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Fed slashes interest rates by the biggest amount in 16 YEARS - here's what it means for you

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The Federal Reserve cut interest rates Wednesday by the biggest amount in 16 years.

The 50 percentage points reduction will make borrowing money less expensive, taking some of the pressure off consumers' wallets.

Today's cut brings benchmark borrowing costs down to between 4.75 percent and 5 percent.

While the Fed rate does not directly affect rates for loans, credit cards and mortgages, it strongly influences them.

Lower rates are also seen as generally good for businesses - so as they fall, the stock market rises. That means today's news will help boost 401(K)s in coming months.

The rate cut was an aggressive start to the central bank's first easing campaign since the early days of the Covid-19 pandemic in 2020. Normally, the come in smaller 0.25 basis point increments.

The Fed last made such a big cut in the Great Recession that began in 2008.

Chairman Jerome Powell said two more cuts are almost certain to happen by the end of the year - in a boost for Americans.

Stock markets initially soared on the rate cut, though they fell back in late afternoon trading as traders banked profits.

In his press conference after the announcement, Powell was asked about the jobs market in the US.

A bad jobs report released in August was cited as an indicator that America might slump into a recession.

But Powell explained that migration into the US was having an effect on unemployment.

Influx of immigrants has impacted unemployment rate, Powell says

When asked about job creation being just over 100,000 per month for the last three months, Powell noted that immigration into the US plays a part in job growth.

'Job creation depends on inflows,' said Powell. 'So if you're having millions of people come into the labor force and you're creating 100,000 jobs, you're going to see unemployment go up.

'So it really depends on what's the trend underlying the volatility of people coming into the country,' he continued.

'We understand there's been quite an influx across the borders, and that's been one of the things that has allowed the unemployment rate to rise.

'And the other thing is just the slower hiring rate which is something we also watch carefully. So it does depend on what is happening on the supply side.'

Retirement expert tells Americans to 'stay the course'

Peter Gallagher, managing director of New York-based Unified Retirement Planning Group, says Americans should review their retirement plans and their overall risk tolerance to help make sure that they are comfortable with 'staying the course' during any potential market fluctuations following the Fed decision and the upcoming presidential election.

'Timing the market is impossible and should be avoided at all costs. Especially in retirement accounts,' he told DailyMail.com.

Based on historical relatively low tax rates, he also recommended working with your financial advisor and your tax advisor to consider a partial or full Roth IRA conversion, especially if you are in a higher tax bracket.

'Money that you may use to pay the taxes will not earn as much in the bank interest rates decrease and therefore may be better used for a Roth IRA conversion,' he added.