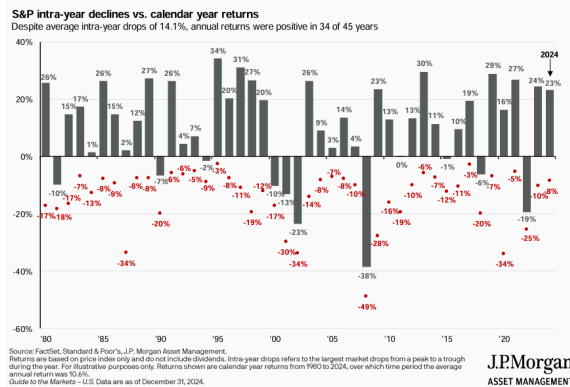


Quarterly Newsletter: **Ending December 2024**

**MARKET SUMMARY**

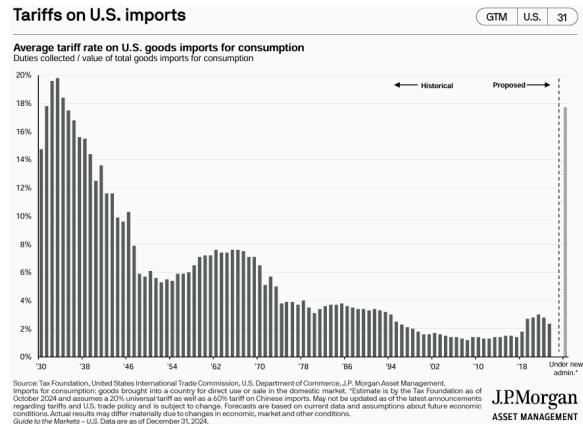
As 2025 begins, we face significant challenges, from wildfires in Los Angeles to shifts in the political and economic landscape that may have lasting effects for years to come. Outside the U.S., geopolitical events remain unsettled, and the aggressive threat of tariffs against both allies and rivals could jeopardize the economic resilience of the post-COVID recovery. Navigating these uncertainties will require constant attention, active management, and strategic adjustments in the near term.

**Annual returns and intra-year declines**



The markets returned strong gains in 2024, capping two years of double-digit performance. The U.S. markets and economy outperformed the rest of the world during this period of exceptionalism. Low unemployment, strong GDP growth, and robust corporate profits—particularly among the Magnificent 7—defied expectations in a higher interest rate environment that peaked at a federal funds rate of 5.25% to 5.5% (note: prime and mortgage rates were much higher). The Federal Reserve pivoted in September with a half-point cut, ending the year 1% lower. The post-election stock market bump, driven by promises of deregulation, tax cuts, and reduced government spending, has largely faded.

Still, many analysts consider the stock market overvalued and call for caution heading into the year. Even Santa did not show up this year—the Santa Claus Rally, where stock prices typically rise in late December and early January, did not materialize.



If implemented, the policies of the incoming administration could be inflationary, particularly if tariffs are carried out as planned. Expect interest rates to remain higher for longer, with only two 0.25-point rate cuts anticipated in 2025. Dr. David Kelly at JPMorgan describes the current economic climate as akin to “walking into a dark room filled with furniture or driving on a foggy night.”

**Planning Recommendations:**

- If you plan to retire within the next three years, I strongly recommend shifting to a lower-risk profile since your current 401(k) assets are likely in a growth model and have gained significantly over the past couple of years.
- For those with a longer-term time horizon, any potential volatility could present opportunities to add quality assets. Have cash ready to deploy.
- For clients already in retirement and relying on income, we should review

current strategies to secure liquidity and protect assets.

### Planning Updates:

- **Social Security Cost of Living Adjustment (COLA):** 2.5% increase in 2025, based on inflation from Q3 2023 to Q3 2024.
- **Earnings Subject to Social Security OASD:** \$176,100 in 2025 (up from \$168,600 in 2024).
- **Retirement Earnings Exemption Amount:** \$23,420/year in 2025 (up from \$22,320/year in 2024).
- **HSA Allowance for Individual and Family Plans:** \$4,300/\$8,550 in 2025 (up from \$4,150/\$8,300 in 2024).
- **401(k) Contribution Limits:**
  - \$23,000 for employees under 50.
  - An additional \$7,500 for those aged 50+ (\$30,500 total).
  - *Secure 2.0 Changes:* Ages 60 to 63 may contribute 150% more than the regular catch-up limit, totaling at least \$11,250 from January 1 of the year they turn 60 to December 31 of the year they turn 63.

For more details: [IRS Tax Inflation Adjustments for 2025](#)

### ZOOM SEMINAR:

- **Monthly Zoom Info:** 2nd Thursday of each month at 4 PM PST.
- **February 13th Topic:** Fiscal Policy Changes—Economic and Market Impact.

**My Travel Experience:** Pictured below: Antelope Canyon in October. Follow me on Facebook [leonaugustineboirard] and/or Instagram [#labwealth2016]



*Thank you for your continued support. Wishing you a healthy and prosperous New Year!*

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#### Disclosure

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