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KŪPONO WEALTH PLANNING
The State of Kūpono — August 2026

Dear Friends and Clients,

July gave us a month we won't forget. Even though the Knicks season was over and the Giants have yet to start, we got together to watch the World Cup final and see Spain play Argentina. Argentina is where Mariel grew up and Spain is where her parents still live today. There was a lot of yelling at the screen. Some of it was even about soccer (*or futbol.*)

August means the school year is turning over, and this year carries some real weight. The younger kids on our team are headed back to Sunset Elementary and Punahou. Abigail — Brandon's daughter — is headed to Syracuse University. Moorea — Mariel's daughter — is headed to Washington State. Brandon and his family will fly out to help Abigail get settled on the East Coast. Mariel and her family are doing the same for Moorea out west. Both of our households will join the empty nest club this month. We're sad to see them go, and genuinely excited for the futures they are building ahead for them. Both things are true at once, and we've stopped trying to pick one (*at least that's what we tell ourselves.*)

It's also the first time either Mariel or Brandon will be somewhere other than this office for any period since we opened last Halloween. The good news: wealth planning has always traveled well. A laptop and a phone get the job done whether we're on the North Shore or a dorm move-in three or six time zones away — your accounts, your plans, and your calls are covered the whole time.

Closer to home, we hosted our first in office client event, a coffee tasting earlier this month — local roasts, good cups, good conversation, no slideshow required. We're already planning some upcoming events, including our open house for September, and details are coming your way soon. Mara's talent at organizing and coordinating these events makes them seamless on our end and fun for our guests.

Sending two of our own kids off to college has us thinking about a question a lot of you have asked us directly over the years: how do families actually pay for higher education?

Conveniently enough, that's this month's topic.

With aloha and gratitude,

Brandon, Mariel, Mara & Tonya

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Paying for College

What the numbers actually say

Whether you're raising toddlers or you're already a grandparent, the cost of a four-year degree is probably on your radar, or about to be.

The number is real, even with help available. Over \$100 billion in grant and scholarship money is awarded every year, according to the Education Data Initiative, a research group that tracks the U.S. education system. The average award runs about \$4,100 at public two-year schools. First-time undergraduates receiving government aid at four-year colleges average about \$15,750 a year.

That still leaves a bill. Tuition inflation has actually slowed this decade, falling at a 1.90% average annual rate over the past three years, per the same source. Small comfort. Public college tuition today costs 40 times what it did in 1963. Adjusted for inflation, that's still a 312% increase, and it's up 37% since 2010 alone. If you went to college in the '70s or '80s, you already know this firsthand: tuition has outrun the rest of the economy for a long time.

So who covers the typical \$30,000-a-year bill? Parents carry about 40% of it. Scholarships and grants cover roughly 25%. Savings plans and student loans split another 22% between them. The remaining 13% comes from wherever a family can find it.

COMPOUNDING DOESN'T CARE HOW BUSY YOU ARE

Start early, and the math does heavy lifting. Save \$250 a month from birth at 6% annual growth, and you'll have roughly \$97,000 by the time your child turns 18. Wait until age 9 to start, and that same \$250 a month gets you to just under \$35,000 by 18.

Doubling the years nearly triples the balance. That's the whole lesson — nothing exotic, just true. And if you didn't start on day one, a 9-year-old with \$35,000 already saved is in far better shape than one starting from zero.

FIVE WAYS TO CLOSE THE GAP

A dedicated college fund shrinks the distance between what you have and what tuition costs. Here's a plain look at five vehicles worth knowing. This is a general overview, not a recommendation for your specific situation — consult your CPA or attorney before acting on any of it and reach out to us if you'd like to talk through what fits your family.

1. 529 plans*

State-sponsored and open to any contributor. Prepaid tuition plans lock in credits at specific schools; education savings plans let you invest broadly for tuition, K-12 costs, and other qualified expenses. Growth is tax-free, and qualified withdrawals skip federal income tax (often state tax too). Annual K-12 withdrawals now cap at \$20,000 per beneficiary, doubled this year under the One Big Beautiful Bill Act, though states are adopting the new limit at different speeds.

In 2026, individuals can gift up to \$19,000 a year (\$38,000 for married couples) into a 529 without touching their lifetime gift tax exemption, or "superfund" up to five years at once, \$95,000, without triggering gift tax. State maximums vary and can top \$500,000. Funds also cover professional development, continuing education, and apprenticeship programs.

*Prior to investing in a 529 Plan investors should consider whether the investor's or designated beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's qualified tuition program. Withdrawals used for qualified expenses are federally tax free. Tax treatment at the state level may vary. Please consult with your tax advisor before investing.

2. Coverdell ESAs

Similar tax treatment to a 529, with a wider range of investment choices, but capped at \$2,000 in annual contributions. Income limits apply: the phase-out runs \$95,000 to \$110,000 for single filers, \$190,000 to \$220,000 for joint filers.

3. UGMA/UTMA custodial accounts

An adult opens and manages the account, but the deposit becomes an irrevocable gift to the child the moment it lands, and it can affect financial aid eligibility. Tax advantages exist but fall short of a 529 or ESA. There's no contribution limit, though gifts above \$19,000 a year (\$38,000 for a married couple) trigger IRS Form 709.

In 2026, the first \$1,350 in earnings is exempt from federal tax, the next \$1,350 is taxed at the child's usually lower rate, and anything above \$2,700 reverts to the parent's rate. Control transfers to the child somewhere between 18 and 25, depending on the state. After that, it's theirs to spend or save.

4. A plain savings or brokerage account

No tax perks, no restrictions either. You keep full control over how the money gets used.

5. A Roth IRA

Contributions can be withdrawn anytime, tax- and penalty-free. Earnings can come out penalty-free for qualified education expenses too. Weigh what that withdrawal does to your own retirement plan before you tap it.

Saving for a kid's education starts with a plan, not a windfall. Whether that's a 529, steady monthly contributions, or some mix of the above, the goal stays the same: build something real, one month at a time.

We're living this one ourselves this year. If you'd like to talk through what makes sense for your family, we're here.

Chips Ahoy

A closer look at the market's most volatile corner

For about three months, the S&P 500 has been stuck in a fairly tight range. Underneath that calm surface, one corner of the market has been anything but quiet: the PHLX Semiconductor Index.

Active traders know it well. Most long-term investors have never heard of it. The index has been around for more than three decades, tracking roughly 30 of the largest semiconductor and memory chip makers by market value.

Here's why it matters. Demand for memory chips used in PCs and phones has spiked, driven largely by companies building AI data centers. Chip prices have followed. Strong demand plus rising prices tends to mean one thing: profits climb. Investors noticed. The index doubled in the second quarter before peaking on June 22, according to the Wall Street Journal.

The appetite for anything AI-related has been extraordinary. Epoch AI estimates that the computing power behind the world's AI chips has grown 3.4 times a year since 2022, doubling roughly every seven months, based on revenue data and company disclosures.

Trading has been rough in both directions. From the June 22 peak, the index fell into bear-market territory within four weeks, dropping 20%, and eventually shed close to 30% before bouncing back at the end of July.

What's behind the tug-of-war? Investors are nervous about the sheer size of the spending behind data centers. The real question is whether companies pouring hundreds of billions of dollars into AI infrastructure will actually earn a return on it. Moody's has flagged the same uncertainty: it's not fully clear how much of today's AI

demand is organic, and how much is being propped up by the industry's own biggest players investing in each other.

None of that changes the fact that demand for AI itself remains remarkably strong. The pullback in chip stocks may just be a healthy correction, a way of wringing out some of the excess optimism that had built up. Crowded trades tend to unwind eventually.

The money leaving semiconductor stocks hasn't gone to cash. It's moved into other sectors, broadening the rally to groups that had been left behind. Some previous winners have cooled off, but the economy keeps growing and corporate profits remain solid.

KEY INDEX RETURNS

Index	July %	YTD %
Dow Jones Industrial Average	0.32	9.20
Nasdaq Composite	-3.20	9.17
S&P 500 Index	-0.13	9.41
Russell 2000 Index	-3.08	18.11
MSCI World ex-USA †	2.00	9.74
MSCI Emerging Markets †	-3.31	18.62
Bloomberg US Agg Total Return	-1.30	-0.69

† In U.S. dollars. Source: Wall Street Journal, MSCI.com, Bloomberg, MarketWatch. MTD: June 30 – July 31, 2026. YTD: December 31, 2025 – July 31, 2026.

The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors. The S&P 500 is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States. The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index. International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets. The Russell 2000 Index is generally representative of the 2,000 smallest companies by market capitalization in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index. The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia. Indexes are unmanaged and cannot be invested in directly.

We'd caution against making big bets on any one narrow sector, chips included. Diversification, patience, and a long-time horizon remain the better bet. Success in investing comes less from timing the market and more from time spent in it. Warren Buffett put it well: "The stock market is a device for transferring money from the impatient to the patient." Chasing whatever's hot this quarter tends to cost more than it's worth.

With aloha,

Brandon, Mariel, Mara & Tonya
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