

WEALTHSMITH FINANCIAL PLANNING – 4TH QUARTER UPDATE -OCTOBER 31, 2024-ELECTION EDITION

Have you had enough of the political signs? Commercials? Facebook posts? Me too!

Well, it is almost here. November 5th is just 5 days away. No matter what happens, I know that I will still be going to work the next day. Of course, given the number of legal challenges that are already being run up to the Supreme Court regarding who is eligible to vote and who is not, we will most likely not know the actual results of the election for some time after the 5th.

So, what does that mean for our investments? What does that mean for the economy? Is Trump going to create greater inflation? Is Harris going to increase inflation? Is Trump going to tank the economy? Is Harris going to tank the economy?

Well, if history is any guide, though we may see some volatility over the next week to three weeks, I doubt we have much if anything to worry about in the long term. Let's look at some history:

President Ronald Reagan: 40th President from 1981-1989.

In 1980 his critics stated that he was a former actor who lacks the experience to be President. His belligerence toward the Soviet Union could land us in a Nuclear war. Reagon economics is dangerous and won't work.

Average US GDP growth*	S&P 500 Index Average Annual Rtn*
3.5	14.2

President George H.W. Bush: 41st President from 1989-1993.

In 1988 his critics said he is not a strong leader like Reagon. He lacks vision (the Vision Thing). Part of the Reagon Administration that doubled the national debt.

Average US GDP growth*	S&P 500 Index Average Annual Rtn*
2.2	15.7

President William H. Clinton: 42nd President from 1993-2001.

In 1992 his critics said he was a small state Governor and was unproven on the national scale. His tax increases will sink the U.S. economy. Government takeover of healthcare will nationalize 20% of the U.S. economy.

Average US GDP growth*	S&P 500 Index Average Annual Rtn*
3.9	17.2

President George W. Bush: 43rd President from 2001-2009.

In 2000 his critics said he is running for President because of his last name, not because of his accomplishments. His tax cuts will only benefit the wealthy. No foreign policy experience, he is not ready for a crisis.

Average US GDP growth*	S&P 500 Index Average Annual Rtn*
2.2	-2.9

* GDP is calculated beginning on January 1 of the year a president is elected; S&P 500 Index returns are calculated beginning on Inauguration Day. For President Biden, GDP is as of 6/30/24 (most recent data available), and S&P 500 Index returns are as of 7/31/24. Data Sources: US Bureau of Economic Analysis and IMF via FactSet, Morningstar, and Hartford Funds, 8/24.

President Barak Obama: 44th President from 2009-2017.

In 2008 his critics said that he was too inexperienced, he only served two years in the senate before he became President. Soaring rhetoric and exorbitant campaign promises are “just words”. Desire for a large stimulus bill and healthcare plan will explode the national debt.

Average US GDP growth*	S&P 500 Index Average Annual Rtn*
1.7	14.5

President Donald J. Trump: 45th President from 2017-2021.

In 2016 his critics said that he had never held political office and does not speak or act in a way that is considered presidential. A trade war with China will damage the U.S. economy.

Average US GDP growth*	S&P 500 Index Average Annual Rtn*
1.4	16.0

President Joseph Biden: 46th President from 2021-present.

In 2020 his critics said that he was too old to be President. He is a career politician and he is more like a Vice President than a President.

Average US GDP growth*	S&P 500 Index Average Annual Rtn*
3.3	13.1

Don't fret if your preferred candidate doesn't get elected in November! The US economy and stock market have generally marched higher through Democratic and Republican administrations alike. Dramatic events such as 9/11, the Global Financial Crisis, and the COVID-19 pandemic can cause sharp market selloffs—but our economy and stock market have historically been resilient to these types of shocks.

So, when I get the question: What are we going to do with our investments if “he” gets elected or if “she” gets elected, I remember what history has taught us about the long term averages of the market (outlined above) as well as what happens leading up to the election all the way out 3 months after the election.

For the past 13 presidential elections, the S&P 500 Index has generally been positive 90 days before and 90 days after Election Day.² Going back to 1972 the S&P 500 has averaged 1.5% GAIN for the 3 months before the election and 5% GAIN for the 3 months after the election.²

Here are some more fun facts³:

- While often the cause of short-term uncertainty (as mentioned above), after the results are in, markets have historically performed well into the year following presidential elections. On average since 1980, an investment made on November 1st of election years has gained 16% over the next eight months
- Investors don't have to love what is going on in Washington to prosper in the markets. In fact, the S&P 500 has performed best when the president's approval rating was below 50%. I find this statistic to be very interesting, and actually, quite positive for our current situation given that 50% of Americans hates Trump and 50% of Americans hate Harris....so historically we should see a strong market no matter who wins 😊.
- U.S. presidents may have an impact on market returns, but so do many other factors — the actions of foreign leaders, interest rate changes, changing oil prices, and technological advances, just to name a few.
- Stocks have rewarded disciplined investors for decades, through both Democratic and Republican presidencies. The key word here is “disciplined”...meaning we stay the course and look for opportunities that arise due to “short term election volatility”.

Just to put an exclamation point on my stance regarding the political season and its impact on the market, let us review some of the issues that we see today and let us reconcile just how “new” these problems are.

Here are the answers from Gallup Pole data received 12/31/23 when citizens of the U.S. were asked the following: **“What do you think is the most important problem facing the country today?”** Answers: The Economy in General, The high cost of living/Inflation, Federal Budget Deficit/Debt, Government/Poor Leadership, Unifying the Country, Protecting Democracy.

But are these new problems? If they are not new problems, have we made it through these problems in the past?

Quotes from 250 years ago:

“The (U.S. Central Bank) is one of the most-deadly hostilities existing, against the principles of our.....constitution” -**Thomas Jefferson**

“Public debt is a public curse.” -**James Madison**

“Inflation is....a gradual tax upon them.” -**Ben Franklin**

“The distemper in our nation....is certainly incurable.” -**George Washington**

“Democracy never lasts long. It soon wastes, exhausts, and murders itself.” **John Adams**

It appears that little has changed in the past 250 years. Perhaps what has changed is that the founding fathers meant their declarations as “warnings”...where today such declarations from politicians are simply “sound bites” for T.V. in order to get elected.⁴

Regardless, we have been here before, the issues of today are not new. Even though it seems like the problems of today are unique to 2024, they are not.

Summary: We will see volatility in the market for the next few weeks. We will most likely see a strong 4th quarter as more of the S&P 500 companies show strong earnings (not just the Magnificent 7 that have been pulling the other 493 companies along⁵). We will look for opportunities that present themselves during the volatility.

Some year-end administrative issues:

- Some of you will be receiving an email from me letting you know that we must take your RMD before 12/31 of this year if you are over the age of 73 any time this year.
- We are right in the middle of “Annual Election Period-AEP” for Medicare coverage if you are on Medicare. You have until 12/7/24 to make changes to your Medicare coverage. After that, it becomes a lot more difficult to do so.
- If you have some traditional IRA money that you would like to convert to a Roth IRA we need to get that done by the end of the year.
- If you still have a 401k or other type of retirement plan sitting in an account at your last employers retirement plan, talk to me about how I have been able to help others roll that into a personal IRA and gain more investment options and better diversification.
- If someone asks you who you use for your financial advisor, feel free to give them my name. You will be hard pressed to find someone who has the experience and the designations that I have, and I would be happy to help those who you call family/friends.

If you feel you need to speak with me about anything, please go to my online calendar and set up an in-person meeting, a zoom call, or a phone call. If for some reason you can't find a time open on my calendar that fits in your schedule, send me an email with a few times that work for you and I will find a way to fit you in.

As always, thank you for the trust you put in me. I don't take it lightly.

To the men out there (well, and I guess to the women as well should you want to partake 😊), HAPPY “NO SHAVE NOVEMBER” to benefit Men's health! I have done this in the past so don't be surprised if you see me with a beard of some sort for the month of November!

Sincerely, Gary Smith



Providing a better way forward

¹2024 Hartford Funds Management Group, Inc. The Next President is Unlikely to Sink the Market or the Economy. 10/28/24.

² Morningstar, "Presidential Election Years Are Usually Winners for US Stocks," 12/23

³Lincoln Financial, Invesco, Blackrock, Corebridge, Vanguard, Janus Henderson, Pimco – Market Intel Exchange – Gallup data 12-31-23 – People care about Politics, the Market does not.

⁴WealthSmith Financial Planning LLC - Gary's opinion based on readings, podcasts, education, and experience gained over the last 31 years.

⁵Parnassus – CIO Market Insight 10-7-24

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