ALTIUS FINANCIAL

EMPOWERED FUTURE REPORT

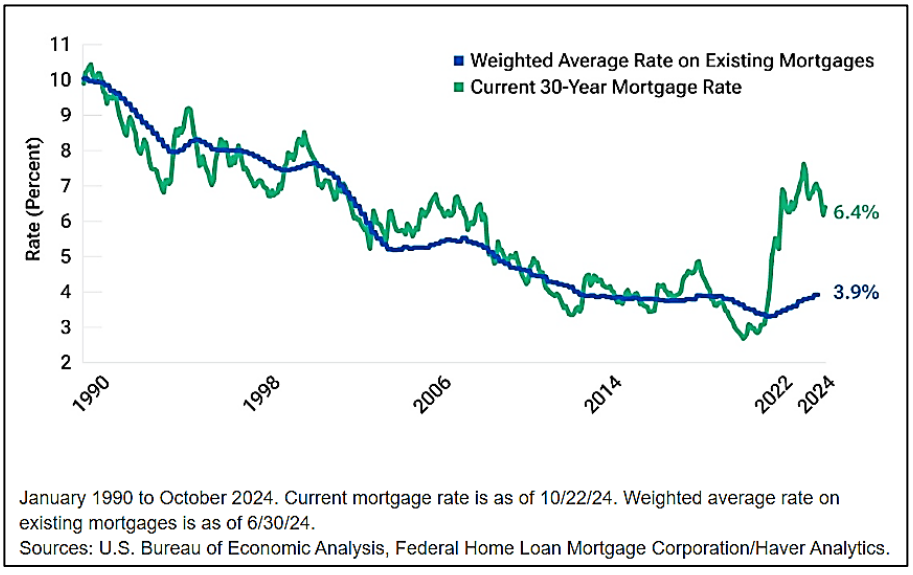
SHORT-TERM THOUGHTS ABOUT LONG-TERM MATTERS

December 5th, 2024

Looking Ahead to 2025

While 2024 has been particularly strong with the major equity indexes hitting record highs, many investors wonder if there will be a slowdown ahead or if Fed rate cuts will translate into a stronger U.S. economy. So far, we have avoided a recession despite one of the sharpest rate hiking cycles ever. Now that rates are backing off, the economic rebound has been slow and modest, with notable weakness in the manufacturing sector.

Company earnings have been broadly disappointing, with the notable exception of companies benefiting from spending on infrastructure and artificial intelligence applications. There is an expectation that interest rate cuts by the Fed will drive economic activity higher as falling interest costs boost spending by U.S. consumers and spur on the housing sector. But new mortgage rates are still well above those on outstanding mortgages.



January 1990 to October 2024. Current mortgage rate is as of 10/22/24. Weighted average rate on existing mortgages is as of 6/30/24.
Sources: U.S. Bureau of Economic Analysis, Federal Home Loan Mortgage Corporation/Haver Analytics.

Aside from interest rates and inflation, another key thing to watch next year will be how likely tariffs will be a factor. The incoming administration has made threats to start or increase tariffs on imported goods. Since Americans buy many products produced in other countries, this additional tax burden on them could have a dampening effect, not to mention the potential of inviting retribution from our trading partners. It reminds me of a scene from the 1980s classic movie "*Ferris Bueller's Day Off*" that has been making the rounds:

Quote of the Day:

"The best way to change someone's life is to teach them to manage their money."
– Melinda Emerson

2025 EVENTS

March 26 – In-Person
Q1 Workshop: Genealogy

June 25 – Virtual
Q2 Workshop

July 17 – In-Person
Client Appreciation Event

August 20 – In-Person
Q3 Workshop

November 19 – Virtual
Q4 Workshop

December 4 – In-Person
Holiday Party

TAKE A LOOK INSIDE

Looking Ahead to 2025

Taylor's Take: New 529 Opportunity -

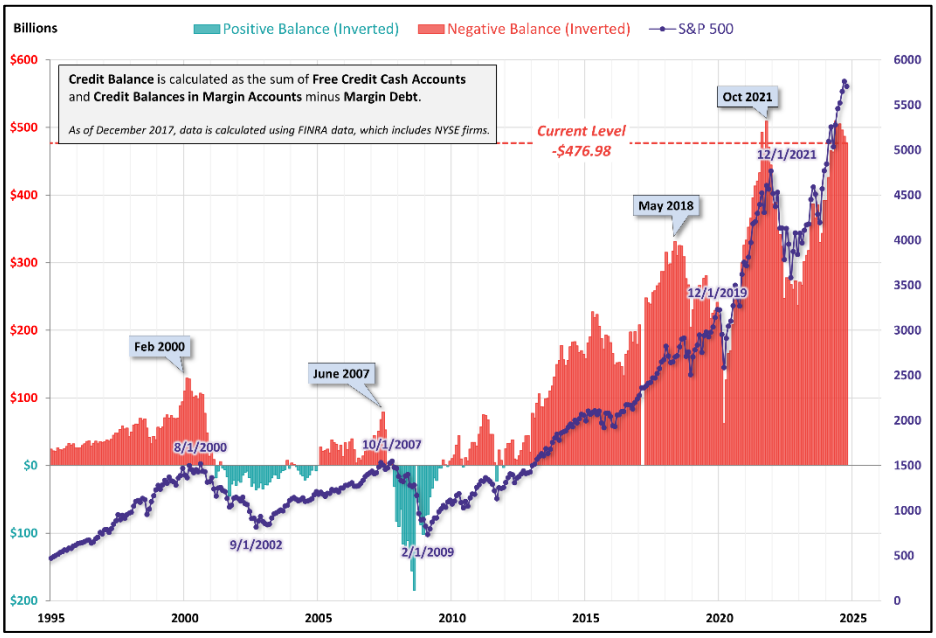
Math of Money: The Power of 50/30/20

Jenn's December Movie Recommendation

Gratitude is Magical!

Thanks to those who attended our holiday party last night!

Looking Ahead to 2025 (cont.)



Of course, it's just like that where no one is paying attention to history or sound economic thinking. Some say Trump is just using these threats as negotiating tools and won't really follow through with such mercantilist measures that economists since Adam Smith have debunked.

Lastly of concern is margin debt. Often, margin debt (borrowing against or to purchase stocks) peaks at the top of a market cycle and we're seeing margin levels creep above where they were in late 2021.

The chart would seem to demonstrate how dependent equities markets have become on debt/easy money/margin borrowing. If the Fed continues to cut rates and make borrowing easier, that may help extend the bull market in stocks but it's wise to watch such margin levels as they can presage volatility on the downside or a correction.

Taylor's Take: New 529 Opportunity

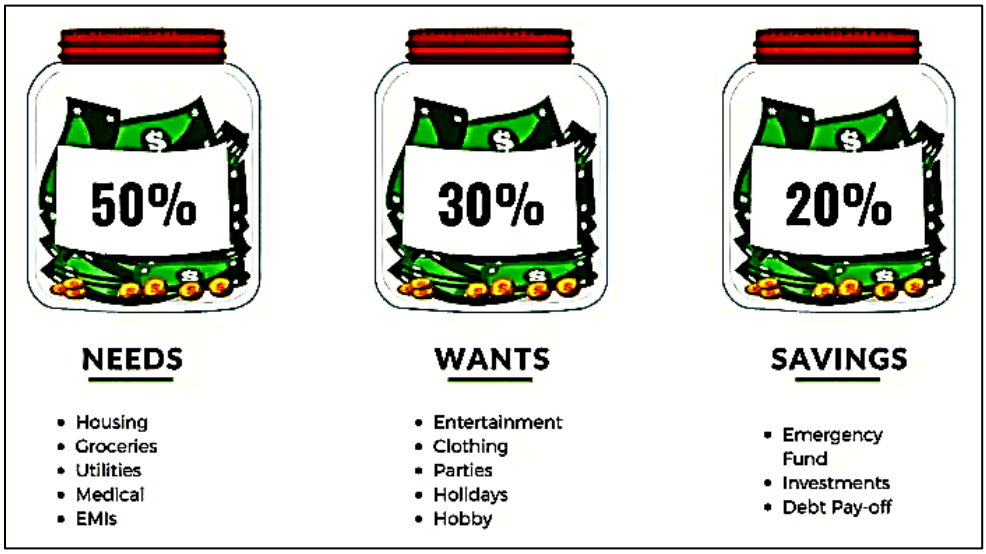
Many of our clients have diligently saved for their children and grandchildren's college tuition and expenses into 529 savings plans. These have been, and continue to be, one of our top recommended strategies to generate tax deferred (and often tax deductible) savings for college funding. In the past, an overfunded account was the opportunity to continue this savings strategy for graduate degree education or future generation's needs, but as of this year there is now an additional strategy to deploy: Roth conversions.

As of 2024, the federal government approved the ability to convert $35,000 (lifetime total) from 529 savings to Roth IRA's to the listed beneficiary. There are several restrictions and provisions for this strategy and with Colorado delaying their approval, it is a "grey area" strategy for Colorado residents, but the new rule provides flexibility and removes barriers to overfunding 529 plans. Aside from the lifetime maximum amount, there is a 15-year account requirement, restrictions on recent contributions and earnings, and adherence to annual Roth IRA contribution limits.

The transfer rule offers an opportunity to repurpose unused college savings for retirement planning and long-term financial security. It is something worth considering for those of us with remaining funds to reallocate. Let our team know if this is something you'd like to consider for your financial strategy this year or next.

To learn more about 529s and this recent ruling, check out our recent *Capitalize Your Fridays* podcast: Maximizing Your 529 Plan

Math of Money: The Power of 50/30/20



The holiday season is a great time of year to remind ourselves of money management systems and the 50/30/20 Rule is one of the best. What this rule says is that you should allocate 50% of your income to essential expenses, 30% to discretionary expenses, and 20% to savings. This can help you stay on track with your finances and make sure you are living within your means, along with building wealth for the future.

I remember someone telling me early in my career that if I wanted to never be a bum, I had to "pay myself first" and start with 10% savings right off the top. If I wanted to actually build wealth, then I should increase that number to 20% contribution of my gross income to long term savings and investments. While difficult at first, this advice has served me well but sometimes we have clients ask, ok what about the other 80% - how do I decide what I can afford for other categories of spending? That's where the 50/30/20 guideline comes in.

Twenty percent savings may seem like a lot but once a person gets clearer on "needs" vs "wants" it becomes easier and easier to move expenses along the margin of each category. And of course, as we show in the graphic, one can break those categories down more. While it's hard for someone on the extreme lower end of earnings to follow and a top earner can afford to save much less as a percentage, the rule works for virtually everyone in the big middle.

Jenn's December Movie Recommendation

"Red One" is a Christmas fantasy comedy directed by Jake Kasdan and it got terrible reviews, but after the 2-hour film ended, I walked away with a smile…I mean The Rock is an elf – I mena, that is entertainment right there! Ok, it does follow some of the traditional "who will save Christmas?" themes but Santa Claus is played by the talented actor, J.K. Simmons, and the main cast is rounded out by Kiernan Shipka and Chris Evans.

North Pole security was hacked leaving Santa missing on New Year's Eve. For me, nostalgia, folklore and sentimental messaging are brought to an action yuletide adventure, making it pure Holiday Fun and a visually appealing movie! I particularly liked the fact that no part of the film was drawn out or overly commercialized, a rarity in movies these days. It was enjoyable for the variety of ages that crowded my theater of laughter. This doesn't quite deliver on the emotion and depth that comes with some of the Holiday Classics (like A Christmas Carole or It's a Wonderful Life or even The Santa Clause), but that is one of the reasons I enjoyed it – it was fun and different. The handful of cheerfully cynical actors were a Christmas treat, I would definitely recommend watching once!

Gratitude is Magical!

As the holiday season envelops us, it's natural to reflect on the many blessings in our lives. While I generally don't use the term "magical", my own experience is that there is something transformative about the practice of gratitude. Gratitude encourages a shift in perspective, allowing us to focus on what we have rather than what we lack. This mindset fosters optimism, which often fuels creativity and problem-solving—qualities essential for personal and financial growth. Studies have shown that those who regularly express gratitude experience higher levels of happiness as well as lower levels of stress, both of which are linked to better decision-making, stronger relationships, and greater resilience in adversity.

Gratitude deepens connections, strengthening bonds of trust and goodwill. In professional settings, it inspires collaboration and loyalty, while in personal life, it nurtures mutual respect and understanding.

This holiday season, consider how gratitude might enrich your life. Whether it's a note of thanks to a colleague, a thoughtful conversation with a loved one, or a moment of quiet reflection, the act of recognizing and appreciating what we have is a powerful catalyst for growth and prosperity. We at ALTIUS are so grateful for you, our clients, and hope the true spirit of the season is with you. And a special thank you to those who attended our events this year, including our 25th Anniversary Party in September and our Holiday Party last night. You made celebrating 25 years of ALTIUS a real treat.

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