

# ZALAYET, ADLER & SUBA

## PRIVATE WEALTH MANAGEMENT GROUP

*of Wells Fargo Advisors*

### Third Quarter 2024 Update

While global financial markets ended the third quarter higher, the period witnessed volatility surrounding the timing and magnitude of interest rate cuts, continued high services inflation, U.S. Presidential election uncertainty, a drop in consumer spending, and instability in the Middle East. Credit constraints, a tight labor market, and lower household savings which had been strong throughout the COVID-19 pandemic, are deterring consumer spending, the largest component of the U.S. economy. While Fed rate cuts could lead to some choppiness in the short-term, we anticipate they should have a positive effect on the economy and markets in 2025 as consumers will have options for borrowing and refinancing consumer debt including student loans, auto loans, home mortgages, and credit card debt.

### Interest Rates

On September 18th, the Federal Reserve completed its first rate cut since the pandemic began in 2020 followed by an historic 2 year+ tightening cycle beginning in March 2022, triggered by rampant inflation. The 0.50% reduction to a range of 4.75% to 5.00% was the largest cut in 16 years signaling a pivot to easier monetary policy and the start of a new interest rate cutting cycle.<sup>1</sup> The committee assessed that inflation is gradually moving towards its 2% target. The Fed signaled additional rate cuts at the end of 2024 and throughout 2025 will occur to bolster the US economy and protect the labor market as lower rates encourage businesses to expand leading to job creation.

### Federal Funds Rate Changes<sup>2</sup>

FOMC Meeting Date	Rate Change	Federal Funds Rate
March 3, 2020	-0.50%	1.0% to 1.25%
March 16, 2020	-1.00%	0% to 0.25%
March 17, 2022	0.25%	0.25% to 0.50%
May 5, 2022	0.50%	0.75% to 1.00%
June 16, 2022	0.75%	1.5% to 1.75%
July 27, 2022	0.75%	2.25% to 2.5%
Sept 21, 2022	0.75%	3.00% to 3.25%
Nov 2, 2022	0.75%	3.75% to 4.00%
Dec 14, 2022	0.50%	4.25% to 4.50%
February 1, 2023	0.25%	4.50% to 4.75%
March 22, 2023	0.25%	4.75% to 5.00%
May 3, 2023	0.25%	5.00% to 5.25%
July 26, 2023	0.25%	5.25% to 5.50%
September 18, 2024	-0.50%	4.75% to 5.00%

### Investment and Insurance Products:

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

# ZALAYET, ADLER & SUBA

## PRIVATE WEALTH MANAGEMENT GROUP

*of Wells Fargo Advisors*

### United States Elections

In July the original democratic nominee and current President Joe Biden withdrew from the 2024 presidential race. Democratic delegates selected Vice President Kamala Harris as the democratic party's presidential nominee. Former President, Donald Trump, will represent the Republican party in the November 5<sup>th</sup> elections. Moreover, 34 of the 100 U.S. Senate seats as well as all 435 House seats will be contested potentially leading to a divided Congress. The U.S. Senate has one-third or 33 seats up for reelection (10 Republican, 20, Democrat and 3 held by Independents).<sup>3</sup> Due to internal divisions within each party, passing laws or acts may be slow moving.

Below are some campaign discussion points for 2024 we will continue to monitor<sup>4</sup>:

#### Campaign Topics with Overlapping Views

	Harris	Common ground	Trump
Fiscal policy	Expanded child tax credits, subsidies, and other spending exceed revenue from tax hikes	Risk of aggravating unsustainable fiscal deficits	Extend 2017 tax cuts — both individual and some corporate provisions
Foreign-trade policy	More strategic tariffs in support of U.S. labor and focused on U.S. adversaries	Additional tariffs, protectionist trade policy favoring domestic manufacturers	Generalized tariffs of 10% – 20% on most imports, 60% or more on imports from China
Small-business provisions	Increased deduction for startup costs, licensing reform, greater funding, reduced regulation	Potential compromise on small-business 20% income tax deduction	Looser regulations and potential tax relief

#### Campaign Topics with Less Overlapping Views

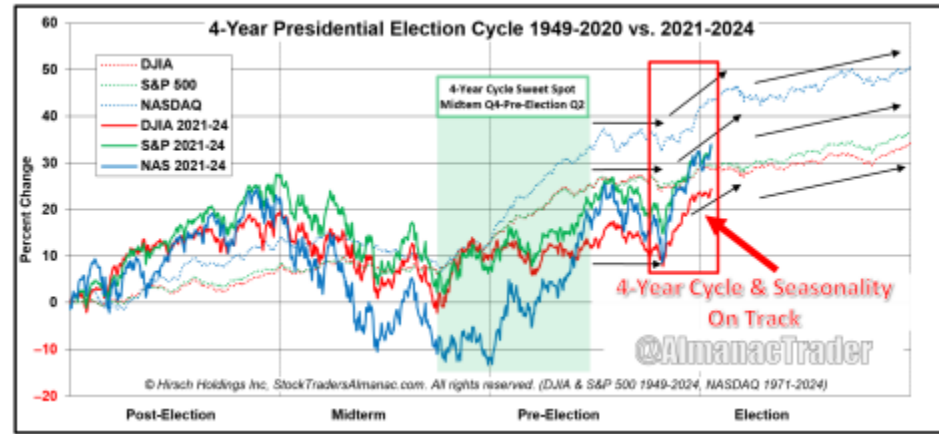
	Harris	Common ground	Trump
Housing affordability	Incentives to increase supply and subsidize first-time home buyers	Move toward improving housing supply	Reduce federal regulations and boost supply with federal land
Cost of living (excluding housing)	Address price gouging, cap prescription drug costs, and cancel medical debt	Mitigate high cost of living	Reduce regulatory restraints
Digital assets	Back measures to grow digital assets, tempered by safeguards	Support for digital assets	Decrease federal regulations
Immigration	Support Biden's border and immigration reform	At least some immigrant asylum restrictions likely	Close the southern border, deport millions of unauthorized residents
Regulation	Record regulatory costs on private sector	Little common ground	Hard freeze on new regulations

Regardless of which party is preceding over the White House, election periods have often witnessed four cycles: post-election, midterm, pre-election, and election. The S&P 500 closed at a bear market low of 3577.03 on October 12, 2022 in the middle of the election cycle.<sup>5</sup> The seasonal patterns have also differed whether there has been an incumbent running for office.<sup>6</sup> Historically, presidents have handled more mundane programs early in their term, saving more notable initiatives to the end before reelections.

# ZALAYET, ADLER & SUBA

## PRIVATE WEALTH MANAGEMENT GROUP

*of Wells Fargo Advisors*



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. As with many economic and political events, there could be choppiness and market volatility.

### Inflation<sup>7</sup>

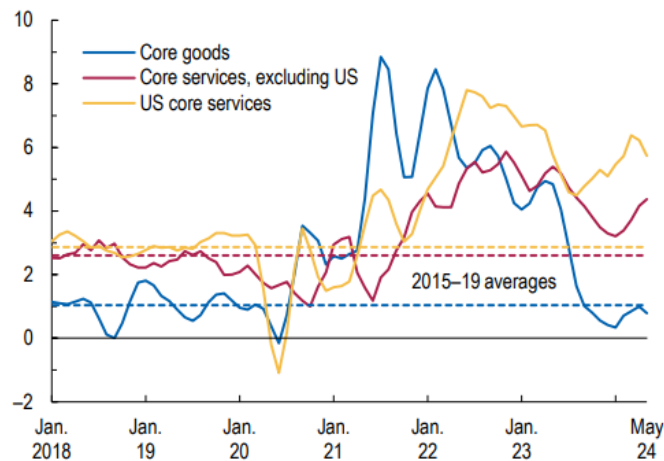
The United States inflation rate continues to slow, a positive sign for consumers who have been paying more for grocery items since the pandemic began. More specifically, the Consumer Price Index (CPI) came in at 2.5% in August, marking the lowest CPI inflation rate since February of 2021. Despite the overall inflation rate declining, there still are segments of the economy where inflation remains persistently higher. The chart below illustrates while the cost of food year-over-year is 2.1% higher, items like eggs, juices, hot dogs, and meat are still up significantly. Vehicle insurance, photo and video services, and lawncare services are considerably more expensive components of the overall 4.9% services inflation metric.<sup>8</sup>

All items	2.5%
Food	2.1%
Food at home	0.9%
Eggs	28.1%
Frozen noncarbonated	
Juices + drinks	18.3%
Frankfurters	11%
Dried beans, peas + lentils	6.8%
Uncooked	
Beef roasts	6.7%
Butter	6.7%
Pork chops	5%
Uncooked	
Ground beef	4.9%
Other fats + oils including	
Peanut butter	4.7%
Olives, pickles, relishes	4.2%
Oranges	4.1%
Including tangerines	
Tomatoes	3.9%
Baby food + formula	3.7%
Sugar	3.6%
Including sugar substitutes	

All items less food + energy	3.2%
Motor vehicle insurance	16.5%
Photographic equipment + supplies	14.7%
Video discs + other media	14.3%
Gardening + lawncare services	13.5%
Cigarettes	9.3%
Checking account + other bank services	8.9%
Veterinarian services	7.6%
Care of invalids + elderly at home	7.4%
Admission to sporting events	7.2%
Day care + preschool	6.2%
Hospital	
Including related services	5.8%
Laundry + dry cleaning services	5.7%
Indoor plants + flowers	5.6%
Postage + delivery services	5.5%
Tax return preparation + other accounting fees	5.4%
Motor vehicle maintenance + servicing	5.1%
Rent of primary residence	5%

**ZALAYET, ADLER & SUBA**  
**PRIVATE WEALTH MANAGEMENT GROUP**  
*of Wells Fargo Advisors*

Around the globe, a similar inflation story is appearing in many countries. Although global inflation is slowing, unrelenting higher than average services inflation plagues many parts of the world. Eurozone services inflation is up 4.1% at the end of August compared to 5.5% a year prior.<sup>9</sup> Cost increases abroad have been driven by demand-pull inflation when prices rise due to greater demand and cost-push inflation where the supply of goods or services is disturbed like in the case of the oil and gas industry. The divergence between core global goods inflation and core global services can be seen in the chart below with US core services stickier than both global metrics.<sup>10</sup>



21

We will continue to monitor these topics as well as other economic and geopolitical concerns may continue to impact markets:

- Many technology companies focusing on Artificial intelligence or AI could lead to growth in digital markets such as cloud and advertising.
- The US consumer confidence sentiment gauge declined 6.9 points to 98.7 in September, the largest drop since August 2021.<sup>11</sup>
- Average inflation adjusted Gross Domestic Product (GDP) grew 5.5% between Q2 2020 through 2023.<sup>12</sup>
- Approximately 45,000 Gulf and Eastern coast dockworkers may strike October 1 which could lead to supply-chain disruptions.<sup>13</sup>
- Per the St. Louis Federal Reserve Bank, the median existing home sales price across the United States was \$416,700.<sup>14</sup>
- As of 9/24/24, the national average price of regular gasoline was \$3.21.<sup>15</sup>
- With the Fed's recent rate cut, the average rate on money market accounts nationwide is now 5.15% as of 9/24/24.<sup>16</sup>
- Employers added 142,000 jobs to the economy in August, leaving the unemployment rate at 4.2%.<sup>17</sup>
- The US personal savings rate continues to decline and is now at 2.9% for July, 2024.<sup>18</sup>

**ZALAYET, ADLER & SUBA**  
**PRIVATE WEALTH MANAGEMENT GROUP**  
*of Wells Fargo Advisors*

- As of early August 2024, US consumers collectively owe a record \$1.14 trillion in credit card debt per CBS News.<sup>19</sup>
- An approximate 1.42 million cars were sold in August 2024 in the United States. This is up 11% from July.<sup>20</sup>

**Join us for a webinar on Estate Planning**

Estate Planning is a critical part of any retirement outlook and investment life plan. Not having one in place can negatively affect both yourself and your loved ones. There are many aspects of an Estate Plan, however, and it can be difficult to decide where to begin or what strategies to utilize. Please join us for a webinar on estate planning where we will cover:

- The Estate Plan Checklist
- How to create an Estate Plan
- The potential end of the Tax and Jobs Cuts Act

**Date:** Tuesday, October 29th, 2024

**Time:** 10 AM PST

**Hosted by:** Jack Elton, CFP®  
Financial Advisor

**Guest Speakers:** Wells Fargo Estate Planning Partner

Please RSVP by Friday 10/25/2024 to Jack Elton at [jack.elton@wfa.com](mailto:jack.elton@wfa.com) or by phone at 303-441-0625.

This is a virtual event. Upon registering for the event, a link with the webinar details will be emailed to you.

This event is educational in nature and no specific products will be discussed. The views of the guest speakers are their own and not necessarily those of Wells Fargo Advisors. Any estate plan should be reviewed by an estate attorney who specializes in estate planning and is licensed to practice law in your state.

**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

**ZALAYET, ADLER & SUBA**  
**PRIVATE WEALTH MANAGEMENT GROUP**  
*of Wells Fargo Advisors*

**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)

**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 2024 - The maximum allowable contribution for 2024 is \$7,000 with a \$1,000 catch-up over age 50. We have until the tax filing deadline of April 15, 2025 for 2024 contributions.
- ☐ SEP IRA - \$68,000 contribution limit for 2024 – deadline to contribute is 4/15/25 (or tax filing date).

**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)



# ZALAYET, ADLER & SUBA

## PRIVATE WEALTH MANAGEMENT GROUP

*of Wells Fargo Advisors*

### Team Website

Please note tax planning tables and archived newsletters can be found on our team website:

[www.zasprivatewealthmanagement.com](http://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.

### Team News

Our growing team volunteered together for Wells Fargo's Month of Caring in September. We assembled care packages for deployed soldiers, prepared lunch bags for the local homeless community, and constructed cards for children bravely fighting cancer.



# ZALAYET, ADLER & SUBA

---

## PRIVATE WEALTH MANAGEMENT GROUP

---

*of Wells Fargo Advisors*



### Conclusion

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

We believe the current year may be volatile given possible 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 services inflation still high, it may take time for the Fed's previous rate cuts to have the desired 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 is taking time for these issues to be resolved.



**ZALAYET, ADLER & SUBA**  
**PRIVATE WEALTH MANAGEMENT GROUP**  
*of Wells Fargo Advisors*

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 \$28 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 change, not due to normal volatility in financial markets. 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.

*Asset allocation and diversification do not ensure a profit or protect against a loss in a down market.*

*Wells Fargo Advisors did not assist in the preparation of this report, and its accuracy and completeness are not guaranteed. The opinions expressed in this report are those of the author(s) and are not necessarily those of Wells Fargo Advisors or its affiliates. The material has been prepared solely for information purposes and is not a solicitation or an offer to buy any security or instrument 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.*

**Eddie Zalayet, CFP®**  
Managing Director - Investment Officer  
PIM Portfolio Manager  
MA International Economics and Finance

**Howard Adler**  
Managing Director - Investment Officer  
Senior PIM Portfolio Manager

**Berit Suba, MBA, CFP®**  
Managing Director – Investment Officer  
PIM Portfolio Manager  
Chartered SRI Counselor™  
Chartered Retirement Planning Counselor<sup>SM</sup>

**ZALAYET, ADLER & SUBA**  
**PRIVATE WEALTH MANAGEMENT GROUP**  
*of Wells Fargo Advisors*

**Stephanie Werden, CFP®, CSRIC™, CRPC®**  
First Vice President – Investment Officer

**Jack Elton, CFP®**  
Financial Advisor

**Zalayet, Adler & Suba Private Wealth Management Group**  
**of Wells Fargo Advisors**  
**555 California St Ste 2300**  
**San Francisco, CA 94104**  
**(415) 395-2716**  
<https://www.zasprivatewealthmanagement.com/>

- (1) <https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20240918.pdf>
- (2) Federal Funds Rate History 1990 to 2024 (Forbes.com)
- (3) [United States Congress elections, 2024 - Ballotpedia](#)
- (4) Wells Fargo Investment Institute. Current as of September 6, 2024
- (5) Hirsch Holdings Inc, StockTradersAlmanac.com 1971-2022
- (6) [Hirsch STA Webinar 20240124 2024 Forecast Election Year Outlook \(stocktradersalmanac.com\)](#)
- (7) August 2024 year over year price changes for a wide variety of goods and services in the US per the US Bureau of Labor Statistics as of 9/11/24 Here's the inflation breakdown for August 2024 — in one chart (cnbc.com)
- (8) [United States Services Inflation \(tradingeconomics.com\)](#)
- (9) [Eurozone Inflation Rate Monthly Trends: European Consumer Price Indexes | YCharts](#)
- (10) Haver Analytics; and IMF staff calculations. Aggregate core goods and core services inflation of 20 global countries from January 2018 to May 2024.
- (11) <https://www.conference-board.org/topics/consumer-confidence>
- (12) <https://www.bea.gov/news/2024/gross-domestic-product-second-estimate-corporate-profits-preliminary-estimate-second>
- (13) <https://www.bloomberg.com/news/articles/2024-09-23/us-ports-are-threatened-with-strikes-in-election-season-jolt>
- (14) [Median Sales Price of Existing Homes \(HOSMEDUSM052N\) | FRED | St. Louis Fed \(stlouisfed.org\)](#)
- (15) [AAA Gas Prices](#)
- (16) [Today's top money market account rate roundup: September 24, 2024 \(usatoday.com\)](#)
- (17) [Employers added 142,000 jobs in August, weaker than economists had forecasted - CBS News](#)
- (18) [Personal Saving Rate \(PSAVERT\) | FRED | St. Louis Fed \(stlouisfed.org\)](#)
- (19) [Americans continue to rack up credit card debt, hitting a record \\$1.14 trillion - CBS News](#)
- (20) [August auto sales in the US – big volume, but little change to underlying dynamics | S&P Global \(spglobal.com\)](#)
- (21) [World Economic Outlook Update, July 2024: The Global Economy in a Sticky Spot \(imf.org\)](#)

**ZALAYET, ADLER & SUBA**  
**PRIVATE WEALTH MANAGEMENT GROUP**  
*of Wells Fargo Advisors*

*Wells Fargo Investment Institute, Inc. is a registered investment adviser and wholly-owned subsidiary of Wells Fargo Bank, N.A., a bank affiliate of Wells Fargo & Company.*

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC, Member SIPC, a registered broker-dealer and non-bank affiliate of Wells Fargo & Company.

© 2024 Wells Fargo Advisors. All Rights reserved. PM-03302026-7074095.1.1