

December, 2023

Dear client,

As another year ends, we look back on 2023 and forward to 2024. This past year has had some obstacles to overcome (nothing different from any other year), but from a stock market standpoint, it was up to the challenge. The Dow Jones Industrial Average reached a new all-time high, closing over 37,000. The S&P 500 Index closed the year up over 24%; and the NASDAQ returned almost double that percentage. This all follows a tough 2022 that saw the above major indexes down 19.64% and 33.47% respectively. Sometimes it seems like we take three steps forward and two steps back! Morgan Housel said it best: "Optimism and pessimism will always overshoot because the boundaries of both can only be known in hindsight, once they have passed." Long term investors continue to be rewarded by building wealth over time. The S&P 500 Index, annualized return since 1926, is close to 10%.

2024 is an Election year and that typically has implications on the broader stock market. According to **First Trust**, there have been 24 Elections since the S&P 500 Index began. In these election years, 20 of the 24 years (83% of the time) provided positive returns. **See Attached handout titled "S&P 500 Index returns in U.S. Presidential Election Years."**

We could then drill down deeper into the higher returns when Republicans are elected vs. lower returns in the years Democrats were elected. But I suspect you will have all you can handle this upcoming election year with the political wrangling around shaping policies at a point where Government spending is spinning out of control. Deficit spending has been deemed necessary during times of economic stress, military conflicts, and high unemployment; not during periods of time when unemployment is historically low and the US is not involved in direct military conflicts. That is what is so concerning regarding government spending over the past few years.

And while we could all have a great morning over coffee, talking about the economy and latest politics. What most of you are thinking after reading this is; what if anything, should I be concerned about with my investments? Carefully planned allocations to stocks and bonds are important, as this will dictate long term returns as well as riding out the volatility along the way. The kind of volatility that can keep you up at night during some of the darkest times in the market! And while I do not see anything like that in the near term, the right mix of stocks and bonds is very important. It makes sense to review this at least annually and more often if things have changed for you personally. Our goal on the stock side has always been to build a low cost diversified mix that will allow you to reap those long term returns in the market – tailored to your risk level. On the fixed side we have been utilizing a good amount of CD's and treasuries lately, locking in at current rates. While turning more positive about the next few years of returns for bond funds, as it appears interest rates are leveling off. Stable rates (to eventually lower rates) are a good set up for bond fund returns over time.

On the Retirement side of things, many options remain interesting. Roth Conversions are still a great option for many who believe tax rates are only headed higher in the future. Many of our clients continue to take advantage of partial conversions each year, depending on their tax bracket. **Donor Advised Funds** are also a great option for those who are Charitably inclined; getting a tax deduction in the year you fund it and then having an account available to make donations over time to organizations important to you.

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Rules around the **Required Minimum Distributions** from Inherited IRAs during a required 10-year period, continue to be a bit confusing. The IRS has waived penalties for not taking those for the past 3 years. Those of you who are under the 10 Year period to close out inherited IRAs should make 2024 the year to revisit your overall distribution plan. The more time we have left to plan for full distribution of these accounts, oftentimes the better income tax outcome. Another Rule in 2024, allows for unused 529 balances to be allowed as a Roth Contributions for the beneficiary of the plan. And while this sounds great – there is a checklist of restrictions that go with it. If you would like to learn about this plan option, please give us a call.

I want to continue to thank all of you for your patience in our change of custodian to **Schwab**. I have said it before, change is not easy, and the older I get, the less change I like! But some change is inevitable and that was the case with **Schwab** purchasing **TD Ameritrade**. **Schwab** does have additional processes and procedures, which can lead to additional administrative work and longer processing times. In the end the safety and security of your assets with the custodian is the most important thing; and I have full confidence in that. Many of you now understand the slightly longer settlement times for cash transfers to your bank when trades are required to draw up cash – I mention this again just to remind you for the upcoming year!

Tax time will soon be upon us again and this year, and for any taxable account(s) you will get a tax form from **TD Ameritrade** and one from **Schwab**. Also, for IRA accounts, you will get a 1099R from **TD Ameritrade** if you took distributions before 9/1, and another one from **Schwab** if you took distributions from 9/5 on. Please do not hesitate to reach out to us to confirm that you have all the appropriate tax documents. In looking ahead to 2024 – the following tax year will be a breeze with tax forms only coming from **Schwab** and the statements will be more informative as they will track balances from the start of the year. **RMDs** will be listed on IRA statements and distributions taken against those **RMDs** will be tracked on the statements as well, from 1/1/24 on.

I want to thank all of you for your continued confidence in our team. We continue to thrive as a firm because of your trust in us. We have hired another customer service team member – John. And while you probably will not catch him picking up the phone immediately here - he will be working hard behind the scenes, initially in a supportive role to our other team members.

Wishing you all a Happy, Healthy and Prosperous New Year!!

Sincerely,

A handwritten signature in black ink, appearing to read 'Bryan Bastoni', with a long horizontal flourish extending to the right.

Bryan Bastoni, CFP  
CERTIFIED FINANCIAL PLANNER, TM

Encl.

# S&P 500 Index Returns In U.S. Presidential Election Years

Since 1928

There are many factors that impact stock market returns, but one common concern of investors is how the stock market will be impacted by a change in America's President. In past election years, the S&P 500 Index has seen more positive performance than negative. Below we take a look at S&P 500 Index performance during presidential election years, which have historically provided positive gains for stocks.

## S&P 500 Index Total Returns During Presidential Election Years (1928-2020)

U.S. Presidential Election Results	Average Return
A Republican was elected	15.3%
A Democrat was elected	8.5%
All election years	11.58%

## Observations

There have been 24 elections since the S&P 500 Index began. In these election years:

- 20 of the 24 years (83%) provided positive performance
- When a Democrat was in office and a Democrat was elected (or reelected), the total return for the year averaged 15.0%
- When a Democrat was in office and a Republican was elected, the total return for the year averaged 12.9%

## Historical U.S. Presidential Election Results

Election Year	President Elected	S&P 500 Index Total Return
2020	Biden	18.4%
2016	Trump	12.0%
2012	Obama	16.0%
2008	Obama	-37.0%
2004	Bush W.	10.9%
2000	Bush W.	-9.1%
1996	Clinton	23.1%
1992	Clinton	7.7%
1988	Bush H.W.	16.8%
1984	Reagan	6.3%
1980	Reagan	32.4%
1976	Carter	23.8%
1972	Nixon	19.0%
1968	Nixon	11.1%
1964	Johnson	16.5%
1960	Kennedy	0.5%
1956	Eisenhower	6.6%
1952	Eisenhower	18.4%
1948	Truman	5.5%
1944	Roosevelt	19.8%
1940	Roosevelt	-9.8%
1936	Roosevelt	33.9%
1932	Roosevelt	-8.2%
1928	Hoover	43.6%

Source: Morningstar/Ibbotson Associates. **Past performance is no guarantee of future results.** For illustrative purposes only and not indicative of any actual investment. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. These returns were the result of certain market factors and events which may not be repeated in the future.

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