

INVESTMENT UPDATE

2024 --- 4th Quarter

ANOTHER SPECTACULAR YEAR

It was a great year for the stock market in 2024 (+25%), especially on the heels of a strong 2023 (+26%). Back-to-back 20%+ return years are rare and have only happened 8 times since the end of WWII. The U.S. economy continued to grow at a solid pace in the fourth quarter, supported by resilient consumers and healthy business spending.

Stocks moved higher, adding to gains from the prior quarters, despite significant market volatility especially around the election. For the year, the S&P 500 Index was up +25%, the Dow Jones Industrial Average (DJIA) was up +15%, and the U.S. bond market ended a year of ups and downs at +1.25% as measured by the Bloomberg U.S. Aggregate Bond Index. Rates of return in individual accounts were generally in the mid to high teens.

Gains were slightly less concentrated in the Magnificent 7 stocks (Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, and Tesla). This is partly due to an expanded recognition of AI beneficiaries. The utilities sector, for instance, rallied as markets priced in elevated electricity demand from data centers. In fact, the best performing stock in the S&P 500 was an electrical utility, beating out NVIDIA! But it's not all about AI. In 2025, broader earnings growth should drive broader leadership among more companies.

Every now and then we all benefit from a dose of **perspective**. We are living in an extraordinary time to be an investor. The stock market has only had a negative year twice since 2008. Over that 16-year stretch we have been subjected to endless negativity and stories about the decline of everything. Do yourself a favor, pull a statement from 2010, 2015, 2020, and 2024. Take a moment to show yourself your own success. You might otherwise think your money has been going nowhere. Even if you aren't 100% in U.S. stocks, you still should have seen your money grow over such an incredible stretch for our economy.

We have a new administration in the White House and all eyes are on the potential impact of tariffs, immigration reform, tax code changes, and deregulation. All could elevate market volatility. Proper asset allocation and diversification in your account will help to weather bumps that come along. It is best to stick to your long-term goals and ignore the outside, short-term noise.

The IRS has announced Retirement Saving Limits for 2025.

Individuals may contribute up to **\$23,500** to their 401(k) plans in 2025. This was an increase of \$500 from last year. The catch-up contribution limit for individuals aged 50 and over remains **\$7,500**.

There is an enhanced catch-up for 2025 that increases the contribution limit to **\$11,250** for individuals who have attained ages 60, 61, 62, and 63.

Remember these limits are applicable to both Traditional Pre-Tax deferrals as well as After-Tax Roth deferrals. If you wish to change your deferral percentage, please follow your employer's preferred method by using either your plan's website or a paper form from your HR department.

Please feel free to call Nan or Ann at 414-431-6491 with your questions or for a review.