

Market Perspective

THE WATT GROUP
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Market Overview: Q3 2024

By James Watt

John Stoltzfus, Oppenheimer's Chief Investment Strategist, One of the great fallacies of investing is marking your portfolio performance to the best performing index of the day.

Both the NASDAQ and S&P are not really diversified when it comes to performance. Both are the result of the 10 largest cap stocks up 20% or more. NVDA is up 165% this year. This anomaly hasn't always been the case but the long term benefits of diversification have remained a constant way to get through various market gyrations.

One client question we often hear is, "I'm 70 years old. Shouldn't I be in all bonds? Or, "Shouldn't I be 60/40 bonds/equities. The idea of 60/40 was when life expectancy was 70 and at 60-65 they would rebalance to 60/40. However, with many clients living past 90 we more often see a 70/30 allocation as being appropriate.

Also many clients will never spend the funds they saved and when this is the case we say, "Your money will outlive you so we should be investing for the next generation." This comes as a shock at first but after an in-depth discussion many usually agree. Some are comfortable bringing heirs into the discussion and weighing more heavily in stock since their assets will outlive them.

Create and review your portfolio with us and most importantly, stay the course.

Financial Planning Corner: *Estate Organization and Legacy Contact Settings*

By Jonathan Robinson, CFP®

Having an organized estate plan is a crucial piece to an effective financial plan. Not only should you create a detailed plan but you also need to discuss it with your family so they know what to expect when life changes. Even when an estate is well planned out, it is still an incredibly complex and time consuming process. My father had a thoughtful estate plan and it is still taking a lot of time sorting and dealing with things that were not accounted for within his plan.

The most common estate documents are wills, trusts, powers of attorney, and healthcare directives. One thing that is significantly growing in importance is what we are calling a "digital estate". More and more of our lives and in particular our financial lives are online and through our mobile devices. If you do not have a plan for your family members to be able to access that information if something happens to you, it will complicate the process of settling your estate and distributing your assets.

My sister is proficient with computers so we were able to fluidly navigate my father's digital life. However there is a better way than guessing a password to break into your father's phone. Both Apple and Android devices are now set up with what is called a "Legacy Contact" setting. In the event of your passing, it gives the person you designate as the Legacy Contact a username and password to then login to your device and access the vital information on there. Having a plan for your digital estate can and should be part of your overall estate plan organization. It will make closing and settling accounts much easier for your executors and beneficiaries.

For more information on how to prepare for your digital estate, I found this article comprehensive:

<https://www.pcmag.com/how-to/how-to-prepare-your-digital-life-accounts-for-your-death>



Case Study of the Quarter: How U.S. Presidential Election Effects Portfolios

By Peter Watt

A question that frequently comes up in client strategy meetings is “What will happen to stocks and bonds if a Republican or Democrat wins the U.S. Presidential election?” The simple and short answer is that history shows that neither the party nor the incumbent have a large and direct effect on the performance of the stock market. When I first started my financial advising career (now eight years in the business), I watched the news through the night as Donald Trump made a surprising win in the 2016 U.S. election. I thought what many investors do, how would the market respond to this surprise? I knew that uncertainty or unexpected events can alter the market in materialistic short-term movements, but would this unexpected news pull the market down and sink us into a recession?

The short answer once again was no. As we have seen the years since 2016, two contrasting presidents have guided our country through a majority of strong performance years, and while they do have an economic impact through large

fiscal spending programs, those policies tend to have less of an impact than what reasonable investors are led to believe. It is more event-driven news such as interest rate changes, global pandemics and global violence that create a majority of the significant negative market movements.

While our team focuses on the U.S. President’s policies and how they could affect certain businesses ability to grow and expand, we put more consideration toward economic health data and companies that are top competitors within a growing business. We look for companies with strong culture and expansion capabilities, and with future products that will inevitably create strong demand.

Our team is here for your concerns and to instill confidence within a chaotic time.

The Standard & Poor’s (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization U.S. stocks. NASDAQ Composite Index (NASDAQ) is a market-value weighted index that measures all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ stock market. The performance of an index is not indicative of the performance of any particular investment; however, they are considered representative of their respective market segments. Please note that indexes are unmanaged and their returns do not take into account any of the costs associated with buying and selling individual securities. Individuals cannot invest directly in an index.

Dollar cost averaging does not guarantee a profit and does not protect against loss in declining markets. Investors should consider their ability to continue making purchases through periods of fluctuating prices.