NELSONCORPNEWS

AUGUST
2024

TAX CHANGES ON THE HORIZON

It's never too soon to start planning ahead for the tax changes that are coming. p4

I'M RETIRED - WHAT'S NEXT?

Things to think about when you are getting ready to retire or are newly retired. p8

FEATURED CHARITY OF THE MONTH

NelsonCorp's Jeans for Charity is Skyline Center in Clinton. p11

YOUR NELSONCORP TEAM


DAVID NELSON


EUGENE KRUEGER


VALERIE HILL


AMY CAVANAUGH


KENNETH NELSON


JACOB WOODCOCK


NATE KREINBRINK


JAMES NELSON


JOHN NELSON


ANDY FERGURSON


JAMIE HUGUNIN


MICHELLE EVERSOLL


AUSTIN ECK


TRAVIS MOREHEAD


MIKE VANZUIDEN


AMANDA SCHAVER


TABATHA WESTPHAL


MIKE STEIGERWALD


HANNAH VAN HYFTE


ISABEL HANSEN

THE DOG DAYS OF SUMMER

How is your summer going? I hope you've been able to find ways to beat the heat while still having fun in the sun!

Summertime is when many people, retired or not, focus on checking items off their personal bucket list. Visiting that country you always wanted to visit. Mastering the art of gardening, competing in a local BBQ contest, getting to a 15 handicap in golf. The goals that bring you the most satisfaction. The milestones by which you measure personal progress. The activities that add true richness to your life.

Recently, though, several new clients have come to me with a similar frustration: They don't feel like they have the resources — or the time — to actually do what's on their bucket list. They don't feel like they're on track to reaching their goals.

As a financial advisor, let me say it unequivocally: No matter what your goals are or what group you fall in, nobody should have to feel this way.

Fortunately, you don't have to. There are always methods for ensuring you remain on track to your dreams. Savings and investment strategies for both short-term and long-term goals. Having a good financial plan, when you come right down to it, is about finding ways to achieve the items on your bucket list....and leaving no stone unturned in your efforts to do so. Before and after retirement.

You see, when it comes to your bucket list, there is something I fervently believe: "*If you can dream it, we can help you do it.*"

David Nelson

CONTENTS

THINGS TO NOTE

We have enjoyed seeing so many of you at our events so far this year and look forward to seeing you at upcoming events. Keep an eye on your email and mailbox for future invitations!

SUPPORT OUR LOCAL CHARITIES & BUSINESSES

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

- *Grilling for Charity 2024 First Central State Bank, Clinton, IA*
- *Family Resources Raising Hope Fundraiser, Davenport, IA*
- *Visit Clinton www.clintoniowatourism.com*
- *Visit Quad Cities www.visitquadcities.com*

NelsonCorp Nuggets

89% of current college students are graduating with at least some debt, and 61% wish they'd chosen a less expensive college.

Source: listwithclever.com-99 key statistics for 2024

TAX CHANGES ON THE HORIZON

In December of 2017, Congress passed the *Tax Cuts and Jobs Act*. It was the most significant overhaul of the tax code since 1986. Among other things, the bill:

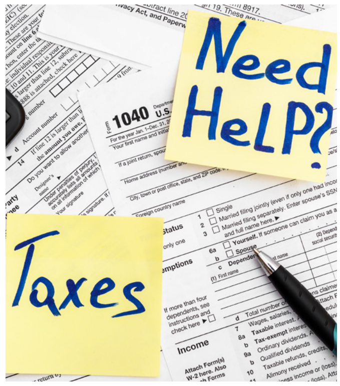
- Reduced tax rates for both corporations and individuals.
- Raised the standard deduction for both individuals and married couples.
- Increased child tax credits
- Reduced the Alternative Minimum Tax.
- Doubled the estate tax exemption (meaning fewer people would need to pay estate taxes).

While most taxpayers welcomed these changes, they were never meant to be permanent – and now, they are set to expire on December 31, 2025. Unless Congress acts before then, most of the provisions will revert back to 2017 levels. That means higher tax brackets, lower standard deductions, fewer credits, and the return of the Alternative Minimum Tax for some people.

In short, many Americans will have to pay higher taxes than they previously were.

Now, this doesn't mean it's time to worry. Particularly because Congress could act before and extend some or all of these cuts. **Regardless, it does mean it's time to plan.**

When it comes to taxes, taking a proactive approach can make an enormous difference in terms of how much money you keep versus how much goes back to Uncle Sam. You see, most financial assets can be classified into three income categories: **Taxable, Tax-Deferred,** and **Tax-Free.** Obviously, everyone prefers tax-free income when possible. Tax-deferred income can give you a lot of wiggle room, too. However, too much tax-deferred income could create a deluge of taxes down the road. By planning ahead, we can potentially structure more of your income to balance the right tax categories for you.



Equally important is the question of *timing*. There are three timeframes to consider when paying taxes on your income. Immediate, short-term, and long-term.

Most people think of strategic tax-planning as something that's only for the long-term, but when done correctly, it can lead to near *immediate* benefits, too. For example, we can structure your taxable portfolio today through "loss harvesting" to reduce capital gains. Next is *short-term* benefits. By intentionally choosing when to take deductions — for example, donating to your favorite charity in one tax year versus another – you can potentially lower your tax bill for that year. And, of course, strategic tax planning leads to *long-term* benefits, too. Minimizing taxes on forced 401(k) or IRA distributions or estate taxes…can all be taken care of with a little strategic tax planning.

The goal, regardless of time frame, is to limit the impact these changes will have on your tax situation – and on the road you are taking toward your financial goals.

Now, it may seem odd to start thinking about this when the big change is still a year-and-a-half away. But tax strategies become less and less effective the longer you wait. The more lead time we give ourselves, the easier it will be to make changes. That means less stress — and everything in place before the December 2025 deadline. (Furthermore, procrastination is a weed that, if allowed to spread, can soon take over the entire garden.)

So, let's schedule a time to meet. Together, we'll analyze your current situation to determine how the upcoming tax changes will affect you. Then, we'll strategize what moves we need to make to keep the impact on finances to a minimum.

As a financial advisor, one of my favorite quotes is by Benjamin Franklin. (As the author of *The Way to Wealth*, he was in some ways our country's very first financial advisor!) According to him, "An ounce of prevention is worth a pound of cure." That aphorism remains true to this day. By getting a head start now, we can apply far more than just an ounce of tax prevention to your finances. We can keep you cruising on the road to your financial goals – until December 2025 is just a small pothole in your rear-view mirror.

CANDY LAND

With August comes back to school time and that reminded me of a fun story about a retired schoolteacher, Eleanor Abbott.

When you think about famous board games, Candy Land® has to be near the top of everyone's list. But did you know the bittersweet origins of this classic game all started with the polio epidemic?

If you don't know, Candy Land is a game where players move through candy-themed environments – like the Lollipop Woods or Licorice Lagoon - to reach King Kandy's castle at the end. Sounds pretty straightforward right? Well, there are a few reasons why it was so monumental when it came out back in 1949, when polio had everyone scared.[1]

During the polio epidemic little was known about the disease or how it spread, which caused a general panic. In an attempt to slow the spread, parents kept their children inside and public gathering places like swimming pools and parks were closed.[2]

Those who did contract the disease, especially children, suffered even worse. Treatments included casts and splints to assist or restrict muscle movement, vigorous massage, and if the chest muscles were affected, the Iron Lung. Many children were sent to polio wards that were far from home, and their families were unable to visit them. So, for a lot of them, it was not only their first time being away from family, but also their first time being sick and alone for such a long period.

That's where, "a real sweetheart" Eleanor Abbott stepped in.

Eleanor unfortunately contracted polio and stayed at a polio ward to recover. While there, she was surrounded by young children who were also recovering. She saw the treatments the children were enduring, the isolation from family, the boredom, and empathized with what they were going through.

Abbott became inspired to make a game for the children to play during their stay. As a schoolteacher, she designed the game while keeping the children's perspective and developmental stages in mind.[3]

For example, polio mainly affects young children so she designed the game around colors and symbols. No reading, writing, or counting are required to play. Children only needed to be able to identify colors.

She also thought of the length of game play. Since treatments were ongoing, the game was also designed so that it didn't necessarily need to end but could function as a loop. It helped immensely to pass the time. And since children were often isolated, she made it an option to play the game alone.

Having the game centered around sweet candy was very popular with the children as it gave them a sense of fun and wonder. (Later, when a vaccine was developed it was distributed on sugar cubes to ensure children would take it. Perhaps inspired by this sugar infused game.)

Even the details of traveling through each candy-themed scene gave kids a sense of movement which was freeing since most of them were immobilized. All these features made the game very popular among the children in the ward Abbot was in. Because of the attention to detail for children, Candy Land would in the future be known as 'every child's first game'. [1]

The children urged Abbott to submit her game to Milton Bradley, which she did at a later date, and Milton Bradley bought it! Since then, Candy Land has remained a classic. Abbott, staying true to her original goal of the game, donated all the royalty income she received from Candy Land to charities dedicated to serving children in need.4

I think this is such an inspiring story about how something fun and magical can come, even from periods of pain and loneliness. All it takes is a little imagination and empathy.

So, the next time you're having a fun game night, maybe satisfy that sweet tooth with a round of Candy Land.

1 "The Surprising and Timely Origins of Hasbro's Candy Land Game" Hasbro, [12/10/2013], https://corporate.hasbro.com/en-us/articles/the_surprising_and_timely_origins_of_hasbro_s_candy_land_game

2 "The Bittersweet History of Candy Land" Neatorama, [07/29/2016], https://www.neatorama.com/2016/07/29/Thwe-Bittersweet-History-of-Candy-Land/

3 "Candy Land Was Invented for Polio Wards" The Atlantic, [07/28/2019], https://www.theatlantic.com/technology/archive/2019/07/how-polio-inspired-the-creation-of-candy-land/594424/

4 "Candy Land" PBS, [07/13/2018], https://www.pbs.org/wgbh/americanexperience/features/candy-land/

NelsonCorp Nuggets

Typical U.S. home prices have increased 70% more than the typical rent prices since 2016.

Source: listwithclever.com-99 key statistics for 2024

INVESTING IS LIKE PACKING A SUITCASE

One of my favorite metaphors for investing is that it's like packing a suitcase.

Let's say you're preparing for a summer trip to the beach. What would you put in your suitcase? A swimsuit, probably. Sandals. Sunscreen. Plenty of shorts and t-shirts. Sunglasses and a hat. Then, when you take a step back, you realize you still have space for a few more items. What do you choose? More beach gear? Makes sense – after all, it's the middle of summer, and your destination is famous for being the perfect place to work on a tan.

Or would you pack a pair of pants and a long-sleeve shirt because you guess it might get cold at night? Would you tuck in an umbrella and fold up a poncho… just in case it rains?

In my experience, some investors are like the tourist who packs for one kind of weather and one type of activity. To illustrate what I mean, let's recap how the markets performed last quarter.

When 2024 began, inflation was near its lowest point in two years. As a result, many investors figured prices would continue to drop, and the Federal Reserve would lower interest rates sooner rather than later. (And possibly even several times throughout the year.) In other words, they "banked" on warm weather and sunny skies, then packed their suitcase accordingly.

Well, there's nothing more frustrating than when unexpected rain ruins fun in the sun. Instead of falling, inflation actually ticked *up* through Q1, rising from 3.1% in January to 3.5% in March.[1]

As a result, when the second quarter began, the mood on Wall Street had shifted substantially. Suddenly, there was no more talk of the Fed cutting rates early and often. Instead, investors began to wonder if the Fed would cut rates *at all* in 2024. Some economists even speculated that the Fed might *raise* rates again.

So, investors re-opened their suitcases. Out went the swimwear; in went the coats and gloves. It's no surprise, then, that the S&P 500 dropped 4.2% in April.[2]

What these investors didn't realize was that the sun was already starting to peek out from behind the clouds.

Fast-forward to the beginning of July. Looking back, we now know that inflation dropped to 3.4% in April, 3.3% in May, and a surprising 3% in June.[1]

A big reason for this slide is due to gas prices, which fell by 3.6% in May and 3.8% in June.[3] (Energy prices in general fell by 2% in both months.[3]) This helped negate the fact that food and housing prices – two of the most stubborn and volatile drivers of inflation actually went up slightly in June.

As you can imagine, the talk has turned once again…to whether the Fed will cut rates sometime in the summer. This renewed optimism, combined with another factor that I'll get to, helped lift the markets out of the doldrums. For the quarter, the S&P 500 gained 3.9%, while the Nasdaq rose 8.3%.[4]

So, what does this mean going forward? Is it time to repack the suitcase?

The answer is no – because we believe we packed it correctly the first time.

Any savvy traveler knows that when you pack a suitcase, you don't just factor in what you *think will* happen. You pack for what *could* happen. If your goal is to hit the beach, you pack a swimsuit… but since you know it could rain, you also pack a poncho. Your plan is to feel sand between your toes, but if the beach is too crowded, you'll go for a hike instead…which is why you pack shoes as well as sandals.

The way inflation has gone (up and down) and the way the markets have responded (ditto) shows exactly why investing isn't about predicting what will happen. It's about planning for what *may* happen. You pack a suitcase in a way that ensures your vacation will be fun no matter what. We base our investment strategy in a way that helps you keep working toward your goals, regardless of what short-term market conditions are like.

The fact of the matter is we don't know whether the Fed will lower interest rates in Q3. Of course, it's certainly possible that they will. Three straight months of declining consumer prices is certainly a good sign. Even better is that the economy has continued to be solid. (GDP grew by 1.4% in Q1.[5] As of this writing, many economists are predicting a 2% rise in Q2.[6]) But it's also possible that a rate cut is still many months away.

Trying to guess what will happen in the short-term – and then making moves that could impact you in the long-term – is bad packing.

Then, too, inflation and interest rate expectations are not the only drivers of the markets. Tech stocks – specifically those companies most involved in the development or utilization of AI – helped the markets regain momentum in Q2.

Any investor who decided to sit on the sidelines because of pessimism over inflation would have missed out on the *optimism* surrounding AI. Sure, it's always a bummer to go to the beach and find it raining…but there are often plenty of other fun things to do on your vacation even when the sun isn't out!

When you think about it, the markets really are like going on a trip. There will *always* be reasons for enthusiasm and reasons for caution. Everyone who goes to Disneyland can look forward to amazing rides *and* horrendous crowds. The view from the Grand Canyon is spectacular; the weather can be abysmally hot. The flowers in England are spectacular; the rain can feel oppressive.

And for every factor that can pull the markets down, there will be factors that could push the markets up. Our job is to help you pack a suitcase – and implement an investment strategy with an eye on the long-term forecast – that keeps you prepared for *all* of it.

So, as we move further into a new quarter that is just what my team and I will continue to do. We'll be keeping an eye on many things this quarter. Inflation, the breadth of the market, the upcoming election – you get the idea. And whenever we feel there's something on the horizon that could affect the items in your suitcase, we'll let you know immediately.

In the meantime, if you ever have any questions or concerns, please let us know. And if you have any upcoming summer travel plans or recently returned, well…be sure to send us pictures!

1 "Inflation falls 0.1% in June from prior month," CNBC, https://www.cnbc.com/2024/07/11/cpi-inflation-report-june-2024.html

2 "S&P 500 falls 4.2% in April," S&P Global, https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/s-p-500-falls-4-2-in-april-as-market-momentum-loses-steam-81466397

3 "Consumer Price Index Summary, U.S. Bureau of Labor Statistics, https://www.bls.gov/news.release/cpi.nr0.htm

4 "Stops dip as investors digest inflation data," Reuters, https://www.reuters.com/markets/global-markets-wrapup-1-2024-06-28/

5 "Gross Domestic Product," U.S. Bureau of Economic Analysis, https://www.bea.gov/data/gdp/gross-domestic-product

6 "GDPNow," Federal Reserve Bank of Atlanta, accessed July 10, 2024. https://www.atlantafed.org/-/media/documents/cqer/researchcq/gdpnow/RealGDPTrackingSlides.pdf

NelsonCorp Nuggets

53% of credit card users have maxed out a credit card at some point - including 29% who do so monthly.

Source: listwithclever.com-99 key statistics for 2024

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, David Nelson was on to discuss how while the indexes have been performing well overall, there are some segments that aren't performing well right now. He also explained what that means for investors. David returned on another segment to look at interest rates and how they are affecting different segments of consumers, investors, and markets. The business cycle was another topic of conversation with David explaining the four different stages and the tools used to evaluate where things stand and where things might be heading. James Nelson was on another segment to talk about economic reports and expectations for economic data. He specifically addressed the Economic Surprise Index and its relationship with stock performance.

This month on Financial Focus, Nate Kreinbrink and Andy Ferguson sat down to talk about the Taxpayer Advocate Service and how they help taxpayers and oversee the IRS. They recently released information stating that the IRS was taking too long to resolve issues that taxpayers have had with the IRS. As a result, the IRS is taking steps to fix this issue. They also talked about the benefits of contributing as much as possible to your employer retirement plan. James Nelson joined Nate to discuss interest rates, inflation, and jobs reports. They stressed the importance of realizing we won't see the impact of any adjustments overnight; it will take time for things to work through the economy.

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.

I'M RETIRED - WHAT'S NEXT?

When you were a kid, did you ever dream of setting the high score on your favorite game at the local arcade?

When you were a bit older, did you ever set a goal for yourself to get straight As, make your high school team, or be class valedictorian?

What about as an adult? Was there a promotion you worked really hard to get? Or a skill you wanted to master, like getting your first hole-in-one or finally learning the notes to *Stairway to Heaven* on the guitar?

If you've ever achieved a long-term goal, you may also have experienced a common sensation that often follows:

Well, I've done it. Now what?

As a financial advisor, I've seen many people experience this after achieving the ultimate goal of retirement. So we're going to explore the question of "Now what?" We'll look at the decisions and opportunities that ensure a smooth transition and a high quality of life in the immediate aftermath of retirement.

What's Around the Bend: 401(k) Decisions

For years, you've saved, invested, and planned for the day you could enjoy a long, stable, dream-filled retirement. But when it's actually time to retire, you'll be confronted with a basic but extremely important question:

"Now that I'm retired, what should I actually do with my retirement savings?"

For most people, a 401(k) is the easiest and most convenient way to save for retirement. But what should you do with your 401(k) once you actually stop working? Generally speaking, you have three basic options:

Leave the assets where they are.

Some employers will allow you to leave the money in your 401(k) where it is even after you retire. There are some obvious benefits to this. For example, you may really like the investment options in your 401(k), or you may have a lot of faith in the person or company managing your 401(k). Management and investment costs can also be really low within the 401(k). If so, leaving the money where it is can make a lot of sense.

There are some things to consider, however. You'll no longer be able to make contributions. No one will likely be providing active advice. Also, you will likely have fewer investment options than you will with an IRA.

Withdraw all the funds out of your 401(k).

You can think of this as essentially "cashing out." This option certainly gives you the greatest control over your money. Unfortunately, there are many pitfalls to this approach. Depending on your age and tax situation, you may find your money is subject to both ordinary income taxes *and* early withdrawal penalties. Also, converting your 401(k) assets to cash means potentially exposing your retirement savings to emotional decisions and bad investment choices.

Roll the assets into an IRA.

Rolling your assets into an IRA allows you to continue making tax-deferred contributions until the age of 73, when you must begin taking distributions. Also, IRAs often come with a far greater selection of investment options, which could be important as your needs and goals change. Just keep in mind that costs may be higher if you move it to an IRA.

Now, as always, there's no one-size-fits-all approach here. Choosing the right option involves understanding which best suits your needs and goals. But as you get closer to retirement, take time to determine what to do with your 401(k) – and your overall savings – so you can hit the ground running the day *after* you stop working.

This material is provided for educational and informational purposes only and is not intended as ERISA, tax, legal, or investment advice.

What's Over the Next Hill: Setting Your Withdrawal Strategy

No matter how much you've saved, no matter how well your investments have done, it can be surprisingly scary to realize you will need to start *living* off your savings in retirement. Of course, your Social Security benefits will play a major role in covering your monthly expenses, and there are plenty of ways to generate income in retirement. But still — realizing that your principal must now be earmarked for the present as much as the future can be a sobering thought.

Every retiree should have a strategy for *when* they will withdraw money from their accounts, *which* accounts they will draw from first, and *how much* they should withdraw every month, quarter, and year. There are many potential strategies to choose from, and a near-infinite number of ways to customize each strategy for you. Over the next few editions of this newsletter, we'll break down a few of the more common, starting with:

The Buckets Strategy. With this approach, you divide your savings into three buckets: Short-term, intermediate-term, and long-term.

The short-term bucket is the

money you'll need for the next 1-3 years. These funds would usually be invested in fairly liquid assets that don't usually experience a lot of volatility. (Think cash, CDs, and short-term bonds.)

Your intermediate bucket is for goals and needs approximately 3-5 years out (Some people prefer reserving this bucket for as many as 10 years out.). Longer-term bonds and specific types of ETFs or mutual funds are popular investment options for this bucket.

Finally, your long-term bucket is, essentially, for the rest of your life. This should contain money that you want to see grow throughout retirement – and because you won't need the funds anytime soon, you're comfortable taking on a bit more risk. Individual stocks are a common choice here; annuities are an option to consider, too.

Of course, with all of these buckets, you must first determine how much you'll *need* to cover your short, intermediate, and long-term expenses...which means you must also determine what those expenses will be. This is an area we are always happy to assist with.

Next month, we'll look at another common withdrawal strategy: The 4% rule.

What's On the Horizon: Picking a Hobby

Perhaps the single biggest difference between retirement and employment is the sudden increase in free time. Now, for the first time in your adult life (maybe even the first time, period!), you answer to no one's schedule but your own. You can be as busy or as idle as you want to be. In fact, some retirees find they have entirely too much free time … more than they know what to do with.

Fortunately, this problem is easily solved. All you have to do is find a hobby.

Maybe you already have hobbies you want to pursue in retirement. If so, great! But many people work so hard that they never have time to enjoy a hobby. Some people don't even know what hobbies they enjoy! Alternatively, some people enjoy their jobs so much that they never feel the need for a hobby … until they retire.

This may seem obvious, but it's surprisingly effective: If you take time to decide what hobbies you want to focus on *now*, and then start doing them as much as possible *before* you retire, the likelier you are to follow through with them in retirement. (You'll also be more likely to enjoy them!) What follows is a sample list of hobbies that many of my clients have picked up in retirement. (Beyond the usual suspects like golf and travel.)

1. Drawing/painting
2. Learning a new language
3. Novel writing or join a book club
4. Photography and/or restoring old photos
5. Gardening
6. Learn a new instrument—and as soon as you're ready, go to a local jam session!
7. Stargazing
8. Learn a martial art—you're never too old!
9. Do genealogy work
10. Antiquing
11. Enter chess/checkers/Go tournaments
12. Become a community activist
13. Woodworking/carpentry/pottery
14. Coach youth sports
15. Home-brewing—do some research on your local laws first, though!
16. Beekeeping
17. Join a pet rescue group
18. Cycling
19. Keep chickens
20. Join a local choir

Watching the Weather: Market Conditions on the Road to Retirement

The markets were up modestly in June. Stocks were largely in a holding pattern as investors continue to wait for signs that the Federal Reserve will lower interest rates in the near future.

On that front, the most recent inflation data suggests that prices are once again starting to cool slightly. Consumer prices were up 3.3% in May compared to a year ago.[1] That's down from the 3.4% mark in April.[1] However, that is still well above the Fed's preferred level of 2%. It's unlikely that rates will come down until prices drop further.

The broader economy still appears healthy, with the U.S. adding a strong 272,000 jobs in May.[2] Wage growth has also gone up over the past year. However, there are also signs of weakness in the labor market, as despite the additional jobs, the unemployment rate actually *increased* to 4%.[2] This is still near historic lows, but it's worth keeping an eye on. (Job growth and the unemployment rate are two separate reports, generated by two separate sets of data. Currently, it appears the pace of new jobs is being balanced out by the number of people who are leaving the labor force, resulting in a slight uptick in unemployment.)

What We're Keeping an Eye On

For the last two years, the Federal Reserve has been walking a tightrope of trying to keep interest rates high enough that inflation cools down *without* triggering a recession. So far, the central bank has been able to keep that balance, but the wire is starting to look a little wobblier. While inflation is once again starting to come down, we must be on the lookout for any signs that the economy is cooling off at a faster rate than prices are. Should that happen, the Fed may have no choice but to lower rates sooner than they expected.

1 "Here's the inflation breakdown for May 2024," CNBC, https://www.cnbc.com/2024/06/12/cpi-inflation-may-2024-in-one-chart.html

2 "US job gains surge past expectations," Reuters, https://www.reuters.com/markets/us/us-job-growth-expected-remain-moderate-pace-may-2024-06-07/

NelsonCorp Nuggets

Nearly half of Americans (46%) consider money management the most important life skill - more than communication, critical thinking, or problem-solving skills.

Source: listwithclever.com-99 key statistics for 2024

ELECTION MISCONCEPTIONS

The noise can be deafening. It seems to come from everywhere, all the time. It can cause headaches, frustration, even anxiety. Sometimes, you wish you could turn it off altogether.

No, I'm not referring to whatever music the kids are listening to these days. I'm referring to the noise surrounding the upcoming presidential elections.

Election season is one of the most important aspects of our political system, but there's no doubt that getting through it can be stressful.

But one thing you shouldn't have to stress over is how the elections will impact the markets. There are a lot of misconceptions that spring up every four years about what presidential contests might mean for your portfolio. Most of these cause investors to worry unnecessarily.

As your financial advisor, it's my job to help you feel confident in your financial future, not anxious. So, let's do a brief dive into three misconceptions about election season and the markets.

The first misconception is that presidential elections lead to down years in the markets. It's understandable why we might feel this way. When we look back at past elections, the first things we remember are probably the controversies, uncertainties, and negativity. Election years feel volatile in our minds and memories, usually because there's so much drama and so much at stake.

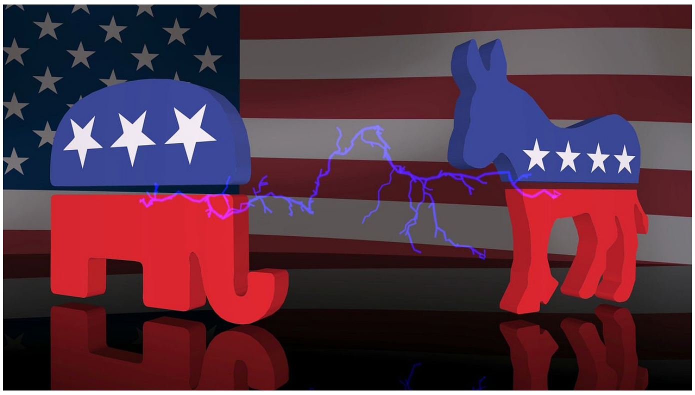
But statistics prove this misconception is a myth. Since 1944, there have been twenty presidential elections. In sixteen of those, the S&P 500 experienced a positive return for the year. In fact, the median return for presidential election years is 10.7%. Of the four election years that saw a negative return, two did occur in this century – in 2000 and 2008 – but on both occasions, the nation was either entering or in the midst of a significant recession.

Now, we do sometimes see increased volatility in the months leading up to an election. If we just look at how the S&P 500 performed from January through October in a presidential election year, the median return drops to 5.6%.[1] That's not bad, but it is nearly 50% lower. This suggests the uncertainty over who will triumph in the election – and the debate over what each candidate's policies will mean for the economy – does tend to have at least some effect.

Then, as the victor is announced and the picture becomes a little clearer, volatility tends to subside, and investors move on to other things. So, in that sense, election season does matter, but nowhere near what the media may have you believe. Elections are just one of the many ingredients in the gigantic stew that is the stock market… and they're far from the most important.

The second misconception is that if one candidate wins, the markets will plummet. This narrative is, frankly, driven by pure partisanship. The fact of the matter is that the markets have soared under both Republican and Democratic presidents. Naturally, they've occasionally soured under both parties, too. Since 1944, the median return for the S&P 500 in the year after a presidential election is 9.8%. Since 1984? The median return rises to over 24%.

The reason for this is because of that gigantic stew I mentioned.



You see, the markets are driven by the economy more than by elections. By the ebb and flow of trade, the law of supply and demand, by innovation and invention, by international conflict and consumer confidence. And while the president does have an influence on all this, it's just one of many, many influences. As a result, the markets are far more likely to be affected by inflation and whether the Federal Reserve will cut interest rates than by the election.

When you think about it, the markets are like life. The course our lives take isn't determined by one gigantic decision, but by the millions of small decisions we make every day. The same is true for the markets. I don't know about you, but I find this comforting.

The third misconception is that we have no control over any of this, and thus, no control over what happens to our portfolio.

It's true. You and I can't dictate who the president will be. We can't determine how the markets will react. But what we can control is what we will do. And that, is a mighty power indeed.

There's a reason I began this letter by referencing noise. As investors, one of the keys to long-term success is filtering out the noise and focusing on what really matters. You see, the goal of all political campaigns – and the media that covers them – is to create noise. That's because noise provokes emotions. Fear. Anxiety. Anger.

A greater emotional response leads to more clicks, more views, more shares, more engagement…and, yes, more money. It's understandable why campaigns and the media want these things. But what we must guard against is letting those emotions drive our financial decisions. Emotions promote the urge to do something – buy, sell, get in, get out, take on more risk, less risk, you name it. They prompt us to make short-term decisions to alleviate what is, when you think about it, a short-term concern.

A presidential term lasts four years. But the goals you have saved for, and the time horizon you have planned for, lasts much longer than that. That's why our investment strategy is built around the long-term. It's designed to help you not just tomorrow, or next month, but years and years from now. It's designed so that the president of the United States, as important as he or she may be, is only a passing mile-marker on the much longer road to your goals and dreams.

So, as we draw near to another election remember: Tune out the noise. Remember these misconceptions and avoid them.

Q3 MARKET OUTLOOK FOR 2024

Looking back on the quarter that was and ahead to the quarter that is to become better-informed investors!

HOW THE MARKETS DID IN Q2

S&P 500	DOW	NASDAQ
+3.9%	-1.7%	+8.3%

Q2 ECONOMIC NEWS

Consumer prices cooled slightly, with inflation dropping to 3.4% in April and 3.3% in May. By the end of the quarter, the 12-month inflation rate fell to an encouraging 3%.

The economy continued to avoid major hints of a recession, with the Federal Reserve Bank of Atlanta estimating a 2% increase in GDP for Q2.

However, high interest rates are beginning to have an effect on the labor market, with the unemployment rate edging up to 4.1% in Q2.

WHAT COULD IMPACT THE MARKETS IN Q3

While the *result* of presidential elections tend to have a low impact on the markets, we *do* sometimes see volatility in the months leading up to an election. However, stability tends to return as uncertainty dissipates.

With inflation trending down and unemployment ticking up, investors are once again wondering if the Fed will cut interest rates in Q3. If that optimism continues, it could be a boon for the markets.

HOW TO IMPROVE YOUR OWN FINANCIAL OUTLOOK IN Q3

If you haven't checked your credit report in 2024, now is the time to do so. Be on the lookout for recent changes that don't look familiar to you as well as "hard inquiries."

If you've had any major life changes, it's a good idea to review your beneficiaries to ensure everything is updated and accurate.

If you have bills on autopay, review whether any have gone up or if there are lower-cost options available. Be sure to cancel any unneeded subscriptions!

Market data: "Stocks dip as investors digest inflation data," *Reuters*, June 28, 2024.
U.S. jobs data: "Employment Situation Summary," *Bureau of Labor Statistics*, April 5, 2024.
Inflation data: "Consumer Price Index Summary," *Bureau of Labor Statistics*, April 10, 2024.
GDP data: "GDPNow," *Federal Reserve Bank of Atlanta*, April 10, 2024.

Questions? Ready for a second opinion or a review? Give us a call!

THIS MONTH'S FEATURED CHARITY IS SKYLINE CENTER IN CLINTON

Skyline Center, Inc.

Skyline Center is in its 60th year of providing services and support to individuals with developmental and intellectual disabilities living throughout our community. We love to say that we are a "Swiss Army knife" of community providers as we offer Day Habilitation, Community Living, Supported Employment, and Home Health Services to individuals with disabilities. Annually, our Skyline Foundation holds a fundraiser to generate much needed funds to support the direct needs of the individuals that we serve. We have used the money to provide monthly housing subsidies, purchase adaptive devices, help individuals with medical bills, purchase program materials, and a host of other needs that pop up throughout the year. The Skyline Foundation ensures that all the money raised impacts our individuals directly and does not go into a general fund to pay Skyline Center expenses.

To donate, please make checks payable to: Skyline Foundation and mail to 2600 N. 4th St. 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.

NelsonCorp
Wealth Management

880 13th Ave N, Clinton, IA 52732

PLACE STAMP HERE

NelsonCorp
Wealth Management

www.nelsoncorp.com

info@nelsoncorp.com

fax: (563) 242-9062

880 13th Avenue North
Clinton, IA 52732
(563) 242-9042

5465 Utica Ridge Rd
Davenport, IA 52807
(563) 242-9042

9079 East Tamarack Drive
Dubuque, IA 52003
(563) 242-9042