

ROUNDTABLE DISCUSSION

SEPTEMBER 2024

RECENT MARKET TRENDS

In recent months, market volatility has been notable, with significant fluctuations observed. After a strong start to the year, characterized by growth in mainly the technology sector the market peaked in July. However, it experienced a notable drop of 10% by early August, influenced partly by concerns over currency trades and the Yen Carry Trade. Although this is impactful to investors, we feel this correction is viewed as healthy, therefore, prompting a shift towards more defensive investment sectors such as: utilities, healthcare, and financials.

FEDERAL RESERVE'S ACTIONS

The Federal Reserve is anticipated to reduce interest rates in their upcoming meeting. In our opinion, they will reduce by 25 to 50 basis points. This follows a period of rising rates in 2022 that impacted many portfolios negatively. A decrease in interest rates typically benefits bond proxies like real estate and utilities, consumer staples, and small-cap stocks, which gain from lower borrowing costs.

MARKET OUTLOOK

Despite expected volatility in September and October, historically, the months following an election tend to be strong for the markets. Investors should consider rebalancing portfolios and exploring opportunities in sectors that perform well in a lower interest rate environment.

TAX AND ESTATE PLANNING

Our discussion touched on potential changes to tax laws, specifically concerning the step-up in basis rule. This provision, which adjusts the value of inherited assets to their current market value, provides significant tax relief. Although there have been discussions about its elimination, its future remains uncertain due to political factors and its broad benefits.

BENEFICIARY DESIGNATIONS

A key financial planning tip is to regularly review and update beneficiary designations on various accounts, including investment accounts, bank accounts, life insurance policies, and retirement plans. Proper beneficiary planning can help avoid probate and optimize tax benefits. The Secure Act 2.0 has introduced new rules affecting inherited retirement accounts, which should be understood to ensure proper planning. Meet with us today to review your beneficiary designations and allow us to help you plan properly.

FEDERAL RESERVE'S IMPACT

The Federal Reserve is anticipated to reduce interest rates in their upcoming meeting. In our opinion, they will reduce by 25 basis points. This follows a period of rising rates in 2022 that impacted many portfolios negatively. A decrease in interest rates typically benefits bond proxies like real estate and utilities, consumer staples, and small-cap stocks, which gain from lower borrowing costs.

SUMMARY

MARKET PERFORMANCE

- The market saw strong performance early in the year but peaked in July.
- A significant drop of 10% occurred by early August, influenced by currency trade concerns and the yen carry trade.
- Recent market shifts have led to a rotation towards defensive sectors like utilities, healthcare, and financials.

FEDERAL RESERVE ACTIONS

- The Federal Reserve is expected to cut interest rates at their upcoming meeting.
- A reduction in interest rates typically benefits bond proxies (real estate, utilities), consumer staples, and small-cap stocks due to lower borrowing costs.

MARKET OUTLOOK

- September and October are likely to be volatile, especially in an election year.
- Historically, the period following an election has seen strong market performance.
- Investors should consider rebalancing portfolios and focusing on sectors that thrive in a lower interest rate environment.

SUMMARY

TAX AND ESTATE PLANNING

- Discussions about potential changes to the step-up in basis rule are ongoing. This rule adjusts inherited assets to their current market value, offering significant tax relief.
- The future of this provision is uncertain due to political factors and its broad benefits.

BENEFICIARY DESIGNATIONS

- Regularly review and update beneficiary designations on investment accounts, bank accounts, life insurance policies, and retirement plans.
- Proper beneficiary planning helps avoid probate and optimize tax benefits.
- Be aware of new rules from the Secure Act 2.0 regarding inherited retirement accounts, which may impact planning.

DISCLOSURES

"The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which strategies or investments may be suitable for you, consult the appropriate qualified professional prior to making a decision. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. LPL Financial does not offer tax advice."