Legacy Financial
INDEPENDENT ADVISORS

3rd Quarter | 2024

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"What about the election?" (Ver 2.0)

Eight years ago, clients were asking us this same question. Forgive the "cut and paste" job here, however, as they say, "the more things change, the more they stay the same." Below is the answer to the question from eight years ago, with a few updates.

Recently the usual market fears about corporate earnings, interest rates, recession, and foreign wars have become overshadowed by the "scary" upcoming election. The concerns sound something like, "When ******* becomes president, it is going to be a disaster. I can't believe my neighbors are voting for that &!$#%@. He/She is going to wreck the economy, and the stock market is going to be horrible. Maybe I should get out of the market."

Okay, I get it, but let us all calm down and try to remember that hating the government – or a candidate – is not an investment strategy. So, before you do anything drastic, here are a few things to think about.

- One common concern of investors is how the stock market will be impacted by a change in America's president. Looking back on the years after an election, the S&P 500 Index has seen more positive performance than negative. According to First Trust Portfolios, there have been twenty-four elections since the S&P 500 Index began. In those election years, 20 of the 24 years (83%) provided positive performance. The average S&P 500 total return in the year following an election was 10.7%.
- Bear in mind, government spending accounts for less than 25% of the U.S. economy. Most of that spending is non-discretionary, so the president really has little control anyway.
- Also don't forget, all spending bills must be passed by Congress (and remember, you can complain about them too).

So, yes, the president obviously has some influence over the economy, but generally not as much as we fear, so back away from the edge.

Here are a few of our market observations – we believe:

1. With clear signs that the Fed will be cutting interest rates soon, these rate cuts should help limit significant near-term stock market declines.
2. Regardless of the outcome of the election, the stock market remains somewhat overvalued by most historic measures and recession fears will likely limit upside potential for stocks in the coming year.
3. The impending slowdown in the U.S. economy and lower interest rates continue to make bonds attractive.

Finally, stay focused on your long-term investment objectives. There will always be politics and volatility. We help you keep your focus and to be in position to take advantage of the opportunities that volatility creates.

You're invited to our Fall Client Seminar

THE HIDDEN COSTS OF AGING

Tuesday, September 24

6:00 p.m. at 80/20 at Kaelin's

In partnership with FRANKLIN TEMPLETON

RSVP by September 16 to Allison at 502-873-0521

What we know, what we think

	What we know	What we think
MARKET	The stock market remains historically overvalued. The price-to-earnings (P/E) ratio has increased in recent quarters because market prices have gone up faster than earnings.	With the P/E ratio near 20-year highs, earnings will need to accelerate going forward or prices will need to come down.
ECONOMY	July's unemployment rate has increased each of the past 4 months and has climbed from 3.5% last July to the current 4.3%.	The rise in the unemployment rate indicates a significant slowdown in the economy and increases the likelihood of a recession before year end.
INTEREST RATES	The fed has kept short-term rates steady near 5.5%. Short-term interest rates have been above long-term rates since November 2022.	The market seems to be anticipating a decline in short-term rates, and the Fed will likely cut rates soon. Higher rates have slowed inflation but also have begun to slow the economy.

Balancing fun and finances in retirement

by Chris McCrea, CFP®

Retirement is a well-deserved phase of life where you can truly focus on personal happiness and fulfillment. Whether it's embarking on a long-awaited vacation, exploring new interests, or simply enjoying more time with family and friends, spending money on experiences that enhance your quality of life can be incredibly rewarding.

However, without a solid financial plan, the thrill of retirement spending can quickly turn into a source of stress and uncertainty.

Here's why having a well-thought-out financial plan is essential:

1. *Preventing financial shortfalls:* The biggest fear for many retirees is running out of money.
2. *Managing healthcare costs:* As you age, healthcare expenses are likely to increase. including insurance premiums, out-of-pocket expenses, and long-term care.
3. *Adapting to market fluctuations:* A diversified investment strategy and regular review of your financial plan help manage the risks associated with market volatility.
4. *Planning for inflation:* Inflation erodes purchasing power over time making it harder for savings to meet your needs.
5. *Creating a legacy:* Many retirees also wish to leave a financial legacy for their loved ones or charitable causes.

As always, we suggest meeting and reviewing your financial plans at least *annually*. Retirement is a dynamic phase, and your financial needs and situation may change. Embrace the freedom that retirement offers, but do so with a mindful approach so you have freedom from worries and more time for fun.

Start saving early for education

by TC Falkner, CFP®

With the rising costs of tuition, housing, and other expenses, avoiding student debt is increasingly challenging, making planning for your child's education even more important. According to the Education Data Initiative*, the average cost of education is expensive and growing yearly.

- College tuition has more than doubled in the 21st century, costing $38,270 per student per year, and growing at a compound annual rate of 4.11%.
- The average private, nonprofit university student spends $58,628 per academic year living on campus, $38,768 of it on tuition and fees.
- Many clients want to provide a private K-12 education for their children or grandchildren. The average annual tuition for private elementary and secondary high schools is $12,790, and for high school alone it is $15,344.

There are many variables to consider. Some clients choose to help with tuition only. Others want to save in lump sums yearly instead of monthly. There are 529s, UTMAs and self-funding options. If you're ready to invest in a child's education, but need help figuring out which type of funding to set up, how to invest, where the tax advantages lie, or any other planning question, call us so we can make this part of your overall financial plan.

**https://educationdata.org/average-cost-of-college*

At Legacy Financial, we provide peace of mind for your financial future.

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