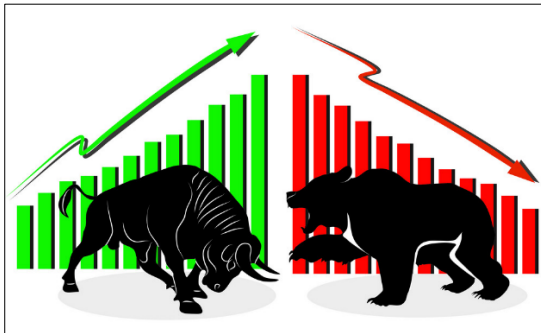

January 2nd, 2025

Ongoing Bull or New Bear?

As I write this (12.30.24), it's a volatile end to the trading year, with the major indexes seeing some significant swings. Right now, the S&P 500 stands at just under 6000. A Bloomberg survey of 19 equity strategists found that the average 2025 year-end price target for the S&P 500 Index was 6,614 as of 12/11/24, around a 10% increase and not bad given the strong returns of the last couple of years, though obviously just a prediction.

As I've warned for several years, stock valuations in the US are stretched, with the indexes at or near all-time highs. The optimistic outlook would be based on a new administration that is purportedly "pro-business" and predisposed toward deregulation, lowering taxes or at least making the existing rates "more permanent," significant spending on infrastructure still to come, and all the promise of artificial intelligence for productivity gains.



More pessimism is based on the damage that tariffs and deportations could have, austerity cuts from the DOGE initiative, valuations already too high, compression on earnings multiples, sticky inflation, and the Fed's slow rolling rate cuts. The current Price-to-earnings (P/E) ratio on the S&P 500 is 25. The long-term average is closer to 16, and the index is heavily concentrated, with Technology representing almost 34%, with the top 3 stocks accounting for 20% of the index value. Yes, that means 3 of the 500 companies (Apple, NVIDIA, and Microsoft) account for 20% of the entire index.

Considering this pessimistic argument, I must remind you that the bearish case is always easier. The bullish argument is about the future, and it is unknown, and the innovators and salesmen for the future should not automatically be dismissed. I'm writing all this to give perspective and emphasize that portfolio management and, more importantly, financial planning, is not a competitive sport. While the markets are very competitive, your personal goals are individualized expressions of your values and aspirations. This is why planning must be personalized.

Quote of the Day:

"No snowflake in an avalanche ever feels responsible."

– Voltaire

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

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Did you know?

Book Recommendation:
Good Energy

Blank Slate

Taylor's Take: New Year, Same Economic Policies?

It's the start of a new year, but is it the start of a new era? They say those who don't learn from history are doomed to repeat it. I'd like to start this year by reflecting on economic policy and what I've observed. I was recently notified of the passing of Peter Teeley, the economist whose claim to fame is introducing George HW Bush to the term "Voodoo Economics." Many of us are aware of the "trickle-down" economic policy of the Reagan Presidency - the idea that increasing economic activity via tax cuts (stimulating the "supply side") would encourage overall economic growth. The policy can work in the short term but creates its own distortions and imbalances without spending adjustments.

Those imbalances, coined "voodoo economics" because they were thought to benefit wealthier people over the middle and lower classes, are part of the ongoing debate about the redistribution of resources in this country. While Reagan's tax cuts were popular and considered successful, Bush Sr. didn't get re-elected because he finally conceded to raise taxes.

The interesting thing here is that while some Americans called the Reagan/Bush tax cuts "Voodoo Economics," and some hailed them as great policy, no one ever seems to want to look at the spending side and match income (taxes) to spending (budget). Yet that is one of the most fundamental principles of sound financial management. Why do Americans keep asking for our politicians to do something we know doesn't work in our own lives?

Yes, we've written about the potential positives of extending (or making permanent) the existing tax rates from the first Trump administration, but doesn't our fiscal situation call for more discipline on the spending side or at least more balancing of priorities?

Jenn's Jangle: 2025 Key Financial Data

With a new year, new updates are usually relevant to your financial and tax planning. We have a great summary "cheat sheet" with Key Financial Data for 2025; if you want a copy, just let us know.

KEY FINANCIAL DATA 2025				
2025 Tax Rate Schedule				
Taxable income (\$)	Base amount of tax (\$)	Plus	Marginal tax rate	Of the amount over (\$)
Single				
0 to 11,925		*	10.0	
11,926 to 48,475	1,192.50	+	12.0	11,925.00
48,476 to 103,350	5,578.50	+	22.0	48,475.00
103,351 to 197,300	17,651.00	+	24.0	103,350.00
197,301 to 250,525	40,199.00	+	32.0	197,300.00
250,526 to 626,350	57,231.00	+	35.0	250,525.00
Over 626,350	188,768.75	+	37.0	626,350.00
Married filing jointly and surviving spouses				
0 to 23,850		*	10.0	
23,851 to 96,950	2,385.00	+	12.0	23,850.00
96,951 to 206,700	11,157.00	+	22.0	96,950.00
206,701 to 394,600	35,302.00	+	24.0	206,700.00
394,601 to 501,050	80,398.00	+	32.0	394,600.00
501,051 to 751,600	114,463.00	+	35.0	501,050.00
Over 751,600	202,154.50	+	37.0	751,600.00

Increased Contribution Limits: Many retirement accounts, such as IRAs and 401(k)s, have higher contribution limits this year. Take advantage of these opportunities to boost your savings.

Tax Changes: Consider any new tax law adjustments that could affect your income and deductions. Now is a good time to revisit your tax and allocation strategy with Mike or Taylor.

Required Minimum Distributions (RMDs): If you're approaching the age for RMDs, make sure you're on track to comply with the updated rules to avoid penalties. I know it seems that this topic dominates my Jangle but we ensure you don't pay a penalty and, given prevailing market conditions, Mike continues to recommend that we take the distributions earlier in the year.

Did you miss our recent podcast on Social Security?

Check out our *Capitalize Your Fridays* podcast on the Spotify and Apple Podcast apps.



Math of Money: How Stock Buybacks Work

Stock buybacks have become a more popular approach for companies to add value over the years. This is when a company buys back its own shares from the open market. The strategy is often employed to return excess cash to shareholders, and it can provide several potential benefits:

Increased Earnings Per Share (EPS)

When a company buys back its shares, the total number of shares outstanding decreases. Since earnings are now spread over fewer shares, the company's EPS can increase, making the stock more attractive to investors.

Higher Share Price

Reducing the number of shares available can drive up demand, leading to a higher stock price. Buybacks send a signal to the market that the company believes its stock is undervalued, which can boost investor confidence and attract more buyers.

Return of Capital

Stock buybacks allow companies with limited growth opportunities or large cash reserves to return capital to shareholders without paying dividends. This option especially appeals to investors who prefer capital appreciation over dividend income.

Stock buybacks can increase the value of remaining shares, benefiting shareholders by boosting their equity stake. While stock buybacks are a powerful tool for adding shareholder value, they can also be controversial if used irresponsibly, such as diverting funds from investments that could create long-term growth. However, when used effectively, stock buybacks can help align the company's and its shareholders' interests by maximizing the value of existing shares.



**Did you
know?**

**The average American spends
just under \$1000 on Christmas.**

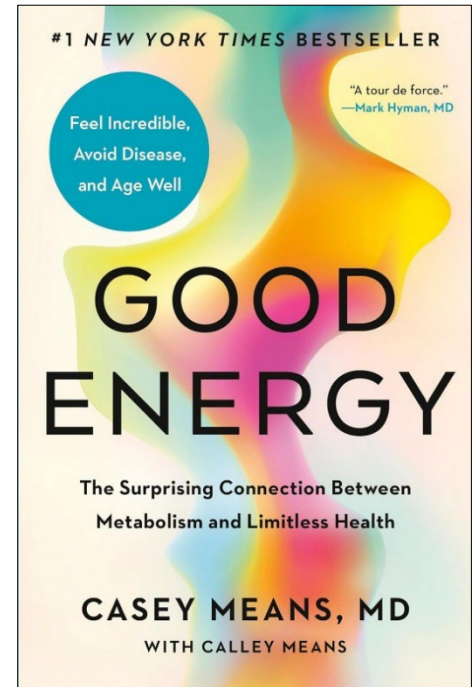
(according to the National Retail Federation)

How did you stack up? Want to make sure your financial plan is on track after holiday (no look) spending? Reach out to us, we'll make sure your plan is back on track.

Book Recommendation: *Good Energy*

It seems appropriate to recommend a health-oriented book at the New Year since many of us resolve to improve our lifestyle habits. I want to thank our client and friend RM for recommending the book because it impacted my thinking. On the one hand, I have long been conscious about diet and exercise and am familiar with much life-extension literature. On the other hand, this book by Casey Means truly ties things together uniquely and compellingly. I like her approach because, unlike my experience with much of our healthcare system, it's holistic, preventative, and focused on energy itself.

It's amazing how much of what we appreciate about modern society can negatively impact our health. While life has improved in many ways, we are much more sedentary, live in controlled temperatures and unnatural light, and often eat food designed to maximize caloric intake. It's understandable how each one of these aspects of life in a wealthy, division-of-labor society developed. Still, our human body evolved over a much longer time, and the shock to our metabolism is causing so many of the diseases and lack of energy we see: heart disease, diabetes, obesity, depression, anxiety, cancer, etc. Dr. Casey Means shows how virtually every health problem we face can be explained by how well the cells in our body create and use energy. Understanding the why behind the standard advice helps my motivation, and this book provided such "whys" and, therefore, fuels my desire to produce more good energy.



Blank Slate

As the new year begins, we often see it as a "blank slate" — a chance for a fresh start. But while the new year offers new possibilities, it's important to remember that our past choices and experiences come with us. Our successes, failures, and lessons shape who we are. Rather than erasing the past, we can use it as a foundation for growth. A "blank slate" doesn't mean forgetting; it's about moving forward with the wisdom we've gained.

So, this year, instead of reinventing myself, I will focus on improving who I already am, and I invite you to join me. The new year is not about wiping the slate clean but about consciously shaping a future that honors the past while embracing new possibilities. Here's to our new beginning, built on the lessons of the past and the promise of the future.

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