

MARKET COMMENTARY – November 1, 2024

*Holiday Spending: Intentional Giving*

*“All experience is an arch to build upon.” -Henry Brooks Adams*

This month’s commentary comes to us from our new Investment Intern, Jakob Ruby. Jake is slaving away for us temporarily through the end of the year. We hope you enjoy his contribution to our Market Commentary archives.

Ah, the Christmas season—it starts earlier every year, doesn’t it? The moment Halloween decorations come down, Christmas lights go up, and suddenly, we’re in full shopping mode. Whether it is finding a toy for the little ones or something more extravagant, we get swept up in the holiday hustle. While we’re hunting for gifts, this is also the time when consumer spending hits its peak. And since holiday shopping is serious business, let’s take a peek at shifting habits that shape both our personal finances and the broader market.

People start their holiday shopping earlier than ever, sometimes before the kiddos have even returned to school! Retailers like Amazon and Walmart have adapted, launching sales earlier each year to meet the growing demand.

This year, online sales are expected to grow 10-12%, but what’s really changing is how we give. Folks have begun to realize that Mr. Adams above was correct, experiences can build or develop even years after they occur. In fact, increasingly more people are choosing experience-based gifts like vacations and event tickets over physical items. A trip to the mountains or a simple weekend getaway often creates more lasting memories than a gadget that will be outdated in a year or two. A hot air balloon ride with the loving family will create memories lasting decades, while the plastic toy from China will wind up cuddling with dust bunnies beneath the couch. Perhaps folks are starting to realize that the time we spend with loved ones is the real gift.

Another significant trend is the use of Buy Now, Pay Later (BNPL) services, which allow younger or lower income shoppers to stretch their budgets. BNPL transactions are set to grow by 11.4% this holiday season, but it’s important to manage these purchases carefully to avoid excessive debt. We encourage clients and friends to consider that if they cannot afford to buy an item outright, perhaps using a BNPL plan will bring more harm than good.

Grandparents play a huge role in holiday spending. On average, loving Gramps and Gram spend \$2,562 annually on their grandchildren, with around \$805 of that spent on

holiday gifts alone. As noted above, for many it's about more than just giving more gifts, it's about creating opportunities for joy and lasting memories.

Increasingly, grandparents are opting for experience-based gifts over toys or gadgets. A family trip or day spent together often means more than a toy that might be forgotten in a few months. In fact, most grandparents say that the act of giving brings them happiness, and those who focus on experiences report 15% higher satisfaction compared to those who give traditional gifts (something that a certain Jewish carpenter alluded to a couple millennia ago). This approach leaves a legacy that lasts far beyond the holidays. It builds familial bonds, deepens relationships, and breaks down generational barriers that have become ever-so prevalent in our post-modern society.

Lastly, there is an obvious business aspect to all of this. The holiday season is crucial for retailers. Companies like Amazon, Walmart, and Target rely on these months for a significant portion of their annual revenue. Amazon's Prime Big Deals Days set new sales records this year, with many purchases likely meant for holiday gifts.

The technology sector also thrives during this period. High-demand items like smartphones boost revenues for companies like Apple, which regularly sees record-breaking holiday sales.

Now at the cusp of a new holiday season, it's clear that the most meaningful gifts are often those that involve spending time together, not just things. Whether it's planning trips, attending events, or simply enjoying each other's company bathed in Christmas tree lights on a quiet evening, these moments create lasting memories.

As we celebrate this Christmas season, we certainly encourage you to enjoy the fruits of your labor. Yet most of all, make it a relational time of year. Share talents, build experiences, or simply spend time with loved ones – or even those mostly unloved! Do these things and you will have gone a long way in exhibiting the reason for the season.

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Sincerely  
Jason Born, CFA  
President