QUARTER ONE, 2026

FDS NEWSLETTER

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A NOTE FROM MICHELLE

Community is a theme that I've been thinking about since the beginning of this year. I get to hear many of you share how you enjoy your community. For some of you that's sharing a meal with others at your home, hosting a game night, or even taking a trip with friends or family who fly in from different locations just to be together and enjoy each other's company. For others of you it may literally mean the retirement community that you live in.

The communities we are a part of change over the course of our lives. I've been thinking about how this change can be difficult while also bringing a lot of gratitude for the time you shared. If you find yourself reminiscing about the good old days, I would encourage you to plan that get together or pick up the phone and call someone to reminisce with. A good laugh or smile can go a long way in making your day brighter, especially if you find yourself in a spring like the Chicago area (yes, we have snow).

We all need people to help us get through the winter days as we look forward to the summer sunshine! You may not think about us, as your advisors, being a part of your community but we are. We always love hearing about all you're planning and doing!

– Michelle Smalenberger, CEO

For more on community, listen to episode 71, titled **"What Pancreatitis Taught Us About Caring in Crisis."**

In it, we discuss how community and finances shape the way we respond when life happens.

HOW WILL AI AFFECT THE JOBS MARKET?

ARTICLE BY: ROBERT STOLL, CFP® CFA

There has been an interesting shift in the conversation about Artificial Intelligence ("AI") since late 2025. Initially, investors were entirely focused on the potential build-out of AI and identifying the primary beneficiaries of that trend. The stocks of Nvidia, Google, and many others surged as a result. But since the start of the year, we've seen investors question which business models AI may negatively impact.

Stocks in companies that seem most exposed to AI replacing what they do have come under pressure. This has led to inevitable questions about how AI might affect the jobs market for white-collar workers. While we don't have a crystal ball to predict how AI will affect jobs and the economy, this article talks about the potential risks and rewards of AI.

AI & Jobs: Engagement-bait or Actual Risk?

Purported AI experts have written several articles this year that paint a very negative picture of how AI will affect jobs. Social media being what it is, it's important for you not to assume that every "prediction" is being made with good intentions. As I've seen, read, and reviewed these types of articles, I've noticed a trend:

- An article written by an AI insider paints a negative future of AI's impact on jobs and the economy.
- Because an "insider" wrote the article, well-known people outside the AI ecosystem re-post the article with comments like, "Wow, this looks bad!".
- 24 hours later, articles from other AI insiders come out criticizing the original author's conclusions and intentions.
- Rinse and repeat.

Just in the last six weeks, I've encountered a half-dozen such articles on Substack and other platforms. At first blush, I had the same reaction as many others; "That doesn't sound good." But after hearing counter-points to the articles and thinking through it myself, the negativity of the original article seems overblown.

We also have to keep in mind that on platforms such as Substack, writers are motivated to get clicks because that's how they get paid. Fear-driven articles sell a lot more than happy ones do. "Clicks for money" is one of the biggest scourges of social media.

So if you're coming across articles on LinkedIn talking about how AI will destroy jobs in your industry, keep these motivations in mind. Don't be quick to dismiss AI's future impact, but don't ignore it either. There are genuine risks and opportunities with AI that we all need to be aware of.

AI Models are Rapidly Progressing

If you're like me (i.e. over the age of 50) you may have dabbled using AI when it first came out. I thought it was a neat tool that actually helped me solve some problems I had getting my computer to do things I wanted it to do. Being completely inept at programming, AI empowered me to get these things done.

But further use of AI revealed many weaknesses. I noticed it would make things up about topics I already knew about. Worse, I caught AI flubbing basic math problems, called it out, only to have it respond, "Whoops, you're right!" Hence I set it aside thinking it's interesting, but not world-changing.

Yet in the last few months, Open AI (ChatGPT), Google (Gemini), and Claude have all rolled out more advanced models that by every indication are leaps and bounds better than previous models.

It's hard to notice the improvement because the latest models are only available to people who pay to have access to them. Casual users of free AI versions are still using older models.

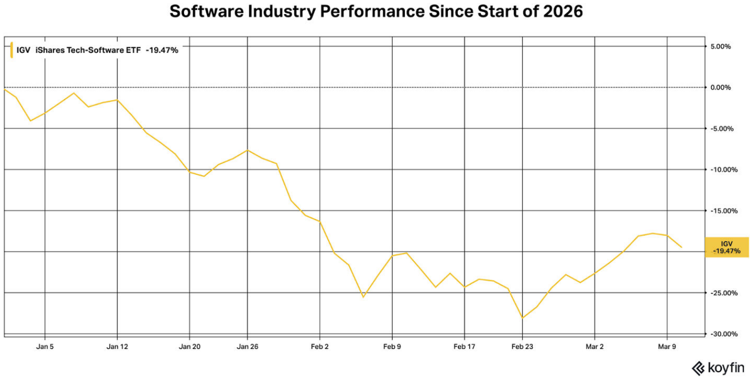
Admittedly, I'm not deep in the weeds using the latest models to write computer applications or send rockets to the moon. But even I have seen a marked improvement in the results I'm getting when using AI. Topical research results are much better and well-sourced, replacing hours of hunting through Google searches. And I've been able to streamline tedious tasks, not just by asking AI how to streamline the task but have it actually do it for me.

The point that 'doomsday' articles make about the rapid improvement in AI models seems true. Further, the improvement appears to be speeding up, helped by AI figuring out how to make itself better. And if that's the case, it's incumbent upon us to think about how AI may affect our lives and jobs.

Investors are Pricing in AI Risks

As the AI debate moves into this new phase, investors are scrutinizing business models that might be at risk from AI disruption. From the start of 2026, the Software as a Service (SaaS) model has been front and center of worries about AI. Many investors have gravitated towards these stocks in the last 10 years as they saw them as having an impenetrable "moat," driving their valuations to historically high levels. Companies like Intuit and Adobe fit this bill. The software ETF (Ticker: IGV) shows how concerned investors have become since the start of the year.

Software Industry Performance Since Start of 2026

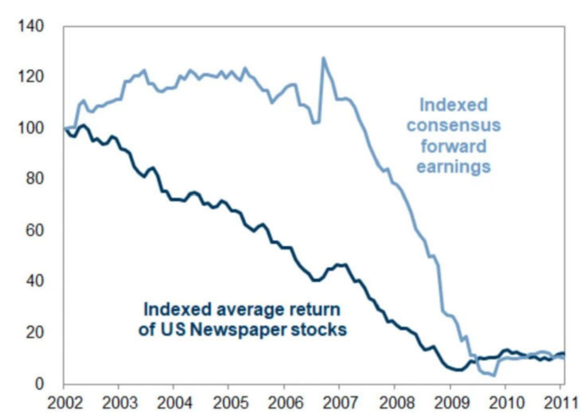


AI worries haven't affected only the software industry.

As models rapidly improve, newly perceived threats are emerging. Insurance brokers, freight logistics companies, and even real estate management companies have seen stocks come under pressure as investors speculate that AI will replicate what they do for a lot less money.

Bulls in these stocks will look at stable earnings trends as evidence the moats are stronger than the market believes. And they may be right - for the time being. But it's clear that things are changing and how these companies adapt to this new world will be important to follow. Just ask newspaper companies from the early 2000s. Their stocks came under pressure as the internet threatened their existence, even though earnings held up well for several years, before collapsing.

Exhibit 13: Newspaper share prices troughed slightly ahead of consensus earnings estimates



Source: FactSet, Goldman Sachs Global Investment Research

How are CEOs Reacting to AI Risks?

While stocks have only recently come under pressure from AI risks, management teams are reacting. During fourth quarter 2025 earnings conference calls, many CEOs and CFOs mentioned that they've been able to trim IT departments because of AI productivity gains.

One high profile CEO reaction came from former Twitter founder Jack Dorsey, who currently runs the payments company Block. He announced Block would cut half its staff "because of AI." There are plenty of questions about Dorsey's credibility, but it's notable that Block's stock (Ticker: XYZ) rose 20% on the announcement.

While this announcement may just be a "one-off" event, CEOs have a herd mentality. Given the stock's jump on the layoff announcement, there's little doubt that corporate boards will place the topic of staffing levels and AI on the agenda going forward. We don't say this to be alarmist, but to highlight how quickly the conversation around AI is developing.

Beware Zero-Sum Thinking about AI's Impact on Jobs

Now let's talk about AI realities. Most of the doomsday articles you read have one thing in common: zero-sum thinking. What I mean by that is they focus on specific tasks that AI will clearly be able to do better than a human, and assume that because of that, the human is made obsolete. Examples of this type of thinking assume that the advancement will relegate graphic designers to working as baristas because AI can create cool, detailed imagery.

There are plenty of historical examples of technological advances rendering old ways obsolete. But ultimately, new technologies were beneficial for society and workers adapted to them. No doubt the "Charley" who drove Wells Fargo stagecoaches by horse got nervous when workers were laying down train tracks in his delivery area. But that advancement in shipping products created lots of jobs in manufacturing that couldn't exist without that advancement.

AI will probably displace some types of jobs, but will open up new opportunities that currently don't exist. It's those "unknown" opportunities that will create alternative employment and expand possibilities for others that remain in their jobs. Never bet against human ingenuity and ability to adapt.

Legal & Regulatory Risks will Tame AI Adoption Rates

Another error I see AI doomsters make is the belief that we can just snap our fingers and do the same things with AI as we currently do with human workers. When new technologies emerge, there are always early adopters. And these early adopters will start using the new technology without thinking about the second and third-order effects of what they're doing.

Industries such as healthcare and finance have strict regulations around customer data privacy. Did you know that free versions of AI learn and improve based on what users are asking? If a user is sharing private customer information or a company's trade secrets, the AI is keeping that information so it gives better answers in the future, potentially exposing secret information. Companies are just now getting around to reigning in the usage of AI by their early adopter employees.

Legislators create regulatory frameworks not only to protect consumers but to create chains of enforcement, reviews, and accountability. How do companies monitor employee usage of AI if there aren't acceptable use policies in place with the ability to review that employee AI usage? If a company is quickly adopting AI and AI makes a mistake, who's held responsible for that?

From our seat, we are only now seeing companies wake up to how unmonitored AI usage by employees puts the company at risk of running afoul of established regulatory standards. AI will no doubt lead to huge productivity gains in the future, but we are likely entering a phase where companies slow things down so their policies and procedures can catch up to the new technology.

How Will AI Affect the Jobs Market?

A better title for this article may have been, "How will AI affect MY job?" That's the real question more people are asking themselves. Clearly there are risks to AI taking over certain jobs and industries that previously relied on human capital to produce goods and services. But there are also a lot of reasons not to become too pessimistic.

First, while AI adoption and model improvement feels quick, companies will not allow employees to use AI willy-nilly.

We will hear a lot more about AI companies adopting policies and procedures over the next two years, which inevitably slows down adoption rates.

Second, while AI is a powerful tool, there are limits to what it can do. Trades people that work in the physical world fixing things will still see demand for their expertise even if the customer is empowered with more information thanks to AI. AI may tell me exactly how to fix a leaky faucet, but there's no way I'm going to actually do it myself!

Lest we forget AI output depends on human input. While AI zealots like to talk about generative intelligence, the fact remains that humans have to ask AI to do what it does. And when you boil down many executive-level white-collar jobs, what the executive is ultimately responsible for is making executive decisions.

Is a CEO really going to prompt ChatGPT for a new marketing strategy and then hold ChatGPT accountable if the strategy fails? Hardly.

Since we have many clients that haven't retired yet, this article brings this conversation to the forefront. AI capabilities are improving rapidly. And like it or not, that forces all of us (including me) to examine the value we bring to our customers beyond providing answers that customers can now get from AI.

But as I said earlier, let's not solely focus on the risks from AI. This is an amazing new technology that is going to allow all of us to do things we didn't think we were equipped to or too old to do. Embrace it. Start by thinking about the most time-intensive, mind-numbing tasks you do and ask AI if there are better ways to do those things. You may be surprised and inspired by what it says!

WHAT IF THE MARKET DROPS BEFORE I RETIRE?

VIDEO BY: MICHELLE SMALENBERGER, CFP®

A question that keeps business professionals up at night is what if the market drops? Looking at history, it's not really a question of if but when.

This is the number one concern we hear from people approaching retirement. It's our job as financial advisors to know how to handle possible market drops before you retire. In the video, we share what we do before, during, and after a drop, as well as opportunities you can take advantage of!

Our job as financial advisors is to run your retirement plan for you so you never have to worry about these risks. So before we dive into three ways we help protect clients' retirements, I want to share the example we'll be working with today.

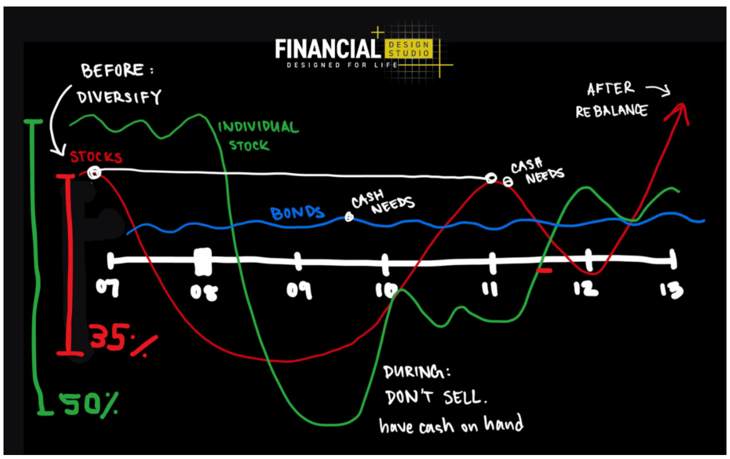
Example: The 2008 Market

Let's think back to a specific market drop like 2008, where there was a 35% drop in equities in the stock market and fast growing companies were also hit hard. So in our example:

- A client had $2 million in their portfolio before the market after that 35% market drop, now they have $1.3 million in that same portfolio.
- We're going to assume that they had $1 million dollars in their company stock and now they had a 50 % drop in that single stock and so now they only have $500,000 in their portfolio.
- Now one additional thing is that this client still needs to take $180,000 out of their portfolio each year, whether the market has dropped or not. That's 10% of this client's new net worth!

You might even remember back to 2008 where you did watch your 401(k) or your stocks drop in those values. You may remember what that felt like.

The exact wrong time for the market to drop like this is the day you retire, when you've already decided and left. There's no going back to your employer just because the market drops. What you really want to be thoughtful of are the strategies you have in place, so that if something like this happens, your plan is protected.



Before: You never know if a market drop is coming or what stocks it will impact. Which is why you want to ensure your portfolio is always diversified, especially as a business leader with company stock. We explain why in our video using examples from the 2008 crash.

During: Don't panic and sell! We always remind clients that historically the market comes back. If you sell, you lock in your losses and miss out on the growth that usually comes.

After: Large market movements mean you need to rebalance. As the market recovers, you want to make sure you are positioned to take advantage of that growth!

Opportunities When the Market Drops

Now, something I want to explain is there are strategies like the aforementioned. And there are also opportunities when the market drops. And let me just touch on a few of those.

Roth Conversions

The first one that we think of is Roth conversions. This could be for anyone who's in retirement and has low income. There are periods where we could actually convert money from your IRA to a Roth IRA. Let's say your IRA value dropped. If we take that value here at the bottom and we move that into your Roth IRA, now when the market comes back up, that value is in your Roth. And it grows tax free as the market recovers!

Harvest Capital Losses

Another thing you can do is potentially harvest capital losses. When the market's down, maybe you have holdings that you just don't want to hold anymore. Or maybe you have a lot of gains and you actually need some losses to net against those gains for a tax impact. So you can say, "let's go ahead and sell something at a loss now and then we can net that against the gains now or later."

Keep Investing!

And then finally, one of the biggest things for anyone is really just to continue to invest. Continue to put money into your IRAs and 401(k)s! When you keep adding money, especially at these points when the market drops before your retirement then when the market goes back up, your contribution grows as fast as the market recovers! When you continue with your good financial habits, you get potential opportunities to grow your wealth even more.

Your Next Steps

The market will continue to move up and down again and again, as it grows higher over time. That's what it does. We want to make sure your retirement can withstand this natural volatility, that's why you work with a team of financial advisors like us. We ensure your plan stays on track all year, every year.

We'll see you in the next video!

WATCH THIS VIDEO

TEAM SNAPSHOT: MICHELLE SMALENBERGER

We spend our days learning about what matters most to you. Now, we want to share a bit about what matters to us! In each 2026 newsletter, we'll highlight a team member and how they celebrate a holiday from that quarter!

In the first quarter of the year one of the "holidays" that is special to our family is Valentine's Day. For us it's a special day usually with flowers and cards along with a special dinner we share together!

I know it may sound sappy and cliche but all the hype of Valentine's Day is really meaningful whether you're spending it with family or friends. That's what I like about it!

Steve and I were engaged on Valentine's Day! That's right; everyone thinks it's the perfect day to get engaged with all the hype of the day building up all the excitement even more.

However, I will say that it can certainly make a wait at a restaurant much longer. We ate at Francesco's Hole in the Wall in Northbrook. Then, you could only pay with cash and the menu is written on a large chalkboard on the wall. I highly recommend it even though it's been several years since we've been.

Steve had a well-planned day taking me to all our favorite and meaningful places.

He had even arranged for me to take the day off work, which was a surprise to me when he picked me up.

He put together a book of the places we would go as a scavenger hunt. (And he gave me this teaser engagement ring to wear on our hunt!) Then at each place we took a polaroid photo to remember. Some of our meaningful places were things like a first date, where we met, or favorite restaurants like Portillo's.

Now, when we celebrate Valentine's Day with Emma we usually have a certain menu that we all like and contribute toward making. Here's our go-to Valentine's Day menu:

- Spaghetti dinner (Red sauce!)
- Garlic Bread
- Steamed Broccoli
- Sparkling Grape Juice (Also Red!)
- Pink Lemonade heart shaped ice cubes

One of the biggest highlights about Valentine's Day is the reminder to make others you love, feel loved. It feels nice to be remembered and thought about if someone does something special for you!

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