

WealthSmith Financial Planning – Economic & Investment Update: 1st Quarter 2025

Hello to my valued clients, friends, and family!

Well, January has come and gone with little drama surrounding the political scene, and for that we are thankful.

The market is doing what it has most often done after a new Presidential election, but will it continue considering the last two years have given us two consecutive years of 20% + gains? What about the next four years? We will cover this further down in this update.

Now, if we can just stop the planes from falling from the sky, the tourist and travel industry will not pull us back. After 9-11 the airline and travel industries took a huge hit. At the writing of this update, we have had 2-3 aerial catastrophes with loss of life. We pray for the families of affected.

OUTLINE: FOR THOSE OF YOU WOULD LIKE TO JUMP AHEAD TO YOUR INDIVIDUAL INTERESTS

- 1. WHERE ARE YOUR TAX DOCUMENTS FOR YOUR INVESTMENT ACCOUNTS?**
- 2. I HAVE A GOVERNMENT PENSION AND I HEAR THERE IS GOOD NEWS? YES, THERE IS!**
- 3. 3 MONTHS AFTER A PRESIDENTIAL ELECTION THE MARKET HAS BEEN UP AN AVERAGE OF 5%, BUT WHAT ABOUT THE REST OF THE YEAR? WILL WE HAVE OUR 3RD YEAR OF 20% + RETURNS?**
- 4. WHATS THE OUTLOOK FOR OIL AND GAS?**

Where in the World are my Tax Statements regarding my investments?

This is by far the most common question I receive between January 1st and March 15th. I am in the same boat that you are in, in that I, too, am waiting for my tax reports from Pershing. If you access your tax forms on the NetXinvestor website, you can find them under “documents”. What you are most likely seeing right now is something that has the word “draft” at the end of it. This means that Pershing is still waiting for some of our investments to report to them, so the forms that are there now are for informational purposes only as they are not “final”. When you see the word “final” after the tax report name, you know they are complete, and you can forward them to your accountant/CPA.

Now, it is also possible that you don't see anything under the documents, tax files tab. This means you are not waiting for reports as you don't have any for this year. You know you have reports that you are waiting for if it shows a tax report with either the word “draft” or “final” at the end of it.

The last scenario is that you don't access your tax files from Pershing on the NetXinvestors site, you wait for them to be mailed to you. Regardless of whether you access them on the website, or you wait for them to be mailed to you, plan on waiting between February 15th and March 15th as that is when they show up every year.

I have a government pension, and I hear there is good news? Yes, there is!

Most American workers are covered under Social Security. They work, they pay payroll taxes in the form of FICA which funds their future Social Security Benefits. Some workers, like Firefighters and Policemen and other Emergency Services professionals pay into their own retirement program and don't pay into Social Security. Then there are about a dozen States that also include Teachers, Nurses, and some Governmental Workers who also pay into their own pension system. The Social Security rules for the public employees are different and have been for about 40 years. But that is all about to change.

There are two provisions of the Social Security system that have been looked at as uncommonly unfair by the public employees. They are called the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO).

WEP comes into play when a public employee also has enough credits to qualify for a social security benefit. But, because of WEP, they only get to keep a reduced portion of their social security. If a spouse were receiving social security benefits off this public employee's social security record their benefit would also be reduced.

GPO comes into play when you are a public employee who never paid into social security, but your spouse has. Shouldn't you be eligible for a spousal social security benefit like everyone else? Or a survivors benefit like everyone else? In the case of the GPO, it often wipes out the entire spousal social security or survivor social security benefit. As an example, I have some clients who are teachers who have never paid into social security, but their spouse has. Because of the GPO, they get little or no social security benefit.

There are currently about 3 million Americans who for 40 years have been crying foul, as they have a public pension of some sort.¹ That is about 9% of the total American Population. The most common situation that I run into here in Maine is the Maine State Retirement Program.

Well guess what? One of the last acts of the 2024 congress was to pass a law that repealed the WEP and the GPO, and President Biden signed it into law as the "Social Security Fairness Act".

Let's look at a couple of scenarios:

1. **You are a widow, who as a teacher** and never paid into Social Security, but your husband did. Your husband passed away years ago and because of the GPO you never applied for a spousal benefit as you were not going to get anything from it. NOW, you can apply and it is retroactive to 2024!* So in theory, you should get back pay from 2024, and then going forward you would have a monthly benefit.
2. **Federal Employees:** Back in 1983 when the WEP and GPO were instituted federal employees had their own pension system and they did not pay into Social Security. This is known as CSRS. These employees did not pay into FICA. But in 1984 the second system for pensions of federal employees came into being and that was/is called FERS and they did pay into social security. Then, of course, there is a hybrid situation where you were under CERS, left civil service for the private sector, and then returned to be a federal employee under FERS. This

situation is beyond the scope of this update, but if you are impacted by this and want to talk please reach out.

3. **Military:** They are not impacted by WEP or GPO so this new law will not have any impact on those employees...unless they took a public sector job AFTER they got out of the military. Picture someone who retired from the Military and then went to work for the State of Maine, or New Hampshire or Texas and now, receive a pension from one of those States. Now their original social security is reduced due to their new public service job. This person was impacted by WEP or GPO and now they will be able to get their full social security.
4. **You worked outside the U.S.A., and you have a foreign pension from a foreign government and because of this you never paid into social security.** Then you moved to the States and started working and paying into Social Security and when you retired you were impacted by WEP or GPO. These folks may now get a social security benefit.

For those of you who are jumping up and down and are very happy about this, I am happy for you! However, though I don't like to be the one to cast a cloud on a sunny day, I wonder about the funding for this wonderful "righting of the wrongs of days gone-by".

At a time when the work force paying into the Social Security system is at it's lowest in decades and the number of people drawing off the system is the highest its every been and its only growing....and given that we have been talking about the Social Security trust fund being under extreme stress BEFORE this new law was passed....where is the money coming from to give back-pay for 2024, and increase payments going forward?

The social security trust fund, if nothing is done to infuse cash into it today, by 2035 the fund will only be able to pay out \$.78 for every \$1.00 of benefit that is owed....BEFORE this new legislation was signed into law. Now that this new law is active, something is going to have to increase to pay for these new benefits.....wonder what that could be?

One last statistic about Social Security. When it was enacted in 1935, the average age at death of a recipient of social security was 61....which was 1 full year before they were eligible to draw on social security. Let that sink in for a second. Average age of death at 61 meant that the system was set up so that MOST people would die before being able to draw social security. Today the average age of death is around 80 years old. With 75 million NEW social security recipients coming online in the next 25 years, I wonder what is going to have to GO UP to keep the system solvent? Only two things in life are certain, they say....Death and Taxes. The way things are going Taxes might just be the cause of Death 😊.

*One caveat...at this time we have no guidance on how Social Security is going to deal with this so stay tuned. The one thing that we do know is that if you never applied for the social security benefit, you would need to apply.

THE MARKET HAS AVERAGED 20% + FOR THE LAST TWO YEAR, WHAT DOES HISTORY SAY WILL HAPPEN IN THAT 3RD YEAR? WHAT ABOUT THE NEXT FOUR YEARS UNDER A NEW PRESIDENT?

Back-to-back years with gains greater than 20% among large-company stocks are infrequent but not rare. Such occurrences have happened nine times over the past 100 years, including 2023 and 2024.²

- **1927–1928:** Large-company stocks gained 37.5% in 1927 and 43.6% in 1928. The stock market crashed on October 24, 1929, (aka Black Thursday) and the Great Depression ensued. Notably, large-company stocks ended 1929 down just 8.4% for the full calendar year. The losses in 1930 and 1931 were far more substantial. Stocks, Bonds, Bills and Inflation (SBBI) large-company data is used for all periods prior to 2023 because the S&P 500 was not created until 1957.
- **1935–1936:** The stock market staged a recovery rebound amid the Great Depression. Large-company stocks jumped 47.7% in 1935 and 33.9% in 1936. These gains were short-lived as a 35.0% drop followed in 1937.
- **1942–1943:** Stocks have tended to do well during times of war; World War II was no exception. The demands of battle boosted economic production and stock prices reacted accordingly. Large-company stocks gained 20.3% in 1942 and 25.9% in 1943. The streak barely missed extending itself into a third year as stocks rose 19.8% in 1944.
- **1950–1951:** The Korean War gave the U.S. economy another boost (even though war itself is terrible). Large-cap stocks rewarded investors with a 31.7% return in 1950 and a 24.0% return in 1951. The upward momentum remained strong in 1952 with large-cap stocks rising an additional 18.4%.
- **1954–1955:** Following 1953's modest 1.0% pullback, large-company stocks soared 52.6% in 1954 and 31.6% in 1955. The rally was aided by President Dwight Eisenhower's ending of price controls. A modest 6.6% gain was realized the following year, 1956.
- **1975–1976:** Twenty years passed before large-company stocks next rose by more than 20% on back-to-back years. The 37.2% gain in 1975 and the 23.9% rise in 1976 were rebounds from the 1973–1974 stock market crash. A 7.2% pullback in stock prices occurred in 1977 as inflation reaccelerated.
- **1982–1983:** Federal Reserve chairman Paul Volcker's strategy to rein in inflation led to a recession in the U.S., but investors cheered the move by sending stocks up 21.5% in 1982 and 22.6% in 1983. Large-company stocks gained a much more modest 6.3% in 1984 as inflation stayed in double-digits for one final year.
- **1995–1999:** The release of web browsers, the launch of Yahoo's search engine and rising sales of personal computers led to increased use of the internet. This combination fueled the dot-com bubble. During the five-year period of 1995 through 1999, large-company stocks gained 37.6%, 23.0%, 33.4%, 28.6% and 21.0%, respectively. The bubble popped in March 2000. Large-company stocks fell 9.1% that year before suffering bigger losses in 2001 and 2002.
- **2023–2024:** Nearly a quarter century passed before we saw the S&P 500 rise 26.3% in 2023 and 25.0% in 2024. A pullback in inflation, increased adoption of artificial intelligence (AI) and post-

pandemic economic growth all helped fuel the rally. What will follow those two good years remains to be seen.

The data clearly shows mixed returns for the calendar years following periods of consecutive 20% gains. Large-company stocks fell during four of those years: 1929, 1937, 1977 and 2000. During the other four years—1944, 1952, 1956 and 1984—they rose by single- and double-digit percentages.

What about the next four years? How did we do under Biden Vs. the First Trump administration? What about other Presidents? How many 4-year terms have produced negative market returns?

Both President Biden and President Trump can claim that the markets went up over their term in office, but that is not uncommon. Only 6 times over the last 32 Presidential terms has the market averaged a negative return for those 4-year periods. See the chart below.⁴

One can theorize why those periods of negativity occurred: could it be that Taft was dealing with the aftermath of the banking crisis which led to the creation of the Federal Reserve in 1913?

Could it be that Wilson's lack-luster returns were due to World War I?

I don't think we need to theorize what happened with Hoover since it was 1929.

Did Roosevelt shoot himself in the foot by confiscating all the gold, officially putting us on the Gold Standard, and setting the fixed price of Gold at \$35/ounce?

Did Nixon shoot himself in the foot by taking us OFF the Gold Standard?

Bush II had the Dot.com bubble burst, 9-11, and the last three consecutive years of market losses in a row in his first term, and we don't have to wonder about what happened in his second term as the Great Financial Crisis occurred.

Likewise, we don't have to wonder what happened after the worst 4-year periods of market returns as the following years showed some of the greatest returns (see Roosevelt 201.7%).

How Did Stocks Do Under President Biden?

Stock Returns Over The Past 32 Presidential Terms Starting On Inauguration Day (1896 - Current)

Inauguration Day	President	Dow Or S&P 500 Return	Rank
3/4/1897	William McKinley (Rep)	63.9%	11
3/4/1901	William McKinley/Teddy Roosevelt (Rep)	12.0%	24
3/5/1905	Teddy Roosevelt (Rep)	8.8%	25
3/4/1909	William Howard Taft (Rep)	-1.5%	26
3/4/1913	Woodrow Wilson (Dem)	14.1%	23
3/4/1917	Woodrow Wilson (Dem)	-19.0%	29
3/4/1921	Warren G. Harding/Calvin Coolidge (Rep)	66.5%	10
3/4/1925	Calvin Coolidge (Rep)	156.4%	2
3/4/1929	Herbert Hoover (Rep)	-77.4%	32
3/4/1933	Franklin Roosevelt (Dem)	201.7%	1
1/20/1937	Franklin Roosevelt (Dem)	-40.3%	31
1/20/1941	Franklin Roosevelt (Dem)	27.8%	18
1/20/1945	Franklin Roosevelt/Harry Truman (Dem)	14.9%	22
1/20/1949	Harry Truman (Dem)	68.5%	7
1/20/1953	Dwight D. Eisenhower (Rep)	71.6%	6
1/20/1957	Dwight D. Eisenhower (Rep)	33.9%	16
1/20/1961	John F. Kennedy/Lyndon Johnson (Dem)	44.9%	15
1/20/1965	Lyndon Johnson (Dem)	17.8%	20
1/20/1969	Richard Nixon (Rep)	16.4%	21
1/20/1973	Richard Nixon/Gerald Ford (Rep)	-12.6%	28
1/20/1977	Jimmy Carter (Dem)	29.4%	17
1/20/1981	Ronald Reagan (Rep)	27.5%	19
1/20/1985	Ronald Reagan (Rep)	67.5%	9
1/20/1989	George H.W. Bush (Rep)	51.7%	14
1/20/1993	Bill Clinton (Dem)	78.4%	3
1/20/1997	Bill Clinton (Dem)	73.0%	5
1/20/2001	George W. Bush (Rep)	-11.8%	27
1/20/2005	George W. Bush (Rep)	-28.2%	30
1/20/2009	Barack Obama (Dem)	74.8%	4
1/20/2013	Barack Obama (Dem)	52.3%	13
1/20/2017	Donald Trump (Rep)	67.8%	8
1/20/2021	Joe Biden (Dem)	57.9%	12
1/20/2025	Donald Trump (Rep)	?	

Source: Carson Investment Research, FactSet 01/21/2025
1896-1928 Dow Returns, S&P 500 Returns After
@ryandetrick



I know that sometimes I sound like a broken record, but at least I'm consistent 😊. You can't "time the Market" with any degree of success. It's not "timing the market" that wins the day....it's "time in the market" which does. Stay the course, stay diversified, pick some advantageous entry points to the market and let your winners run.³

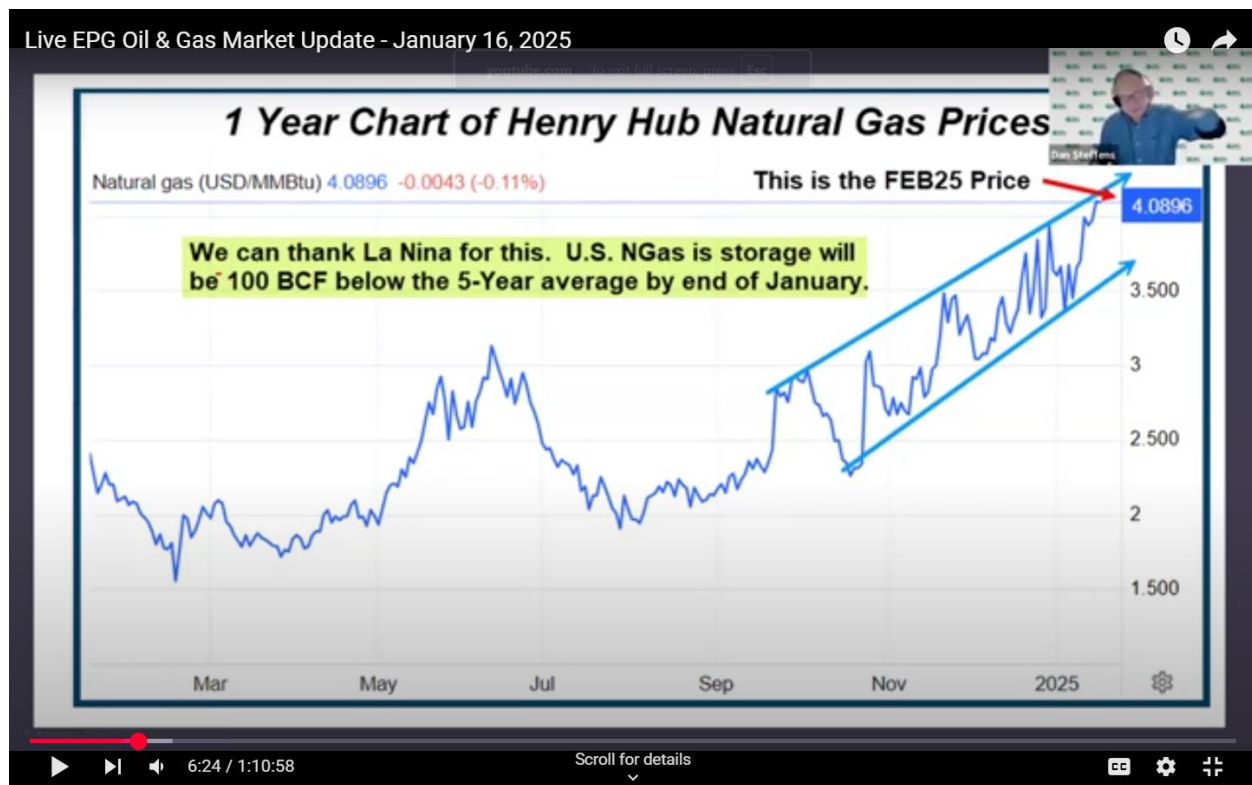
Oil and Gas Outlook

Energy has a lot to do with the U.S. economy, and with that in mind I subscribe to multiple Oil and Gas research firms for their input on this sector of the market.

Oil prices are hovering around \$76/barrel. Gas prices are over \$4.00, and this is way up from the last time I wrote about natural gas. It is poised to go much higher due to the frigid temperatures that we have been seeing in January, and because of the large number of exports that we are sending over to the U.K. and Europe.⁵ As you can see from the chart below, the price of natural gas had doubled since July. Another point to drive home the acceleration of the price of natural gas is that cost to the Euro zone for

the same natural gas is over \$14/barrel. If you were shipping natural gas from the Gulf area of the U.S. and you could get \$14/Barrel equivalent in Europe and \$4 in New England where are you going to ship it? Yes, you are going across the pond.

As for the future of Natural Gas, Artificial Intelligence companies are going to be building their OWN gas fired power plants to supply the much needed energy which fuels their A.I. operations. This is a huge tail wind for natural gas. These A.I. companies CANNOT rely upon wind and solar for their energy as they are just too unreliable. It is estimated that 80 to 100 new gas powered plants will come on-line in the coming years. Even though the price of natural gas has doubled in the last 6 months from \$2 to \$4, Oil and Gas specialist, Dan Stebbins, believes that \$4 is a floor going forward.



Dan Steffins: "Bottomline: The U.S. natural gas market is tight and likely to get much tighter leading up to the winter of 2025/2026. The "Bidding War" between the utilities and LNG exporters for physical supply should be a repeat of what happened in August 2022." The last time we owned natural gas in our portfolios is when we bought in around \$13/share on the UNG, and sold around \$28 on the UNG. August could quite possibly put us in the same position this time around and might be a good exit point.

If there is something that you would like me to cover in the next Economic & Investment Update, please let me know.

If you need time with me, please do not hesitate to reach out. The best way to reach me is to set an online-calendar appointment by going to www.wealthsmithfp.com/book-appointment-online/. If for some reason you can't find time in my calendar that works with your schedule, send me an email with a few times that you are available, and we will make something work.

As always, thank you for the trust that you place in me for handling your investment, insurance, and financial planning needs....I don't take it lightly.

Sincerely,

Gary Smith

¹ Break Through Advisor Podcast-Understanding the Social Security Fairness Act 1/13/25: Mary Beth Franklin, CFP, Author, Speaker, Social Security Expert and Telly Award Winner

² Stock Market History After Back-to-Back 20% Gains by Charles Rotblut | January 09, 2025

³ WealthSmith Financial Planning, LLC – Gary Smith-CFP, ChFC, RICP, AIF, and CPFA course material and 32 years of experience in the financial services industry.

⁴January Charts of Interest: Presidential Stock Market Scorecard by Charles Rotblut | January 23, 2025. Carson Investment Research, FactSet 01/21/2025-1896-1928 Dow Returns, S&P 500 Returns After.

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