Hemingway Wealth Management

Quarterly Thought Leadership Report

Strategic Retirement Planning: Investment Discipline, Tax Efficiency, and the Role of 401(k) Plans for Business Owners
March 2026

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WEALTH MANAGEMENT

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Introduction

Each quarter we share insights with our client about important financial planning topics affecting investors, families and business owners. While markets and economic conditions evolve over time, the core principles behind successful retirement planning remain remarkably consistent. We believe long-term financial success is driven by a combination of disciplined investing, thoughtful tax planning, and well-structured retirement savings plans. For many individuals, the most important retirement savings vehicle is their employer-sponsored retirement plan. For business owners, offering and managing a well-designed 401(k) plan can provide benefits not only for employees but also for the owners themselves. A thoughtfully structured plan can help maximize retirement savings, improve employee retention, and create tax-efficient opportunities for wealth accumulation.

In this report, we discuss several key ideas that influence long-term retirement success, including staying invested during market volatility, understanding the transition from accumulation to retirement income, evaluating tax strategies such as Roth conversions, and designing retirement plans that improve financial outcomes for both employees and business owners. I encourage you to contact us to discuss these important planning ideas. Thank you!

Eric Hemingway, AIF

Managing Partner

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How is Oil Affecting Investors?

Everybody gets uneasy about market losses as we have experienced year-to-date but they are the price we pay for excess returns over time. The stock market is reacting to the sharp rise in oil prices and the possible duration of the war with Iran. Both Brent and WTI prices have jumped above $100, a level often thought to create economic concern. In times like these, it's important to step back and maintain a longer-term perspective, since headlines mentioning "stagflation" and "global economic downturn" can lead investors down the wrong path. It is natural for investors to wonder about markets from the economy. From a financial standpoint, history suggests that the global economy has navigated oil prices shocks many times and consistently recovered. It's worth remembering that oil prices have experienced significant swings throughout history. When Russia Invaded Ukraine in early 2022, Brent crude surged to nearly $128 per barrel. Before that, oil reached record highs during the mid-2000s ahead of the 2008 financial crisis. In each case, prices eventually stabilized as supply and demand adjusted. A well-diversified portfolio is designed precisely to navigate environments like this one. Large cap US Growth Style funds and international funds have taken the biggest hit. Conversely, it was the International Funds that gave us the greatest returns in calendar year 2025 (30% in some cases). While it's natural to feel uneasy when seeing the headlines history consistently shows that making dramatic portfolio changes in response to geopolitical events is often counterproductive. From World War II to the Gulf War to more recent conflicts, markets have experienced short-term volatility but have been driven by economic fundamentals over the long run. While each situation is unique, the key for long-term investors is to separate alarming headlines from sound portfolio decisions.

"The key for long-term investors is to separate alarming headlines from sound portfolio decisions."

Dick Hemingway
CFP, CLU, ChFC

WTI and Brent Crude Global Oil

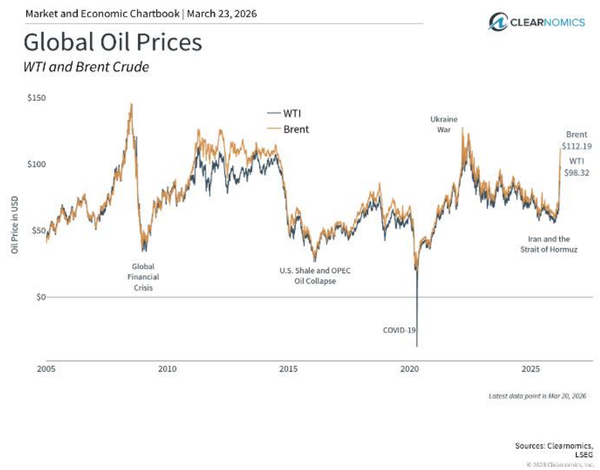

Chart Takeaway: *Oil prices are highly cyclical and event-driven, with major geopolitical shocks causing sharp spikes and drops.*

Investment Implications

- Oil prices react strongly to global events, energy stocks tend to outperform during supply shocks and inflationary periods – but can quickly reverse.
- Maintaining some exposure to energy or commodities can act as a hedge against inflation and macro shocks.

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Focus on Goals Based Investing

As an investment advisor one of the most common questions I get from clients, regardless of age, is should I stay invested in the market? I've found over the years that one of the best ways to help limit your desire to time the market is by focusing on your goals. As an investor if you sit down and take the time to run the numbers on the amount of money you need to achieve your long-term goals this can help guide your focus.

Often, investors fall into the trap of wanting to treat all their investments as one pool. One of the best strategies you can take is to assign a purpose to your investments. For example, if you'd like to save for retirement and you know that you need $1,000,000 in today's dollars and can achieve that over your time horizon with an annual compound return of 7%, do you really need to shoot for 20% annually? Some would say yes, but the question is at what cost? The advantage of goals-based planning is you can make that decision, by planning and having a discussion you can determine the appropriate trade-offs for you. Once your goals have been established this helps calm the urge to make sudden emotional changes to your investment allocation, you can use your goals to cut through the noise with confidence knowing you have a plan. Having a strategy for different investments allows you the freedom to explore.

At Hemingway Wealth Management we focus on helping you understand and create the big picture. We'll help you dive deep into your goals and the numbers behind it to help show you the path forward. Together we'll give you the confidence to move forward towards your goals regardless of the market conditions.

> **"Having a strategy for different investments allows you the freedom to explore."**

Derek Strong

CFP, CIMA, Financial Planner

Source: Hartford funds and JP Morgan Asset Management

Cost of Missing the Market's Best Days

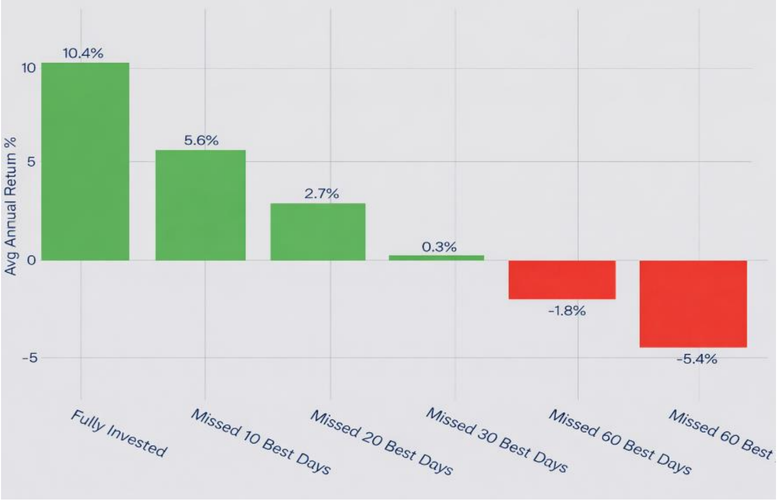

Chart takeaway: *Stay invested for the long-term so you don't miss the best days.*

Source: Hartford funds and JP Morgan Asset Management

Investment Implications

- Know your time horizon.
- Discuss any concerns with your advisor ahead of time.

Accumulation vs. Distribution Phase

Experienced mountain climbers will tell you that while ascending a mountain takes skill it is the descending phase of the journey that presents the most risk. The same can be said of the accumulation phase and management in retirement planning.

Investment risk can be realized when a 5% decline in a portfolio requires a 5.3% gain when no withdrawals take place (accumulation phase) to replace the loss but an 11.1% gain when 5% withdrawals are taken at the end of the year (distribution phase). An additional risk is the sequence of investment returns that a portfolio experiences. If a retiree started their retirement in the year 2000 with a $1 million S&P 500 stock portfolio and withdrew an inflation adjusted amount of $50,000 annually, they would have run out of money 18 years later despite an average return of about 6.5% over those years.

Alternatively, a retiree who retired in 2009 would have doubled their money over the same time frame. Longevity risk also needs to be recognized. Withdrawal Rate Risk is the miscalculation of retiree's spending needs experienced by as many as 50% of people due to underestimation, unexpected expenses such as healthcare costs, basic necessities and inflation's impact. Those risks can be managed with a careful evaluation of one's portfolio Asset Allocation. This allocation requires a subjective understanding by the retiree of their temperament and one's willingness to alter their allocation.

> **"Don't underestimate your withdrawal rates."**

Dick Hemingway

CFP, CLU, ChFC, MSFS

Accumulation Phase vs Retirement Withdrawal

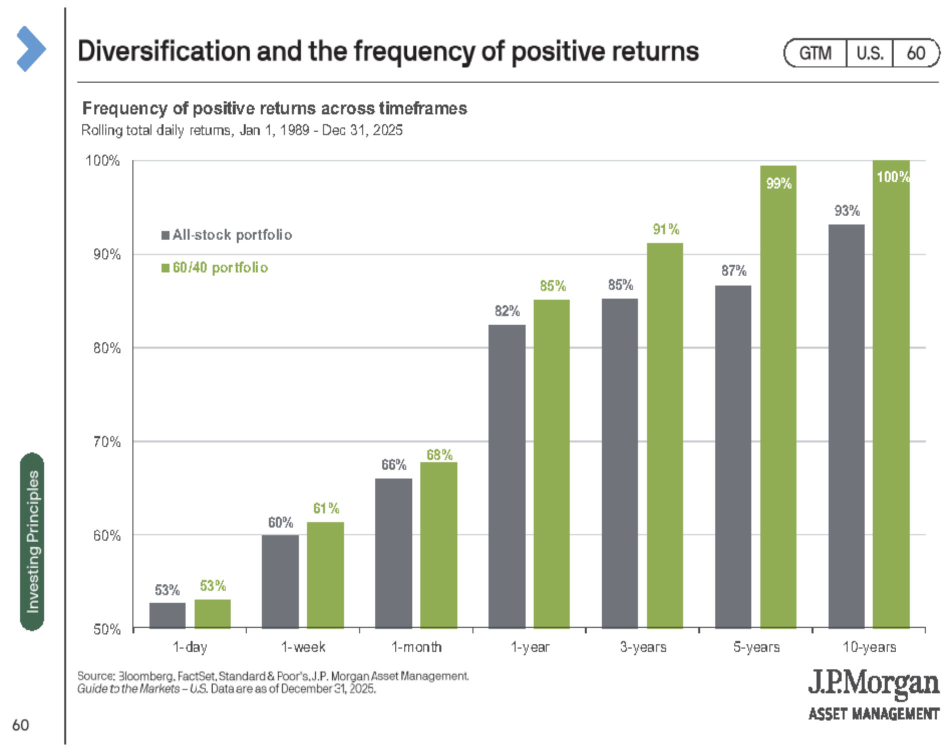

Chart Takeaway: Diversification

Source: Blomberg, FactSet, Standard & Poor's, J.P. Morgan Asset Management. Guide to the Markets – U.S. Data are as of December 31, 2025.

Investment implications

- Create an asset allocation.
- Be modest on your withdrawal rate.
- Monitor & review annually.

[1]Schwab Center for Financial Research [2]Retirement Researcher: "How Long Can Retirees Expect to Live Once They Hit 65?" by Wade Pfau, Ph.D., CFA, RICP [3]Yahoo Finance: "Nearly 50% of American Retirees underestimated their costs." [4]Bloomberg; FactSet; Standard C Poor's; J P Morgan Asset Management. The S&P 500 indexes is unmanaged and cannot be invested into directly. Asset allocation and diversification are investment strategies that can help manage risk within a portfolio, but they do not guarantee profits or protect against loss in declining markets.

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Are You Measuring the Right Success Metrics in Your 401(k) Plan?

For many plan sponsors, evaluating a 401(k) plan historically focused on investment performance and fees. While those elements remain critical fiduciary responsibilities, today's leading employers are taking a broader view of retirement plan success: participant outcomes.

Recent industry research shows that plan sponsors are increasingly measuring metrics such as participation rates, average deferral levels, employer match utilization, and engagement with financial planning resources. These indicators provide a clearer picture of weather employees are actually progressing toward retirement readiness – not just weather the plan's investments are performing well.

At the same time, employee financial stress is becoming a significant workplace issue. A recent study at Empower shows that roughly half of American workers are concerned about their emergency savings, and many cannot cover an unexpected $400 expense. Financial stress impacts productivity and engagement, costing employers billions annually in lost productivity. This is where thoughtful plan design and fiduciary oversight become increasingly important.

Features such as automatic enrollment, auto-escalation, emergency savings options, and access to financial education can significantly improve employee outcomes. This reinforces the importance of maintaining a documented fiduciary process for monitoring plan fees, service providers, and participant outcomes. Ultimately, a successful retirement plan is not defined solely by the investment lineup.

> **“Plan success is defined by participant outcomes.”**

Betsy Kelly
QKA, CRPS, APMA
Director of Retirement Plans

Key 401(k) Participant Outcome Metrics

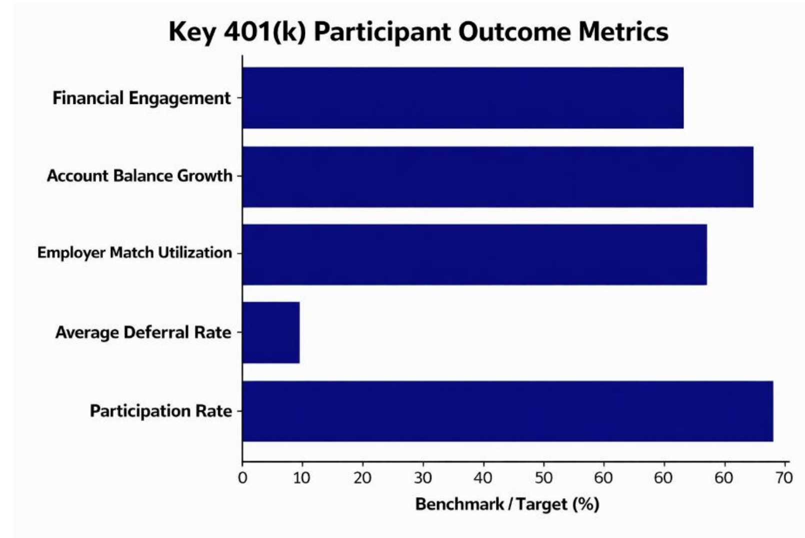

Chart takeaway: *Strong retirement plans are defined by participant behavior – high participation, consistent saving and engagement – not just investment performance.*

Source: Author Analysis; chart generated using ChatGPT (OpenAI).

Investment implications

- Plan design features can materially improve long-term participant outcomes.
- Plan effectiveness comes from monitoring participant behavior & engagement.

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Roth Conversions: What you Need To Know

Converting traditional IRA dollars into Roth IRA dollars can be a smart financial planning move. The strategy allows you to pay tax now at a known rate and benefit from the tax-free growth potential going forward. Roth IRAs are not subject to required minimum distributions (RMDs) like Traditional IRAs are, so you have more control over how much taxable income you have in your retirement years. Roth IRAS provide a more tax efficient

vehicle for passing wealth to your non-spouse beneficiaries. While heirs of either type of IRA must withdraw funds within 10 years, with a traditional IRA the withdrawals are all taxed as ordinary income. If the owner had already started RMDs from the account, the beneficiaries may be required to make annual withdrawals and have the flexibility to let the account continue to grow tax-free for the 10 year window before withdrawing.

The timing of when to do Roth conversions is important. If you convert at the wrong time, you may inadvertently land in a higher tax bracket. You also need to consider the impact of your higher income in that year will have any healthcare subsidies, tax credits, and, if you are 63 or older, your Medicare premiums. Medicare premiums are based on the income from two years prior. Higher income in a year could result in IRMAA surcharges on

Medicare premiums down the road. If you are already drawing social security, increasing income in a year could result in more of your Social Security income being taxed. There are many considerations and variables When considering conversions.

> **The ideal times for Roth conversions tend to be in years of lower income and/or during market downturns.**

Becca Joseph

CPA, PFS, Director of Finance

Before vs. After Roth Conversion

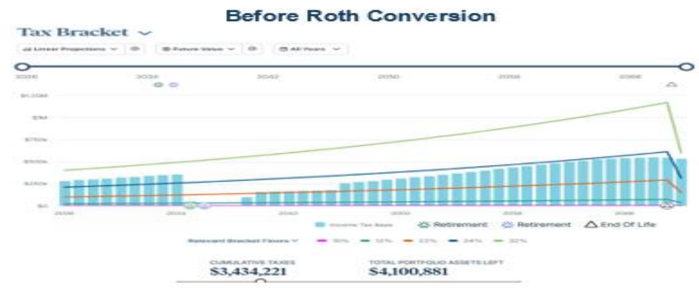

Chart takeaway: *Paying taxes earlier can increase wealth later.*

Source: Data complied and analyzed in Microsoft Excel; visualization enhanced with ChatGPT (OpenAI) You may take nontaxable withdrawals from a Roth IRA if you are at least 59 ½ and the account has been held for at least 5 years, Otherwise, earnings withdrawn may be subject to ordinary income tax and a 10% penalty.

Investment implications

- Lower tax rates today can reduce lifetime taxes and increase net wealth.
- Low-income years create room for more efficient conversions.

Conclusion

Successful retirement planning requires more than simply selecting investments. It involves integrating investment discipline, tax-efficient strategies, and well-structured retirement savings plans into a comprehensive financial strategy.

For business owners in particular, employer-sponsored retirement plans represent a unique opportunity to build long-term wealth while supporting employees' financial futures. When thoughtfully designed and professionally managed, 401(k) plans can provide benefits that extend far beyond basic retirement savings.

Our goal with this quarterly report is to provide insights that help our clients make better long-term financial decisions. If you are a business owner who would like to evaluate your current retirement plan or explore opportunities to improve plan design and retirement outcomes, our team would welcome the opportunity to start that conversation.

Additional Information

For more information about the topics discussed in this paper or to learn how they may apply to your financial plan, please contact Hemingway Wealth Management.

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