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PRIVATE WEALTH MANAGEMENT GROUP
of Wells Fargo Advisors

Second Quarter 2024 Update

Despite several investment metrics and asset classes, the S&P 500, NASDAQ, gold, Germany's DAX and Japan's Nikkei 225 Index, posting all-time highs[1], second quarter economic data was mixed. The quarter witnessed the highest unemployment rate (4%) in over two years since January 2022.[2] Consumer spending adjusted for inflation weakened for the second time this year in April amid a low savings rate, worsening credit quality, sluggish real income growth, and stretched household budgets from the elevated cost of essentials. After increasing 2.5% in 2023, real gross domestic product (GDP) or the economy's total output of goods and services grew at an annual rate of 1.6% in the first quarter of this year driven by consumer spending from higher earners.[3] Simultaneously, many US households at the lower end of the income scale are strained by auto loans, credit card debt and the cost of necessities including food, gas, shelter, and utilities. With slowing wage growth, these consumers have had to use credit and pull from savings to fund essential purchases.

A languishing labor market may directly impact future consumer spending, one of the key drivers of the economy. Potential weakening consumer demand could relieve inflation pressure and enable future Federal Reserve interest rate cuts. Lower energy prices and food at home assisted the Consumer Price Index (CPI) rate drop to 3.3% in May.[4] However, services inflation including rents, transportation, and medical-care costs kept CPI above the Federal Reserve's 2% target. Other headwinds include possible disruptive global economic and political events including ongoing conflict in Eastern Europe and the Middle East. Despite these challenges, there are a number of positive tailwinds including increased demand for travel, supply chain improvements, falling grocery prices, and ample savings balances among middle- and upper-earnings groups.

Global Economic Forces[5]

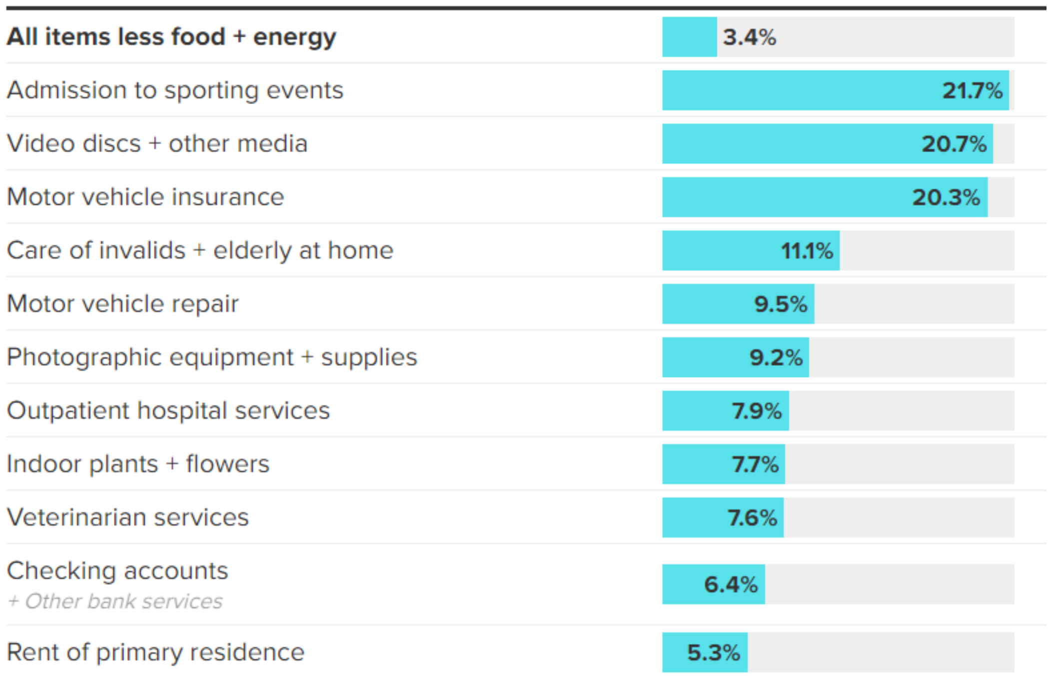
Investment and Insurance Products:

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

Inflation

Inflation has steadily declined from a high of 9.1% in June 2022 and has been hovering in the 3-4% range. Although inflation rates remain lower and stable across Q2 of 2024 compared to all of 2022 and 2023, the most recent US inflation statistic in May came in at 3.3%, still above the Fed's 2% target. This was a slight decrease from April's rate of 3.4% and was driven by the price drop of consumer staple goods including gasoline and groceries. There are diverging subsector inflation rates across the economy. The chart below illustrates that although overall inflation has decreased to its lowest levels since April of 2021, certain sectors such as sporting event tickets, media, and auto insurance remain high. While prices for goods have moderated, services inflation including transportation, recreation and accommodations remains elevated.

United States May 2024 Inflation Less Food and Energy Breakdown [7]



Note: Items in bold represent major consumer price index categories.
Not seasonally adjusted

Therefore, with this discrepancy of inflation rates in various industry sectors both here and abroad, many central banks around the globe have yet to declare victory on the fight against inflation. This will continue to force the Fed to monitor data points month by month, thus making it hard to predict the exact timing of the next interest rate cut. Between the third quarters of 2020 and 2022, average global inflation escalated from 1.9% to 8.9% before starting to gradually decline. The International Monetary Fund (IMF) anticipates global inflation will fall to 5.8% in 2024. Turkey as well as countries in Africa (Zimbabwe, Sudan) and South America (Venezuela, Argentina) topped the inflation charts since the start of COVID-19. Inflation in the European Union (EU) reached a high of 9.32% before falling to 3.4% in 2023. Meanwhile Japan's inflation only reached 3.21% in 2023 with China at a mere 2% (2022) and 0.2% (2023).

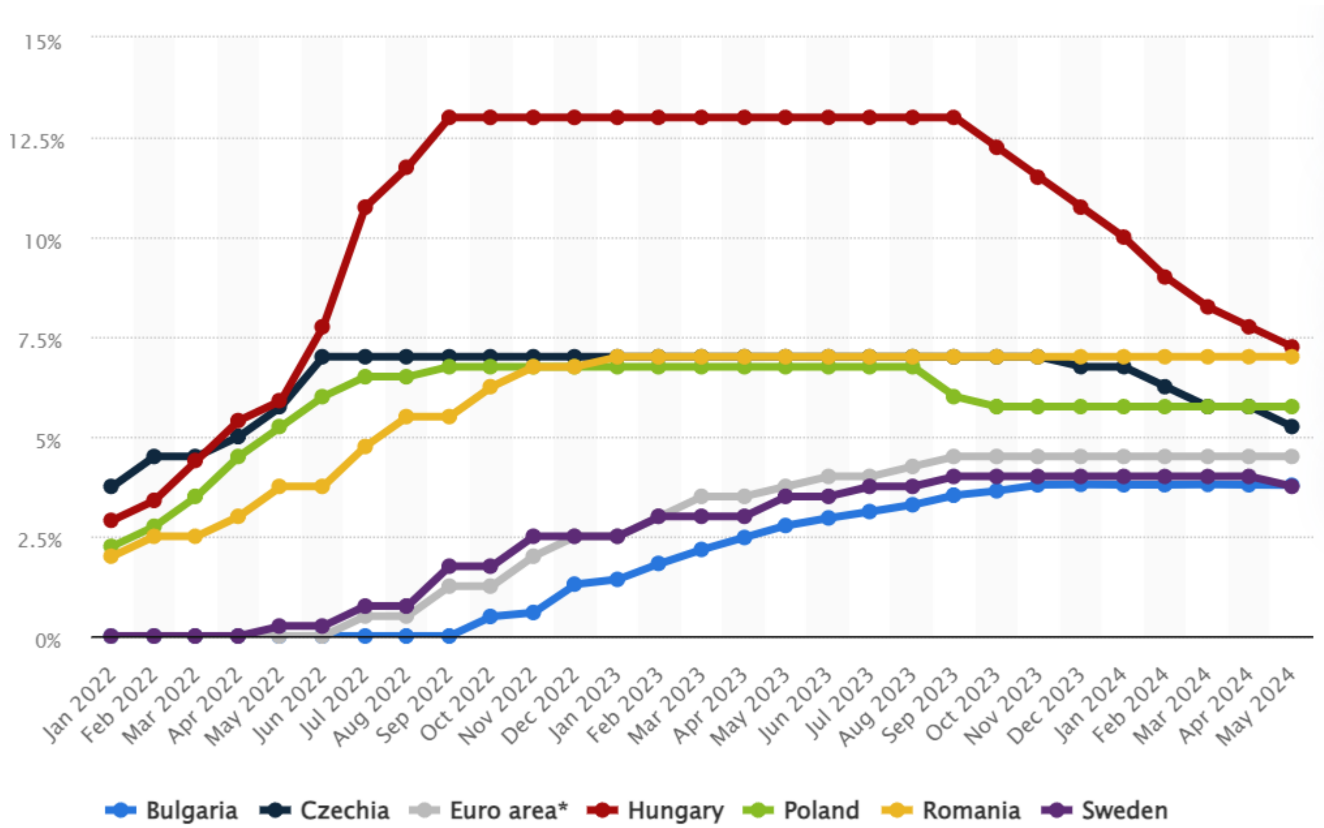
Annual percent change in CPI across the US, UK, EU, Japan, and China from 2010 to 2024 [8]

Federal Reserve – Interest Rates

The Federal Reserve kept the federal funds rate unchanged at 5.25-5.5% during its June 11-12 meeting, the seventh consecutive meeting with no interest rate change. Their policy statement was amended to say there has been "modest further progress" on inflation whereas before it stated "a lack of further progress." Previously, the average Federal Open Market Committee (FOMC) member expected three rate cuts this year and now expects one. Federal Reserve Chair Jerome Powell signaled that the timing and amount of the first rate cut will depend on the data including the Fed's 2% inflation target. [9]

Although central bank rates around the globe remain steadily higher compared to 2020 and 2021, the world continued some of its first rounds of cuts in June from the EU, Switzerland, and Sweden. The EU cut rates from 4% to 3.75%, Switzerland cut rates from 1.5% to 1.25%, and Sweden cut rates from 5% to 4.75%. These rates will most likely help ease the cost of borrowing for international companies in the Euro zone with the goal of stimulating some foreign markets. [10 11]

Interest rates across some European countries and the greater EU zone Jan 2022 to May 2024 [12]



*Euro area defined here as western Europe (Germany, France, Belgium, Spain, Portugal, Switzerland, and Italy)

Outside of Europe, two major central banks decided to pause their cutting cylce. After nearly a year of interest rate cuts from Brazil's central bank, the country decided to hold steady at 10.5% in May due to a possible credit crisis. Additionally, although Canada's central bank cut rates earlier this month for the first time in 4 years to 4.75%, hotter than expected inflation data for the month of May has led most Canadian analysts to think the central bank will pause cuts before making any more decisions. [13][14]

United States Elections

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).

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.

Below are some campaign discussion points for 2024 we will continue to monitor:

1. Debts and deficits: Trump would prefer to reduce regulations and increase tax cuts. Biden would prefer to raise taxes on the wealthy and corporations to offset government spending.
2. Tariffs and Trade with China: Both parties support continued investment locally in the states but their specific sectors of the economy they support and how it relates to tariffs and trade with China differs.
3. Fed Policy: Trump will most likely select a new Fed chair while Biden will most likely keep Jerome Powell
4. Energy and Environmental Policies: Trump aims to roll back Biden's supported and created environmental protections to bolster domestic energy supply and growth.
5. Immigration Policy: Trump and the GOP will increase funding for a stronger and stricter southern border. Democrats will generally favor legal paths for immigrants to achieve residency.

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 80 countries now are scheduled to or already held some sort of national elections (congress, parliament, president, prime minister, etc.) in 2024 making it the largest voting year ever in the history of the world.[15]
- Many technology companies focusing on Artificial intelligence or AI could lead to growth in digital markets such as cloud and advertising.
- The number of homes actively for sale across the country in May of 2024 is 35.2% higher than May of 2023, the seventh straight month of inventory growth. [16]
- Meanwhile, new single-family home sales in the US declined 11.3% in May, the slowest pace since November while the supply of new homes increased
- After the first quarter of 2024, 10.7% of credit card debt holders were defined as severely delinquent on their debt, meaning their debt was more than 90 days overdue. This is the highest delinquency percentage for more than a decade. [17]
- US consumer confidence's May report unexpectedly rose to 102.0, up from 97.5 in April despite consumers continued concern over higher inflation and interest rates. [18]
- AI usage on the rise: half of US smart phone users now utilize voice search daily. [19]
- An annual summer travel survey among 2000 American adults concluded that 20% of Americans plan to go into debt this summer for their vacation and that the average annual spend will be $3,594. [20]
- In May of 2024, new vehicle sales were slightly up by 2.9% compared to May of 2023 with the average price of the car being slightly down at $45,033. [21]

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Join us for a webinar on Long-Term Care Insurance

Protecting assets should be a major consideration in any investment plan. With people living longer, keeping assets protected and available throughout a lifetime is just as important as accumulation. Unfortunately, when combined with increasing health care costs, long-term care expenses can quickly exhaust hard-earned assets. Consider how insurance can help protect your assets if you ever need long-term care.

Please join us for a webinar on long-term care insurance where we will cover:

- The importance of long-term care planning
- Costs of care & US Department of Health Statistics
- Insurance product types

Date: Thursday July 11, 2024
Time: 11:00am PST
Hosted by: Jack Elton, CFP®
Financial Advisor

Guest Speakers: Scott D. Meadows, MBA, CLU®, ChFC®
Managing Partner
Insurance Planning Advisors, A Division of Pinnacle Group
Josh Gamberale
Associate – Insurance Solutions
Insurance Planning Advisors, A Division of Pinnacle Group

Please RSVP by Monday 7/8/2024 to Jack Elton at 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. Insurance products are offered through nonbank affiliates of Wells Fargo & Company and are underwritten by unaffiliated insurance companies. PM-12142025-6707296.1.1

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

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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 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)

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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

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 3.4% 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.

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

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(1) https://www.reuters.com/markets/us/nasdaq-futures-surge-tech-gains-offset-fed-caution-2024-06-13/
(2) https://www.bls.gov/news.release/pdf/empsit.pdf
(3) https://www.bea.gov/news/2024/gross-domestic-product-first-quarter-2024-advance-estimate
(4) https://www.cnbc.com/2024/06/12/cpi-report-june-inflation.html
(5) Wells Fargo Investment Institute, as of March 31, 2024

1 – Federal Reserve Board, Financial Accounts of the U.S., as of March 7, 2024

2 – If you look at commodity prices over the very long term (hundreds of years), it becomes evident that they tend to move in overall bull and bear cycles, some lasting decades. These are super-cycles.

(6) Wells Fargo Advisors, State of the Markets February 28, 2024
(7) Here's the inflation breakdown for May 2024 — in one chart (cnbc.com)
(8) Global inflation and interest rates tracker: see how your country compares (ft.com)
(9) https://www.federalreserve.gov/newsevents/pressreleases/monetary20240612a.htm
(10) ECB: Interest rates are coming down in Europe. The Fed won’t follow yet | CNN Business
(11) Switzerland leads big central banks in rate cuts as US Fed lags | Reuters
(12) EU: central bank interest rates by country 2024 | Statista
(13) Brazil Central Bank Is Set to Halt Interest Rate Cuts Due to Credibility Crisis (yahoo.com)
(14) Canada inflation surprisingly rises in May, markets trim July rate cut bets | Reuters
(15) International Elections 2024: What You Need to Know - The New York Times (nytimes.com)
(16) May 2024 Housing Market Trends Report—Realtor.com Research
(17) Overdue credit card debt is the highest its been in more than a decade. Here’s what to do if you’re at risk | PBS News
(18) Watch US Consumer Confidence Unexpectedly Rises to 102 in May – Bloomberg
(19) 24 Top AI Statistics & Trends In 2024 – Forbes Advisor
(20) 2024 Summer Travel Report - NerdWallet
(21) US auto sales set to modestly rise in May, report shows | Reuters