

Investment Insights

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Our Philosophy: A broadly diversified portfolio gives our clients the best chance to achieve their goals while taking as little risk as possible. However, there are fundamental economic realities that warrant consideration as we construct and modify portfolios.

Assumptions & Outlook

- The Federal Reserve decreased short-term interest rates by 0.75% in 2024 and they may continue to cut rates in 2025.
- The annual inflation rate has come down from a peak of 9.1% in June of 2022 to 2.7% in November of 2024. This is still above the Federal Reserve's target rate of 2.0%, but it is welcome progress.
- Wars continue around the world, but these types of events rarely rise to a level where it makes sense for long-term investors to take action.
- As of December 31, 2024 our Circuit Breaker is showing a "Normal" sign, with a closing index value 7.7% above an "Underweight" sign.
- The S&P 500 had its best annual back to back performance in two and a half decades; 24.2% in 2023 and 23.3% in 2024.
- With a new administration taking office in January, there is a sense of optimism regarding near term stock market performance. While elections can cause short-term volatility, they are typically not a determinant of long-term market trends.

Portfolio Implications

- For clients in the distribution phase, we will continue to review and manage an appropriate level of reserves (i.e. bank cash, money market funds and high quality bonds).
- One benefit of the current interest rate environment is cash positions are now paying a meaningful yield of approximately 4.1%. Money market rates are expected to drift lower.
- For clients in the distribution phase, it may be advantageous to hold extra cash in money market funds.
- For clients in the accumulation phase, rebalancing your portfolio to ensure you are aligned with your target allocation may have merit.
- Bond yields have returned to a more normal range.
- During market corrections, consider reducing discretionary spending to help with investment sustainability.
- Our investment policy provides the framework and discipline for making investment decisions. We continue to invest globally, in both stocks and bonds.

As always, thank you for your trust and confidence.



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