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Pearsall Wealth Management

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## April 2024 Pearsall Wealth Management Newsletter

<u>Index</u> <sup>1</sup>	<u>Q1 2024</u>
S&P 500	10.56%
Dow Jones Industrial Average	6.14%
Russell 2000	5.18%
MSCI EAFE	5.93%
Barclays Aggregate Bond	-0.78%
US Treasury Bill – 3 month	1.32%

*Thomson Reuters performance data as of 3/28/24*

**The equity (stock) markets started off the year much stronger than we anticipated** with the S&P 500 closing above 5,000 for the first time, and up 10.56% as of April 1<sup>st</sup>. Though the S&P 500 is near UBS' year-end target for their base-case scenario for 2024 (5,200)<sup>2</sup> we continue to see opportunities in other portions of the equity markets, particularly US small cap, US and European small and mid-caps which typically benefit more from lower interest rates and are trading at significant discounts. The S&P 600 small cap index relative valuation is lower than its 10 year average and trading at a 35% discount to the large cap S&P 500 valuation, and relative valuations of Eurozone small and mid-caps are trading at 20 year lows<sup>3</sup>. It would not surprise me if we saw some softness in the US large cap markets in the next 3-6 months after the increases in the past six months. Historically record highs have not signaled an imminent selloff; rather the returns over the next 1, 2, and 3 year time periods average 12%, 23%, and 39%, which is very similar to the 12%, 25%, and 38% average 1, 2, and 3 year timeframes across all market periods<sup>4</sup>. Back in January we expected the US Large cap market rally to broaden beyond the "Magnificent 7" stocks that did well in 2023<sup>5</sup>, and with the equal-weighted S&P 500 outperforming the Cap weighted S&P 500 in March<sup>6</sup>.

**There has been much discussion** so far this year over when the Federal Reserve will reduce interest rates, and by how much. Those looking to purchase a vehicle or house will no doubt welcome lower rates, but along with the



lower lending rates will come lower interest rates on savings accounts, certificates of deposit (CD), and money markets. As was noted in the January enclosure “New Year’s Portfolio Resolutions” (#10 “Seize the moment – manage liquidity”), now may be a very opportune time to lock in the interest rates you receive on funds that you are willing to be “locked up” a bit longer, whether it be in a longer term CD or fixed income. As the Federal Reserve lowers rates the marketplace will adjust with lower yields and higher prices for previously issued higher yielding securities; it is preferable to reallocate your cash prior to a fed rate cut.

**One of the most frequent questions** we’ve received this year is how the election may impact the markets. Over the past 5 presidential cycles I’ve been in this seat, the question and answer have remained the same – the political party in power has very little direct impact on the overall economy, though within sectors there can be an impact. My favorite example is the energy sector – when one party is in control companies who operate in the alternative energy space such as solar and wind may do well, while oil, coal, and natural gas producers potentially doing better with the other party in control. We’ve enclosed an interesting piece which discusses investing in an election year and the historical impact of the party in control on the overall market returns. For UBS’ thoughts on the upcoming election you may want to access the reports available at <https://www.ubs.com/us/en/wealth-management/insights/investment-research/us-elections.html>. If you enjoy keeping up with what is going on in Washington we can send you the UBS Election Watch and Washington Weekly reports as they become available - please give Tara a call to subscribe to either or both of them.

**From Melissa:**

**IRA and Roth IRA Contribution Limits-** Take the opportunity to help maximize the benefit of tax-deferred growth on your investments by making your annual individual retirement account (IRA) contributions. The individual IRA contribution limit for 2024 is \$7,000 plus an additional \$1,000 for those 50 and older. As always you must have earned income. In addition, contributions to Roth IRAs are only available to individuals under certain adjusted gross income (AGI) limits. Contributions to traditional IRAs do not have age limits any longer, however deductibility of the contributions are only available to individuals under certain AGI limits. If you have any questions on your eligibility and limits you should consult with your tax advisor. If you would like to send in a contribution, be sure to include your UBS IRA account number and how much you want to contribute for the current and prior tax years (if applicable). If you cannot remember how much you have contributed so far for 2024 please give us a call.

**Asset titling** is one of the most important — and often overlooked aspects of an estate plan. The manner in which an asset is titled determines how it can be managed during your lifetime and who receives it upon your death. Too many people incorrectly believe that all of their assets will be distributed according to the terms of their



will or trust upon their death. However, many assets could pass outside their estate depending on how the assets are titled or if they have named beneficiaries. Common examples include joint accounts, IRAs, retirement accounts, annuities and life insurance. We encourage you to review your assets and discuss with us and/or your attorney if any change should be made to your ownership/asset titling. This is one of the important topics highlighted in the “Top Ten Planning Topics for 2024”, a piece published by the Advanced Planning group in February. For more details and to dive into the other topics please check it out [here](#) or ask myself or Tara to mail you a copy.

**A few other timely questions/reminders to think about:**

- 1) How long has it been since you reviewed your will? If it has been longer than 5 years you might want to review it and update as needed. If you do not have a will, now might be the time to have one drawn up. You may wish to review and update other estate planning documents such as your Power of Attorney and Living Will (if appropriate).
- 2) When was the last time you reviewed your insurance policies (life, long term care, vehicle, home owners, etc.) to make sure they will help protect you and your family, should you need to rely on them?
- 3) Check your annual free credit report to make sure it is accurate and to help watch for identity theft.
- 4) If you have not updated and reviewed your financial plan with us in the past year, give us a call – we can update it now, or start pulling together the information in preparation for your annual strategy review.

**From Tara-**

**IRA contributions continued**

As Melissa mentioned above, if you are eligible to make IRA contributions and would like to set up automatic monthly contributions to spread it out for the current year please give me a call and I would be happy to set that up for you. I will send you an Electronic Funds Transfer form to sign which you will send back along with a voided check from your banking institution.

Other ways to contribute:

- Mail or drop off a check to us at One Broad St Plaza Suite 9 Glens Falls NY 12801
- Authorize a transfer of funds from your existing investment account or an account you hold at another financial institution.
- Do a mobile deposit with the UBS Mobile App.



## RMDs

Clients who turn 73 this year are able to take their first RMD as late as April 1, 2025. Just remember that if you choose to do that you will also have to take your 2025 RMD by December. UBS offers automated RMD service that allows you to withdraw annually, semi-annually, quarterly or monthly. If you would like to gift all or part of your RMD to family or friends, you can give up to \$18,000 per year, per person, of which you will pay applicable taxes but beneficiaries will receive the money tax-free. Keep in mind that even though the RMD age has been pushed out to age 73, you can still begin making tax-free Qualified Charitable Distributions at age 70 ½.

## Updating Beneficiaries

Let's make sure your beneficiaries are up-to-date! This is a very important step that is often overlooked and requires just a few minutes of your time. When a big life event happens, such as the birth or adoption of a child, a marriage, divorce, or a death, review your beneficiaries and make any necessary updates to help guarantee that your loved ones receive the assets you intended for them.

Best wishes for a great Spring,

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**529 plans are sold with program descriptions that contain details of the risks, fees and charges associated with the particular investment, which you should read carefully before investing.** Even though individuals are not required to invest in their in-state plan, some states do provide tax or other advantages exclusively to residents who invest in their own state's plan. For example, many states offer a state income tax deduction for contributions and/or state income tax exemption for qualified withdrawals. States may impose state tax liability on withdrawals and/or earnings from out-of-state 529 plans. In addition, some states offer prepaid tuition plans. Investors should be aware that the markets have risks and the value of their investments may change from day to day. Therefore, an investment's return and principal value will fluctuate so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost

There are two sources of UBS research. Reports from the first source, UBS CIO Wealth Management Research, are designed for individual investors and are produced by UBS Wealth Management Americas (which includes UBS Financial Services Inc. and UBS International Inc.) and UBS Wealth Management. The second research source is UBS Investment Research, and its reports are produced by UBS Investment Bank, whose primary business focus is institutional investors. The two sources operate independently and may therefore have different recommendations. The various research content provided does not take into account the unique investment objectives, financial situation or particular needs of any specific individual investor. If you have any questions, please consult your Financial Advisor

**Important additional information applicable to retirement plan assets (including assets eligible for potential rollover, distribution or conversion).**

This information is provided for educational and discussion purposes only and are not intended to be fiduciary or best interest investment advice or a recommendation that you take a particular course of action (including to roll out, distribute or transfer retirement plan assets to UBS). UBS does not intend (or agree) to act in a fiduciary capacity under ERISA or the Code when providing this educational information. Moreover, a UBS recommendation as to the advisability of rolling assets out of a retirement plan is only valid when made in a written UBS Rollover Recommendation Letter to you provided by your UBS Financial Advisor after a review of detailed information that you provide about your plan and that includes the reasons the rollover is in your best interest. UBS and your UBS Financial Advisor do not provide rollover recommendations verbally.

With respect to plan assets eligible to be rolled over or distributed, you should review the IRA Rollover Guide UBS provides at [ubs.com/irainformation](https://ubs.com/irainformation) which outlines the many factors you should consider (including the management of fees and costs of your retirement plan investments) before making a decision to roll out of a retirement plan. Your UBS Financial Advisor will provide a copy upon request.

**Conflicts of interest.**

UBS Financial Services Inc. is in the business of establishing and maintaining investment accounts (including retirement accounts) and we will receive compensation from you in connection with investments that you make, as well as additional compensation from third parties whose investments we distribute. This presents a conflict of interest when we recommend that you move your assets to UBS from another financial institution or employer retirement plan, and also when we make investment recommendations for assets you hold at, or purchase through, UBS. For more information on how we are compensated by clients and third parties, conflicts of interest and investments available at UBS please refer to the "Your relationship with UBS" booklet provided at [ubs.com/relationshipwithubs](https://ubs.com/relationshipwithubs), or ask your UBS Financial Advisor for a copy.

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<sup>1</sup> Thomson Reuters via UBS Portfolio Management Report performance data as of 3/28/2024

<sup>2</sup> Top 10 questions answered, UBS House View Briefcases, April 2, 2024

<sup>3</sup> Seek durability in portfolio income amid US data noise, Weekly Global, Mark Haefele, Global Wealth Management Chief Investment Officer, UBS AG

<sup>4</sup> Top 10 questions answered, UBS House View Briefcases, April 2, 2024

<sup>5</sup> Pearsall Wealth Management Newsletter, January 2024

<sup>6</sup> Equal-weighted S&P 500 sees its first outperformance in 2024 as leadership broadens, Investing.com April 2, 2024

<https://www.investing.com/news/stock-market-news/equalweighted-sp-500-sees-its-first-outperformance-in-2024-as-leadership-broadens-432SI-3361139>

Title: April 2024 Pearsall Wealth Management Newsletter

Approval Date: 4/10/2024

Expiration: 4/30/2025

Review Code: IS2401937