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THE CAPSTONE QUARTERLY

As we welcome the third quarter and celebrate the Fourth of July, we hope you have the opportunity to enjoy time with family and friends while reflecting on the freedoms and opportunities we cherish. In this newsletter, Bryce discusses treasury yields and their effect on the markets, while Casey explains the new Trump Accounts available for kids starting July 4th.

BRYCE'S POINT OF VIEW

Bryce Pease, CFP®

Treasury Bonds

There's a financial topic that never gets discussed around the water cooler or at the dinner table. It's boring and obscure…especially compared to the stock market, or bitcoin, or real estate, or any of a dozen other subjects people do talk about. And yet, it's arguably more important than any of those. In fact, it's one of the pillars that prop up our economy. I'm referring, of course, to the bond market.

The bond market is something that tends to hum along in the background, mostly unnoticed. But every so often, something happens with bonds that makes headlines. Like on May 19, when the yield on 30-year Treasury bonds hit their highest level since 2007.[1]

For most people, that last sentence likely has no emotional impact whatsoever. But Treasury yields are actually a key indicator for where the economy might be headed, and they can have an indirect impact on the stock market, too. While yields have gone down somewhat in recent weeks, the factors that caused the spike may not go away anytime soon. So, I thought it would be a good idea to explain what headlines like this are all about and why the topic matters.

Let's start by breaking down what I mean by "yield." To put it simply, a bond's yield is the return an investor expects to gain until a bond matures. Yields can be determined by dividing the bond's annual interest rate payment by its price. For example, imagine an investor, whom we'll call Bryce, buys a bond with a 10% interest rate for $1,000. The bond's yield would be 10%, too. But now imagine that Bryce sells that bond to Casey a year later…but for $75 more than his initial $1000 investment ($1,075). Since the bond is being traded for more than its original value, the yield would go down to 9.3%. (After all, if Casey pays more than Bryce for the same level of interest rate, she's getting a lower return on her investment than Bryce did.) However, if Bryce sold the bond for less than he originally paid – say, $975 – then Casey's yield would rise to 10.25%.

Based on this example, we can see that yields and bond prices are inversely related. If a bond's price goes up, its yield will go down. If the price goes down, the yield goes up.

So, that's yield in a nutshell. Many analysts and economists use yields to project which direction interest rates will move in the future…and by extension, the overall economy. You see, when interest rates are expected to rise, bond prices tend to go down. And when interest rates are expected to fall, bond prices rise. For that reason, when yields rise across the entire bond market, analysts often see it as a signal that interest rates may rise soon, too.

Why are yields rising now? Because inflation is on the rise. In recent months, consumer prices have gently but persistently inched upward due to skyrocketing oil prices and the lingering effects of higher tariffs. In April, the Consumer Price Index, which tracks price changes for a basket of consumer goods over a 12-month period, rose to 3.8%.[2] That's the highest in three years. The Federal Reserve has a stated goal of keeping the inflation rate at 2%. (A number we haven't seen since early 2021.) Because it has a mandate to stabilize prices, when inflation rises, the Fed often turns to its primary tool:

Hiking interest rates. So far, the Fed has not yet chosen to do this. But if inflation continues to rise, history suggests the Fed will eventually have no choice. This, ultimately, is why bond yields are on the rise.

Now, why does all this matter? Well, Treasury yields are an important bellwether for the overall economy. As they are often seen as the ultimate "safe harbor" investment, investors all over the world buy U.S. treasury bonds so they can simultaneously secure their money while also earning a return on it. Because of this, many other interest rates and borrowing costs are tied to Treasury bonds. For example, 2-Year Treasuries affect credit card interest rates, auto loans, short-term personal loans, and business loans. 10-Year Treasuries influence borrowing costs for mortgages. Finally, 30-Year Treasuries are a barometer for how investors and financial institutions assess the health of the overall economy. As a result, they impact how much companies and municipalities pay in interest on their long-term bonds.

When all these events happen – rising inflation, rising yields, and rising interest rates – it can sometimes affect economic growth. Inflation, obviously, reduces purchasing power, which decreases consumer spending. But higher yields can have a similar effect because companies have to pay higher interest rates in order to borrow money. At the same time, higher yields can also put pressure on stock valuations.

It's worth noting that everything in the last two paragraphs is hypothetical. Economic growth has been solid in 2026, and the stock market has reached record highs. But as we move into the second half of the year, it's worth keeping an eye on Treasury yields and interest rates as a potential "early indicator" for volatility on the horizon.

Did you know?

U.S. dollar bills weren't always green. Colonial money for example, was tan with black or red ink. It wasn't until the civil war that the government started using green ink to print paper money where it got the name "greenbacks". The color was selected because the ink didn't fade or easily decompose, which protected against counterfeiting. When the U.S. standardized the size of the paper currency in 1929, the government maintained the green design because the ink was abundant and cost effective.

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CASEY'S CORNER

Casey Morris, CFP®

Trump Accounts

By now you've probably heard about these, and maybe even done a little reading about them, too. But what are they, exactly? Who and what are they meant for? And are they right for you and your family?

First announced as part of the One Big Beautiful Bill Act that went into law last year, Trump Accounts will officially launch on July 4, 2026.

A Trump Account (TA) is a type of tax-advantaged investment account designed specifically for children. Their purpose is to help families begin saving money for a child's future, with the funds inside the account available once the child reaches adulthood.

A Trump Account can be opened for any child who is both a U.S. citizen and a minor when the account opens. (The parent who opens the account must also have a U.S. social security number.) Parents can contribute up to $5,000 each year, and family members may also participate. Even employers can contribute to a TA, up to $2,500 per year. (It's important to note that these contributions count towards the $5,000 annual limit.)[3]

Once the TA is established, the funds inside can be invested solely in index funds – there are no other investment options available. All growth is tax-free; however, withdrawals are not permitted until the child turns eighteen. After that, a Trump Account essentially operates like an Individual Retirement Account, or IRA.[3] Additional contributions remain tax-deferred, while distributions are taxed as income. Furthermore, as with an IRA, withdrawals made before the age of 59½ are subject to an additional 10% penalty. Exceptions include if the withdrawal is for a first-time home purchase, certain medical expenses, or specific educational expenses, among others. All these withdrawal exceptions have their own rules associated with them so make sure to understand them before making the withdrawal.

One of the benefits to opening a Trump Account is that the government will provide an initial contribution of $1,000 to any child born on or between January 1st, 2025 and December 31, 2028.[3] This money is tax free and does not count toward the $5,000 annual contribution limit.

That said, Trump Accounts are not necessarily something every parent should open, either. There are many ways to help your child or grandchild save for the future, and depending on your situation and specific goals, there may be better options. Other ways to help kids save for the future can include 529 College Savings Accounts, Roth IRAs, and UTMA (custodial) accounts. If you are looking to get started on saving for a child's future, or want to review your current strategy, please let us know. We are glad to help.

FINALLY…

Casey and her husband, John, have been taking steps to have 2 of their golden retriever dogs certified as therapy dogs. The therapy dog program trains dogs and their handlers to visit schools, healthcare facilities, correctional organizations, and addiction recovery programs to provide animal assisted therapy. Their oldest, Husker, recently completed the program and has begun volunteering with John at various locations. Husker will soon have a weekly placement at an assisted living facility where he will visit the residents to help lift morale, lower stress, and provide a social connection for those that often miss their own pets. Casey and John have a heart for the senior community and dogs, which combines the two perfectly.

Sincerely,

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P.S. If you ever run across anyone who could use our services or is unhappy with their current adviser, we always appreciate it when you pass on our name.

1 "30-year Treasury yield tops 5.19%, highest since the financial crisis," CNBC, www.cnbc.com/2026/05/19/treasurys-yields-inflation-traders-fed-interest-rates.html
2 "Consumer Price Index Summary," U.S. Bureau of Labor Statistics, /www.bls.gov/news.release/cpi.nr0.htm
3 "Treasury, IRS issue guidance on Trump Accounts," Internal Revenue Service, https://www.irs.gov/newsroom/treasury-irs-issue-guidance-ontrump-accounts-established-under-the-working-families-tax-cuts-notice-announces-upcoming-regulations