



2024 in Review

Last year was another strong year for stock market performance. The first half of the year was dominated by the usual tech names, but the second half of the year saw a broadening out of market returns to value, REITs (commercial real estate), and small caps. The Russell 2000 (small caps) broke a record that was three years old in November.

Political expectations should be tempered, regardless of how you felt about the election outcomes. The Republican majorities in the House and Senate are thin and President-elect Trump nominated 3 individuals from the House to fill key positions. Ironically these temporary vacancies could make it harder to accomplish things short-term as it may only leave Republicans with a one-vote majority until special elections are held. The First Trump Administration's 2017 tax cut is likely to be extended but it may come with some modifications.

The stock markets were only volatile in April, late Summer, and December last year. I would expect more volatility in 2025. Potential reasons for volatility to the upside include tax cuts and deregulation fueling corporate earnings growth. Reasons for volatility to the downside could include political realities stalling parts of Trump's agenda; how tariffs are implemented; the debt ceiling; and/or if the deficit adds pressure to the bond markets and long-term interest rates.

Tax Changes for 2025 and beyond

There are no major tax changes yet for 2025 outside of the normal inflation revisions.

- Retirement plan participants can increase their 401(k) contribution by \$500 as the maximum elective deferral for retirement plans increases to \$23,500

There were some changes related to the Secure Act 2.0 as implementation has been delayed.

- Individuals who attain ages 60 through 63 who are participating in 401(k), 403(b) and 457 plans can increase their catch-up contribution from \$7,500 to \$11,250 in 2025.
- Catch-up contributions for those making more than \$145k will be made on a Roth basis starting 2026.¹

Do not hesitate to contact me if you have any questions, concerns, or updates.

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¹ <https://www.schwab.com/learn/story/what-to-know-about-catch-up-contributions>

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Indices are unmanaged and investors cannot invest directly in an index. Unless otherwise noted, performance of indices does not account for any fees, commissions or other expenses that would be incurred. Returns do not include reinvested dividends.

The Russell 2000 measures the performance of small capitalization U.S. stocks. The Russell 2000 is a market-value-weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index.

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