

## 2026 Market Outlook: Opportunity, Dispersion, and Policy Crosscurrents

January 2, 2026

Markets enter 2026 with solid momentum after another broadly positive quarter. While US large cap equities posted a 2.3% gain for the quarter and 17.3% year-to-date, the real story of 2025 was the resurgence of international assets. For the first time in over a decade, international markets decisively trounced their US counterparts, aided by a falling US dollar. Both developed international and emerging markets stocks achieved nearly double the total return of the S&P 500 last year, delivering 32.0% and 34.3% respectively.



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### In this Issue

Market Outlook .....	1
Can I Count on Social Security in Retirement...10	
News & Notes.....15	
President's Letter.....16	





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Head of Investments



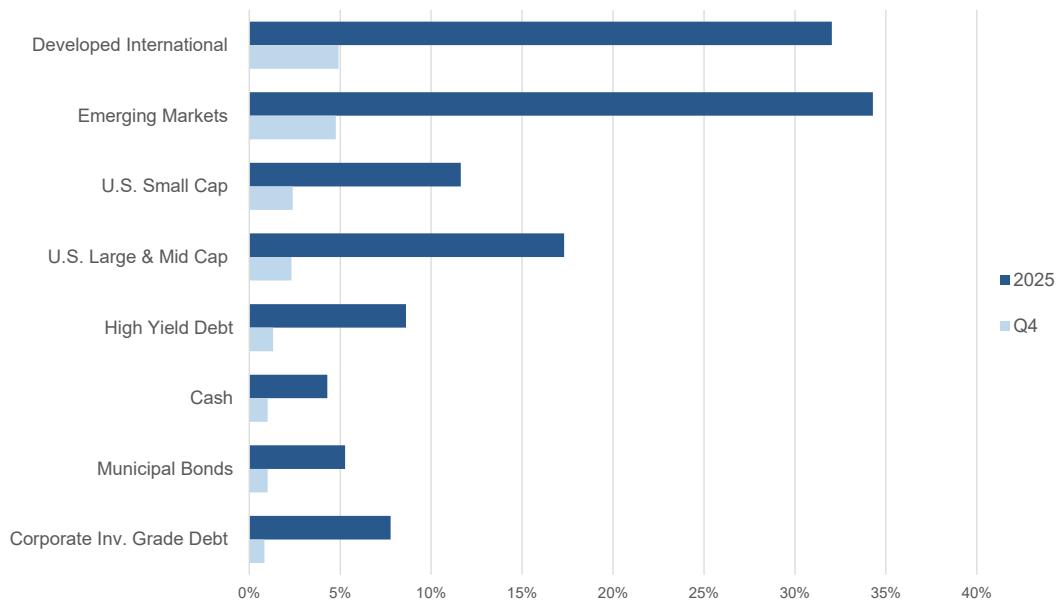
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Gold also extended its strong run, even as real interest rates and the US dollar moved modestly higher during the quarter. This price action suggests that market participants are hedging against the possibility of the Fed and Treasury using policy tools aimed at limiting the economy's interest-rate burden (yield curve control).

Banks were another Q4 standout, outperforming the S&P 500. The industry shrugged off an early-quarter scare following the bankruptcy of First Brands, a major auto parts supplier whose default briefly raised concerns about loan book quality. The market's willingness to swiftly dismiss that episode as idiosyncratic rather than systemic is a constructive signal for risk assets.

#### Exhibit A: Total Returns by Asset Class, 2025

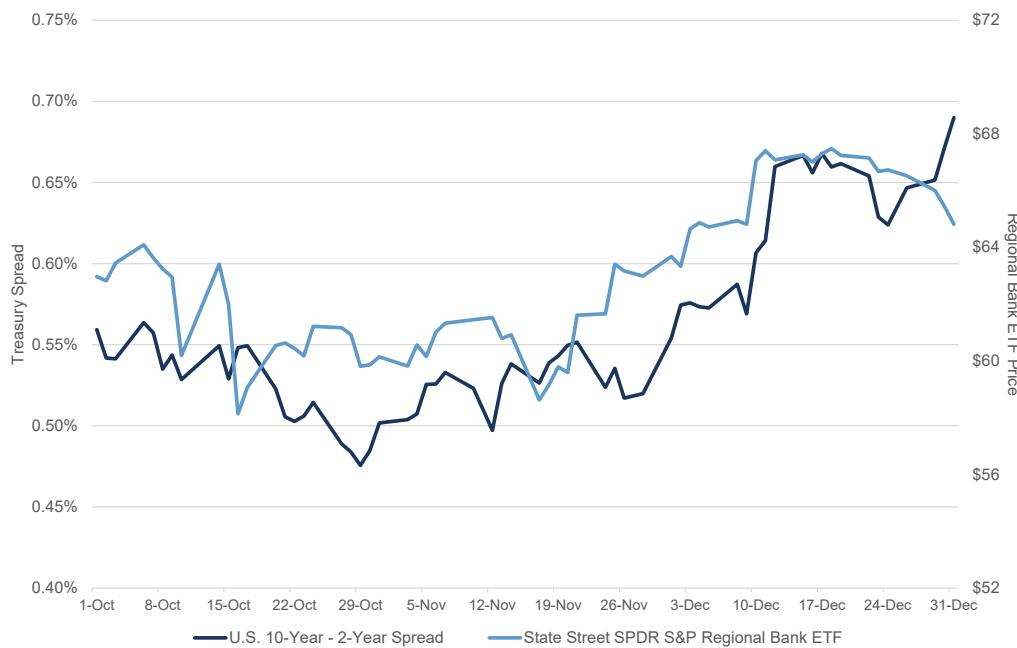


Source: Bloomberg, Fiduciary Trust Company. Indices: Cash: Bloomberg Barclays 1-3M Treasury Note, High-Yield: Bloomberg Barclays US Corp HY, Corporate Debt: Bloomberg Barclays US Corporate, US Large and Mid Cap: MSCI USA, US Small Cap: MSCI USA Small Cap, Dev. Int'l: MSCI EAFE, Emerg. Mkts: MSCI EM, Municipal Bonds: Bloomberg Quality Intermediate Muni. Data as of December 31, 2025.

#### The Yield Curve Matters Again—And Banks Responded

A key macro development in Q4 was a steepening of the yield curve, particularly the spread between 10-year and 2-year Treasury yields. The move was driven largely by expectations for additional rate cuts, while longer-term yields were relatively unchanged. For banks, curve shape matters. A steeper curve can improve net interest margins and profitability, and that was reflected in Q4 performance for both large and regional banks.

### Exhibit B: Treasury 2 vs. 10-year Spread Relative to US Bank Stocks



Source: Bloomberg, Fiduciary Trust Company. Data as of December 31, 2025.

### The Magnificent 7 Is No Longer a Single Trade

One of the clearest shifts in market behavior during the second half of 2025 was rising dispersion within mega-cap technology stocks. From the April lows through the end of the third quarter, the Magnificent 7 traded as a single, highly correlated bet with each member rallying at least 30%. In Q4, that correlation was fractured. While the group was up modestly in Q4, three members posted negative returns. Alphabet (Google) was the clear winner, up 29% in the fourth quarter. A key catalyst for the market's increased selectivity was Google's recent AI model release, which was trained on its own custom chips and outperformed ChatGPT on several benchmarks. This raised questions about the durability of Nvidia's dominance in AI training hardware and shifted the AI narrative from a broad, indiscriminate rally to one that is increasingly viewed as a competitive, zero-sum ecosystem.

### AI's Next Phase: From Adoption to Profit Capture

History suggests that while technology innovation drives broad adoption, economic value almost always consolidates into a duopoly or monopoly. Whether in PC operating systems (Windows and Mac), search (Google), or mobile (iOS and Android), initial ecosystems of many players inevitably collapse into two or three dominant winners that capture the vast majority of the profit pool.

If AI follows this arc, the current field of more than ten major LLM developers will likely shrink to just a few survivors. This consolidation dynamic explains why the market increasingly views the AI arms race as a zero-sum game. If OpenAI wins, it may be at the direct expense of Google's search monopoly or Meta's ad dominance. If Google wins using its proprietary TPUs, it proves that hyperscalers can succeed without Nvidia's hardware, calling into question the pricing power and margins that Nvidia currently commands.

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At times during the quarter, investors even questioned the entire AI complex, debating whether AI represents a step-change in productivity or merely a more powerful form of search. That skepticism was reinforced by comments from prominent figures in the field, including Ilya Sutskever, co-founder of OpenAI, and Yann LeCun, Meta's chief AI scientist. Both made comments suggesting that today's LLMs are a dead end on the path to true machine intelligence and that simply throwing more computing power at LLMs is yielding diminishing returns.

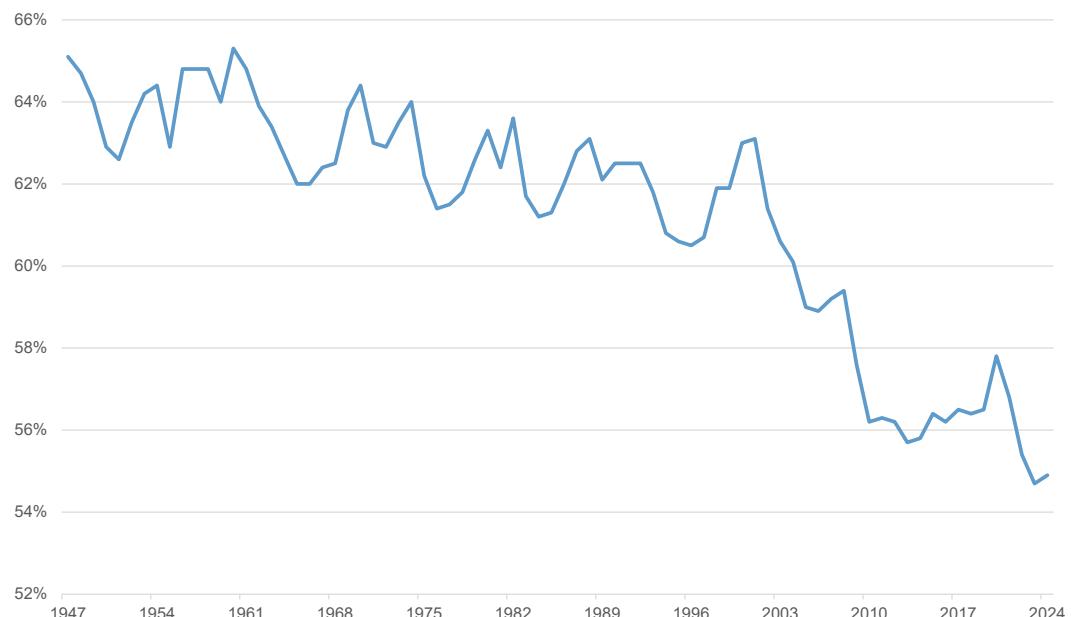
This debate will face a critical test with the release of the first models trained on Nvidia's next-generation Blackwell GPUs, expected around mid-2026. These chips offer a massive leap in performance per watt, theoretically enabling models that are orders of magnitude more capable than the latest ChatGPT or Google Gemini. If these models demonstrate a meaningful step-function improvement over current capabilities, investor confidence in the AI trade is likely to reaccelerate. If improvements prove only incremental, enthusiasm and valuations may plateau.

## Sizing the Prize: Labor Economics at the Center

If the AI trade is indeed becoming a zero-sum battle for dominance, what is the prize they are fighting for? The answer lies in the single largest expense line on the global corporate income statement: labor.

For decades, labor costs as a percentage of business output held steady at roughly 62%. Since the 1990s, that figure has drifted down to the mid-50s. A key question for 2026 and beyond is whether AI can accelerate that decline.

### Exhibit C: Labor Costs as a Percentage of Business Output

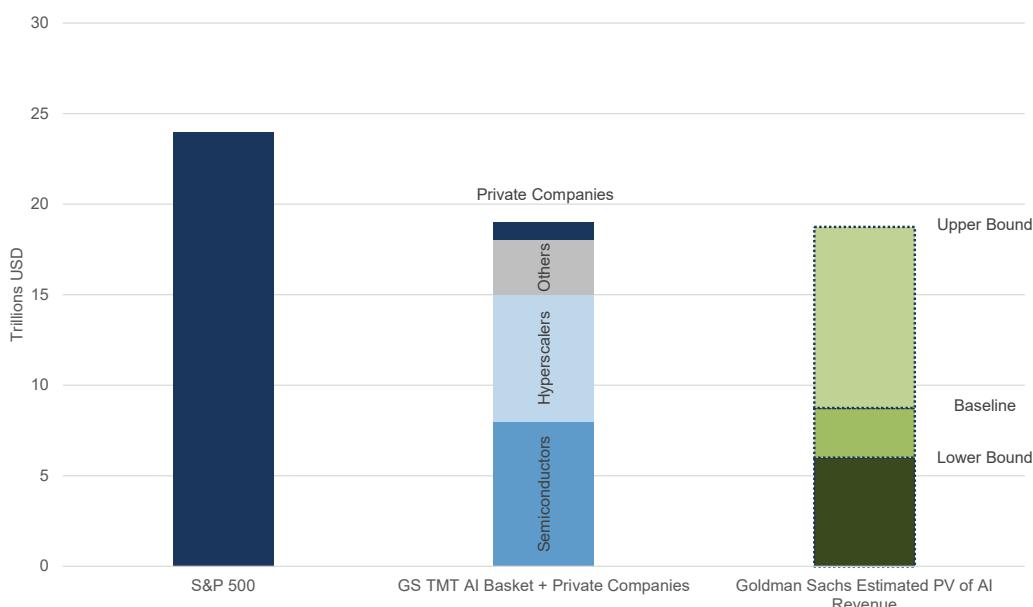


Source: Bureau of Labor Statistics, Fiduciary Trust Company. Latest data available as of December 31, 2025.

One widely cited analysis from BlackRock suggests that if AI can permanently reduce labor costs by just 5%, it would unlock approximately \$32 trillion in present value profits for the corporations deploying the technology and about \$8 trillion in present value revenue for AI service providers. Those estimates are directionally consistent with other long-run AI spending analyses. The market's challenge is that since the launch of ChatGPT, the market capitalization of the AI complex has already surged by nearly \$20 trillion.

Investors must therefore confront a difficult reality: if multi-trillion-dollar benefit estimates are even roughly correct, a meaningful share of expected value is already embedded in current valuations.

#### Exhibit D: Change in Market Cap from Nov 30, 2022 to Nov 14 2025



Source: Blackrock, Goldman Sachs, Fiduciary Trust Company. GS TMT refers to Goldman Sachs Technology, Media and Telecom Group. Data as of December 31, 2025.

**AI may influence the labor market not only through layoffs, but by limiting job creation altogether**

#### Labor Market Signals to Watch

If AI delivers on its promise of labor efficiency, the adjustment will inevitably show up in the labor market.

AI may influence the labor market not only through layoffs, but by limiting job creation altogether. That dynamic appears most clearly at the entry level, where unemployment among 20–24-year-olds with a bachelor's degree remains under pressure. Early-career hiring often serves as a leading indicator as firms adjust workflows before broader labor market impacts emerge.

## The Fed's Dot Plot Reflects the Same Uncertainty Investors Feel

The rise of AI has introduced a new layer of complexity into the Federal Reserve's policy calculus. If AI ultimately delivers the productivity gains and labor displacement that many expect, the resulting disinflationary impulse would argue for lower policy rates. However, in the near term, easing financial conditions risks reigniting asset prices, potentially undoing some of the progress the Fed has made on inflation. After misjudging inflation's persistence earlier in the cycle, policymakers are acutely sensitive to the risk of easing too soon, especially given the uncertainty around the timing and magnitude of AI-driven productivity gains, if they materialize at all.

These tensions are increasingly visible in the Fed's own projections. The December dot plot reveals a divided committee: while the median participant projects just one rate cut in 2026, a growing faction is more focused on downside risks to the labor market. Markets, meanwhile, are pricing roughly two cuts this year. That may seem surprising given President Trump's stated preference for lower rates and his upcoming appointment of a new Fed chair in May. But monetary policy is not set unilaterally. The federal funds rate is determined by the twelve-member FOMC, where the chair's vote carries no more formal weight than any other. While a new chair is likely to align with the administration's preferences, translating those preferences into policy will require persuading the broader committee.

## Tariffs, Deficits, and Housing: Policy's Second-Order Effects

As we begin 2026, markets must digest a flurry of consequential events. The president is expected to name a nominee for the next Federal Reserve chair, while the Supreme Court is scheduled to hear oral arguments related to the administration's effort to remove Fed Governor Lisa Cook. Beyond the Fed, the Supreme Court is also expected to rule in January on the administration's use of the International Emergency Economic Powers Act (IEEPA) to impose broad-based tariffs. Lower courts have repeatedly ruled against the White House, and consensus expectations are that the court will ultimately invalidate the IEEPA-based tariffs.

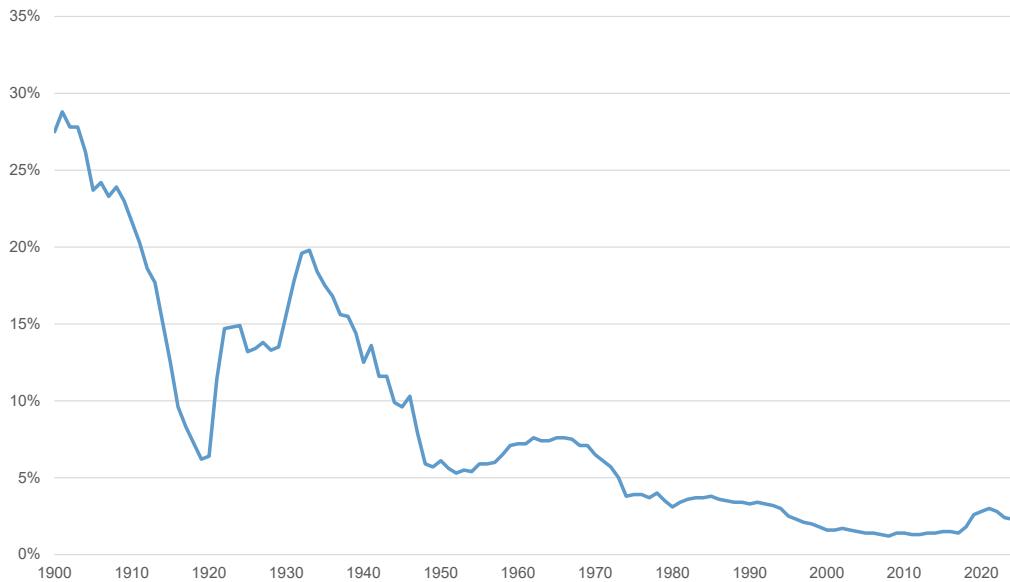
If IEEPA authority is revoked, the president could pivot to Section 122 of the Trade Act of 1974, which allows for temporary tariffs of up to 15% on imports from any country for up to 150 days. That window would provide time to initiate Section 301 investigations aimed at implementing more permanent trade measures. After a period of volatility, the effective US tariff rate was at 10.7% as of September, and tariff revenue is currently running roughly \$200 billion above last year's level. While widely unpopular with corporations and consumers, tariffs have become a meaningful source of federal revenue. A rollback of tariffs could support margins and ease price pressures, but it could also reignite concerns about the deficit, potentially placing upward pressure on longer-dated Treasury yields. In that scenario, we would expect both the Fed and the Treasury to lean aggressively against a sustained rise in rates.



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### Exhibit E: US Effective Tariff Rate, 1900 - 2025



Source: Bloomberg, Fiduciary Trust Company. Latest data available as of December 31, 2025.

While the administration's push for lower interest rates would reduce the government's growing interest burden, it would also help address the more politically urgent problem of housing affordability.

Affordability remains near multi-decade lows, leaving many households, particularly younger families, effectively priced out of homeownership. That reality is likely to remain politically salient heading into the midterm elections. Proposals floated late this year, such as 50-year or portable mortgages, were quickly dismissed as ineffective, underscoring that housing has no easy fix without meaningfully lower rates or a sustained increase in supply.

While households wait for relief on their mortgages, fiscal stimulus in the form of tax refunds represents a more immediate and quantifiable support for growth in early 2026. Because the household tax relief in the 2025 One Big Beautiful Bill Act (OBBBA) was structured as deductions (e.g., no tax on tips/overtime) rather than marginal tax rate cuts, the benefit did not show up immediately in weekly paychecks. Instead, it will arrive all at once.

Strategas Research Partners estimates that consumers will receive roughly \$150 billion in incremental refunds this filing season, with total federal tax refunds projected to surge 44% year over year to nearly \$520 billion. We expect this influx of liquidity to hit the economy between February and April, likely driving a near-term re-acceleration in consumption, and providing a lift to consumer sentiment, which has languished near historic lows despite record stock prices.

**Fiscal stimulus in the form of tax refunds represents a more immediate and quantifiable support for growth in early 2026**

### International Equities: Policy Catalysts and Currency Tailwinds

International equities decisively outperformed the S&P 500 in 2025 for the first time in more than a decade. We believe this rotation has legs. As US valuations

## The strongest tailwind for non-US assets may actually come from the US Treasury and Fed

stretch toward perfection, international markets offer a compelling valuation hedge with distinct policy catalysts that are uncorrelated to the US cycle.

The strongest tailwind for non-US assets may actually come from the US Treasury and Fed. If the administration attempts to contain long-term borrowing costs through explicit or implicit yield curve control, the result will be artificially suppressed real yields, and further downward pressure on the dollar.

Policy dynamics abroad are also turning more supportive. Germany is expected to ramp fiscal spending after years of restraint, with the government mobilizing its €500 billion infrastructure fund and committing to raising defense and security spending to 5% of GDP over the next decade. Japan enacted a ¥21.3 trillion (\$135 billion) stimulus package, its largest since the pandemic, aimed at sustaining domestic growth. South Korea has launched a “corporate value-up” initiative designed to address the long-standing Korea discount by improving governance, capital efficiency, and shareholder returns. Collectively, these measures mark a notable shift toward more shareholder-friendly and growth-supportive policy outside the US.

International markets may also offer a more attractively priced entry point to the AI theme. For example, as AI transitions to the inference phase (running the models), it becomes far more memory-intensive than the training phase. This creates a durable tailwind for high-bandwidth memory suppliers. Two of the most important beneficiaries of this dynamic, Samsung Electronics and SK Hynix, are based in South Korea and trade at less than 10x expected 2026 earnings, highlighting how global equity markets can provide differentiated exposure to AI at valuations that remain meaningfully below US peers.

## Portfolio Considerations

We enter the new year with three key considerations in our positioning:

First, within US equities, we believe banks remain well positioned to benefit from a steepening yield curve. As policy rates move closer to neutral, improving net interest margins alongside a more supportive regulatory environment provide a solid fundamental backdrop.

We have largely avoided attempting to identify individual winners within the AI trade. History suggests profit capture tends to be concentrated, and we believe maintaining broad exposure increases the likelihood that the eventual winners will more than offset exposure to the losers.

Second, clear catalysts remain intact for developed international equities. With distinct fiscal tailwinds in Germany and Japan, and a re-rating underway in South Korea, we believe an overweight to international equities offers an attractive hedge against a potentially weaker US dollar and stretched domestic valuations.

Third, we favor extending duration in municipal bond portfolios relative to an intermediate benchmark. We believe that the administration will do everything in its power to suppress long-term yields to manage federal interest expenses and increase housing affordability. The long end of the muni yield curve remains attractively valued relative to Treasuries.

If you have questions about how these themes may affect your portfolio, please contact your Fiduciary Trust Investment Officer or Sid Queler at [queler@fiduciary-trust.com](mailto:queler@fiduciary-trust.com). ■

## Exhibit F: Fiduciary Trust Asset Class Perspectives

	Tactical	Recent Change	Allocation	Comments	
EQUITIES	U.S. Large Cap				Valuations are demanding, earnings growth remains solid, and the AI trade is becoming increasingly selective rather than a rising tide.
	U.S. Small & Mid Cap				Favor regional banks as the yield curve steepens and normalized policy rates improve net interest margins and profitability.
	Developed International				Remains an attractive valuation hedge with fiscal tailwinds in Germany and Japan.
	Emerging Markets				South Korea's governance re-rating is a catalyst. Will benefit from continued US Dollar weakness.
FIXED INCOME	Alternatives				Remain cautious on private credit as spreads have compressed and recent high-profile bankruptcies have raised questions around underwriting discipline.
	Government Bonds				Within municipals, long duration looks attractive; state credit conditions remain broadly stable with rainy day funds near historic highs.
	Credit				Finding opportunity in structured credit, especially seasoned mortgage securities with several layers of credit protection.
	Cash				With the Fed expected to continue cutting rates, cash returns will decline; serves as a defensive buffer and source of liquidity to take advantage of pullbacks in equities.

Note: These forward-looking statements are as of 1/2/2026 and based on judgements and assumptions that change over time. Tactical allocation denotes positioning relative to a strategic benchmark. Recent Change column signals whether the recommended allocation to the asset class increased, decreased, or was unchanged in the last calendar quarter. Allocation denotes the percentage weight in a portfolio assuming a 60% equity, 35% fixed income, 5% cash benchmark.



Sidney F. Queler  
Head of Wealth Management

## Can I Count on Social Security in Retirement?

### Key Takeaways

- Social Security and Medicare remain foundational to the U.S. retirement system, but long-term financing pressures are expected to lead to some eventual changes to funding and benefits.
- Rising federal deficits, the growth of health-care costs, and gaps in structural funding are placing more scrutiny on both programs.
- For high-net-worth individuals, potential policy changes are more likely to be felt through higher taxes, premiums, or benefit adjustments.

Concerns about the long-term sustainability of Social Security and Medicare have intensified in recent years. Rising federal deficits, demographic pressures, and growing healthcare costs have all contributed to questions about what these programs will look like in the decades ahead.

Based on current projections, parts of the Social Security system are expected to have insufficient reserves to pay full scheduled benefits beginning in the mid-2030s, if no legislative action is taken. Medicare faces its own long-term funding challenges, as medical costs continue to grow faster than the overall economy. These pressures suggest that while the programs are likely to endure, their structure and financing may change over time.

Although high-net-worth households typically rely less on Social Security for essential retirement income, they are often more exposed to potential policy changes designed to improve program solvency. Understanding the forces shaping the future of Social Security and Medicare is an important part of long-term financial and retirement planning.

### Drivers of Future Funding Shortfalls

The funding challenges facing Social Security and Medicare are driven by several long-term structural trends. Together, these forces increase program costs over time while placing pressure on the revenue sources that support them.

#### Full Retirement Age (FRA)

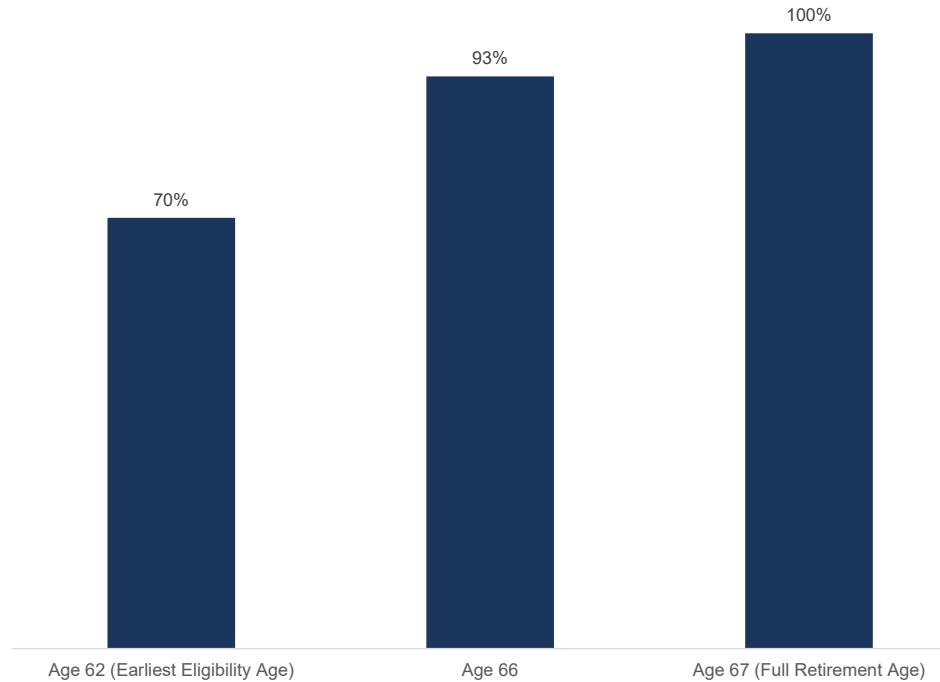
One important structural change is the gradual increase in the full retirement age (FRA), or the age at which individuals are eligible to receive full scheduled benefits. Historically, the FRA was 65, but it has risen incrementally to 67 for individuals born in 1960 or later.<sup>1</sup> This change reduces lifetime benefits for many retirees and reflects efforts to align the program with longer life expectancies. It also serves as a reminder that Social Security's rules have been adjusted before and may continue to evolve as policymakers respond to funding pressures.



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**Exhibit A: Social Security as a Percentage of Full Retirement Age Benefits  
(for recipients born after 1960)**



Source: Michigan Retirement and Disability Research Center, Fiduciary Trust Company. Data as of December 31, 2025.

**Slower growth in taxable wages limits the inflow of funds supporting Social Security and Medicare, widening the gap between revenues and expenditures**

**Aging Population and Longer Lifespans**

As the population ages, the number of beneficiaries receiving Social Security and Medicare benefits continues to grow, while the pace of growth in the working-age population has slowed. At the same time, retirees are living longer, which means benefits are paid out over longer periods than in previous generations.

**Healthcare Cost Inflation**

Healthcare costs have historically grown faster than overall inflation. Rising prices for hospital care, prescription drugs, and other medical services increase Medicare spending and contribute to higher long-term federal outlays.

**Slower Growth in Taxable Wages**

On the revenue side, payroll tax growth has not kept pace with benefit obligations. Slower growth in taxable wages limits the inflow of funds supporting Social Security and Medicare, widening the gap between revenues and expenditures.

Taken together, these trends help explain why both programs face long-term funding challenges under current law. While none of these forces alone threatens the immediate operation of Social Security or Medicare, their combined effect increases the likelihood that policymakers will consider adjustments to improve long-term sustainability.

**Why Social Security and Medicare Matter**

Beyond their importance to individual retirees, Social Security and Medicare play a central role in the broader economy. Nearly every working American contributes to

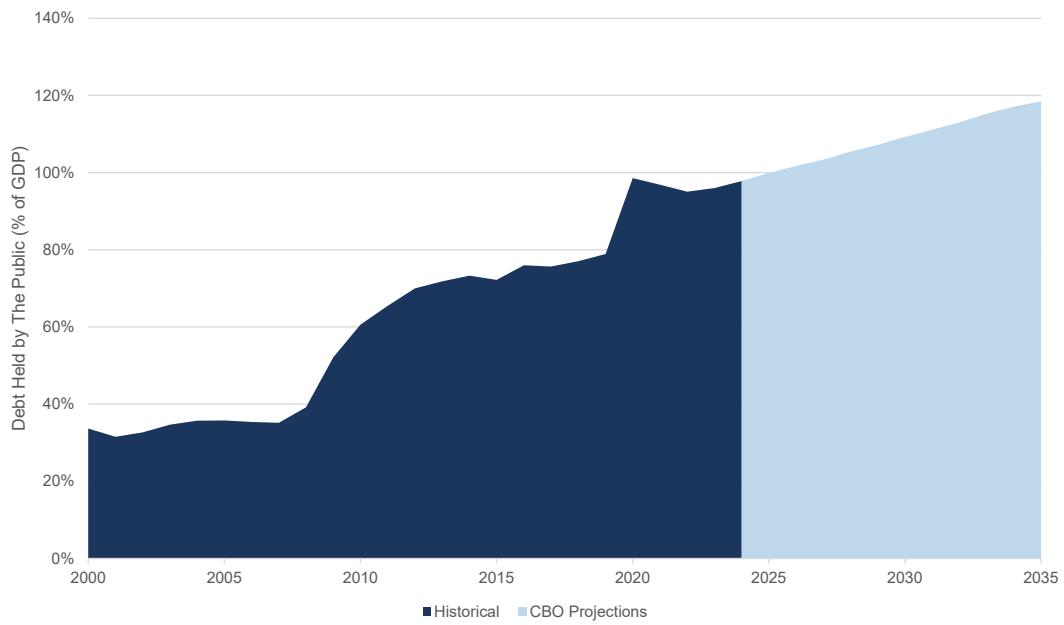
**As Social Security and Medicare consume a larger portion of the federal budget, they play an increasingly important role in shaping the government's long-term fiscal position and debt**

Social Security through payroll taxes, and more than 55 million people currently receive retirement benefits, with millions more relying on disability and survivor benefits.<sup>2</sup> Medicare provides health insurance coverage to roughly 69 million Americans, the vast majority of whom are age 65 or older.<sup>3</sup> Because of their scale, changes to either program have the potential to influence household spending, healthcare utilization, federal budget dynamics, and overall economic growth.

Combined spending on Social Security and federal health-care programs accounted for approximately 10.7% of gross domestic product (GDP) in 2024. According to the Congressional Budget Office (CBO), that figure is expected to rise to roughly 14% by 2054, reflecting the growing number of beneficiaries and the higher rate of medical spending relative to the broader economy.<sup>4</sup>

As Social Security and Medicare consume a larger portion of the federal budget, they play an increasingly important role in shaping the government's long-term fiscal position and debt. Over the next 30 years, CBO projects that debt held by the public will increase to levels well above historical norms, driven in part by growth in entitlement spending.

#### **Exhibit B: US Federal Debt as a Percentage of GDP, 2000-2035F**



Source: Congressional Budget Office, Bloomberg, Fiduciary Trust Company. Data as of December 19, 2025.

For investors, understanding the role Social Security and Medicare play in the federal budget helps provide context for why their long-term financing remains an important consideration in retirement planning conversations.

### **Social Security's Outlook**

Projections show growing pressure on the system's reserves over the coming decade:

#### **Trust Fund Projections**

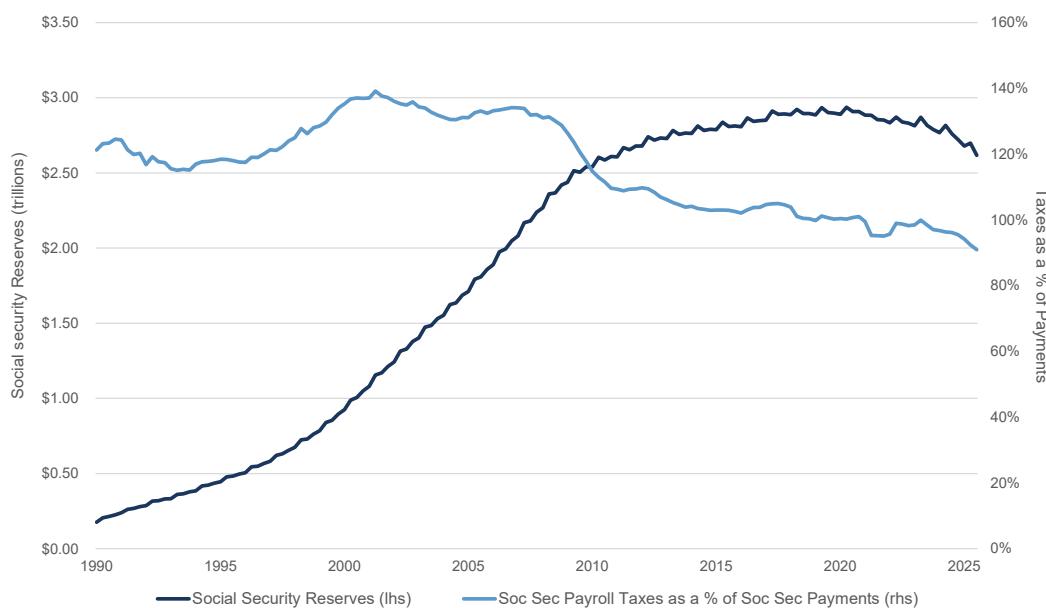
Social Security is financed primarily through payroll taxes, with excess revenues historically credited to trust fund reserves. According to the report, the Old-Age and

Survivors Insurance (OASI) trust fund, which pays retirement and survivor benefits, is projected to be depleted in 2033. The combined OASDI trust funds, which include disability benefits, are projected to be depleted by 2035.<sup>5</sup>

### The Actuarial Gap

Over the next 75 years, Social Security is expected to collect less in payroll taxes than it is scheduled to pay out in benefits. The size of this gap is estimated to be about 3.5% of taxable wages, or roughly 1.2% of the overall U.S. economy.<sup>6</sup>

### Exhibit C: Social Security Reserves & Payroll Tax Funding



Source: Social Security Administration, Fiduciary Trust Company. Data as of December 19, 2025.

**Medicare faces its own long-term funding challenges, though its financial structure differs from that of Social Security**

### Medicare's Outlook

Medicare faces its own long-term funding challenges, though its financial structure differs from that of Social Security. The program is financed through two separate trust funds, each with distinct funding dynamics and risks.

#### Hospital Insurance (HI) Trust Fund

Medicare Part A, which covers hospital care, skilled nursing facilities, hospice services, and some home health care, is financed primarily through payroll taxes and relies on the Hospital Insurance (HI) trust fund. According to the Medicare Trustees, the HI trust fund is projected to be depleted in 2033, as program spending continues to outpace dedicated revenue sources.<sup>7</sup>

#### Supplementary Medical Insurance (SMI)

Other components of Medicare, including Parts B and D, are financed differently. These Supplementary Medical Insurance (SMI) programs are funded through a combination of beneficiary premiums and general federal revenues, which are adjusted annually to cover projected costs. This structure ensures ongoing solvency, but contributes to rising federal spending and higher premiums for beneficiaries.

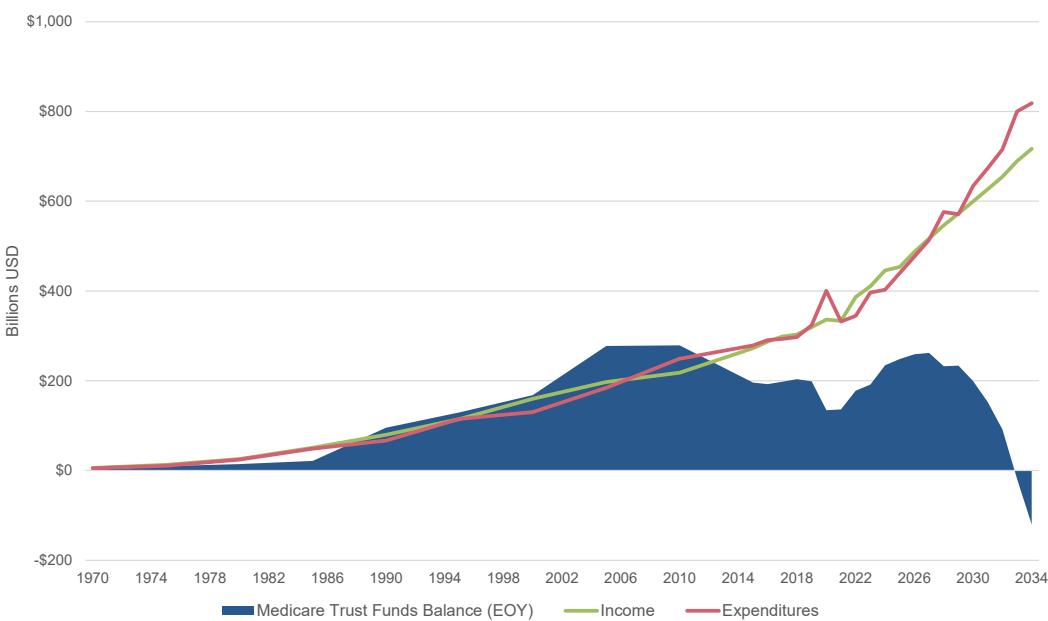
**Medical costs have continued to grow faster than overall inflation, placing upward pressure on Medicare spending and the federal budget**

### Healthcare Costs and Budget Pressures

Medical costs have continued to grow faster than overall inflation, placing upward pressure on Medicare spending and the federal budget. According to the Committee for a Responsible Federal Budget, restoring long-term Medicare solvency would require either a meaningful increase in payroll tax revenues or a reduction in program spending.<sup>8</sup>

As healthcare costs rise, Medicare's role in shaping federal spending – and potential policy responses – will remain an important consideration for long-term retirement planning.

### Exhibit D: Medicare Funding



Source: 2025 Annual Report of the Board of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, Fiduciary Trust Company. 2025-2034 data is based on projections.

### Potential Impact on Future Payments and Coverage

If no legislative fixes are enacted, and if Social Security's retirement trust fund is threatened with insolvency, scheduled benefits would have to be automatically reduced once reserves are depleted. In that extreme scenario, recipients could be looking at an across-the-board cut of roughly 24%.<sup>9</sup>

For retirees, this could translate into a meaningful reduction in income. Estimates suggest that a typical couple retiring after insolvency could face an annual benefit reduction of approximately \$18,000.<sup>10</sup>

Looking ahead, policymakers have several broad tools available to slow the depletion of Social Security's trust funds. Commonly discussed options, which would impact income and benefit expectations, include increasing payroll tax revenues, adjusting benefit formulas, gradually raising the full retirement age, or modifying cost-of-living adjustments. Any reforms would likely be phased in over time rather than implemented abruptly.

On the Medicare front, potential responses include higher income-related premiums, changes to coverage or cost-sharing, adjustments to provider payments, or increases

in dedicated funding sources. As healthcare costs continue to rise, these issues remain central to Medicare's long-term outlook.

For high-net-worth individuals, the effects of future reforms may be more pronounced, as higher-income households already pay elevated Medicare premiums and are more likely to have a greater share of Social Security benefits subject to taxation. Overall, these dynamics suggest that while Social Security and Medicare are likely to endure, future benefits and costs may differ from those seen today.

## Conclusion

Social Security and Medicare are not at risk of disappearing, but their long-term trajectories suggest that change is likely coming. Rising healthcare costs, demographic pressures, and growing federal budget constraints point toward gradual adjustments rather than abrupt disruption.

Understanding these dynamics is important. While the exact form of future reforms remains uncertain, changes are more likely to affect higher-income households through taxes, premiums, or benefit formulas. Staying informed about the broader fiscal backdrop can help frame more resilient, long-term planning considerations.

Fiduciary Trust Company continues to monitor developments in Social Security, Medicare, and federal fiscal policy. If you would like to explore how different scenarios may affect your retirement outlook, please reach out to your investment officer or Sid Queler at [queler@fiduciary-trust.com](mailto:queler@fiduciary-trust.com) to discuss how Fiduciary's wealth planning team can help. ■

## News & Notes

Karen D'Antuono, JD joined Fiduciary as VP & Trust Counsel

FTC named a finalist for two Private Asset Management awards

<sup>1</sup> "Equity Implications of the Rising Full Retirement Age and Social Security Communications." Michigan Retirement and Disability Research Center. 2023.

<sup>2</sup> "What the data says about Social Security." Pew Research Center. May 20, 2025.

<sup>3</sup> "Medicare Monthly Enrollment." Centers for Medicare & Medicaid Services. August 2025.

<sup>4</sup> Ibid.

<sup>5</sup> "The 2024 OASDI Trustees Report." Social Security.

<sup>6</sup> Ibid.

<sup>7</sup> "Medicare go-broke date pushed up three years in latest trustees report" Healthcare Dive. June 20, 2025.

<sup>8</sup> "Analysis of the 2025 Medicare Trustees Report." Committee for a Responsible Federal Budget. June 18, 2025.

<sup>9</sup> "As Social Security Turns 90, It's Racing Towards Insolvency." Committee for a Responsible Federal Budget. August 14, 2025.

<sup>10</sup> Ibid

Disclosure related to Bloomberg indices:

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**Austin V. Shapard**  
President & CEO

## A Letter From Our President & CEO

Dear Friends and Clients,

Over Fiduciary's 140-year history, a few years stand out for their importance to the Company's clients, professionals and stockholders: the firm's founding in 1885, the incorporation of the Massachusetts trust company in 1928, and more recently, the 2014 launch of the New Hampshire subsidiary. With the signing of an agreement with GTCR, a leading private equity firm, to acquire the Company, 2025 will be added to the list.

Early in 2025, the combination of changing competitive dynamics, future investment needs and external overtures led the Board of Directors to evaluate potential strategic opportunities. Ultimately, GTCR's offer to acquire the Company was selected due to the strength of its financial terms, GTCR's focus on client service and its ability to support and enhance Fiduciary's value propositions to both clients and professionals.

Following a public announcement in September, Fiduciary's stockholders resoundingly endorsed this next chapter in the Company's history with 94.5% of shares voting in favor of GTCR's proposal. The consummation of this transaction will follow regulatory approvals, which are expected early in 2026.

While this will be a material change in the Company's ownership, we are excited about the continuity of Fiduciary as a standalone, private company focused on distinctive service to our clients. Additionally, we look forward to the financial resources and expertise that GTCR will bring to the Company.

In addition to the GTCR transaction, 2025 will be remembered for the Company's continued client service and operating performance. The Company achieved record total revenue, and pre-tax profits, and ended the year responsible for \$33 billion in client assets. Client service remained a cornerstone of the Company's offering, with annual client retention surpassing 98%, and new business reaching a new record for the ninth time in the last 11 years.

In addition to the expansion of our comprehensive wealth management offering, the Company's trust services provided through its New Hampshire subsidiary along with its "white glove" custody to external financial advisors continued to both grow noticeably.

We were pleased to have recruited four new Vice Presidents during 2025: Gina Marcantel as Chief People Officer; Larry Primatello as Head of Technology; Karen D'Antuono as Trust Counsel; and Elisabeth Sexton as Trust Officer. We also promoted two professionals to Vice Presidents: Jen Loring and Jim Curley.

In looking ahead to 2026, we will be launching a number of initiatives to refine our processes to further enhance our client service. We expect uncertain global investment markets and will continue to navigate them to help our clients achieve their near- and long-term goals. And, we will continue to pursue the recruitment and retention of exceptional professionals as Fiduciary has always done.

With the conclusion of this important year, I want to thank my colleagues for their extraordinary commitment to our clients and I look forward to continuing to add to the Company's distinguished history in the many years ahead.

Best,

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