QUARTERLY NEWSLETTER

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As 2024 comes to a close, we hope you are able to enjoy time with your family, friends, and loved ones. We wish you a happy holiday season and a wonderful New Year.

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The Global Easing Cycle Will Continue in the Months Ahead

Key Takeaways

- The U.S. economy is on track for a soft landing
- The global easing cycle will continue in the months ahead
- Positive shareholder-friendly activity to continue

The more things change, the more they stay the same. As we enter the post-election period, it is natural to have strong feelings about the outcome. While some may be disappointed, and others elated – one thing we can agree on is that it is a relief to know the outcome and begin the process of moving forward. Sure, some big changes are coming in Washington (as they do every two to four years), but it is important to maintain perspective – particularly when it comes to your investments. And remember, while we incorporate politics into our investment framework, it ranks only eighth in order of importance (things like the economy and fundamentals are bigger drivers). So, with the outcome of the election now known (still waiting to learn the balance of power in the House), we will continue to assess how policy changes impact our broader view. But in the meantime, we reiterate below the critical drivers of our views that were expected to remain in place, regardless of the outcome.

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Key 'Themes' That Remain In Place After The Election **|** With the election results now behind us, the market is quickly assessing what the longer-term implications of a Trump presidency are for the economy and the financial markets. While it is easy to react emotionally to the outcome, here is a quick reminder of multiple positive long-term trends that will remain in place in the months ahead:

- **The US Remains The Most Dominant Economy In The World** – The term 'American Exceptionalism' refers to the U.S. economy's relative dominance against its developed market peers—a trend that has been ongoing for well over a decade. This has been captured by the strong outperformance of US equities relative to its developed market peers, where the S&P 500 has climbed nearly 800% since 2009, while the Nikkei 225 and the MSCI Europe Index are only up 254% and 229% (in USD terms), respectively. The reason: the U.S. has a more dynamic labor market, and our companies are more innovative and profitable. That has led to higher earnings growth, and the economy also benefited from a bigger fiscal and more proactive monetary policy response after the pandemic. These trends are likely to continue.

- **Soft Landing Remains On Track** – While the Fed's aggressive tightening cycle sparked fears of a recession, the economy has held up better than expected—thanks to the government's fiscal stimulus efforts. And right now, the US economy remains on track for a soft landing with our economist expecting 2.7% growth in 2024 and 2.1% in 2025. The Fed's easing cycle should prolong this expansion, which has been ongoing for 14 consecutive quarters—well below the average expansion of the last 40 years, which lasted 28 quarters.

- **Global Monetary Policy Easing Cycle Continues** – Although 2024 has been a big year for global elections, with over 40 countries holding elections in 2024, politics has not upended the global easing cycle. Case in point: 76% of the 33 central banks that we follow have lowered interest rates this year—a level rarely seen outside of recessionary periods. This synchronized easing cycle, which we expect will continue over the next 12 months, should be supportive of growth going forward.

- **Fiscal Tailwinds Supportive Of Growth** – The U.S. economy is benefiting from fiscal tailwinds from the CHIPS, IRA, and Infrastructure and Jobs Acts. Our political analyst estimates that nearly 75% of the combined $1.7 trillion stimulus has not been spent yet and will provide a long tailwind of support for the economy in the months and years ahead.

- **Positive Shareholder-Friendly Activity** – Flush with ~$1.8 trillion of cash on their balance sheets, S&P 500 companies have increasingly focused on returning cash to shareholders in the form of stock buybacks (which can help boost share prices) and dividends. Case in point: dividend growth is running at an 8% pace in 2024 – that's up from a 5+% pace in 2023 and nearly 2% higher than its 30-year average. Buybacks also topped $232 billion in 2Q24 – the highest level since 1Q22. We expect these trends to continue.

- **Continued Investment In AI** – Companies are investing aggressively in AI which helped to boost overall capex of S&P 500 companies to$258 billion in 2Q24, and above $1 Trillion over the trailing four quarters! While investors are increasingly focused on AI monetization, the big players in the industry are pouring billions of dollars into their AI

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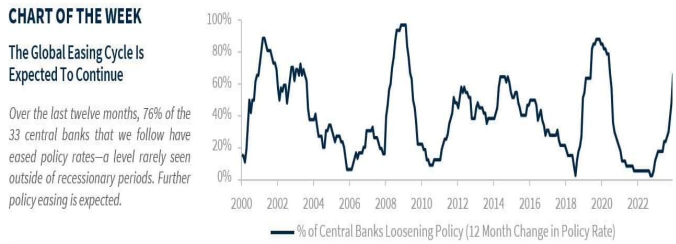
buildouts. We expect this trend to continue in 2025 (and beyond), as the AI revolution remains in the early stages of adoption. This spending should continue to boost corporate profitability.

- **Record U.S. Oil Production** – The U.S. remains the largest energy producer in the world—producing nearly 13.5 million barrels of oil per day. And with President Trump back in office, there will be a focus on accelerating this trend by rolling back some of the less favorable regulations. The end result: increased supply should lead to lower oil prices, which would be beneficial for both consumers and businesses going forward. And with energy prices likely to move lower, this should keep a lid on inflation.

Bottom Line | Navigating political uncertainty can be challenging, particularly when emotions are involved. But don't lose sight of the big picture when it comes to your investments. While politics is an important consideration, it is not the biggest driver of economic growth or market returns. Avoid making knee-jerk investment decisions – stay focused on the fundamentals and your longer-term objectives.



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The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Diversification and asset allocation do not ensure a profit or protect against a loss.

The Psychological side of Spending Your Retirement Savings

Many investors worry about outliving their savings. As a result, they sometimes underestimate what they can comfortably spend in retirement.

For years, you've been saving and investing for retirement.

But what happens when you finally retire and it's time to switch gears from saving to spending?

It turns out, many people are so focused on accumulating assets that they never really think about actually withdrawing the money. In fact, recent studies show that many retirees aren't drawing down their retirement portfolios, opting instead to live on Social Security and the minimum required distributions (aka RMDs) so their portfolios can continue to grow. This may lead to unnecessary sacrifices in a retiree's standard of living. After almost two decades in retirement, most current retirees still have 80% of their pre-retirement savings, according to research from BlackRock.

The problem with uncertainty

So why aren't these retirees spending their nest eggs? Some may be spending as little as possible to leave behind a larger sum for their loved ones or philanthropic pursuits. But in many cases, it's because they aren't sure how to determine a sustainable withdrawal rate that accounts for their total lifespan. They worry about the "what ifs" retirement may throw their way and want to be prepared. You may be able to relate.

This latter group understands that over the course of a long-term retirement, inflation can erode savings. Portfolio returns can vary, and healthcare costs can quickly escalate. And they may be concerned about outliving their savings – only 25% of baby boomers believe their savings will last throughout retirement, according to the Insured Retirement Institute. By spending less and allowing their savings to potentially grow in the early years of retirement, they hope to offset some of the uncertainty.

Collaborating with your financial advisor can help increase your confidence about having enough money to live comfortably in retirement. Just like in your working years, you can establish a just-in-case cash cushion or line of credit that helps put you at ease. And having a sound distribution strategy in place – one that takes into account your income sources, lifestyle, asset locations and tax situation – can help you enjoy the retirement lifestyle you envisioned.

Withdrawing your money

When it comes to withdrawing your retirement savings, here are a few things to consider:

Organize your expenses: Three typical categories include essential expenses (think food, housing and insurance), lifestyle expenses (vacations, hobbies) and unexpected expenses (healthcare costs, auto repairs). Consider paying for your essential expenses with guaranteed income sources such as Social Security or annuities. Use growth or income investments to pay for lifestyle expenses, and maintain a cash reserve for any unexpected costs that might occur.

Be flexible. For instance, a downturn in the market is a good time to tighten the reins on your spending. But if you experience some unexpected investment gains, the timing might be right for that dream vacation. There's little doubt your income needs will fluctuate during retirement. The early years may be filled with travel and other big-ticket items that require more substantial withdrawals. As time goes on, you'll likely travel less, but your healthcare expenses may increase. Studies show that spending tends to decline in the later years of retirement, most likely the result of less travel and similar pursuits. People ages 55 to 64 spend on average $60,076 per year, while people ages 65 and over spend $45,221, according to the Bureau of Labor Statistics.

Building in flexibility allows you to go with the flow. Just be sure to regularly touch base with your advisor so your budget can stay on track.

Review your plan. Work with your advisor to develop and review your retirement income and distribution strategies. You can run hypothetical simulations based on different withdrawal rates, how many years you will live in retirement or any other contingencies, which will allow you to develop a better idea of how much you can comfortably and confidently spend in retirement to help achieve your goals.

Everyone's retirement situation is different. You may have encountered some unexpected circumstances, such as a layoff or forced retirement that occurred earlier than you planned, and you weren't able to save as much as you hoped. On the other hand, leaving a legacy may be your primary goal. Whatever the case may be, establishing a withdrawal strategy that's right for you – while also keeping your emotions in check – is often a good plan of action.

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Sources: kitces.com; forbes.com; cnbc.com; ournextlife.com; smartaboutmoney.org; thestreet.com; kiplinger.com; myirionline.org

Raymond James and its advisors do not offer tax advice. You should discuss any tax matters with the appropriate professional.

Go Green This Holiday Season

Simple ways make your celebrations more sustainable.

While all those packages and wrapping paper are the remnants of joyful celebrations, they're likely headed for the trash. In the United States alone, household waste increases by 25% between Thanksgiving and New Year's Day. That's about 5 million tons of garbage. However, with some minor changes, conscious individuals can greatly increase sustainability this holiday season.

Adding mindfulness to holiday meals

When hosting holiday meals, it's easy to get carried away and make more food than everyone can consume. And while washing dishes is a hassle, single-use plastic and paper dining products create waste. Consider these tips for a thoughtful feast:

- **Shop local.** Supporting local farmers – many of whom use organic growing methods – is good for your community and cuts down on the distance your food must travel.
- **Compost waste.** Instead of throwing away uneaten food, set up a composting station to recycle your scraps into fertilizer for your garden or other plants.
- **Skip the paper and plastic.** Opt for reusable dinnerware and cloth napkins instead of disposable options. Then, store leftovers in reusable glass containers rather than single-use plastic ones to keep them fresh and curb additional waste.

Putting purpose behind your gift giving

Each year, about 2.3 million pounds of wrapping paper ends up in landfills. A thoughtful approach to gift giving can significantly reduce waste:

- **Consider experience gift options such as a spa day, cooking class or yoga class.** These create lasting memories without contributing to clutter. Even a gift card to someone's favorite restaurant creates minimal waste.

- **Bundle your online purchases** and look for retailers that use minimal packaging or eco-friendly packing materials.

- **Explore thrifting and antiquing.** These businesses have a wealth of terrific finds, and some even donate proceeds to worthy causes.

- **Skip traditional wrapping paper**, which often can't be recycled due to dyes and additives. Choose reusable alternatives, such as cloth bags and scarves. You can even make your own with materials like old maps, sheet music or newspapers.

- **Repurpose wrapping paper** as tissue paper for bagged presents, shred into confetti for your New Year's party,or use it in DIY projects and crafts.

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- **Shop local.** Supporting small businesses is a great way to give back to your local community and live more sustainably.
- **Carpool.** Bring friends and family along on your shopping trips, and make sure to bring your own reusable shopping bags.

Whether you're able to implement all of these practices or just a few, it will go a long way toward reducing waste this holiday season.

Sources: architecturaldigest.com; moveforhunger.org

Kevin and Liza

ON THE HOME FRONT

Matt – Our new family member, Kevin is entertaining us (and keeping us busy with his puppy energy).

Stacey continues to volunteer at the animal shelter in Westbrook. Matt is still a hitting coach at Bowdoin College baseball and Nate joined the staff in his spare time as an outfielder's coach.

Liza is heading into her final semester of college at Fordham (time flies)!

Matt and Nate

Chris – Molly and Jack started pre-k and pre-school at St. Brigid school in Portland this fall, and they are off to a great start.

Chris is serving his last term on the board of Camp Susan Curtis and the Susan L. Curtis foundation this year, with a history going back to 2008. Our team was proud to sponsor the 50th anniversary gala that raised over $300,000 for economically disadvantaged kids in Maine.

Chris and Shannon with friends, Kim and Nick Begin, at the Camp Susan Curtis 50th anniversary gala.

Jack and Molly

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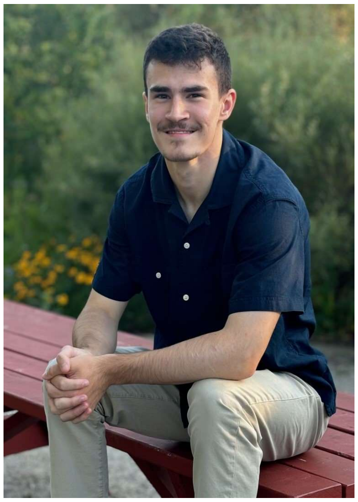
Adele – Samuel and Charlie turned 18 on December 17th. Samuel is working part-time at Amato's on the weekends and volunteering at Preble Street. Charlie finished his final cross-country season of high school and is getting ready for his indoor track season.

Adele and Jim have been enjoying the fall weather by hiking and taking long walks.


Charlie


Samuel

TRIVIA QUESTION

In what nation was Saint Nicholas born?

PREVIOUS QUARTER

Q. Which U.S. state has named apple cider their official state drink?

A. New Hampshire