NELSONCORP NEWS

JUNE
2024

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HAPPY JUNETEENTH!

Juneteenth carries a rich historical legacy. Although the Emancipation Proclamation stated "all shall be free", it would take President Lincoln and his allies in congress two more years of hard work to pass the 13th Amendment that abolished slavery in the United States. It was on June 19th, 1865, that General Gordon Grander arrived in Galveston, Texas, to announce both the end of the Civil War and slavery. Since liberation was a staggered process in different areas, this date, shortened to Juneteenth, became a symbolic date representing African American freedom.

The first Juneteenth marks the true beginning of the end of slavery in America. Today, it commemorates the knowledge that slavery has ended. Juneteenth gives us a sense of encouragement and inspiration to continue standing up for our communities, our families, and our freedom. As it becomes more popular it encourages us to look back and learn more about African American history. It reminds us as a nation of the progress we've made and the work that still lies ahead.

On June 17th, 2021, Juneteenth officially became a national holiday. Like the Fourth of July that celebrates America's freedom from Great Britain, Juneteenth celebrates the universal individual freedom for all.

I invite you to embrace the celebration of Juneteenth this year with your loved ones and community. It represents such a historical moment in American history...and a cherished opportunity for us to join together as one.

I wish you and yours a joyous Juneteenth!

David Nelson

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THINGS TO NOTE

Our team of Medicare specialists are aware of the current issues between United Healthcare's Medicare Advantage Plan and MercyOne and Mercy-Genesis. If this affects you and you have questions, call our office for an appointment.

All NelsonCorp offices will be closed Wednesday, June 19th in observance of Juneteenth Day. Banks and markets will also be closed.

SUPPORT OUR LOCAL CHARITIES & BUSINESSES

Check out what's happening at our area charities, businesses, and communities:

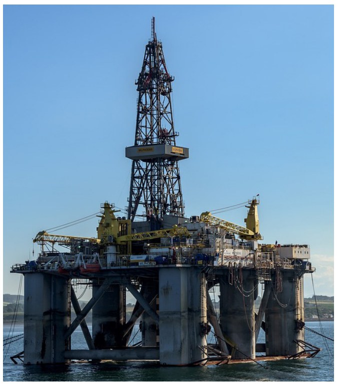
- *Visit Clinton www.clintoniowatourism.com*
- *Visit Quad Cities www.visitquadcities.com*

NelsonCorp Nuggets

Americans' most common financial goal in 2023 was to spend less money (50%), but nearly half that group (44%) didn't follow through.

Source: listwithclever.com-99 key statistics for 2024

THE PROS AND CONS OF INVESTING IN COMMODITIES



A **physical product** that is either consumed or used to produce something else. For example, corn, sugar, and cotton are all agricultural commodities. Pork, poultry, and cattle are livestock commodities. Oil, gas, and precious metals like gold and silver are commodities, too.

A commodity is generally seen as an **alternative investment**. Traditionally, large institutions and professional traders are the most likely to invest in commodities, but regular people can, too. Like every type of investment, though, there are both potential benefits *and* risks that come with commodities. Some of these are very specific to commodities.

First, let's look at some of the pros of investing in commodities:

Diversification. As you know, *all* types of investments will rise and fall in value at different times. That's why it's important that your portfolio consists of diverse asset classes, each driven by different factors. (Financial advisors like me refer to this as having *low correlation*, meaning price changes in one asset don't affect the price of another asset.)

Typically, commodities have a low correlation to stocks and bonds. Every type of commodity is affected by different economic factors. Most of *those* don't usually have affect, say, stocks. For example, while changing interest rates can have a major impact on stocks, they don't have a direct affect on cotton prices. And though a hurricane in the Gulf of Mexico can dramatically impact oil prices, it usually doesn't mean much to the overall stock market.

For these reasons, investing in commodities can add valuable diversification to your portfolio.

Diversification is important because it can help cushion your portfolio from major volatility. If one asset class takes a hit, the others could help compensate. However, it is important to note that diversification doesn't eliminate risk.

Hedge Against Inflation. During periods of high inflation, the price of most consumer goods and services will go up. While that can make for an unpleasant-looking receipt at the grocery store, it can be a boon to commodity investors. That's because the price of many commodities tends to go up with inflation. As a result, investing in commodities can help "hedge" – or lessen – the risk of investing in *other* asset classes that may be negatively affected by inflation.

Potential for Significant Returns. Commodities can also – potentially – produce meaningful returns. Certain types of commodities will occasionally rise drastically in demand, taking their price up with them. As a result, investing in the right commodity at the right time can certainly help investors generate a significant profit!

Of course, that same potential is also behind some of the downsides to investing in commodities:

Volatility. Commodities can be extremely volatile. As you've no doubt seen, the price of any commodity (say, oil, or gold) can fall remarkably fast if the *demand* for those products falls far below their supply. For these reasons, you should only invest in commodities if you can afford to take on the...

Multiple Risks. As I mentioned, all types of investments come with risks. However, the risks associated with commodities are particularly large and varied. For example, some commodities – especially agricultural ones – are vulnerable to weather. Others can be affected by natural disasters, military conflicts, or changing government regulations. While these same factors can certainly drive prices *up*, they are also just as likely to drag prices *down* if the wrong conditions arise. Furthermore, investors have no control over these types of risks...and they are notoriously difficult to predict in advance.

No Income. Finally, commodities do not produce any income for investors the way bonds or dividend-paying stocks do. So, investors seeking income – especially retirees – may find that the pros of commodities are just not worth the risks when it comes to fulfilling their needs.

In the end, there's simply no "one size fits all" type of investment, and that's especially true of commodities. While they *can* be a viable fit for some portfolios, every investor must look carefully at whether commodities are right for their needs, and whether the risks associated with them are more than they can afford.

THE EAGLE

Happy Father's Day! Recently, I came across a sweet story that really put the holiday on my mind. In honor of all fathers, I'd like to share it with you.

The staff at the World Bird Sanctuary in Missouri witnessed an unusual sight when an old, male bald eagle named Murphy sat down on a rock.[1]

Day after day, Murphy refused to leave the spot, squawking at anyone and anything who came near. Murphy had lived at the sanctuary for almost thirty years and had never behaved this way before. Many visitors who saw the eagle worried there was something wrong with it.

But the eagle wasn't sick. He wasn't hurt. And he wasn't sad.

For the first time in his life, he was ready to be a dad.

At first, the handlers at the sanctuary were confused. Normally, bald eagles mate for life, with both parents taking turns incubating their eggs. But because Murphy's wing was permanently damaged, he couldn't be released into the wild. As a result, he had never fathered eaglets before. In fact, he had never even mated before. Already 31-years-old, he seemed destined for a life of bachelorhood. But something changed in him that first day. Suddenly, he was ready to be a protector and provider…even if the thing he was protecting and providing for was a rock.

Touched by his parental instincts, the sanctuary staff decided not to interfere, other than moving him – and his rock – to a private enclosure. Eventually, spring would end. The rock would never hatch, Murphy would lose interest, and that would be that.

But then one day a new visitor arrived at the sanctuary. An orphaned eaglet, barely a week old, that had been swept out of its tree during a storm. Far too young to survive on its own…but still young enough to imprint on a new parent. Even if that parent was a grumpy old loner.

Lacking other options, the staff decided to pair the little chick with Murphy. After all, the eagle was clearly in dad mode. Yet there was a major risk involved. Again, Murphy had never built a nest before, never cared for eaglets before…and might even see the little newcomer as a threat to his "baby rock."

But they also knew that every child needs a parent.

So, the next day, they swapped Murphy's rock with the orphaned chick, held their breaths, and waited. (Of course, they also took precautions, leaving the eaglet in a heated cage in Murphy's pen. That way, the new dad could get to know his new charge without any risk of hurting it.)

After a few days, the staff felt the coast was clear. They opened the chick's cage so the two could be properly introduced. And to their delight, Murphy successfully swapped being a rock dad to being a *real* dad. The two conversed back and forth, chirping and peeping at each other. Soon, the old eagle even started protecting and feeding it. Later on, Murphy showed the chick how to drink and eat on its own. How to stretch its wings. How to clean its beak and feet after a meal. (And yes, even how to behave whenever the young eaglet started acting naughty.)

Of course, there were some things that Murphy *couldn't* do. He couldn't teach the chick to fly. And when a tornado struck nearby, he forgot to keep the chick warm and dry, forcing the staff to do it. (Hey, even the best dads aren't perfect.) But the two bonded beautifully, and in the ensuing weeks, the chick grew and grew. And a few short months later, the staff at the sanctuary was able to release the eaglet back into the wild.

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When I heard this story, it really got me thinking about fatherhood. About the role fathers play in our lives. About how important a good father really is.

Fathers come in all shapes and sizes. Birth fathers and stepfathers; grandfathers and father-figures. Some dads are gregarious and playful; some strong and silent. (Some are all of the above!) Some are good in the garage, some are good in the yard, and some are good in the kitchen. Some dads are married or in partnerships; others, like Murphy, do it solo.

But the good ones all have something in common: Nothing is more important to them than their kids.

As Murphy no doubt discovered, fatherhood is never easy. But dads are persistent and tenacious, learning as they go. Learning what to do and when to do it. When to push their kids and when to leave them be. When to be a coach and when to be a friend. But *always* being a protector and a provider, in whatever way their family needs. All dads make mistakes, of course, but the good ones never stop trying to be better…because they always put their kids first.

Thanks to Murphy, that little chick grew up strong and healthy. It knows how to take care of itself. It knows how to be an eagle. And that's really what fatherhood is all about, isn't it? They're teachers and role models. Cheerleaders and caretakers. Protectors and providers. Fathers teach us how to grow up. They teach us how to take care of ourselves. They teach us how to be the best people we can be.

I'm so grateful for my dad. And I'm grateful for *all* the good dads in the world. The ones who put their kids first. The ones who teach them how to stretch their wings…so that, one day, they too will take to the air and fly.

On behalf of everyone here at NelsonCorp, I wish you a happy Father's Day!

1 "An Eagle Who Adopted a Rock Becomes a Dad," The NY Times, https://www.nytimes.com/2023/04/17/us/murphy-bald-eagle-rock.html

LESSONS FROM THE KENTUCKY DERBY

Last month marked the 150th anniversary of the Kentucky Derby. Known as "The Most Exciting Two Minutes in Sports," it's the oldest continuously-held sporting event in the United States! While it has been rescheduled to different parts of the year on a few occasions, it has never been canceled in its entire history.

Over the last century-and-a-half, the Derby has seen its fair share of upsets, memorable moments, and photo finishes. Every year, twenty horses and their jockeys gallop at a neck-breaking pace for a little over a mile, each striving for a goal they have planned for, practiced for, and dreamed of for years. While reading about them, I realized the race can teach us all a few lessons about how to reach the finish line of our *own* dreams.

1. SUCCESS REQUIRES PLANNING AND PREPARATION TO ENSURE PERFORMANCE.

When we think about our most cherished goals, we all love to close our eyes and picture ourselves enjoying a cocktail on the beach, surveying the landscape from the top of a mountain, or holding the winner's trophy. What we really *should* be picturing, though, is what it takes to get there. You see, while horses race the entire length of the Derby track in a little over two minutes, it takes two *years* to actually win.

It all starts when the horse is young. A horse must be three years old to race in the Derby, so early on, they must be well-bred, well-fed, and well-housed. Then, when they turn two, the actual training begins.

First, they are trained to follow their rider's commands. Next, they are taught how to gradually build up speed. Then, the focus turns to building stamina. Finally, horses will compete in less high-profile races to gain experience. All these steps must go right for a horse to stand a chance at winning the Kentucky Derby.

We have to follow a similar process to reach our financial goals. We must train ourselves to develop good financial habits. We must save and invest consistently, gradually building up our wealth for when we need it most. We must have a step-by-step plan that details exactly what to do and when to do it… so that we can take that dream vacation, build that dream home, start that dream business, enjoy that dream retirement.

Racing in the Kentucky Derby is simply the last step in a long and methodical process. Our own personal race requires nothing less.

2. NEVER LET ANYONE DEFINE WHAT YOU CAN ACCOMPLISH.

As a financial advisor, I often meet with people who believe that certain things will simply be out of their reach forever. No matter how much money we have, society often tries to fit us into boxes based on background, race, gender, job, social status, or any of a dozen other things.

The Kentucky Derby teaches us that this is all nonsense. *Anyone* can accomplish their dreams if given the opportunity. For proof, take the story of 44th winner of the Kentucky Derby, a horse named Exterminator.

Exterminator was owned by Willis Kilmer, a man who didn't think very highly of his horse. He frequently referred to Exterminator as "a goat" or a "truck horse." In his eyes, all Exterminator was good for was to give the "real" racehorses something to practice against. But when the 1918 Kentucky Derby drew near, Kilmer's main horse picked up an injury.

Despite having no other choice, Kilmer still had to be convinced to enter his "goat" into the race. Even the jockey grumbled as he mounted the unfavored horse, who had not actually raced since the age of two.

You can probably guess where this is going. That morning, the track was muddy from persistent rain. Probably the only person who felt confident was Exterminator's trainer, who knew the horse had heart, intelligence, and a tremendous work ethic.

When the flag went up, the horses were off…and two minutes and ten seconds later, Exterminator became one of the unlikeliest of winners in the competition's history. He would even go on to win fifty more races before retiring at the ripe old age – for a racehorse – of nine.

The lesson: You alone are in control of your financial future. No matter who you are or where you come from, you have the ability to reach whatever goals you set for yourself. Never let anyone tell you otherwise!

3. SUCCESS TAKES TEAMWORK.

While we rightly give the horse most of the credit for winning the Derby, it actually takes an entire team of professionals. There's the jockey, of course, but also the trainer, assistant trainer, grooms, veterinarians, stable hands, farriers – they make horseshoes – and many more.

Financial success comes from teamwork, too. No matter how much money a person makes, they will *always* benefit from the help and support of family members, friends…and yes, financial professionals like advisors, tax preparers, estate attorneys, and more. The lesson here? When working toward your financial goals, you don't have to do it alone. Always make sure you have a good team that can help you reach the finish line.

4. SUCCESS TAKES PERSEVERANCE.

In horse racing and in life, it's not always the most talented person who succeeds. Or the smartest, or the most well-connected. It's the one who simply never, ever quits. For example, take the story of a horse named Giacomo. When the 2005 Kentucky Derby began, Giacomo began slowly. For much of the race, he ran near the back of the field. Even after three-quarters of a mile, he was still in only 18th place.

But then, something happened.

One by one, the other horses began to retire. One by one, Giacomo began passing his competitors. As his jockey put it, "He just kept grinding and grinding and wouldn't stop until he got it."[1] And guess what? He got it.

There will be many obstacles in your way as you work toward your financial goals. At times, you may feel like you're behind schedule. But it doesn't matter how you start. It only matters that you *keep going.*

5. YOU NEVER KNOW WHEN YOUR OPPORTUNITY WILL COME.

The horse wasn't even supposed to *be* in the Kentucky Derby. But on the morning of the race, another horse had to be removed from the competition at the last minute, giving an opportunity to a little-fancied colt named Rich Strike.

What followed was the single biggest upset in the event's history. Shocking every expert and onlooker, Rich Strike won the 2022 Kentucky Derby despite being given odds of 80 to 1.

In life, we never know when an opportunity will come around. That's why we must always be ready for it. If you are prepared, if you are confident, if you have the right team around you, and if you never give up, you can seize even the most unexpected of opportunities...and prevail no matter what the odds.

As you run your own race, always remember that my team and I are here to help...and that we are cheering for you all the way!

1 "2005 Kentucky Derby," Wikipedia, https://en.wikipedia.org/wiki/2005_Kentucky_Derby

NELSONCORP MEDIA APPEARANCES

Be sure to catch our weekly educational content featured locally on television, radio, and the newspaper. You can get this and more at www.nelsoncorp.com/blog.

On 4 Your Money this month, David Nelson discussed his concern surrounding all the talk about interest rates with little discussion of a recession. He analyzed the 10-year Treasury Yield Curve versus the 2-year Treasury Yield Curve how historically speaking, it could indicate a recession. On another segment, David looked at interest rates and housing activity. He pointed out that the mortgage debt ratio is still at all-time lows. He cautioned that rates will most likely stay up for a period of time. David also explored the latest jobs report and explained how that is one of the things used by the Fed when considering rate cuts. He also explained how interest rates affect stocks and bonds differently and how it's important to adjust your portfolio accordingly.

This month on Financial Focus, Nate Kreinbrink explored the topic of estate planning and the difference between a will and a trust. He stressed the importance of getting something in place now and also the importance of reviewing your beneficiaries regularly and keeping them updated as needed. David Nelson sat down with Gary Determan in another segment to talk about how decisions made today will impact them not only now, but also again in the future. He explained how the team-based approach at NelsonCorp allows us to balance taxes and investments and now Medicare to maximize the advantages for clients.

4 Your Money airs Tuesday mornings on FOX 18 News at 8am and on WHBF CBS Local 4 News at around 6:10pm.

Financial Focus airs every Wednesday at 9:00 am on KROS FM 105.9 and AM 1340.

Clinton Herald

David Nelson is a guest columnist every 1st and 3rd Saturday in the Clinton Herald.

HOUSING DECISIONS IN RETIREMENT

We just finished "National Home Improvement Month" – or at least, that's what the real estate and construction industries tell us May is called. The name makes sense because as spring makes way for summer, people are most likely to start renovating their houses, landscaping their yards, and redecorating their interiors.

In retirement, the question of housing takes on a whole new significance. Many pre-retirees and retirees wonder whether they should move, downsize, buy a second home, or use the equity they've built up to help pay for retirement. So, this month, we're going to look at three common questions about housing many retirees have.

What's Around The Bend: Should I Take Out A Reverse Mortgage?

Saving for retirement is hard. Some people don't start early enough. Others are hampered by health issues, unexpected expenses, or changes to employment. That's why more and more people use the equity in their homes to fund retirement. One way to do this is through a **reverse mortgage**. It's an increasingly popular tactic—but is it right for you?

A reverse mortgage is essentially a way to convert your home equity into cash. To qualify, you must:

1. Be a homeowner (naturally),
2. Be at least 62,
3. Have significant equity in your home,
4. Have the financial means to continue paying property taxes and insurance.

If you meet those requirements, a bank will provide a loan on your house, much like a normal mortgage, with the house itself as collateral. You can earn interest for as long as you have the loan, and when the loan comes due, you only have to repay whatever the home is worth.

The amount of the loan depends on several factors, like your age and the value of your house. Typically, the older you are and the more expensive your house, the larger the loan.

Once you no longer reside in your house, the loan comes due. This can happen because you have moved to a different house or relocated to a retirement community or nursing home. The loan will also come due if you pass away while still living in the house, at which point the lender will sell the home and keep the proceeds.

The loan itself can be taken in one of three ways: lump-sum, annuity, or line of credit. Typically, financial professionals like myself recommend a line of credit, because it will increase in value over time, and you can access it whenever you want.

However you choose to take the money, you can apply it to retirement in several ways. For example, it could be used to cover living expenses, or as a safety net in case your other investments decline in value. Some people even use it to make improvements on their house.

While this all sounds great, the fact is that, for some people, a reverse mortgage just isn't a good idea. For example, say you want to leave your house to your children or other heirs. In order for them to keep the house after you pass away, they would need to repay the loan themselves. That's probably not something they want to do.

People with poor health should also think twice. That's because if your health requires you to move to a nursing facility or live with other family members, the loan will come due, at which point you'll have six months to repay. That can put a lot of financial pressure on you or your family.

Finally, there are many costs you will need to pay upfront in order to take out a reverse mortgage. Lender fees (which can be fairly high), insurance, closing costs, appraisal, and other fees…it's not the simplest way to save money for retirement.

Ultimately, a reverse mortgage is a double-edged sword. Whether it's right for you or not can only be determined by carefully looking at your own goals, needs, and assets.

If you would like to take a serious look at whether a reverse mortgage is right for you, or want to know other ways to fund retirement, please give us a call. We would be happy to sit down with you to review your options.

What's Over the Next Hill: 2nd Home vs. Timeshare

Do you have a favorite spot on the coast? A beloved ski resort you like visiting every winter? A location far out in the desert where the only sound is that of your own thoughts? If so, you're not alone. Everyone loves the idea of spending large chunks of retirement at their favorite vacation destination. But what's the best way to do it? For many, the decision comes down to buying a second home or purchasing a timeshare. Each option has pros and cons, both for your lifestyle and as a financial investment. Let's look at a few basic ones:

Pros of Buying a Second Home

- With a second home, you own the property, which means you can do what you like with it, when you want to, as much as you want to.
- A second home can help you potentially generate more income in retirement, as

- you can rent it out on either a short-term or long-term basis.
- Vacation/second homes can sometimes appreciate in value over time if you ever decide to sell.

Cons of Buying a Second Home

- Buying a second home is usually far more costly, both in terms of the initial purchase and ongoing expenses.
- If you decide to rent your second home, that effectively turns it into a kind of business, requiring additional work and oversight from you. You may not want to spend your time doing that in retirement.
- If the home does depreciate, you will be putting more of your capital at risk.

Pros of Buying into a Timeshare

- Timeshares are often a more cost-effective solution, both initially and continually.
- If you only plan on spending a few weeks a year at the location, it may make more sense for your lifestyle.

Cons of Buying into a Timeshare

- Timeshares are not really an investment. They are more likely to depreciate in value and can appreciate in cost.
- Timeshares can only be rented out for limited periods and under specific circumstances; many timeshares may not be able to be rented out at all.
- With the timeshare, you may not be able to use it when you want or as often as you want, as there will be other owners who have usage rights, too.

As you can see, the question of second home versus timeshare really boils down to what you're really looking for. An investment that you can use however you want? Or simply a way to spend a few days or weeks per year in your favorite vacation spot? Neither option is wrong, or bad, but as with most things in retirement, the answer must be specific to your goals, needs, and financial situation.

What's On the Horizon: When Is It Time to Downsize?

There comes a time in life when, not only have our children grown and left the nest, but our *grandchildren* as well. That leaves many retirees wondering if their house is bigger and more expensive to maintain than they need. But it's a surprisingly loaded question. Because, in most cases, when people wonder if it's time to downsize, they're not just talking about a house. They're talking about a *home*.

The home where they watched their children take their first steps. The same home with markings on a doorway, tracking how tall those children grew over the years. The same home that hosted family gatherings for holidays and celebrations. The same home whose walls heard their conversations, arguments, tears, and cheers. The same home where their most important memories were made.

All this means it's not a question that can be answered lightly – and there's certainly no one-size-fits-all solution. However, there *are* some good reasons to look at downsizing in the future if your personal situation demands it. For example:

Health. Many people consider downsizing due to health concerns. Maybe there are too many stairs to climb. Maybe the yard is a little too big to continue to mow every week. Maybe your home is a little too far from the doctor's office.

If you ever consider downsizing due to your health, I would recommend consulting your physician first. Especially because, if health is your primary motivator, it may be wise to look at moving into a retirement or long-term care community rather than merely a smaller house.

Location. Others will consider downsizing for geographic reasons. Maybe the grandchildren are being raised in a neighboring county. Maybe you want to downsize and split your housing costs between a summer and winter home. Maybe you have always dreamed of spending your retirement in some place exotic like Paris or Ibiza.

In this case, downsizing and moving to a different area can get you closer to your dreams and desires.

Cost. Another consideration for downsizing is the associated costs/savings. Maybe you feel like you are paying more than necessary on your mortgage. Maybe you need a large lump sum of cash and want to sell and downsize to cash in on your equity. Maybe you pay a lot in taxes and HOA fees and could use a little extra cash each month.

The point is, make sure you have a *very* concrete reason for downsizing rather than doing it simply because you feel like it's expected. And if you are ever considering downsizing, give us a call first. We'd be happy to look at your situation with you, crunch the numbers, and help you make a truly informed decision.

Watching the Weather: Market Conditions on the Road to Retirement

After a stellar first quarter, the markets were more volatile in April. That was largely due to three factors: GDP, inflation, and what both mean for interest rates.

On April 25, the U.S. Bureau of Economic Analysis reported that the economy grew by 1.6% in Q1. This was significantly lower than what economists had expected. Many forecasts had GDP rising by around 2.4%.

At the same time, new data came out suggesting that inflation may remain "sticky" for the foreseeable future. The Personal Consumption Expenditures (PCE) price index, which measures the change in the prices of goods and services purchased by all consumers in the U.S., rose by 3.4% in Q1. That's a big jump from the 1.8% mark we saw in Q4 of 2023.

Because of these developments, most investors – who had previously expected the Federal Reserve to begin lowering interest rates – began acting under the impression that rate cuts were still a long way off. This is why the S&P 500 fell by 4.2% in the month of April.

What We're Keeping an Eye On

The combination of slower-than-expected economic growth and rising inflation has some investors concerned about the possibility of **stagflation**. While we're still a long ways away from that, consumer prices and GDP will continue to be the focus for some time. Investors will ponder whether the Federal Reserve can engineer a soft landing – where interest rates come down without prompting an economic recession – or a hard one.

As always, my team will continue monitoring everything on our end so you can focus on enjoying the coming summer. Have a great month!

THE WATCH LIST

My team and I have a "watch list" of economic factors, market data, and ongoing storylines that we keep an eye on. Sometimes, we move some items up or down on the list, depending on the impact we expect them to have on the markets. By doing this, we can be proactive when making investment decisions…and we can also ensure that you stay current with what's going on.

Recently, a few items have dominated our watch list that we want to update you on. While the markets have had a good year overall – the S&P 500 gained 10.2% in the first quarter alone – they were somewhat more volatile in April. That's largely due to three factors: **GDP, inflation**, and what both mean for **interest rates**. So, with your April statement now in your hands, we figured it was a good time to explain how these factors are affecting the markets.

Let's start with GDP, or **gross domestic product**. GDP is the value of all the goods and services produced in a given period. Typically, a rising GDP indicates a healthy, growing economy. Here in the U.S., GDP growth has been positive for seven consecutive quarters. In fact, on April 25, the U.S. Bureau of Economic Analysis reported that the economy **grew by 1.6% in the first quarter of the year**. But then a funny thing happened. When the news came out, the markets promptly slid.

Now, at first glance, this might seem counterintuitive. After all, isn't the economy growing a *good* thing? If so, wouldn't the markets go *up* on that news?

The daily movement of the markets is always driven by a variety of factors. In mathematics, we know that 1+1 always equals 2. In physics, we know that $e=mc^2$. (Don't ask me to explain why, though.) But the markets are not governed by consistent laws. They are driven by data, yes, but also by the *context* surrounding that data…and by the emotions that context provokes.

In this case – and likely for the near future – there is a *lot* of context to consider when trying to parse any economic data. In this case, the context is as follows:

While the economy expanded in Q1, that growth was much lower than economists thought it would be. Most had forecast the nation's GDP – the value of all the goods and services produced in a given period – would rise by around 2.4%, not 1.6%. And the Atlanta Fed had estimated a 2.7% gain.

This disparity between forecast and results was largely due to lower consumer spending. While spending *did* increase in Q1, to the tune of 2.5%, this was also lower than economists estimated. A small decrease in exports and a slight increase in imports also dragged GDP down for the quarter.

That brings us to the second factor, **inflation**. On the same day as the most recent GDP report, the BEA also reported new data suggesting inflation may remain "sticky" for the foreseeable future. The Personal Consumption Expenditures (PCE) price index, which measures the change in the prices of goods and services purchased by all consumers in the U.S., rose by 3.4% in Q1. That's a big jump from the 1.8% mark we saw in Q4 of 2023.

Normally, the fact that the economy grew at all would still be cheered by investors, if for no other reason than what it might mean for the third factor: **interest rates**. As you know, the Federal Reserve has kept rates elevated for the past two years to help bring down inflation. Since higher rates typically lead to less borrowing and lower spending, they are effective at cooling prices down. But when the rate hikes began, many experts thought they would also cause the economy to decline.

So far, that hasn't happened. So, investors figured that lower inflation, combined with a strong economy, would prompt the Fed to start *lowering* rates in the spring or early summer. (This expectation is one of the main reasons the stock market has performed so well over the last year.) But with inflation trending higher again, it's now unlikely the Fed will cut rates anytime soon.

For investors, though, all this data suggests a *new* potential problem: **stagflation**.

While inflation is never easy, the pain has been cushioned somewhat by the fact that our economy has continued to grow at a healthy rate. But what if prices remain high while growth becomes stagnant? That's stagflation. It's rare, and to be clear, we're still a long way from that. But Q1's lower-than-expected GDP, combined with an uptick in inflation, now makes it a possibility my team and I have added to our "things to watch" list.

Now, it's important that we don't overreact to any of this. While the markets move around like a motorboat, affected by every rock and wave, the overall economy turns like an aircraft carrier. The data we see from one quarter may not make its true effects known for months to come. So many outcomes are still in play. The economy may slow just enough to bring down inflation without stopping altogether. (That would be the Fed's preference.) Finally, new factors may lead to the economy accelerating again in Q2 or Q3 while also keeping prices high. (In other words, a continuation of the status quo.) One lower-than-expected quarter is just a data point, not a guarantee of stormy waters. It's important to keep an eye on it, but for now, my team and I remain confident in our course.

For us, the key thing is to steel ourselves against an onslaught of data in the coming months that may seem counterintuitive or even contradictory. We must always do our best to put everything in context while being aware of the emotions that context provokes in us. By doing that — by keeping our emotions in check and *not* overreacting to every report or headline — we will be best positioned to remain on track to your long-term goals. As always, my team and I will keep you apprised of what's going on in the markets and why. We are constantly monitoring the items on our watch list and will continue to do so. So, if you ever have any questions or concerns, we are always here to address them.

AN INSPIRING STORY

Recently, we heard about Bob Dalton[1], a man who started a company that makes blankets. But it's what they do with those blankets that really inspired us to share his story. For every blanket that is purchased, his company Sackcloth & Ashes, donates a blanket to a local homeless shelter.

His own mother ended up living on the streets back in 2013 and he set out on this mission after calling homeless shelters to find out what items they needed. Blankets were at the top of their list. Since they launched their campaign "Blanket the United States", they have donated half a million blankets. Their goal is to reach one million blankets donated.

Not only does Sackcloth & Ashes have a noble mission, their blankets are made responsibly from donated clothing and factory scraps of fabric, keeping them out of landfills.

You can find out more about Bob, his story, and his company at https://sackclothandashes.com/

1 https://www.cnn.com/2024/05/13/us/video/cfc-bob-dalton

Images courtesy of sackclothandashes.com

THIS MONTH'S FEATURED CHARITY IS THE CLINTON HUMANE SOCIETY

The Clinton Humane Society is a private non-profit 501(c)3 animal shelter in Clinton, IA that was founded in 1941 by a small group of citizens who gathered around one injured dog that had been hit by a car. This small group knew that the Clinton community needed a place where abandoned, injured, and homeless animals could go to rehabilitate and be loved before finding a forever home. 83 years later the shelter is still here and going strong with the support of our wonderful Clinton Community.

OUR MISSION: We believe in our mission of caring for the less fortunate animals of our community. We believe we do make a difference by providing a vital service to our and surrounding communities. We believe that no animal is disposable, but valuable and all deserve a good home with kind, loving, and caring owners. We believe we must provide a voice for the animals that cannot speak out for themselves. Our biggest belief and mission are that we must care for suffering and homeless animals, and to advance humane education to keep every animal as safe as possible.

If you would like to donate to the Clinton Humane Society, make checks payable to Clinton Humane Society and mail them to 1473 Main Ave. Clinton, IA 52732

JEANS FOR CHARITY

Every Friday, the team at NelsonCorp Wealth Management wears "Jeans for Charity". In exchange for getting to wear jeans to work, we each pay a $5 weekly fine. At the end of the month, the fines are donated to a charity. NelsonCorp will match the fines that are collected, up to $250.

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