

the BENCHMARK



BCS Wealth Management's Quarterly Newsletter



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Quarter Review

While we turn the page to another year, Nick emphasizes the resilience of the markets and why it is crucial to stick to a disciplined financial plan.

Crypto - Is Now the Time?

Bitcoin's recent surge has raised the question of whether or not to invest. Nathan discusses if crypto deserves a spot in your portfolio.



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Taxation on Social Security Benefits

Did you know that Social Security benefits can be subject to federal income taxes? John breaks down how this can affect your financial planning.



By Nathan Goodwin

Crypto - Is Now the Time?

With Bitcoin's recent surge, the questions surrounding whether to invest have followed suit. It has been on an impressive run, doubling in value in 2024. Momentum has been strong recently with almost half of the jump coming after November's presidential election.

Several factors have driven the current rally. In early 2024, the SEC's approval of spot Bitcoin exchange-traded funds (ETFs) sparked momentum, enabling investors to gain Bitcoin exposure without owning or storing it directly. This marked a significant step toward the industry's institutionalization.

Optimism about more favorable policies toward cryptocurrencies drove the recent post-election surge. The current SEC Chair, a long-time critic of crypto, announced plans to step down when President-elect Trump takes office, opening the door for what many believe will be a more accepting stance towards crypto. Analysts also predict that Congress will establish a legal framework for crypto and enhance

the industry's legitimacy.

With Bitcoin and other cryptocurrencies becoming increasingly mainstream, many investors are now wondering if crypto deserves a place in their portfolio. While the impressive returns are hard to overlook, determining how or where crypto fits into a strategic asset allocation is complicated.

Crypto is usually presented as either a currency or an asset, or both. Some promoters consider it "digital gold." Whatever category you want to put it in, the main appeal in the investment world has been its potential for growth and generating alpha, or enhancing risk-adjusted returns, in portfolios.

But a quick dive into the numbers doesn't paint a clear picture. Most crypto assets, including Bitcoin, generate no income, and Bitcoin has been a poor diversifier. Its three-year rolling correlations with stocks and bonds are both positive. In fact, most cryptocurrencies behave as risk assets that have been highly

sensitive to interest rates since 2020. In layman's terms, Bitcoin has been behaving like stocks and bonds, but to an exaggerated extent. Not exactly what we want when looking to diversify.

While Bitcoin's returns have been impressive, they come with extreme volatility – four times that of the S&P 500. Yes, four times the magnitude of volatility of public stocks. In contrast, stocks are driven by more predictable fundamentals, such as revenue and earnings growth, which analysts can use to estimate future performance. Based on historical information, this makes stocks a more reliable choice for long-term investment goals.

Given these factors, the role of crypto in portfolio construction largely depends on an investor's risk tolerance. Cryptocurrencies are inherently volatile, with little predictability regarding

future price movements. While Crypto's underlying blockchain technology holds potential, it also faces low barriers to entry, meaning tokens may become obsolete as newer, more efficient ones emerge. Also, some of the long-term outlook about the cryptocurrency industry's regulations are still unclear. Consequently, any crypto allocation in a portfolio should be kept small enough to avoid jeopardizing overall personal financial planning and investing

objectives in the event of a significant downturn.

While each day that passes grants us more clarity on the long-term characteristics and uses for cryptocurrency, there are still lots of unknowns that make this type of investment highly risky. Everyone's situation is different. Talk with your advisor about these risks before adding crypto to your holdings. Meanwhile, remain true to your personal

risk tolerance amidst the crypto frenzy, and remember that long-term investing success is largely a matter of staying patient with a thoughtful strategy.



Budget Check Up: Tax Time Is the Right Time

Every year, about 140 million households file their federal tax returns. For many, the process involves digging through shoe boxes or manila folders full of receipts; gathering mortgage, retirement, and investment account statements; and relying on computer software to take advantage of every tax break the code permits.

It seems a shame not to make the most of all that effort.

Tax preparation may be the only time of year many households gather all their financial information in one place. That makes it a perfect time to take a critical look at how much money is coming in and where it's all going. In other words, this is a great time to give the household budget a checkup.

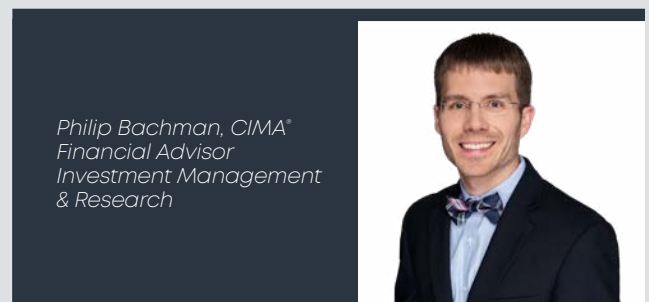
Six-Step Process

A thorough budget checkup involves six steps.

1. **Creating Some Categories.** Start by dividing expenses into useful categories. Some possibilities: home, auto, food, household, debt, clothes, pets, entertainment, and charity. Don't forget savings and investments. It may also be helpful to create subcategories. Housing, for example, can be divided into mortgage, taxes, insurance, utilities, and maintenance.
2. **Following the Money.** Go through all the receipts and statements gathered to prepare taxes and get a better understanding of where the money went last year. Track everything. Be as specific as possible, and don't forget to account for the cost of a latte on the way to the office each day.

3. **Projecting Expenses Forward.** Knowing how much was spent per budget category can provide a useful template for projecting future expenses. Go through each category. Are expenses likely to rise in the coming year? If so, by how much? The results of this projection will form the basis of a budget for the coming year.
4. **Determining Expected Income.** Add together all sources of income. Make sure to use net income.
5. **Doing the Math.** It's time for the moment of truth. Subtract projected expenses from expected income. If expenses exceed income, it may be necessary to consider changes. Prioritize categories and look to reduce those with the lowest importance until the budget is balanced.
6. **Sticking to It.** If it's not in the budget, don't spend it. If it's an emergency, make adjustments elsewhere.

Tax time can provide an excellent opportunity. You have a chance to give your household budget a thorough checkup. In taking control of your money, you may find you are able to devote more of it to the pursuit of your financial goals.





Quarter Review

By Nick Clay

While the markets seemed to crawl to the finish line in 2024, we still ended the year with strong growth for the second year in a row. I recall writing last year that it was entirely possible for markets to have another strong year, despite the negative headlines. Historically, good years tend to cluster together, and resilience is a hallmark of the market. When we think back to how tough 2022 was for both stocks and bonds, it almost feels like a distant memory given the strong performance we've seen over the past two years.

As we turn the page to 2025 (that feels weird to type, 2025), it's natural to reflect on the shifts and challenges the market and economy have navigated. As always, the year brought plenty of surprises, presenting investors with both risks and opportunities. What this past year reinforced, more than anything, is the value

of sticking to a disciplined, long-term investment strategy. Looking back at the reputable market analysts and economic forecasters, most "experts" got more wrong than they got right. I might add that this is par for the course.

Of course, just because markets have been on an upward trend doesn't mean they will continue to rise indefinitely. Historically, euphoria can signal an upcoming market correction, but I don't sense that kind of exuberant frenzy right now.

Instead, the mood is one of cautious optimism among economic and market analysts.

While attempting to time the market is futile, we do expect some significant changes in 2025 that are worth mentioning:

Major Stock Indexes	4th Quarter 2024	2024
DJIA	0.5%	12.9%
Nasdaq Composite	6.2%	28.6%
S&P 500	2.1%	23.3%
Russell 2000	0.0%	10.0%
Global: MSCI ACWI	-1.2%	15.7%
Japan: Nikkei 225	5.2%	19.2%
Stoxx Europe 600	-2.9%	6.0%
UK: FTSE 100	-0.8%	5.7%
Major Bond Index	4th Quarter 2024	2024
Bloomberg US Aggregate (Total Return)	-3.1%	1.3%

The Case for Staying Disciplined

Those who have stayed the course with a disciplined investment approach have been handsomely rewarded.

1. Tax Law Changes

2025 will see potential changes to tax laws, particularly related to the Tax Cuts and Jobs Act (TCJA), which was enacted in 2017. Many of the provisions, such as lower

individual income tax rates and increased gift and estate tax exemptions, are set to “sunset” at the end of 2025 unless Congress acts. President Trump, newly elected, has campaigned on extending or altering many of these provisions, which could significantly impact your financial planning.

2. Inflation and Interest Rates

Inflation remains a key issue for 2025, despite easing somewhat in recent months. This is especially relevant for retirees relying on fixed incomes. We’re unlikely to see prices return to pre-COVID levels, and most goods, services, and real estate are expected to remain more expensive. This makes it essential to build an investment portfolio that outpaces inflation while still achieving your long-term financial goals.

3. Political Uncertainty

Even with a Republican Congress and President (both somewhat surprising developments), expect a year of intense debate and uncertainty regarding policy and its potential impact on your investments. President-elect Trump’s platform of lower taxes and deregulation could fuel economic growth, but his stance on tariffs and immigration might contribute to a more stagnant economic environment.

Looking Ahead: What to Expect

As for market performance, the positive momentum we saw in

2024, with a growing percentage of companies contributing to stock index gains, points to continued growth. Historical data shows that when the trailing one-year return for the S&P 500 exceeds 30%, as it does now, it’s rare for markets to “peak”. Schwab Investment Research notes that only two bull market peaks in the last 70 years occurred in this situation, so we remain cautious but optimistic. However, discipline is warranted as there’s a heightened risk of volatility and periodic drawdowns if we are in the late stages of a strong bull run. With a new congress and administration we will start to get more clarity around what legislation and law could have an impact on your financial plan.

At BCS Wealth Management, our focus remains on maintaining a disciplined, long-term approach to financial planning. Staying informed about the latest market predictions and legislative changes is important, but even more so is sticking to a plan rooted in timeless financial principles that offer the greatest chance for investment success.

We don’t claim to be stock pickers or market timers. The odds of consistently outperforming a stock index are incredibly low. But there are proven strategies to help investors “outperform” over time, and they don’t involve buying and selling at the “perfect” moment. Some of these strategies include:

- Diversified and suitable asset allocation

- Cost-effective investment implementation
- Disciplined rebalancing in line with your financial plan and risk tolerance
- Behavioral finance coaching and awareness
- Asset location and tax efficiency
- A sound withdrawal strategy

A Look Ahead to 2025

As we step into 2025, I encourage you to take some time to review your financial, estate, and tax planning—no matter your age or stage in life. We’re here to help with any questions you may have and to ensure your plan is aligned with your long-term goals.

Our team is excited for the future and our continued partnership with our clients and colleagues. We continue to invest in the business and success of our clients via technology, strategic partnerships, staffing, and later this year... new office space. You can follow along and stay up to date by subscribing to our blog (on our new website!) and podcast, as well as following the firm on Facebook, LinkedIn and Instagram.

Wishing you a prosperous and fulfilling New Year!





Taxation on Social Security Benefits

Social Security benefits play a crucial role in supporting retirees, disabled individuals, and their families, offering financial stability and peace of mind. While many are surprised to learn that these benefits can be subject to federal income taxes, understanding how this works can help you plan your retirement finances more effectively.

The taxation of Social Security benefits was first introduced in the 1980s as part of efforts to ensure the program’s long-term stability. In 1983, President Ronald Reagan signed the Social Security Amendments into law, which allowed up to 50% of Social Security benefits to be taxed if certain income thresholds were met. These thresholds—\$25,000 for single filers and \$32,000 for those filing jointly—were designed to affect only higher-income individuals at the time.

A decade later, in 1993, additional changes were made under President Bill Clinton’s administration. To provide further support for the Medicare Hospital Insurance Trust Fund, a second tier of taxation was introduced. This change meant that up to 85% of Social Security benefits could be taxed for beneficiaries with incomes exceeding \$34,000 (single filers) or \$44,000 (joint filers).

Since these changes, the thresholds for benefit taxation have remained unchanged, even as wages and the cost of living have risen. As a result, more middle-income retirees are finding themselves subject to taxes on their Social Security benefits, a situation originally intended only for higher-income earners.

Understanding how Social Security benefits are taxed is an important step toward effective retirement planning. By familiarizing yourself with these rules, you can better anticipate potential tax obligations and make informed financial decisions that help you enjoy the retirement you’ve worked so hard for.



TAX FILING STATUS	2024	1993	1983
	UP TO 50% TAXABLE		
SINGLE, HEAD OF HOUSEHOLD, MARRIED FILING SEPARATELY	\$25,000 - \$34,000	\$25,000 - \$34,000	>\$25,000
MARRIED FILING JOINTLY	\$32,000 - \$44,000	\$32,000 - \$44,000	>\$32,000
	UP TO 85% TAXABLE		
SINGLE, HEAD OF HOUSEHOLD, MARRIED FILING SEPARATELY	>\$34,000	>\$34,000	
MARRIED FILING JOINTLY	>\$44,000	>\$44,000	

Good Luck, P.B.!

Philip "P.B." Bachman will be transitioning out of his role as a financial advisor and away from BCS Wealth Management. The transition will occur during the first quarter of 2025. March 31 will be his last day at the firm.

The news is bittersweet. We will miss P.B.'s expertise and team spirit. However, P.B.'s new direction is exciting. He will be leaving the financial planning industry to pursue personal interests and to prioritize time with family, friends, and community involvement. He reflects, "I believe we all should lean into these important parts of life however and whenever we can according to our unique paths. I feel the time is right for me to do exactly that."

P.B. is leaving BCS Wealth Management on great terms. He comments, "The team and culture have been and continue to be wonderful, making it hard to leave. It has been a privilege to be part of BCS Wealth Management."

He continues, "I feel good about the firm's direction. I perceive that the partners are positioning the firm for client-focused growth for years to come. They are keeping responsiveness and service a top priority. I'll be excited to cheer on everybody here

from afar."

P.B. has been a financial advisor at BCS Wealth Management for nine years, having joined in November 2015. He earned the Certified Investment Management Analyst® (CIMA®) certification in 2020. In addition to helping clients with financial planning and investment management, he has supported many other aspects of the firm, including leading the team's investment research.

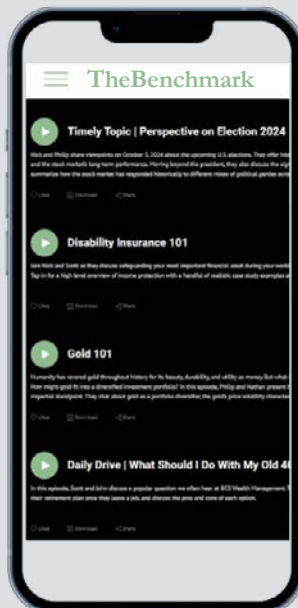
P.B. will work part-time from January 6 through March 31. During that time, he and our team will facilitate a smooth transition for his clients to their new BCS Wealth Management advisor. We look forward to keeping in touch with him beyond March and hearing about his quests.



Listen to the latest!



Welcome to "The Benchmark" - a candid and lighthearted podcast that breaks down financial planning and investment concepts in a fun and approachable way. Our financial experts and self-proclaimed money geeks guide you through the often-confusing world of finance with a mix of humor and real-world examples, demystifying complex financial planning concepts. They also share stories from their own personal finance journeys and careers as advisors to provide unique perspectives and insights.



Have You Noticed a Change to Your Paper Statements?

Starting in October, Charles Schwab reduced the frequency of mailed statements in accounts with no activity. Clients receiving mailed, paper statements with no activity will now receive statements quarterly. Activity that will trigger a monthly statement include certain deposits and withdrawals, dividend reinvestments, among others. Trades will generate a trade confirmation, as usual.

Clients with online access through Schwab Alliance will continue to receive e-statements monthly, regardless of activity. If you have questions about Schwab Alliance, please let us know. We can help!

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