ISSUE #15

Creative Planning Creative Living

RESOLUTE WEALTH PARTNERS
A NORTHWESTERN MUTUAL PRIVATE CLIENT GROUP

NOVEMBER 2025



What's Going On?

It's officially the holiday season and we could not be more excited! Between the time with family, holidays, and fun activities, we're more than ready for the next two months of craziness!

Northwestern Mutual has announced their expected 2026 dividend payout: $9.2 *billion*! 2026 will be the 155th consecutive year of returning dividends to policyowners, and the 35th consecutive year that Northwestern Mutual has earned the highest financial strength ratings awarded to any U.S. life insurance or financial services company from each of the four major agencies: Fitch Ratings, Moody's, Standard & Poor and A.M. Best! We have some more information about how you can utilize your dividends in this issue.

We know this season can be stressful, so please reach out if you need any help (though maybe you don't want us wrapping presents)!

If you have any suggestions for content you'd like to see, questions, comments, or simply want to say hello, please feel free to reach out to us at resolutewealth@nm.com.

Cheers!

Your Resolute Wealth Team

In this Issue...

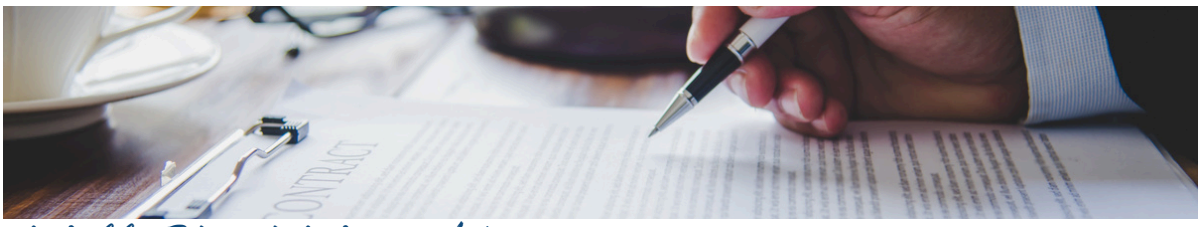
What's Going On

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Wall Street Wrap Up*

Softer inflation reinforces rate cut expectations: September Consumer Price Index (CPI) inflation data from the U.S. Bureau of Labor Statistics (BLS), which was delayed as a result of the shutdown, came in softer than expected on Friday despite ongoing worries about the effects of higher tariffs.

CPI and core inflation, which excludes more volatile food and energy costs, came in a tenth of a percentage point lower than anticipated, with monthly increases of 0.3 percent and 0.2 percent, respectively. On a 12-month basis, headline CPI rose by 3 percent, slightly faster than the 2.9 percent seen in August, while core inflation also rose by 3 percent, marking a slowdown from last month's 3.1 percent.

Goods inflation rose 0.2 percent in September after August's 0.3 percent, while the year-over-year pace remained at 1.5 percent from last month. Most importantly, goods have functioned as a source of disinflation for much of the past 25 years, refraining from exceeding the current 1.5 percent year-over-year level from April 1996 all the way to August 2009.

Within goods, car prices fell, with new vehicle prices up just 0.2 percent compared to 0.3 percent in August. Used car and truck prices fell by 0.4 percent in September. The impact from tariffs was apparent in other categories, however. Apparel prices rose 0.7 percent in September on the back of another substantial 0.5 percent gain in August.

Services inflation, which excludes energy services, also came in cooler than expected, gaining 0.2 percent in September versus August's 0.3 percent. This was likely aided by softer shelter inflation, however, as "supercore" services inflation, which excludes housing costs, increased by 0.35 percent month to month.

Despite inflation remaining notably above the Federal Reserve's 2 percent target, the softer than expected CPI report has reinforced market expectations of an interest rate cut at the Federal Reserve's upcoming policy meeting and increased the likelihood of further easing in December.

Inflation remains a main concern: While overall CPI remained relatively tame in the month of September, consumers continue to express pessimism with regards to inflation according to the University of Michigan's Surveys of Consumers which fell to a five-month low of 53.6 as both current conditions and expectations faltered in the month October. Interestingly, the university's Current Economic Conditions Index fell to 58.6, down from 60.4 in September in its lowest number since June–August 2022. Aside from that two-month period, the index has never dipped so low since the Global Financial Crisis in October and November 2008.

Consumers assessment of future intermediate to long-term inflation continued to be a prime concern with the five- to 10-year median CPI rising to 3.9 percent in September from 3.7 percent the previous month, continuing its upward climb from July's 3.4 percent. Aside from the period of March–June earlier this year, when the figure peaked at 4.4 percent in April, this is the highest reading since May 1992 when inflation was continuing to rise from 1980s-era highs into more stable territory. This shows that many consumers think inflation could potentially become a more permanent fixture in the U.S. economy.

Nonetheless, inflation remains a key concern for consumers, with 45 percent of respondents stating that their personal finances were negatively impacted by high prices, the highest reading since August 2024. Similar concerns arose for large purchases as well: "For large household durables, buying conditions worsened this month as a rising share of consumers negatively referenced prices or tariffs. Buying conditions for vehicles are more than 20% below a year ago, with 39% of consumers citing high prices," the surveys noted.

Resolute Firm Updates

Your Northwestern Mutual Dividend

What *are* dividends?

For each insurance product, we make certain assumptions when we establish our policy guarantees (e.g., how many claims we will pay, cost to run our business, investment return). If our actual experience is better than we assumed (i.e., better than the assumptions underlying our policy guarantees), we may choose to pay a portion of those extra funds back to our policyowners in the form of a dividend. And this is exactly what we have done for 155 consecutive years.

How you can use your dividend

As a Northwestern Mutual life insurance policyowner, there are four ways to use your dividend:

1. Purchase additional coverage in your whole life insurance policy to enable to the death benefit and accumulated value of your policy to grow faster.

2. Pay a portion or even all of your insurance premium (if your dividend is large enough to do so).

3. Accumulate dividends inside the policy (thereby increasing the cash value) with interest credited at a rate set by the company, but not less than the minimum rate specified in the policy.

4. Take it as a cash payout, in which case, we will send you a check to use however you'd like.

Are you on the app?

It's never been easier to track your progress! Download the Northwestern Mutual app on iOS or Android!

Market Commentary | Brent Schutte, CFA*

The S&P 500 reached fresh all-time highs on Friday as softer than estimated inflation data reinforced investor bets on further interest rate cuts. Speculation that the monetary policy easing will help supercharge corporate earnings also pushed stocks higher.

In the aftermath of Federal Reserve rate hikes in 2022 and 2023, interest rate-sensitive parts of the economy have seen slower economic growth—think manufacturing, housing, Small Cap companies and lower- to middle-income consumers. Contrast that with Large Cap companies tied to the secular theme of artificial intelligence and higher-income consumers that are more interest rate insensitive. This has created a bifurcated economy, which has in turn led to a bifurcated market. Put simply, companies that are interest rate sensitive have seen little to no earnings growth versus less sensitive sectors that have seen earnings grow over the past few years.

Interest rate-sensitive Small-Cap stocks led the charge last week. In a sign that lower interest rates could help broaden future economic growth, which would serve to broaden earnings and market growth, the S&P 600 index was up 3.22 percent, outpacing the Large-Cap S&P 500's 1.93 percent.

Small-Cap outperformance is a noticeable departure from the Large-Cap dominance that has come to define the past several years, as an increasingly smaller concentrated subset of stocks has done the heavy lifting in markets in U.S. equity markets. Since 2022 the S&P 500 has returned 24 percent annually versus 10.9 percent for their Small-Cap counterparts.

However, the S&P 500's advance over the past couple of years has been driven by a historically narrow subset of stocks. For example, in 2023 only 28 percent of the companies in the S&P 500 outperformed the return of the index, while in 2024 a slim 32 percent outperformed the index. In data going back to 1973 the average is 48 percent. We note this narrowing of the markets is not uncommon, as it often happens during periods of time when the Fed has been raising interest rates, such as 1973, 1980, 1990 and 2020. However, the past two years are tied for the narrowest years on record with 1998 and 1999. Back then, it was the dot-com boom coupled with corporate Y2K spending that kept a bifurcated economy pushing ahead. Today the artificial intelligence frenzy has fueled significant outperformance in that segment of the economy and market, while other sectors have lagged. In both cases, markets became deeply segmented as winning stocks produced outsized earnings growth given their relative economic insensitivity and ties to the leading technology of the era.

We continue to believe that both the economy and markets will broaden, much as they have in the aftermath of every narrow market over the past 52 years. Investors appear to be positioning for a broadening as lower interest rates alleviate stress on the interest-sensitive parts of the economy and markets.

As the Fed's October 28-29 meeting fast approaches, investors are betting heavily that the cooling job market will fuel additional rate cuts. Markets are currently pricing in a 100 percent chance of a 25-basis-point cut later this week as well as another one in December.

It's not just short-term rates that have fallen over the past few months; it has also occurred across the Treasury yield curve. The two-year treasury has fallen from 4.24 percent to start 2025 to 3.48 percent to end the week, while the 10-year has dropped from its peak of 4.79 percent in mid-January to end this week at 4 percent. These moves have accelerated in recent weeks, especially in the aftermath of the July jobs report that saw significant downward revisions to prior-month jobs reports, which caused markets to price in future rate cuts. Since the release of that jobs report, Small-Cap stocks have outperformed their Large-Cap counterparts by 3 percent.

We expect this relative outperformance to continue in the coming years, given the relatively cheap valuations of Small Caps relative to Large Caps coupled with expectations of better earnings in the days ahead. We also note that we expect the benefits of AI to spread throughout the U.S. economy and help companies across the spectrum improve their margins and profits, much like the period post-1998 and1999.

While we expect better days ahead for the broader economy and markets, the question remains if there will be an economic and market hiccup along the way. While falling Treasury yields are a positive, they likely also reflect worries that the labor market is weakening, which (at least historically) has been a sign of potential economic weakness.

Whether more good news or bad news lies ahead, maintaining a well-diversified portfolio is the key to remaining prepared for all economic outcomes.

How Can We Help?

Are you up-to-date on your financials? Have questions on your plan? Has anything changed in your career, family, or financial situation? Know someone who could use our help?

Reach out to us today! We're happy to discuss what we can do to make your experience more beneficial.

Refer a Friend | Schedule Meeting | Submit Feedback

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*"Small Caps Outperform on Expected Rate Cuts", October 27, 2025" For the full article and disclosures, click https://www.northwesternmutual.com/life-and-money/small-caps-outperform-on-expected-rate-cuts/

The dividend scale and the underlying dividend interest rates is reviewed annually and is subject to change. Future dividends are not guaranteed. Northwestern Mutual continues to have the highest financial strength ratings awarded to any U.S. life insurer by all four of the major rating agencies: A.M. Best Company, A++ (highest), October 2024; Fitch Ratings, AAA (highest), July 2025; Moody's Ratings, Aa1 (second highest), June 2025; S&P Global Ratings, AA+ (second highest), April 2024. Third-party ratings are subject to change and are a measure of the company's relative financial strength and security but are not a reflection of the performance or stability of funds invested in a company's separate accounts. Ratings are for The Northwestern Mutual Life Insurance Company and Northwestern Long Term Care Insurance Company.