Beyond the Basics

Customized Wealth Strategies

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$1.65 trillion

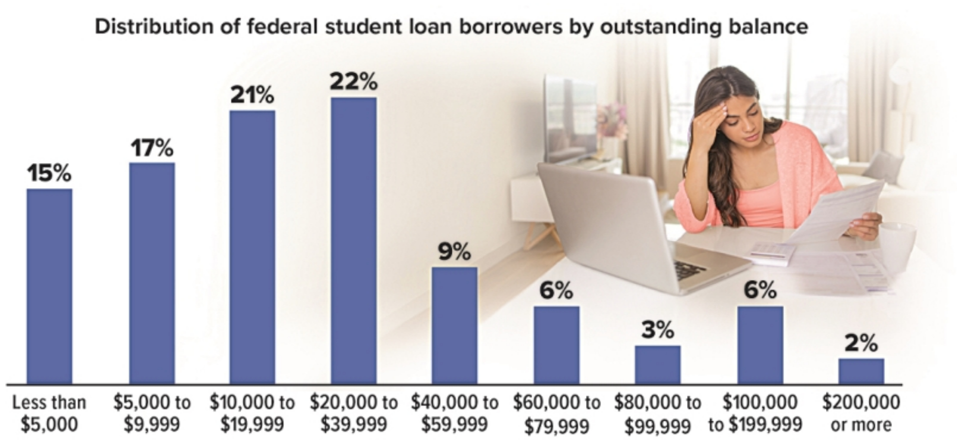
Outstanding federal student loan debt as of Q3 2025. Approximately 9.4% is 90 or more days delinquent or in default.

Source: Federal Reserve Bank of New York, *Quarterly Report on Household Debt and Credit Q3 2025*

Federal Student Loans: How Much Do Borrowers Owe?

Millions of Americans have federal student loans. This chart shows the distribution of borrowers by outstanding loan balance.

As of June 2025, 32% of borrowers owe less than $10,000 (representing 4% of all outstanding debt), 43% of borrowers owe between $10,000 and $40,000 (representing 24% of all outstanding debt), 15% owe between $40,000 and $80,000 (representing 23% of all outstanding debt), and 11% owe more than $80,000 (representing 49% of all outstanding debt). All told, 75% of borrowers owe less than $40,000.



Source: College Board, *Trends in College Pricing 2025* (numbers may not equal 100% due to rounding)

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The Race for AI Could Be Driving Up Your Power Bill

After nearly two decades of relatively stable prices, it's estimated that U.S. residential electricity rates increased 13% between 2022 and 2025, outpacing general inflation of 11% over the same period (as measured by the Consumer Price Index). In some regions where electricity was already more expensive, rates surged more than 20%. As a result, uncomfortably high electricity bills are impacting the finances of many Americans.[1]

Meanwhile, as of mid-2025, 522 power-hungry hyperscale data centers used by technology companies to run artificial intelligence (AI) programs have sprung up around the nation. Another 180 facilities are expected to be constructed by 2028.[2]

If you have been shocked by your power bills recently, you may wonder if the furious race to monetize AI is the reason. Depending on where you live, the answer could be a resounding "yes."

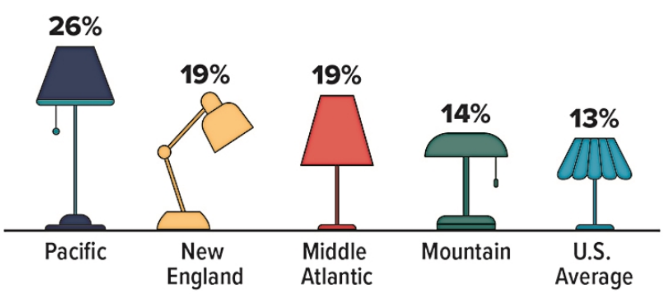
However, electricity prices vary by region and have many influences, from basic supply and demand forces to infrastructure costs and the price of fuels used to generate energy.

New demand from AI

In the United States, much of the electricity consumed by homes and businesses comes from a state or regional grid on which energy is traded. Customers' utility bills are based on the wholesale cost of electricity plus charges for operating, maintaining, and expanding the network. In some places, the supply of electricity (or capacity) has not kept up with demand from an influx of data centers, causing increases in wholesale prices that affect every customer getting their power from the same grid.

A Bloomberg analysis found that wholesale electricity costs near data center hubs were 267% higher in 2025 than they were five years earlier — with the impact on utility bills traveling longer distances than you might think.[3]

Regions with above-average increases in retail residential electricity prices (from 2022 to 2025)



Source: U.S. Energy Information Administration, May 14, 2025

One prominent example is "Data Center Alley" in Northern Virginia, the world's largest concentration of data centers. These data centers and others joined a large grid spanning from Illinois to Virginia, maximizing that network's capacity and pushing up prices for residents of 13 states.[4]

Blame it on the weather

Put simply, the nation's power grid infrastructure is aging and was not designed to power today's high-tech society. In addition, the costs to rebuild infrastructure and restore power to communities after recent historic natural disasters are passed on to utility customers. Notable examples in just the past five years include catastrophic wildfires in California (2025), Hurricanes Ian (2022) and Helene (2024) in Florida, and a polar vortex (or deep freeze) that caused an electric grid in Texas to fail (2021). Other powerful storms have caused expensive wind and flood damage in communities throughout the nation.[5]

Expanding capacity, but not enough

Rapid growth explains why data centers — which consumed less than 2% of U.S. electricity before 2020 — could gobble up as much as 12% of the nation's electrical power by 2028, according to Department of Energy projections.[6]

Developers and utilities are ramping up new electricity generation by building or restarting power plants and extending high-power transmission lines, but these types of projects are expensive, can be controversial, and often take years to complete.

By 2027, it's expected that capacity will be added to the nation's grid at twice the rate seen in the past five years, but it might still take several years to ease the power shortage. Consequently, data centers may have to wait years to connect to a grid, unless they commit to curbing their energy use during peak times when supplies are tight. Some companies are planning to generate their own power on-site, either as a stopgap or to bypass the grid indefinitely.[7–8]

Projections are based on current conditions, subject to change, and may not come to pass.

1) U.S. Energy Information Administration, May 14, 2025

2, 6–7) *The Wall Street Journal,* October 15, 2025

3) Bloomberg, September 30, 2025

4) Politico, October 3, 2025

5, 8) *The New York Times,* November 4, 2025

REITs Offer Income and Diversification

Real estate investment trusts (REITs) can offer a consistent income stream and help provide portfolio diversification. If you own broad stock funds, it's likely that you have some exposure to REITs, perhaps without being aware of it — about 85% of general equity funds contain REITs.[1] For a more strategic approach to making REITs a part of your investment portfolio, you can buy shares in a variety of REIT funds or individual publicly traded REITs.

Pooled property investments

An equity REIT (the most common type of REIT) is a company that uses the combined capital of a large number of investors to buy and manage residential, commercial, or industrial income properties. Equity REITs typically focus on a specific type of property that might range from shopping malls, apartment buildings, and medical facilities to self-storage facilities, hotels, and cell towers.

Under the federal tax code, a qualified REIT must pay at least 90% of its taxable income each year in the form of shareholder distributions. Unlike many companies, REITs generally do not retain earnings, so they may provide higher distribution percentages than some other investments. At the end of 2025, equity REITs paid an average dividend of 4.1%, almost triple the 1.4% average of dividend-paying stocks in the S&P 500 Index.[2–3] REIT dividends may be similar to bond yields in a high interest-rate environment and higher than bond yields in a lower-rate environment.

Share price volatility

While equity REITs are effective income-generating assets regardless of interest rates, share prices can be volatile and are especially sensitive to higher rates. Companies often depend on debt to acquire rent-producing properties, and REIT dividends may appear less appealing to investors relative to the stability of bonds offering similar yields. REIT share prices struggled in the high interest-rate environment of 2022 to 2025 and may be poised for better share-price performance as rates decline.[4] For buy-and-hold investors, however, the income from REIT dividends might be more important than short-term movements in share prices.

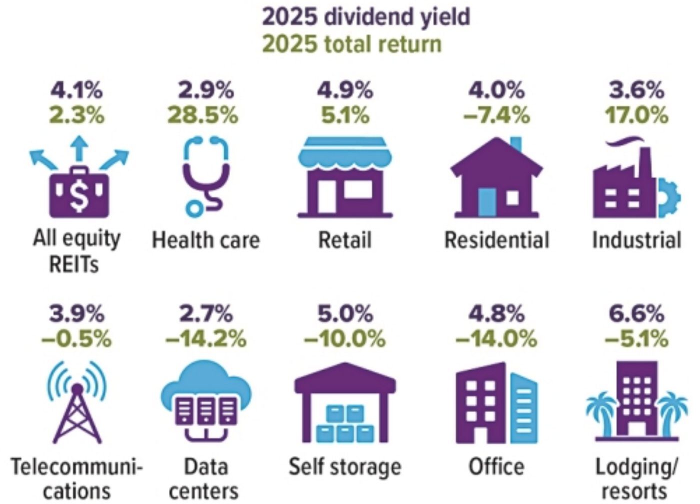
Diversification and asset allocation

Along with providing income, REITs can help increase diversification and broaden asset allocation, because REIT shares do not always follow the movements of stocks or bonds. Over the 10-year period ending in 2025, equity REITs had a correlation of 78% with the S&P 500 and 57% with the corporate and government bond market.[5] As this suggests, REITs are in some respects a unique asset class.

Diversification and asset allocation do not guarantee a profit or protect against investment loss.

Properties and Performance

REITs in general struggled in 2025, due in large part to the lingering high interest-rate environment. However, performance and dividend yields varied widely across different property types. Sector performance can shift significantly from year to year, while dividends tend to be more consistent.



Source: Nareit, 2026 (selected sectors in order of market cap)

Real estate risks

There are inherent risks associated with real estate investments and the real estate industry that could adversely affect the financial performance and value of a real estate investment. Some of these risks include a deterioration in national, regional, and local economies; tenant defaults; local real estate conditions, such as an oversupply of, or a reduction in demand for, rental space; property mismanagement; and changes in operating costs and expenses, including increasing insurance costs, energy prices, real estate taxes, and the costs of compliance with laws, regulations, and government policies.

The return and principal value of all investments fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. REIT distributions are not guaranteed. Investments seeking to achieve higher yields also involve a higher degree of risk.

Funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1–2, 4–5) Nareit, 2024–2026

3) S&P Dow Jones Indices, December 31, 2025

What Can You Learn from Your Tax Return?

Tax season may be behind you, but don't stash away your tax return quite yet. It's full of information that might help you improve your finances or make a difference in next year's tax picture. Here are four things you could learn from reviewing your return.

Are your retirement contributions on track? The W-2 you received from your employer spells out what pre-tax contributions you made during the tax year to your workplace account such as a 401(k) or 403(b). If you were able to make deductible contributions to a traditional IRA, you can find that information on your tax return. An IRA provider will also send you an informational Form 5498, if you're eligible, that shows contributions you've made to a traditional, Roth, SIMPLE, or SEP IRA that you can use to track and review your contributions. The deadline for sending this to you is May 31, so look for this in your inbox or mailbox — you'll receive one form for each IRA.

Use this information to decide if you can increase your retirement contributions going forward. Contributing more will not only help boost your retirement savings (especially if you can receive a higher match from your employer) but could also help reduce next year's tax bill if you are making pre-tax contributions or your contributions will be tax deductible.

Are you withholding the appropriate amount of tax from your paycheck? Receiving a refund that is larger than expected or owing the IRS money are both signs that your withholding deserves a second look. While a big refund is great, it means that you're missing out on the chance to put that money to work for you throughout the year by regularly saving or investing more, or using the funds to pay off high-interest debt. Adjusting your withholding now can also help you reduce the amount you have to pay the IRS next tax season. The IRS has a Tax Withholding Estimator on irs.gov that can help you figure out the right amount of federal income tax to have withheld.

Could your money be working harder for you? Reviewing how much you earned in interest will reveal if you need to explore other options. If you're surprised by how little you earned, it might be time to shop around for a higher rate, or move your money to a different type of account that offers more potential for growth and matches your financial goals and tolerance for risk.

Do you need to rethink your financial strategy? With so much information at your fingertips, it's a good time to focus on your finances in general. Consider scheduling a post-tax season review with a financial or tax professional to explore strategies.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful. There is no guarantee that working with a financial professional will improve investment results.