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April 2025 Pearsall Wealth Management Newsletter

<u>Index¹</u>	<u>Month to Date</u>	<u>Q1 2025</u>	<u>Year to Date</u>
S&P 500	-9.77%	-4.27%	-13.63%
Dow Jones Industrial Average	-9.57%	-0.87%	-10.36%
Russell 2000	-10.01%	-9.48%	-18.54%
MSCI EAFE	-10.69%	7.01%	-4.43%
Bloomberg Aggregate Bond	-0.26%	2.78%	2.52%
US Treasury Bill – 3 month	0.08%	1.04%	1.13%

Thomson Reuters performance data as of 4/7/25

The past two weeks have been volatile ones as markets try to make sense of what the global trade landscape will look like going forward. We are likely to continue experiencing extreme market volatility (both down and up) for the next several months. As much as we would all like the current situation to be solved in weeks (or days!), it is going to take time for the true course of the current administration's path to become clear and businesses to adjust to it. That said, long term we remain optimistic, as the underlying economy remains resilient and the increased efficiencies that artificial intelligence (AI) are bringing to companies are likely to allow them to become more profitable over time. Please note that I will be focusing my next comments on the S&P 500 as it is frequently discussed in the media currently. While reviewing your own portfolio you will find that other asset classes, particularly fixed income, are fairing much better (for example the Bloomberg (formerly Barclays) Aggregate bond index is up 2.52% as of April 7th). Diversification is working and helping protect portfolios.

UBS base case remains that the next step may be a further increase in tariffs for some countries, followed by a reduction later this year as business and political pressure mounts and deals are struck with individual countries². The outlook on interest rates has changed, with a projected 75-100 basis point (bps) reduction (0.75-1.0%), where previously we expected a 50 bps reduction. Though UBS has reduced the 2025 year end price target of the S&P 500 to 5,800 (previously 6,600, then 6,400)³, it is still significantly higher than the 4,965 it sits at as I type this (and it will likely have changed noticeably by the time you are reading this, given the current volatility). At the same time we need to acknowledge the possibility of additional near term downside.



Though a soft landing or even mild recession appears to be priced in to the market, a deeper recession ("Hard Landing") does not appear to be currently expected by the market (UBS downside 2025 year-end target for the S&P 500 in a hard landing scenario is 4,500.)

Given the wide range of outcomes evidence from past selloffs may be a good way to ground our thinking in what is most likely². From drawdowns of this magnitude long term investors have typically been rewarded if they put money to work. Understanding as of this writing we've not closed below 4,915 (which would be down 20% from the high), analyzing the 12 past occurrences when the S&P 500 has fallen 20% since 1945, the index has: delivered a positive one-year return 67% of the time, with an average return of 12.9%. Over a three year horizon this rises to 91% of the occasions with a mean return of 29.2%. Over a five-year horizon following a 20% selloff it has been positive 100% of the time with an average return of 52.7%.

Should we experience a deeper decline, an S&P 500 value of 4,135 would be down 32.4% from its peak, consistent both with the average decline during the past 10 recessions since 1958 and the 12 bear markets since 1945. In previous bear markets the S&P 500 rallied by an average of 42% from its low over the next year and fully recovered within two years late on average. Over a five year span the S&P 500 rallied 97% from its bear market troughs.

Those with longer time frames (5-7 years or more) may be well served to selectively adding to their portfolios over the next few months as the direction of the global trade war becomes more certain.

Please call us if you would like to review your financial plan, portfolio, or discuss the markets. We are here to help provide perspective and guidance.

Washington Weekly- We've enclosed the April 4th edition of the UBS Washington Weekly piece, which is also available on our website, that you may find helpful in keeping track of what is going on in Washington.

From Melissa

Roth Conversions- When you make a pretax contribution to a Traditional IRA or 401(k) retirement account, it helps you to reduce your income tax burden for that tax year. This can be a good choice in high income years because it helps you keep income out of the higher income brackets. Your contributions grow on a tax-deferred basis, but will be taxed when you take a distribution or implement a Roth conversion.



With many years of contributions and possible market appreciation, retirement accounts can grow to a large portion of one's nest egg. In early retirement years, Roth conversions may offer a valuable way to defuse this "tax time bomb" according to UBS Chief Investment Office⁴. While you will have to pay income taxes on any amount converted, this is typically at a much lower rate than when you were working and before required to take Required Minimum Distributions starting between ages 73-75.

If this is a strategy that might be of interest, you can read more about the thoughts and numbers behind it from our Chief Investment Office [here](#) (physical copy available upon request). As always it is a good idea to talk to your tax advisor as we cannot give any tax advice.

Take A Deep Breath- It's never easy to go through market volatility. When we see our hard-earned dollars dwindling in value, it's natural to feel anxious about what this might mean for our families and our ability to pursue our goals. It's natural to want to react emotionally but it might be a good idea to pause and breathe before making any big changes. Here are a few questions to ask yourself before you act on any emotions:

1. How healthy are your cash reserves and emergency fund? In times of volatility knowing that you can maintain your lifestyle can be calming. Please talk to us if you would like to come up with a strategy to increase your liquidity.
2. Have your long term goals changed? Does the news impact my ability to meet my goals? For many, volatility in the markets and in the world may create temporary anxiety but doesn't change what goals you want to achieve. As always that is why it is important to update, review, and stick with your financial plan.
3. Is it time to revisit your risk tolerance? Over the years and during countless times of volatility we have revisited risk tolerance questions and almost always investors answer the questions the same as they first did when they joined us. There are also times that clients don't, and that is usually coupled with a big change in their life. Please call or make an appointment to come in if you would like to revisit this.



From Tara

IRA contributions- If you are eligible to make individual retirement account (IRA) contributions, annual contributions are a great way to take advantage of tax-deferred growth on your investments. The individual IRA contribution limit for 2025 is \$7,000 plus an additional \$1,000 if you are over the age of 50. If you 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. 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 \$19,000 per year, per person, of which you will pay applicable income taxes but in most cases beneficiaries will receive the money tax-free. Keep in mind that 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,

A handwritten signature in black ink, appearing to read "Adam".

Adam E Pearsall, CFP®
Senior Vice President-
Wealth Management
Senior Portfolio Manager

A handwritten signature in black ink, appearing to read "Melissa".

Melissa Battiste, CRPC®
Senior Wealth Strategy Associate

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Tara Johnson
Client Associate



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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.

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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.

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

² Trade war: Navigating volatility UBS House View- CIO Alert, Chief Investment Office GWM Investment Research April 6, 2025

³ US Equities, CIO View: Equities Chief Investment Office GWM Investment Research April 4, 2025

⁴ "Roth conversions to defuse your "tax bomb"", Chief Investment Office GWM, November 15, 2024