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Pearsall Wealth Management

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January 2025 Pearsall Wealth Management Newsletter

<u>Index</u> ¹	<u>Q4 2024</u>	<u>Year End 2024</u>
S&P 500	2.41%	25.02%
Dow Jones Industrial Average	0.93%	14.99%
Russell 2000	0.33%	11.54%
MSCI EAFE	-8.06%	4.35%
Barclays Aggregate Bond	-3.06%	1.25%
US Treasury Bill – 3 month	1.19%	5.32%

Thomson Reuters performance data as of 12/31/2024

Last January we noted *"Given the various headlines we do expect market volatility, but for the full year see a path for reasonable returns in both the US fixed income and equity markets, particularly in quality bonds and stocks²".* Most asset class returns for the year were within normal ranges. However, for the second year in a row large cap stocks, particularly large cap growth stocks, exceeded our return expectations (the S&P 500 was up 26.29% in 2023 and 25.02% in 2024). This was led by a small number of technology companies who are leaders in artificial intelligence. These 7 stocks accounted for over 50% of the return, and as of year-end represented around 33% of the S&P 500 index³.

As we are halfway through this decade it is helpful to reflect on the environment we've experienced so far to keep things in perspective for the year ahead and for the next few years. Mark Haefele summarized it well in his introductory comments to the recent UBS report "Roaring 20s: The next stage":

Since the start of the 2020's, global equity markets are up around 50%, US nominal GDP has increased by over 30%, and US corporate profits are up nearly 70%. All that in spite of unprecedented global lockdowns, the outbreak of wars in Eastern Europe and the Middle East, and the largest spike in interest rates and inflation in decades.



The market and economic developments have led some to term the decade so far as the “Roaring 20s”, marked by high economic growth, strong market returns, and improving productivity. We are now approaching the midpoint of the decade, and the implications of the US election are a focal point. A key question is whether US political change might extend or end the Roaring 20s. The upside scenario would see lower taxes, deregulation, and trade deals adding to a positive market narrative built on solid growth and continued investment in artificial intelligence. The risk scenario is that trade tariffs, excessive fiscal deficits, and geopolitical strife will contribute to higher inflation, weaker growth, and market volatility. As we consider a wider range of market outcomes ahead, the unpredictability of this decade so far should remind us of the importance of humility and market diversification. But it should also remind us of the adaptability of the economy, the power of innovation, and the potential for long-term market growth.

As we continue to hear commentary around tariffs, we’ve included the UBS House View Daily report from January 7th which outlines our current thoughts well. We look forward to working with you to navigate the challenges and opportunities of 2025.

From Melissa:

Financial Goal Analysis- As we can see a wider range of market outcomes ahead, we believe this is a good time to update financial plans (also known as your Financial Goal Analysis). It is a good idea to update your plan in bull markets but even more important in times of uncertainty. If your Financial Goal Analysis was created some time ago, it should be reviewed periodically to help ensure the plan is still aligned with your specific needs and objectives. If you are interested in updating it please give me a call and we can review your figures together in order to ensure your plan reflects your current financial condition and any changes in income or other assumptions we use.

Social Security Website- One of the most important income sources for retirees and future retirees is Social Security Income and Disability Income. This summer the Social Security Administration announced some big changes to their website. In July they announced that customers who created an online account (e.g., *my* Social Security account) before September 2021, will soon be required to transition to a Login.gov account to continue access to their online services. They are making this change to simplify the sign-in experience and align with federal authentication standards to provide safe and secure access to online services.



I went through the process myself and it was easy. It prompted me with several different ways to secure my account, such as: biometric face ID, text authentication, phone call, and/or third party authentication apps such as 1Password, Google Authenticator, and LastPass. I was also able to set my statement and notification preferences and chose if I wanted an actual paper statement mailed to me yearly.

2025 Required Minimum Distributions- In the next few weeks some of you will begin to receive Year End Valuation Statements for retirement accounts. For those who are of required minimum distribution age, you will see your 2025 required minimum distribution on these forms. You will need to withdrawal these dollar amounts before the end of 2025 or before April 1, 2026, if this is your first year.

New this year will be required minimum distribution amounts for those who inherited IRAs from loved ones who passed in 2020 and after. The past 5 years the IRS has waived penalties for those who have not take a required minimum distribution like their loved ones used to. That ends this year, and as a reminder most who inherited types of IRAs, the full account balance needs to be liquidated 10 years following their loved ones' passing.

You can take those dollar amounts anytime throughout the year either monthly, quarterly, or all at once and can even donate to charity if you have charitable inclinations, also known as a Qualified Charitable Distributions (QCD). Please give Tara or I a call if you have any questions on your exact figures.

From Tara:

Ways to wave account fees:

2025 account service fees (which come out in December) are increasing this year by \$25 per account. RMA accounts will be charged \$200 and IRAs \$125. (This notice came out as an insert in the September 2024 statements. The last increase in account fees was 2018).

I want to share with you a few ways you may be able to avoid account fees and/or eliminate the fee increase. There are no annual fees for clients with eligible RMA's or IRA's who:

- Have a minimum of \$5000 in incoming qualifying deposits per month for three consecutive months between January and November.
- Have any combination of five qualifying cash management transactions such as Zelle®, EFT, check writing, bill pay, and mobile deposit for three consecutive months between January and November. (Moving your direct deposit to UBS and/or using UBS for your day-to-day cash management is a great way to get started.)



- Have an active UBS Visa Infinite credit card.
- Have relationships that bring in \$250,000 in Net New Money in the billing year.
- Have a combined relationship of \$4,000,000.

You can also offset the fee increase by enrolling in e-Delivery for statements and trade confirmations in that billing year (not eligible for SEP/SIMPLE Plans).

Tax Season: We would like you to be aware of important dates and deadlines when planning for filing your 2024 taxes.

- 1099-R forms documenting your IRA distributions will be mailed on January 31st, 2025
- The first wave of 1099 Consolidated Forms will be mailed on February 15th, 2025 - this wave includes forms with no anticipated corrections or updates.
- The final mailing will be February 28th, 2025 which will include any corrected 1099 forms.
- In accordance with Internal Revenue Service (IRS) rules and guidance, we are required to deliver Forms 1099 by March 15, 2025.
- **IMPORTANT:** If any corrections are to be made after the final mailing, we will contact you.

Please be aware that if you have multiple accounts with us, forms may be mailed on different dates. If you would like to obtain your 1099 as fast as possible and you are comfortable with E-Delivery head over to UBS Online Services and sign up for E-Delivery of your 1099s. You will then get an email as soon as they are available to download. If you do sign up for E-Delivery just make note on your tax document gathering folder so you don't forget. As always if you have any questions or would like us to send anything to your accountant please let us know.

Best wishes for a great new year,

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There are two sources of UBS research. One source is written by UBS Wealth Management Research ("WMR"). WMR is part of UBS Global Wealth Management & Business Banking (the UBS business group that includes, among others, UBS Financial Services Inc. and UBS International Inc.), whose primary business focus is individual investors. The second source is written by UBS Investment Research. UBS Investment Research is part of UBS Securities LLC, whose primary business focus is institutional investors. The Individual report style, length and content are designed to be more easily used by individual investors.

The research reports may include estimates and forecasts. A forecast is just one element of an overall report. Differences may sometimes occur between the individual and institutional reports with respect to interest rate or exchange rate forecasts due to differences of opinions. The analysts preparing individual and institutional research use their own methodologies and assumptions to make their own independent forecasts. Neither the institutional forecast nor the individual forecast is necessarily more reliable than the other.

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.**

The Financial Goal Analysis report is based on various assumptions including financial information, personal preferences and other information provided by the client. The report details the assumptions upon which the plan is based. **Important:** The projections and other information generated by FGA regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.

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 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.

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¹ Thomson Reuters via UBS Portfolio Management Report performance data as of 12/31/2024

² January 2024 Pearsall Wealth Management Newsletter

³ <https://finance.yahoo.com/news/magnificent-seven-stocks-dominate-p-180221332.html>