December 2024

Dear client,

As 2024 ends, my hope is that all of you have been able to spend time with family throughout this Holiday Season, as it's a great reminder to what is most important in our lives!

2024 was a fantastic year for the stock market, being the 2nd year in a row with strong gains. The S&P 500 Index was up close to 23% for the year, following a year in 2023 that produced returns of almost 26%. Each market cycle is unique but it's interesting to note that Sam Stovall, chief investment strategist at the investment firm CFRA, said that in the 11 bull markets since 1947, each celebrated a second birthday, (as 2023 & 2024 did), the next year went on to produce an average return of just 2.0%. All third years saw a pullback of at least 5%; three succumbed to a new bear market and three posted double-digit gains.

So, history tells us be prepared for lower returns and a return to volatility in the upcoming year.

However, as we mentioned earlier, each economic cycle is different. We are now in a "Federal Reserve interest rate cutting cycle", the speed and to what degree of cuts is still to be determined. According to Solita Marcelli, Chief Investment Officer at UBS, historically the S&P 500 averages about an 18% return from the first rate cut (if there has been no recession). So far, we can check that box of no recession and the first-rate cut was in September of 2024. As you can see, it adds a twist to the above typical return of stocks after they celebrate their second birthday of a bull market (2023, 2024). Point being, this is far more of an art then a science.

And if all that were not enough, we have a new administration taking over in January, all be it, one that has divided voters more so than we have seen in decades. I have included a handout from Hartford Funds that is titled, "The Market is Mightier Than Politics and Policy". This gives a nice depiction of the stock market marching higher over time (not without some significant disruptions along the way) despite changes in the White House and interest rates.

The Sevens Report summarized it nicely, by saying: "even if growth is solid and the Federal Reserve continues to cut interest rates, there are going to be policy risks for 2025. Once Trump takes office, he will be in a position to start executing policies around the deficit, debt, and trade. Additionally, the details around any tax cutting plans will start to be revealed (and they cannot disappoint markets)." Finally, geopolitics remains a significant source of potential trouble.

(OVER)

Please continue to make sure that your allocations to stocks are in a range that you are comfortable with around these potential volatility risks. While a recession does not look imminent – I am very confident that 2025 will see far more volatility than the past 2 years had.

My point is that although it may feel a little more uncomfortable this coming year, as we have been lulled into relative calmness seeing the stock market as it continually grinded higher, it does not change our long-term investment strategy to own stocks over the long run. However, from time to time we need to be reminded that stocks can and do go down.

The first quarter of 2025 will have you working on gathering up tax documents for your 2024 tax returns. Typically, 1099R's that note distributions from qualified plans (IRA's etc.) are the first to arrive towards the end of January. Keep in mind, the 1099's for dividends and interest for taxable accounts won't arrive till a few weeks later, in February.

Please do not hesitate to reach out to us if you are unsure that you have all tax documents needed for your taxes. This tax year should be easier, since we are not getting multiple tax documents from different custodians. Now that the merger with TD Ameritrade and Schwab is well behind us, there will only be tax forms from Schwab. As always, we will look to keep you up to date on changes that may come in the upcoming year related to personal income taxes, estate taxes, and investment income taxes.

In the year ahead I wanted to remind all of you of the growing problem with identity theft. Continue to monitor your financial accounts, bank statements and credit card activity carefully. Avoid "phishing scams", where someone may pose as someone from the IRS, or from another company, stating that you owe them money. If something doesn't sound right, hang up! Do NOT give them any of your personal information. Make sure that your online security is strong, with unique passwords or multifactor authentication. If you have any questions regarding these topics, feel free to touch base with us – chances are we have had experience with it before and can help lead you in the right direction.

We mentioned in our last letter that we would be getting new Advisory Agreements out to all of you, listing the new/current Schwab account numbers and updates in necessary compliance language. We will be starting that process in the New Year and I want to repeat myself again; "Your Advisory fees are NOT changing at all and our business practices will remain the same as always."

If you have any questions at all, please do not hesitate to contact our team.

Sincerely,

Bryan Bastoni, CFP
CERTIFIED FINANCIAL PLANNER, TM

ENCLOSURE.