
February 4th, 2025

Quick Hits

No Change in Fed Rates:

As expected, Jerome Powell announced that there would be no change in the Federal Reserve's key interest rates this past week saying, "with our stance significantly less restrictive than it had been and the economy remaining strong, we do not need to be in a hurry to adjust our policy stance." He also declined comment on President Trump's public pressure to reduce rates.

My View: I personally would like to see rates come down but agree that, given we have a Fed, it should remain fiercely independent. I also think there is reason to be concerned about inflation but don't think keeping interest rates high is the answer. The answer has more to do with fiscal policy pressures at this point – the Fed will continue to print money if we don't cut government spending, and this can't help but be inflationary.

DeepSeek causes US tech sell-off:

The major stock indexes experienced sharp declines last week, especially in Big Tech names like Nvidia, Broadcom, and Oracle. The catalyst was the recognition of DeepSeek, a Chinese AI startup that seems to be able to do what all the other AI startups can do but at a fraction of the cost.

My View: This is what makes investing in technology so difficult – the moment you think you can predict a path; someone maybe comes up with a better mousetrap. But it's likely good news generally because whenever productivity-enhancing technology demand goes up a lot, it then gets cheaper faster. That's what we want and need across our economy – for things, including AI which will have ripple effects, to become less expensive while the quality improves.

Trade War Begins:

As promised, the White House announced tariffs of 25% on Mexican and Canadian imports (only 10% on Canadian petroleum imports), and a 10% tariff on all Chinese imports.

My View: Very boneheaded economic policy. These tariffs are likely to damage all 4 economies, including ours, and, in turn, the world economy. While I believe it's better/more accurate to think of individuals trading with individuals, these are the US's best trading partners, and we will likely face lower GDP growth, higher inflation, and more supply chain disruptions than we otherwise would without the tariffs. I did see, at the last minute, the White House delayed the tariffs on Mexico (and Canada) after their respective governments...

Quote of the Day:

"The argument for protectionism—that a nation's self-interest requires tariffs—contradicts the principles of freedom, individual rights, and capitalism. Protectionism is a form of economic dictatorship that benefits no one in the long run."

— Ayn Rand

2025 EVENTS

March 26 – Roots & Revelations with Bob Masson (info coming soon!)

June 25 – Q2 Event

July 17 – Client Appreciation Party

August 20 – Q3 Event

November 19 – Q4 Event

December 4 – Holiday Party

TAKE A LOOK INSIDE

Quick Hits

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agreed to border concessions, including Mexico deploying 10,000 troops to the border to stem drug/human trafficking. I know some will view this as a shrewd and successful negotiating tactic. I tend to think it reinforces the idea that "when goods do not cross borders, soldiers will." So far, it looks like the financial markets agree with me.

Math of Money: Toyota vs Tesla



A client recently asked me for more details about our investment philosophy so this month, I'll use a concrete example comparing two well-known car companies. Lest anyone think I'm making a recommendation, I must start with a disclaimer: we don't currently own either stock in our portfolios, and I'm not advocating an investment in either one. And, in this illustration, I'm not talking about the quality of their products, though in full disclosure I do own a 4Runner. This is just for educational purposes to show what we mean by the term "value investors," which is how we characterize

our approach to investing in stocks. I'll start with a little table of values as of 1/30/2025:

Symbol	Name	Price Per Share	Shares Outstanding	Market Cap	Earnings Per Share	PE Ratio
TM	Toyota	\$191	1.313B	\$250B	\$22	9
TSLA	Tesla	\$399	3.210B	\$1,280B	\$4	100

So, we can see that 1 share of Toyota sells for less than half of a share of Tesla but that same share of Toyota has earnings over 5 times one share of TSLA. So which is a better buy? Put another way, if you bought a share of TSLA it could take you (at today's price and earnings) almost 100 years to get your money back in earnings ($\$399/\$4=\$99.75$ – rounded up to 100 as the PE ratio). But with Toyota, if everything stayed the same, it would only take you $8\frac{1}{2}$ years. Now, of course, nothing actually stays the same but the person who invests in Tesla today must assume their earnings are going to rapidly grow to justify such a high price, while a value investor is usually more interested in the proven earnings.

I sometimes use the analogy of looking at a stock (really a piece of a business – remember, they aren't poker chips) in the same way I would look at a rental property. Let's say you could buy House A for \$191,000 and rent it for \$22,000 per year, OR you could buy House B for \$399,000 and rent it for \$4,000 per year. Now maybe House B is in a better neighborhood, or you'd like to live there rather than House A but which would be a safer investment, that is, which one is really giving a more profitable return on your investment? Obviously, House B can continue to appreciate and that's what you're banking on if you buy it but how will it continue to appreciate? Perhaps you're betting that you can raise rents a lot and then future buyers will be willing to pay you more than the current \$399,000?

My point is that stock (business) values, and really most asset classes including bonds and real estate, are usually based on some kind of income model – how much income is this business producing and will that income stream grow? If you don't look at it this way, you're speculating that the asset price will *somehow* go up and you'll be able to find another buyer that will pay more. In the above example, we would call Toyota a "value stock" indicating that you're getting more value for your investment – again not a recommendation.

Don't get me wrong, much of the "going up" in the markets (either the indexes or a specific company's price) is based on speculation and that's kinda the hard part. But a value investor must have more...they must make the arithmetic work to establish a reasonable price. There's room for a hunch or gut feeling but there needs to be a solid, rational method for discounting prices.

Taylor's Take: Super Bowl by the Numbers

Do you watch the Superbowl for the game or the Ads? I'm embarrassed to say I've always been more interested in silly advertisements and halftime entertainment, while my husband is invested in actual games. Regardless of which "team" you're on, I thought discussing how the whole event adds up would be fun. Below, you can see a few data points of key costs associated with the Super Bowl and how those data points change over time.

Key Costs & Attendance ¹	1970s	1980s	1990s	2000s	2010s	2025
Ticket	\$12	\$40	\$200	\$400	\$1,500	\$6,600
Inflation adjusted ticket	\$106	\$129	\$374	\$635	\$1,803	
Secondary market ticket	\$15	\$100	\$250	\$1,000	\$2,500	\$10,000+
Average Super Bowl party hosting		\$40	\$75	\$150	\$250	\$400
Average Commercial (30 sec)	\$37K	\$525K	\$1.2M	\$2.4M	\$4.25M	\$7.2M
Average number of viewers	57M	81M	85M	90M	119M	210M
Fans in attendance	60-70K	70-75K	70-80K	70-80K	70-75K	71,835
Economic value/income to hosting city	\$20-50M	\$50-100M	\$150-300M	\$250-500M	\$400-800M	\$1.1B
Average travel costs for attending	\$150-300	\$300-500	\$500-800	\$800-1,500	\$1,500-3000	\$2,000-5,000+

Other fun facts¹ - they're predicting... 1.45B wings to be eaten, 11.3M potato chips to be eaten, 50M cases of beer to be consumed, 50+M legal sports betters, and \$1.38B in legal betting revenue.

Jenn's Jangle: Schwab Updates

1099 Update

1099s are going to clients in 3 waves. The first wave was January 31st. The second wave is going to clients on February 14th. The last wave will go to clients on February 28th.

RMD Statement Update

The RMD summary details, which includes the RMD amount along with the date in which they need to take it by, did not appear on the Schwab December 2024 statement, for some existing RMD eligible clients and some turning RMD age (73) in 2025. Schwab anticipates a resolution for the January statement onward.

Reminder: Mike suggests taking your RMD disbursement early this year, contact me to set this up today.

Alert for Certain Spouse Beneficiaries

According to final RMD regulations issued on July 18, 2024, certain spouse beneficiaries who must begin taking beneficiary distributions in 2024 are eligible to calculate their 2024 RMD based on the Uniform Lifetime Table (vs. the Single Life Table), thereby reducing their minimum distribution amount for the year. This tool is being updated in accordance with the recently published final regulations, but does not currently reflect this change.

Alert for Certain Non-spouse Beneficiaries

On April 16, 2024, the IRS released Notice 2024-35, which provides temporary relief for certain IRA beneficiaries. For those subject to annual RMD requirements in addition to the 10-Year Rule distribution requirement, the IRS will not impose the excess accumulation penalty for tax year 2024 should they fail to take their required minimum distribution. Affected beneficiaries may want to consult with a competent tax/legal advisor concerning 2024 RMDs.

Musical Recommendation: *Back to the Future*



I just saw *Back to the Future: The Musical* and I have to admit—I was pleasantly surprised. As a fan of the original movie, I wasn't sure how well it would translate to the stage, but the production does an impressive job capturing the spirit of the film while adding some really good musical energy.

The show stays true to the core themes that made the Back to the Future franchise so great: positive about the future and pro-science, a benevolent universe, and focusing on one's goals. Maybe I'm dating myself as a boomer, but I loved Marty McFly's journey of overcoming the typical high school obstacles and helping Doc with time travel. I was wondering how they would pull off the more technical DeLorean moments and they were especially well done.

If you enjoyed the movie, you'll likely have a great time with this production. It's a fun, high-energy experience that celebrates ambition, ingenuity, and the thrill of adventure.

Have a Fantastic February

Thank you to all of you who responded to our annual survey. Even though it has taken some nudging, we're very pleased with the response. Your insights help us improve and continue providing the best possible service. Thank you for your trust and support—we're grateful to have you as part of the ALTIUS Financial Family!

Congratulations to Craig A. & Mary C., our two winners of the \$50 Amazon gift card prizes in our survey raffle!



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¹ Data gathered from various sources including, but not limited to: profootballnetwork.com, thestreet.com, superbowlads.com, sportsmediawatch.com, wtol.com, and chatgpt.