spent with the people you care about. Handing that work to BKM gives you time back.

We love what we do, and we are honored to help you, your business, and your family. Thank you for your business and trust!