

the BENCHMARK

BCS Wealth Management's Quarterly Newsletter



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By Philip Bachman

An Election Year: Worthy of Fear?

This year Americans will let their preference be known about presidential leadership and other key political leadership positions. Unfortunately, this election year is likely to bring flares of emotions, especially between now and Election Day. Anxiety will run hot on the national stage. We as individuals should not let the emotions trickle down to affect us in unhealthy ways.

As it pertains to investing, the election will become a central topic within the financial media. It would be natural for investors to focus on the election as a source of uncertainty. Some investors might worry that another contentious election, or a particular outcome, could threaten the U.S. economy's tentatively good posture. Yet how much concern should we long-term investors really give to the mere fact that 2024 is an election year?

History shows presidential elections have made essentially no difference when it comes to long-term investment returns. Looking at election results back to 1932, U.S. stocks have trended up regardless of whether a Republican or a Democrat won the White House. "Presidents get far too much credit,

and far too much blame, for the health of the U.S. economy and the state of the financial markets," says Capital Group economist Darrell Spence, "There are many other variables that determine economic growth and market returns and, frankly, presidents have very little influence over them."

Rather, what has mattered to long-term investment returns is staying invested. Although past results are not predictive of future returns, a \$1,000 investment in the S&P 500 Index made when Franklin D. Roosevelt took office in 1933 would have been worth over \$19 million as of June 30, 2023. During that time there have been eight Democratic and seven Republican presidents. Getting out of the market to avoid a certain party or candidate in office could have severely detracted from long-term returns.

Two presidential election cycles ago, in early 2016, our team studied the performance of a large U.S. stock mutual fund. The fund was closely correlated to the S&P 500. There had been 11 terms of Democratic presidential

leadership and nine terms of Republican leadership in the White House from 1936 going into the 2016 election. Interestingly, the difference between the fund's investment performance results (based on 10-year periods, each beginning on January 1 of a new presidential term year) of Democrat and Republican presidents was negligible. The fund had average annual returns of 11.0% during the Democratic 10-year periods and 10.7% during the Republican 10-year periods. The performance figures above span periods of both economic calm and economic strain and overlap different presidents.

We also consider data about the stock market's performance in presidential election years. One such finding: the S&P 500 Index had negative returns in only two of the last 20 election years (2000, 2008), and both declines were largely attributed to asset price bubbles rather than politics. It is difficult to make forward-looking predictions based on these results. However, broadly speaking, what we see in studies like these validates staying invested in the market regardless of political cycles or whether a year happens

to be a presidential election year.

Whether committing to be fully invested throughout the year or to invest on a regular basis, investors should avoid market timing around politics. As is often the case with investing, the key is to put aside short-term noise and focus on long-term

goals. After all, any of us individuals can only control what we can control. That might not include controlling the nation's direction. However, it does include designing and sticking to a financial plan based on our unique, personal objectives – even during these itchy election years.

Philip Bachman,
CIMA®
Financial Advisor,
Investment
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ALERT!

Fraudulent Email Warning!

In the October edition of this newsletter, we shared tips about protecting against identity theft and what to do if you are caught up in a data breach. Protecting personal information is as important now as ever. Among other identity theft threats, email scams are getting more and more sophisticated.

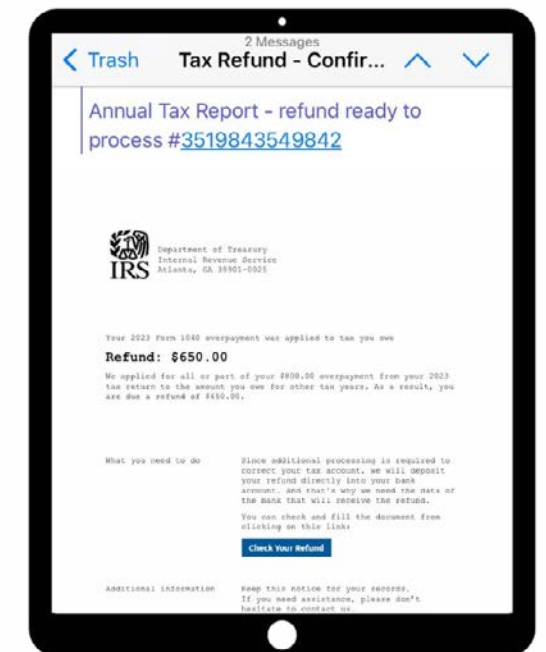
Just last week, my wife received an email appearing to be from the IRS asking her to click a link to verify her tax refund. Although she smartly did not trust the email nor click the link, the malicious web page on the other end would have probably asked for her bank account details or other personal info.

Besides the fact that my wife and I don't have a tax refund due to us (if only we did!), it is risky to follow the instructions of such emails. Emails claiming to be from a bank, credit card company, or service provider that ask you for personal information are usually fake. Fraudulent emails usually play on people's emotions by communicating a sense of urgency, discussing a money matter, or mentioning an alleged problem with your account.

When in doubt, look at the full email address of the sender. If the email address is very long, includes an unusual name, or has a misspelling of the real company's name, then it is probably fake. Also, if there is poor grammar or not-quite-right graphics or logos in the body of the email, then it is probably malicious.

The IRS does not initiate contact with taxpayers by email, text messages, or social media channels to request personal or financial information. If you receive emails or messages from other financial institutions and are in doubt about following a link, it is safer to login to the institution's website directly using your internet browser or call a known phone number of the business to process the request.

Philip Bachman, CIMA®
Financial Advisor, Investment
Management & Portfolio Research





By Nick Clay

Quarter Review

I recently returned from Orlando, FL over the New Year holiday where my son and I attended the Citrus Bowl to watch our Tennessee Vols beat Iowa 35-0. While we were there, we were able to sneak in a few roller coaster rides at Sea World. (Who knew Sea World has so many roller coasters now?!) Before each ride, we triple-checked that we were buckled up since we knew what laid ahead to be full of ups and downs.

A roller coaster ride is similar to how the markets felt the last couple years. The markets of

2022 and 2023 were like that theme park ride you either love or avoid altogether.

We experienced exhilarating highs,

Major Stock Indexes	4th Quarter 2023	2023
DJIA	12.5%	13.7%
Nasdaq Composite	13.6%	43.4%
S&P 500	11.2%	24.2%
Russell 2000	13.6%	15.1%
Global Dow	9.3%	17.8%
Japan: Nikkei 225	5.0%	28.2%
Stoxx Europe 600	6.4%	12.7%
UK: FTSE 100	1.6%	3.8%
Major Bond Index	4th Quarter 2023	2023
Bloomberg US Aggregate (Total Return)	6.8%	5.5%

nerve-racking drops, and a few unexpected loop-de-loops. But here's the good news: it's time to exit the 2023 ride, and long-term investment portfolios should be in much better shape than a year ago.

The markets in 2023 were like a Netflix series – unpredictable and hard not to watch even though at times we wanted to look away. Bloomberg Economics projected in October 2022 that the odds of a recession in 2023 were 100%.

To be fair, that projection didn't come out of nowhere. All signs pointed that direction. The Federal Reserve hiked interest rates seven times in 2022 (and it planned to continue doing so) in its fight against 6.5% inflation levels. Borrowing costs were sky-rocketing for the first time since before the 2008 financial crisis, threatening to hamper business investment and suppress consumer spending. Meanwhile, JPMorgan CEO Jamie Dimon worried that the erosion of consumers' pandemic savings by price growth "may very well derail the economy and cause a mild or hard recession."

But the economic doom stayed away. The U.S. economy grew at an average annualized pace of 3.2% in the first three quarters of 2023, with another 1.3% projected for Q4. Inflation declined to 3.1% over the year in November. Strong jobs numbers have made many experts (including Treasury Secretary Janet Yellen) optimistic that a recession-less cooling of inflation – otherwise known as a "soft landing" – is upon us. As a result, public stocks and bonds weren't persistently down like 2022. In fact, 2023 was a healthy-seeming recovery to 2022's negative performance.

A lot has happened over the last two years, but two things remain the

same. Diversification and time in the market continue to be the only proven strategies when it comes to investing success. But what about 2024? Surely things will come back to earth since 2023 was so good, right?! A reversion-to-the-mean year, surely.

After the last two years I wouldn't trust anyone's predictions for 2024. Good years in the S&P 500 tend to cluster together, so it's not out of the realm of expectations for 2024 to be another good year for markets. Going back to 1928 there are 16 separate "clusters" where a year of big gains was followed by another year of big gains.¹ These 16 "clusters" span 40

Good Years in the S&P 500 Tend to Cluster

1935	46.74%	1971	14.22%	1995	37.20%
1936	31.94%	1972	18.76%	1996	22.68%
1942	19.17%	1975	37.00%	1997	33.10%
1943	25.06%	1976	23.83%	1998	28.34%
1944	19.03%	1979	18.52%	1999	20.89%
1945	35.82%	1980	31.74%	2009	25.94%
1949	18.30%	1982	20.42%	2010	14.82%
1950	30.81%	1983	22.34%	2012	15.89%
1951	23.68%	1985	31.24%	2013	32.15%
1952	18.15%	1986	18.49%	2014	13.52%
1954	52.56%	1988	16.54%	2016	11.77%
1955	32.60%	1989	31.48%	2017	21.61%
1963	22.61%			2019	31.21%
1964	16.42%			2020	18.02%
1965	12.40%			2021	28.47%

Data: NYU

years in total, which means more than 40% of the time we find ourselves in one of these positive clusters. Not only that, including non-cluster years, the stock market tends to be up 75% of years going back to 1926.

Oftentimes good returns are followed by another year of good returns, but sometimes good returns are followed by losses. Short-term returns are what the newspapers and news

channels report on and what grab all the attention. However, long-term returns remain incredibly resilient and are what matter most.

Let's try to not let news headlines about international wars, the U.S. election, or other events cause us unnecessary anxiety. We're long-term investors who are ready to ride out any given year should we have to. Capital markets are efficient over the long run and generally reward patience (like 2023 proved).

This isn't to say that we'll stick our heads in the sand all year. Rather, our BCS Wealth Management team and I will work hard to stay abreast of developments. We'll make and/or suggest changes to your portfolio if we believe changes are in your best interest. The main part of that process is that we'll stay focused on your investment objectives, risk appetite, and investment time horizon.

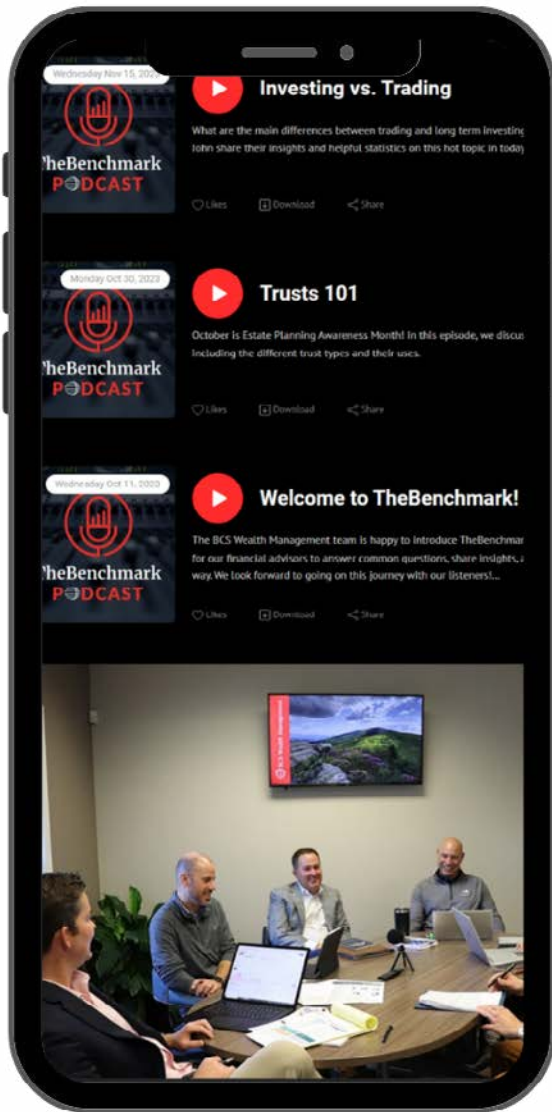
As we begin the New Year, I can't help but feel grateful for last year celebrating our 25th year in business. We appreciate all our clients and staff through the years. We look forward to the next 25 years, and I believe the best is truly yet to come!

Nick Clay,
CFP®, CPWA®,
AIF®, AAMS®
Managing Partner &
Senior Financial Advisor



¹A Wealth of Common Sense, Ben Carlson, CFA

The Benchmark Podcast is live!



Listen along 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. Whether it's a timely issue of the day or a timeless principle, The Benchmark aims to educate, have fun, and simplify the (sometimes) complex world of financial planning, investing, and economics. Find us on Apple, Google, Spotify, Amazon Music, TuneIn and Alexa.

Nathan Goodwin,
JD, CFP®,
Partner & Senior
Financial Advisor



2024 Annual Limits

Relating to Financial Planning

Retirement Plans	2024
Elective deferrals 401(k), 403(b), 457, and SARSEPs Catch-up contribution	\$23,000 \$7,500
Defined contribution (\$415(c)(1)(A)) Defined benefit (\$415(b)(1)(A))	\$69,000 \$275,000
SIMPLE plan SIMPLE catch-up contribution	\$16,000 \$3,500
Maximum includible compensation Highly compensated employee Key employee (top-heavy plan)	\$345,000 \$155,000 >\$220,000
IRA or Roth IRA contribution limit IRA or Roth IRA catch-up	\$7,000 \$1,000
IRA deduction phaseout for active participants	
Single	\$77,000-\$87,000
Married filing jointly	\$123,000-\$143,000
Married filing separately	\$0-\$10,000
Non-active participant married to active participant	\$230,000-\$240,000
Roth IRA phaseout	
Single / Head of Household	\$146,000-\$161,000
Married filing jointly	\$230,000-\$240,000
Married filing separately	\$0 - \$10,000

Estate and Gift Tax	2024
Annual gift tax exclusion	\$18,000
Estate and gift tax basic exclusion	\$13,610,000
Qualified Charitable Contributions	\$105,000

Social Security FRA			
Year of Birth	Social Security FRA	Year of Birth	Social Security FRA
1943-54	66	1958	66 and 8 months
1955	66 and 2 months	1959	66 and 10 months
1956	66 and 4 months	1960 and later	67
1957	66 and 6 months		

LTCG Rates Based on Taxable Income			
Filing Status	0% rate	15% rate	20% rate
Single	up to \$47,025	\$47,025-\$518,900	over \$518,900
Head of household	up to \$63,000	\$63,000-\$551,350	over \$551,350
Married filing jointly	up to \$94,050	\$94,050-\$583,750	over \$583,750
Married filing separately	up to \$47,025	\$47,025-\$291,850	over \$291,850
Estates and trusts	up to \$3,150	\$3,150-\$15,450	over \$15,450


Health Savings Account		2024
Minimum Deductible Amount		
Single		\$1,600
Family		\$3,200
Maximum Out-of-Pocket Amount		
Single		\$8,050
Family		\$16,100
HSA Statutory Contribution Maximum		
Single		\$4,150
Family		\$8,300
Catch-up contributions (age 55 or older)		\$1,000

Income Tax		2024
Standard deduction		
Single		\$14,600
Married filing jointly		\$29,200
Head of household		\$21,900
Married filing separately		\$14,600
Kiddie tax limited standard deduction		\$1,300

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BCS Wealth Management is an independent financial planning firm in Johnson City, TN. We help individuals, families, and businesses reach goals important to their financial wellbeing. We provide investments and financial planning, insurance, and group benefits.

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25 for 25 was a success!

We are happy to announce that we reached our goal of 25 community service projects in 2023! This goal was established in conjunction with our 25th anniversary. Special thanks to our office administrator, Carolyn Kerr, for organizing many of these projects and keeping us on track, as well as our clients who joined in to help with many of these projects.



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