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PRIVATE WEALTH MANAGEMENT GROUP
of Wells Fargo Advisors

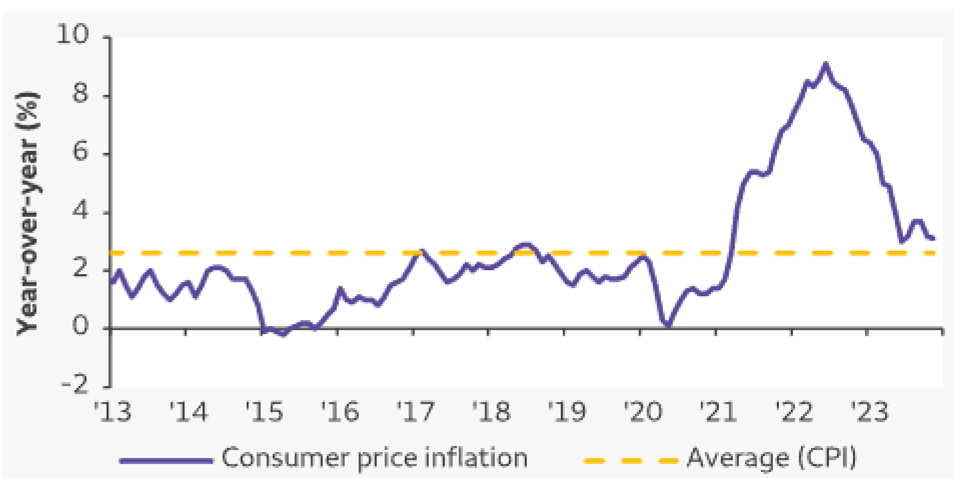
First Quarter 2024 Update

The major domestic stock and bond aggregate indices have started the new year in positive territory buoyed by strong economic fundamentals, artificial intelligence enthusiasm and more attractive fixed income yields than in recent years past. Market breadth continues to be narrow with twenty technology stocks comprising 35% of the S&P 500 Index market value.[1] The labor market remains strong, the unemployment rate is low, and middle-and upper-income cohorts continue to hold substantial cash savings balances.[2] Moving forward, the global economy may encounter dwindling job gains, a tighter credit environment, and decelerating world trade as China's economy struggles and Europe faces recession. Once inflation drops closer to the Federal Reserve 2% target, the central bankers will be able to cut interest rates, increasing the amount of money available in the economy, a catalyst for further economic growth.

Inflation

A significant challenge facing consumers and Federal Reserve policymakers has been the surge in inflation witnessed over the last 3 years. Inflation swelled to 7% in 2022, a 40 year high, resulting from aggressive economic stimulus, worker shortages, and pandemic related supply-chain shortages despite ample demand. Although a disinflationary trend has begun, February inflation data at 3.2% is still above the Fed's requisite 2% target to cut interest rates.

Inflation Moving Toward Fed's 2% Target[3]



Investment and Insurance Products:

NOT FDIC Insured	**NO Bank Guarantee**	**MAY Lose Value**

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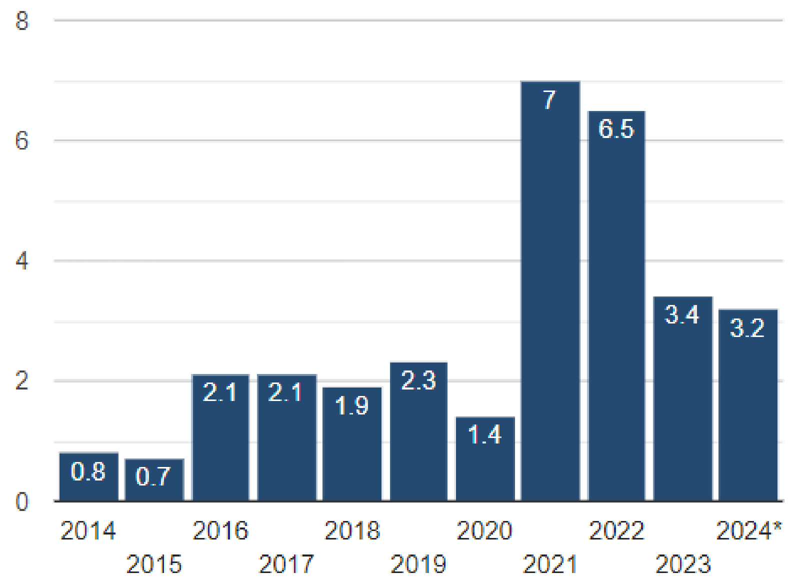
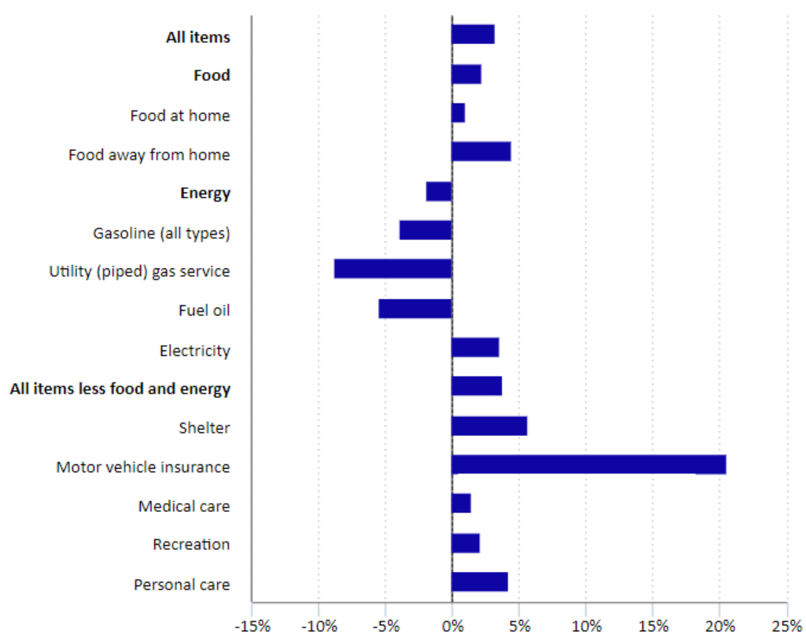
United States Annual Inflation Rates (2014 to 2/2024) – A Disinflationary Trend Has Begun[4]



The inflation for goods has been declining, however, services inflation remains high. While food prices are still elevated, food at home which skyrocketed in 2022 with high raw material costs is normalizing again, up only slightly at 1% year-over-year. Likewise, gas, a major contributor to inflation the last few years, declined -3.9% in price from this time last year. Notable cost increases include shelter, up 5.7% and motor vehicle insurance up a whopping 20.6%.

Consumer Price Index, 12 month percent change[5]



Federal Reserve – Interest Rates[6]

At the March meeting, the U.S. Federal Reserve kept interest rates unchanged at 5.25% - 5.50% for the fifth straight meeting, lingering at their 23-year high. The Fed maintains they want to see inflation at their 2% target before cutting interest rates. For the most part, Fed members forecast one to three cuts depending on underlying fundamentals and economic activity. Federal Reserve Bank of Atlanta President Raphael Bostic expects one interest-rate cut in 2024 citing "The goal and the reality is that we've got to let the data guide us." Whereas Federal Reserve Bank of Chicago President Austan Goolsbee anticipates three interest-rate cuts in 2024 stating "We're in this murky period where we've got to strike a balance of the dual mandate."

United States Elections[7]

The November 5, 2024 US Presential elections will present a rematch of the 2020 elections. Incumbent President Joe Biden, a Democratic Party member, is running for re-election against his predecessor Donald Trump of the Republican Party. Democrats currently hold a 51-49 majority in the Senate while Republicans hold a 219-213 House majority. A total of 468 U.S. Congress seats (33 Senate and all 435 House seats) are up for election. The U.S. Senate has one-third or 33 seats up for reelection (10 Republican, 20, Democrat and 3 held by Independents).

These topics as wells as other economic and geopolitical concerns may continue to impact markets. Some of the items we are monitoring include:

- At least 64 countries (49% of the global population) are scheduled to hold national elections in 2024 making it the largest voting year ever in the history of the world.[8]
- Many technology companies focusing on Artificial intelligence or AI could lead to growth in digital markets such as cloud and advertising.
- US home sales slipped by .3% in February to 662,000 units sold. Additionally, the new median US house sale price in February was $405,000, the lowest since June of 2021.[9]
- In February, natural gas prices in the US continued to remain around historic lows at $1.72 per million BTU.[10]
- The US Bureau of Labor announced that nonfarm payroll employment rose by 275,000 in February while the unemployment rate increased to 3.9%. Job gains occurred in healthcare, government, food and drinking services, social assistance, and transportation and warehousing.[11]
- At the end of 2023, United States consumers reached a record $1.13 trillion in credit card debt.[12]
- US consumer confidence was little changed in March dipping to 104.7 in March from 104.8. A measure above 100 signals consumers are more likely to spend on major purchases in the next 12 months while being less likely to save.[13]

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In Depth Financial Life Planning Spotlight – Long-Term Care Protection

Long-term care insurance policies are policies where you typically pay an annual premium into (could be for a set number of years or ongoing) for the funding of services later in life to assist in the caring of oneself in the case of chronic illness or disability. There are various types of policies that have a range of premiums based on your current demographic and can assist in paying for skilled care, living in an assisted facility, or aging in place in your home. Newer hybrid policies have a life insurance death benefit with a long-term care rider available. Most importantly though, they can have the ability to prevent the spending down of a family's assets since they can provide funding for the care of a loved one. The average duration of long-term care needs for women who require long-term care is 3.7 years while the average during for men is 2.2 years.[14] Please reach out to your respective Wells Fargo Advisors advisor if you want to learn more on how a long-term care policy could help you. Please see attached piece on Choosing Long-Term Care Insurance.

Team Promotion News

Erekle Chanturia – We have been so lucky to have had Erekle as a Senior Registered Client Associate on our team the past 5 years. We are thrilled to promote him to Senior Client Performance Analyst within the team. In this role, Erekle will continue to put together written financial life plans. He will also draw on his experience from the rigorous Chartered Financial Analyst (CFA®) exam Level I training and continue to buy, sell and rebalance securities. The CFA curriculum trains the fundamentals of investment tools, valuing assets, ethics, portfolio management, and wealth planning. Moreover, Erekle will conduct client reviews.

Changes to Required Minimum Distribution (RMD) Start Ages

The SECURE Act 2.0 was signed into law on December 29, 2022, adding new retirement provisions, including **increasing the Required Minimum Distribution (RMD) age depending on birth year:**

Birth Date	Applicable RMD Age
Before July 1, 1949	70 ½
July 1, 1949 – 1950	72
1951-1959	73
1960 or later	75

Turning 73 in 2024?

You can take your first Required Minimum Distribution (RMD):

- Either by December 31, 2024 -or-
- Delay until no later than April 1, 2025

Recall, if you delay your first RMD to April 1, 2025, you will be required to take 2 RMDs in 1 tax year:

- The first by April 1, 2025 (satisfies 2024 required withdrawal) -and-
- The second by December 31, 2025 (satisfies 2025 required withdrawal)

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Tax Planning and Retirement Plan Contributions

For those still working, we want to make sure you are maximizing deferral into retirement plans and taking advantage of other employer options to save like Stock Purchase Plans and deferred compensation. Tax tables can be found on our website and please consult your tax preparer with deduction questions.

Important Dates

Please note the contribution limits and plan funding deadlines below:

- 401k - For 2024, the maximum contribution under age 50 is $23,000. The catch up is $7,500 for over age 50.
- Traditional and Roth IRA funding for 2023 and 2024 - The maxium allowable contribution for 2023 is $6,500 with a $1,000 catch-up over age 50. We have until the tax filing deadline of April 15, 2024 for 2023 contributions. The 2024 contribution limit will increase to $7,000 with a $1,000 catch-up over age 50.
- SEP IRA - $66,000 contribution limit for 2023 – deadline to contribute is 4/15/24 (or tax filing date). $68,000 contribution limit for 2024.

Milestones

- 50: Catch-up contributions to IRAs and qualified retirement plans
- 59 ½: Can take distributions from qualified retirement plans and possibly in-service withdrawals to IRA without penalty. Can also take distributions from IRAs without penalty
- 62-70: Can apply for Social Security benefits (we will help you estimate the best age to begin Social Security to maximize lifetime benefit)- With good health, Social Security benefits increase greatly every year you wait.
- 65: Can apply for Medicare
- 73-: Must begin RMDs (Required Minimum Distributions) from Traditional IRA accounts (excluding Roth IRAs)

Team Website

Please note tax planning tables and archived newsletters can be found on our team website:
www.zasprivatewealthmanagement.com
Full biographies of each financial advisor and client associate can be found on our website.
Our website also includes wealth planning areas our team implements as needed, detailed examples of services we provide, articles, newsletters, financial calculators and an account log-on link.

Conclusion

"Uncertainty is actually the friend of the buyer of long-term values." Warren Buffett

Investors should not make portfolio reallocations or substantial changes to long-term investment plans based solely on current events. Our investment planning extends throughout 2024 and well beyond and we continue to align portfolios with economic trends that we believe should continue. It is important to keep unique planning, time horizons and financial goals into focus.

The current year will likely be volatile given possible interest rate cuts, the 2024 Presidential elections, as well as earnings and geopolitical uncertainty. There could be supply chain risk attributed to war and geopolitical tensions. With inflation at 3.2% still above the Fed's 2% target, it may take time for the Fed's previous tightening to have any effect on the economy.

No two business and economic cycles are identical. The catalyst behind this cycle has been the pandemic. Initially in 2020, the unexpected pandemic elicited the sharpest economic declines since the 1930s Great Depression. As lockdown ended, savings and income growth unleashed pent-up demand for bigger ticket travel, entertainment, vehicles, and other services. However, inflation was pushed to a 40-year high in 2022 by supply chain interruptions, workforce shortages, aggressive monetary policy and fiscal stimulus. It will take time for these issues to be resolved.

While the Federal Reserve makes every effort to engineer a "soft landing" for the economy and avoid a recession, that is a herculean task to calibrate a $22 trillion economy and we anticipate continued elevated volatility. Volatility is a normal part of market cycles and behavior and can offer opportunities for building wealth to patient long-term investors. To reiterate investor Warren Buffet's message, financial markets are resilient and patient investors have historically been rewarded in the long-run. A downturn is no reason to exit the market as investors who allow their emotions to dictate strategy can suffer lower returns. It is critical to align investments with goals and needs and then continue to stay on course towards your financial goals (i.e. retirement, college) even through volatile markets.

As always, we are available to discuss any questions you may have and review your goals, needs and current plan. When reviewing your goals and needs, it is important to keep in mind that investments in equities/stocks are intended for 3-5 years and beyond. We re-evaluate plans when investor goals, liquidity needs and time horizons, not financial markets change. Historically, long-term investors have been rewarded for staying invested despite more volatile times and diversification and asset allocation have historically helped to reduce long-term portfolio volatility.

or to participate in any trading strategy. Past performance is no guarantee of future results. Additional information is available upon request.

Wells Fargo Advisors is not a tax or legal advisor.

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(1) Wells Fargo Advisors, State of the Markets February 28, 2024
(2) Federal Reserve Board, Financial Accounts of the U.S., as of December 7, 2023.
(3) Sources: Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data from January 1, 2013 to December 31, 2023. Consumer price inflation: monthly data from January 1, 2013 to November 30, 2023.
(4) https://www.usinflationcalculator.com/inflation/current-inflation-rates/#:~:text=The%20annual%20inflation%20rate%20for%20the%20United%20States,Labor%20Department%20data%20published%20on%20Dec.%2012%2C%202023
(5) Source: U.S. Bureau of Labor Statistics
(6) https://www.federalreserve.gov/monetarypolicy/fomcpresconf20240320.htm
(7) Wells Fargo Investment Institute Policy, Politics & Portfolios
(8) Elections Around the World in 2024 | TIME

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(9) US new home sales fall; median price lowest in more than 2-1/2 years | Reuters
(10) Henry Hub Natural Gas Spot Price (Dollars per Million Btu) (eia.gov)
(11) The Employment Situation - February 2024 (bls.gov)
(12) Americans have racked up a trillion dollars in credit card debt. That's actually okay | CNN Business
(13) US consumer confidence steady in March; inflation expectations creep up | Reuters
(14) 100 Must-Know Statistics About Long-Term Care: 2023 Edition | Morningstar