

September 2024

Dear Client,

This September, I had the opportunity to attend one of the largest Wealth Management Conferences this year, held in Southern CA. Some of the brightest minds in the industry, such as Jeffrey Gundlach CEO and CIO of Double line Capital, Tom Lee Co-founder and Head of Research for Fundstrat, just to name a few, took to the stage for informative sessions on key issues affecting businesses in today's environment.

It was great talking with other Financial Advisors from across the country, getting to hear some of the issues that they are facing with their clients, and what they are doing to help them succeed. So, while many of today's challenges have changed, they still revolve around the core issues of investment planning: retirement planning, distribution planning, tax planning, and estate planning.

I also had the chance to talk with some other Advisors who were formerly with TD Ameritrade, and due to the merger, are now with Charles Schwab. Many were much happier today than a year ago when the change took place. Things are now running smoothly and improvements to the platform are being made on an ongoing basis to give you, the client, a better overall experience.

For the better part of a year now the talk in the investment universe has centered around the **Federal Reserve** and interest rates. The **Federal Reserve** had hiked interest rates a total of 11 times between March 2022 and July 2023 to fight inflation. Since the end of that hiking cycle, the **Fed** has held rates steady for over a year. Now here in September, they have started to cut rates, with a half point rate cut happening on September 18th, with the possibility of 2 more rate cuts by the end of 2024 (more likely quarter point cuts). Also, an additional 3 or 4 rate cuts look likely in 2025.

The anxiety in the stock market has been around the fear that the **Federal Reserve** would be too late to cut rates. And by the time they did, a meaningful slowdown in growth would already be under way. Think of that "Soft Landing" that we have heard so many times in the financial media. That is when interest rates become less restrictive at just the right time to head off any material economic slowdown. Tune into the Wall Street economists and you will hear a range of predictions from a recession coming with rate cuts too late, to a perfectly orchestrated interest rate cycle that gives us that perfect "soft landing." Having been around this business long enough, I cannot help but be skeptical that things will play out perfectly - But do know that we will be here to continue to help you navigate these uncertain times.

(OVER)

My thought is that 2025 will be an important year in this economic cycle to see how much of a slowdown we could have before we start to see the effects of easing interest rates. It's never been a good strategy to try to time these economic cycles by moving in and out of investments. Steady asset allocations over time have allowed our clients to capture the market returns. The S&P 500 Index has returned close to 12.50% annually over the last 10 years, outpacing the historical average of about 10% since 1926. Bonds have average closer to 5% since 1926.

Barron's Magazine recently had a great article titled; **"It's time to throw out the 4% rule and give your retirement paycheck a raise,"** by Elizabeth O'Brien. New research indicates that a 5% withdrawal rate is "safe", although how you invest and tap your portfolio is critical to keep the cash flowing.

The inventor of the 4% rule is hiking his "safe" rate too. Retired financial planner, Bill Bengen tells **Barron's** that he is revising his benchmark in his upcoming book to a rate very close to 5%.

Firsthand experience here shows me that starting to draw on a portfolio, after a lifetime of saving and investing, can be an unsettling change. Whether you are drawing down at less than that 4% rate, or a bit more, each of you have different circumstances and needs. But the important point is that we review the draw-down over time to make sure you will never run out of money. It is not a plan that you set at a certain rate and look up in 20 years to see if you had success. It is something that is reviewed on an ongoing basis to ensure a successful outcome!

I mention in each letter to make sure that you are comfortable with your portfolio's allocation. We need to keep working on this together so you have the peace of mind and confidence that you can weather any volatile periods in the market, as we have had in the past. Our team is here to help you every step of the way. We ask that you do not hesitate to reach out with any concerns that may arise over time. It's important for you to review your portfolio with us, at least annually, to make any adjustments that might be needed.

Now that the changeover to Schwab is fully completed, we will be working on getting new management agreements out to all of you. They will reflect your new Schwab account number(s) and updates in necessary compliance language. – I want to stress that in doing this, your management fees are NOT CHANGING and all of our business practices will remain the same as always.

It's hard to believe that the next letter I write, the Holiday's will have passed and we will be in 2025! Wishing you all a great last few months of 2024.

Sincerely,



Bryan Bastoni, CFP
CERTIFIED FINANCIAL PLANNER, TM