MAGELLAN FINANCIAL

ELECTION GUIDE

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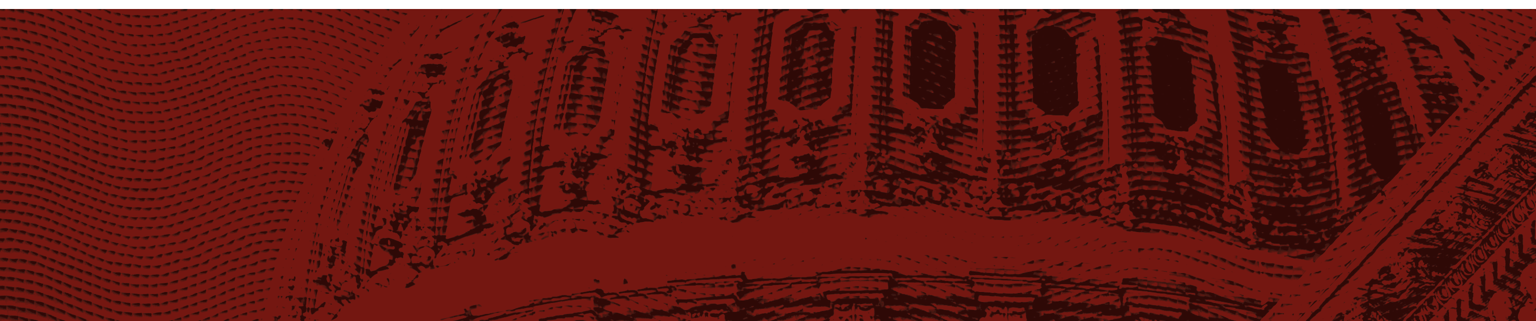


INTRODUCTION

NAVIGATING FEAR AND UNCERTAINTY IN ELECTION YEARS

As we approach another election year, it's natural for a wave of fear and uncertainty to permeate through our society. These feelings are often amplified by the relentless cycle of media coverage, which tends to focus on the most sensational aspects of the campaigns. However, it's important to remember that much of the anxiety surrounding elections stems not from the actual political shifts or market movements that may result but from the anticipation and speculation fueled by the media. Our guide aims to cut through the noise, providing you with a clear, data-driven analysis of what election years really mean for your investments and financial strategy

SECTION 1

HISTORICAL PERFORMANCE DURING ELECTION YEARS

Election years bring a mix of volatility and opportunity to the financial markets. Historical data reveals patterns yet emphasizes the resilience of markets over time. For instance, during election years since 1928, the S&P 500 has shown an average return of around 7.5%, slightly lower than the overall average annual return. Up next, we will discuss the notable election years.

Source:
https://www.macrotrends.net/2526/sp-500-historical-annual-returns
https://www.270towin.com/historical-presidential-elections/

1980

CARTER VS. REGAN

The market experienced significant volatility due to the Iranian hostage crisis and stagflation concerns, yet ended the year on a positive note as investors anticipated Reagan's market-friendly policies.

2000

BUSH VS. CLINTON

The dot-com bubble burst, overshadowing the election's impact, demonstrating that external factors often play a larger role in market movements than the elections themselves.

2008

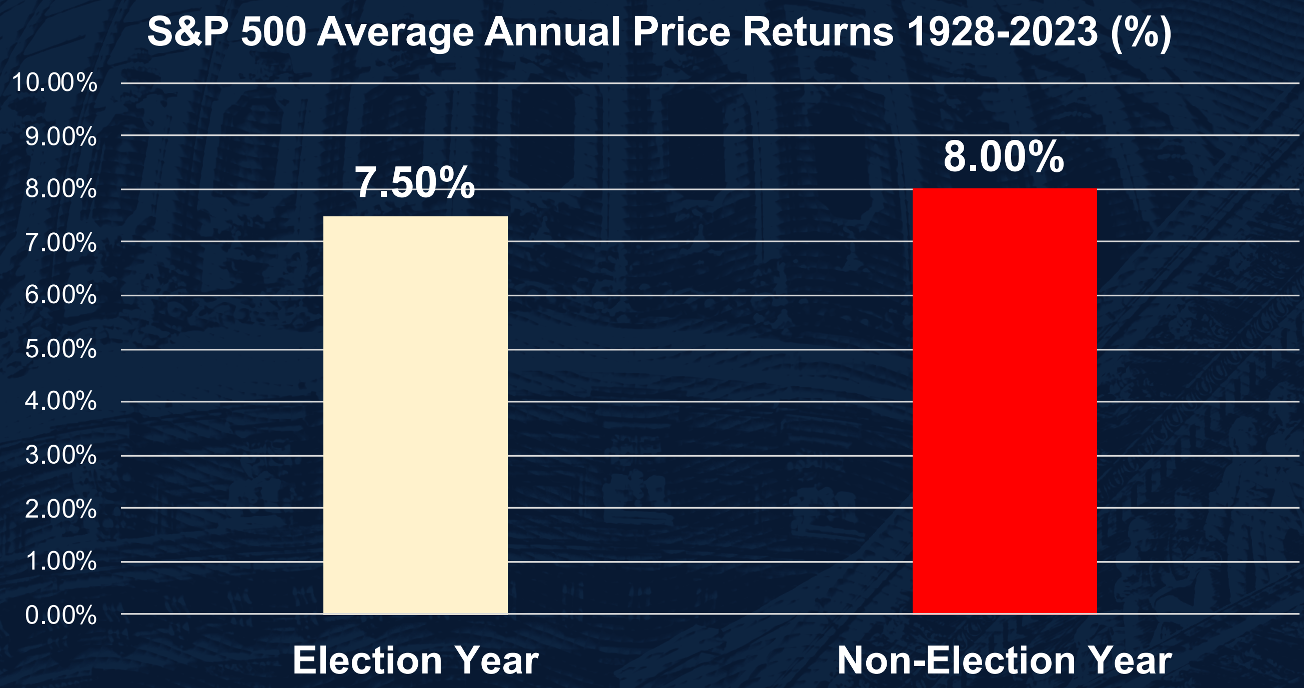
MCCAIN VS. OBAMA

The financial crisis led to one of the largest market downturns in history, again highlighting external influences over election outcomes.

2020

BIDEN VS. TRUMP

Despite the uncertainty of the pandemic, markets ended the year on a high note, buoyed by vaccine developments and fiscal stimulus, showcasing the market's resilience to short-term shocks.



Source: https://privatebank.jpmorgan.com/nam/en/insights/markets-and-investing/tmt/3-election-year-myths-debunked. Accessed May 22, 2024.

For illustrative purposes only and not indicative of any actual investments. S&P 500 index is a capitalization weighted index of 500 stocks, designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges.

SECTION 2

ELECTION YEARS AND RETURNS

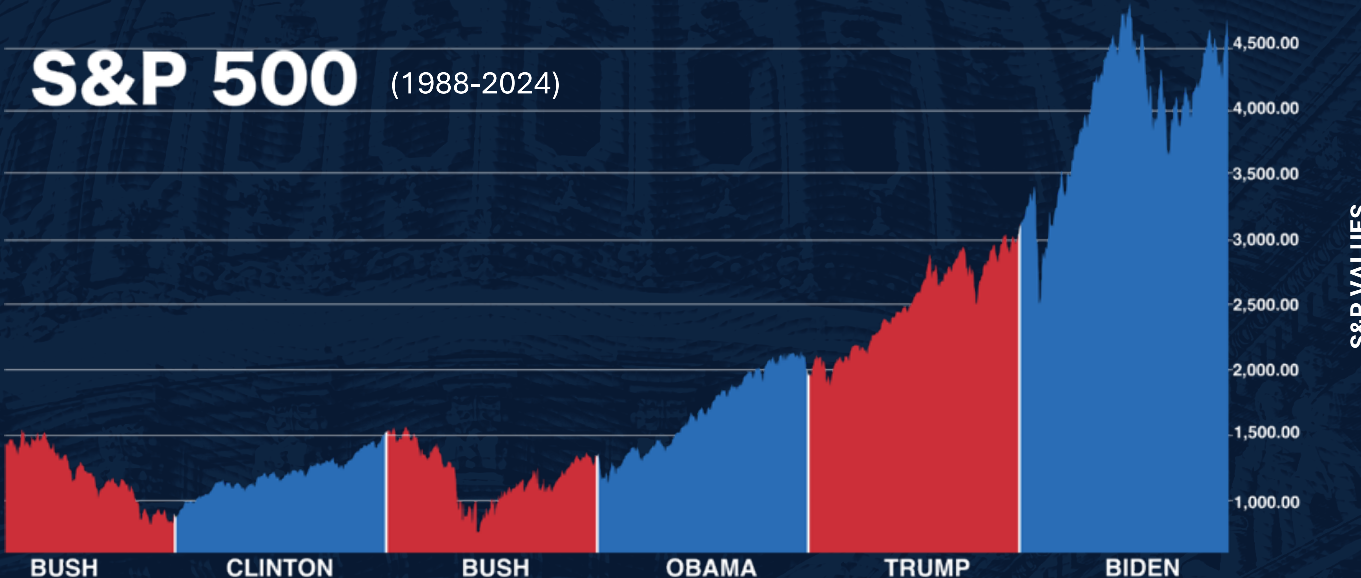
An analysis of market returns during election years reveals no consistent trend that favors one outcome over another. Instead, the data suggest that while there may be short-term volatility, the overall market performance is influenced more significantly by economic fundamentals, corporate earnings, and global events. For instance, election years with strong economic foundations tend to see continued market growth, regardless of the election's outcome. This pattern stresses the importance of looking beyond the electoral cycle when making investment decisions.

SECTION 3

MARKET PREDICITION AND ELECTION RESULTS

Predicting market movements based on election results is fraught with uncertainty. Various studies, including one from the Federal Reserve, suggest that markets tend to perform better when there is clarity on the political landscape, regardless of which party wins. However, these effects are often short-lived, and markets quickly return to being driven by fundamental economic indicators rather than political ones. This suggests that while elections can introduce short-term volatility, they are unreliable predictors of long-term market performance.

S&P 500 (1988-2024)



DATE RANGES FROM 01/20/1989 TO 06/17/2024

https://www.macrotrends.net/2526/sp-500-historical-annual-returns

https://www.270towin.com/historical-presidential-elections/

SECTION 4

IMPACT OF PARTISAN CONTROL

The correlation between market performance and the party controlling the White House or Congress is weak. Historical data indicates that markets have prospered and faltered under both Republican and Democratic administrations. For example, the bull markets of the 1990s occurred under a Democratic presidency, while the recovery from the early 2000s recession happened under a Republican administration. This suggests that while the party in power can influence market sentiment in the short term through policy decisions, the long-term market performance is largely independent of partisan control.

SECTION 5

LONG-TERM INVESTING STRATEGY

The key takeaway for investors in election years is the importance of maintaining a long-term perspective. Short-term market volatility, often worsened by the electoral cycle, should not discourage investors from their long-term financial goals. A well-diversified portfolio that aligns with your long-term investment strategy is your best defense against the uncertainties of election years. Staying the course, rather than reacting to short-term market movements or election outcomes, is often the most prudent approach.

SECTION 6

THE REAL PROBLEM - NAVIGATING FEDERAL DEBT AND TAXATION

In recent years, the conversation about the United States' financial health has increasingly focused on two critical factors: the national federal debt and taxation policies. As we approach another election year, these topics gain even more significance, not just for the economy at large but for individual investors and savers navigating their financial futures.

FEDERAL DEBT

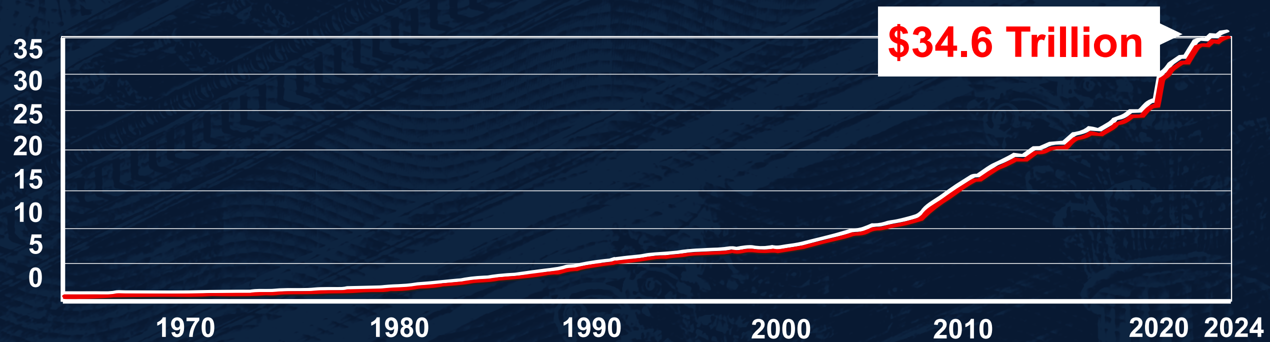
A LOOK AT THE NUMBERS

The United States federal debt has reached unprecedented levels, surpassing $34 trillion as of April 2024. When expressed as a percentage of the Gross Domestic Product (GDP), the debt ratio is equally concerning, standing at over 120%. This is a historic high, eclipsing even the debt levels seen during World War II, which were reduced over the following decades through economic growth and fiscal policy adjustments.

Historically, the debt-to-GDP ratio has fluctuated and been influenced by wars, economic policies, and shifts in government spending. However, the current levels show a sustained increase over time, highlighting the country's growing fiscal challenges.

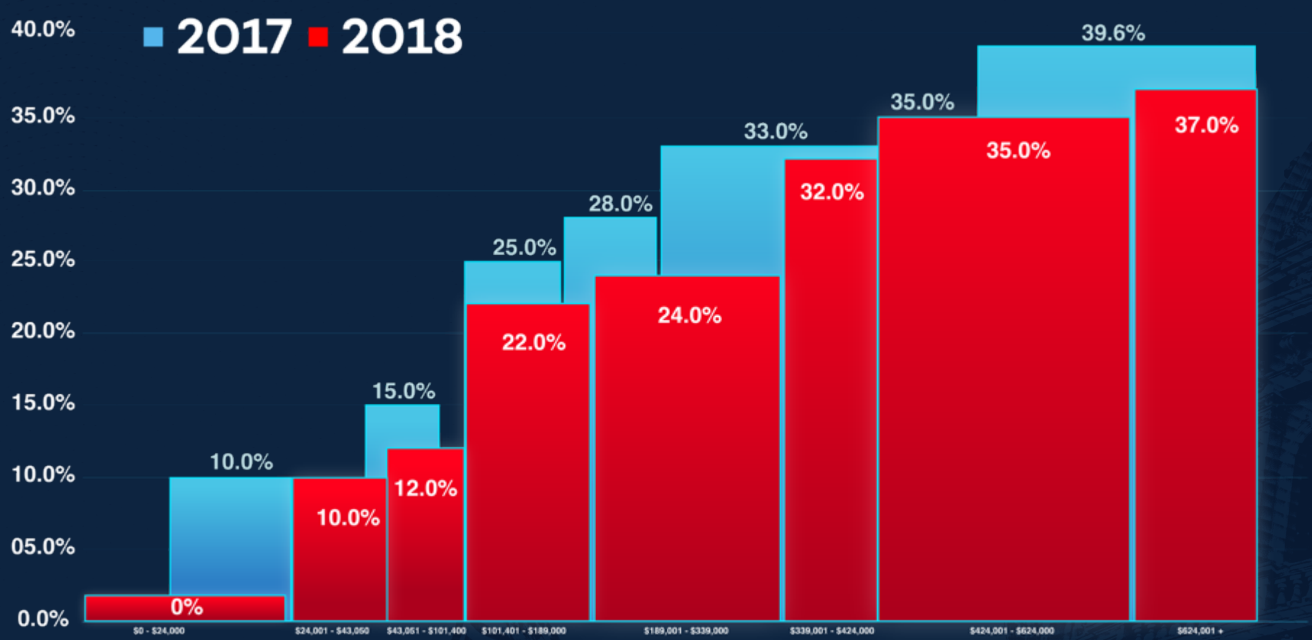
AS OF MAY 2024

$34,585,560,195,036



https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/. Accessed May 22, 2024.

TOP MARGINAL TAX RATES: A COMPARATIVE ANALYSIS



https://www.taxpolicycenter.org/briefing-book/how-did-tax-cuts-and-jobs-act-change-personal-taxes

For illustration purposes only. Many tax cut provisions contained in the Tax Cut Jobs Act are set to automatically expire on 12/31/25 and revert to the 2017 rates in blue unless Congress enacts new legislation.

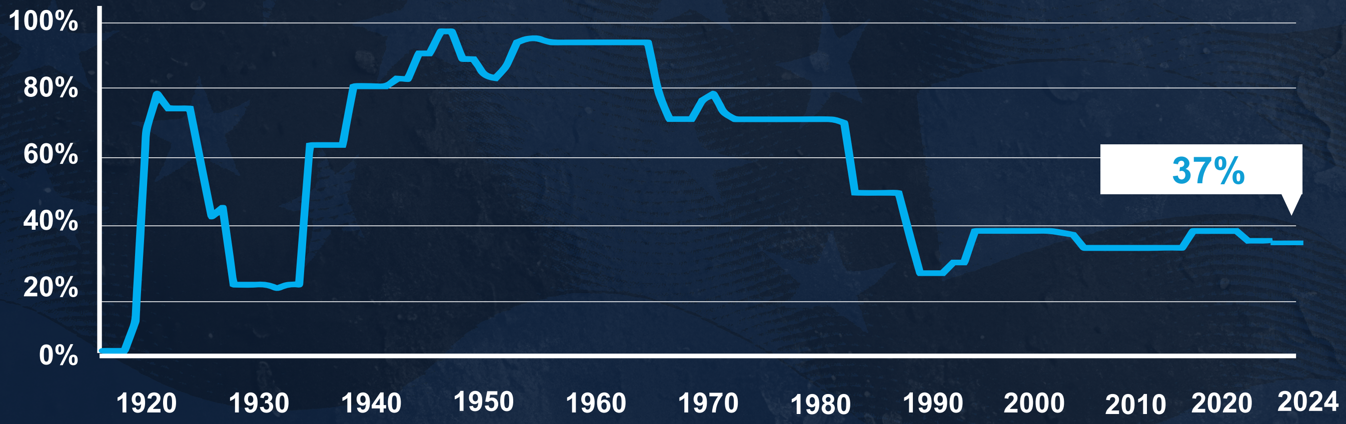
THE TRUMP TAX PLAN

A COMPARATIVE ANALYSIS

One of the most significant fiscal policies in recent history is the Tax Cuts and Jobs Act (TCJA), commonly referred to as the Trump tax plan, enacted in late 2017. This plan is often hailed as one of the most advantageous tax overhauls for individuals and corporations in decades, reducing tax burdens across a wide spectrum of American taxpayers.

The TCJA lowered the highest marginal tax rate for individuals from 39.6% to 37% and significantly reduced corporate tax rates from 35% to 21%. When compared to historical tax rates—such as the post-World War II era when the highest marginal tax rate soared above 90%, or even more recently, in the 1980s, when it was reduced to 50%—the impact of the TCJA becomes evident. It represented a substantial shift towards lower taxation, aiming to spur economic growth, increase employment, and enhance business investment

HISTORICAL HIGHEST MARGINAL INCOME TAX RATES



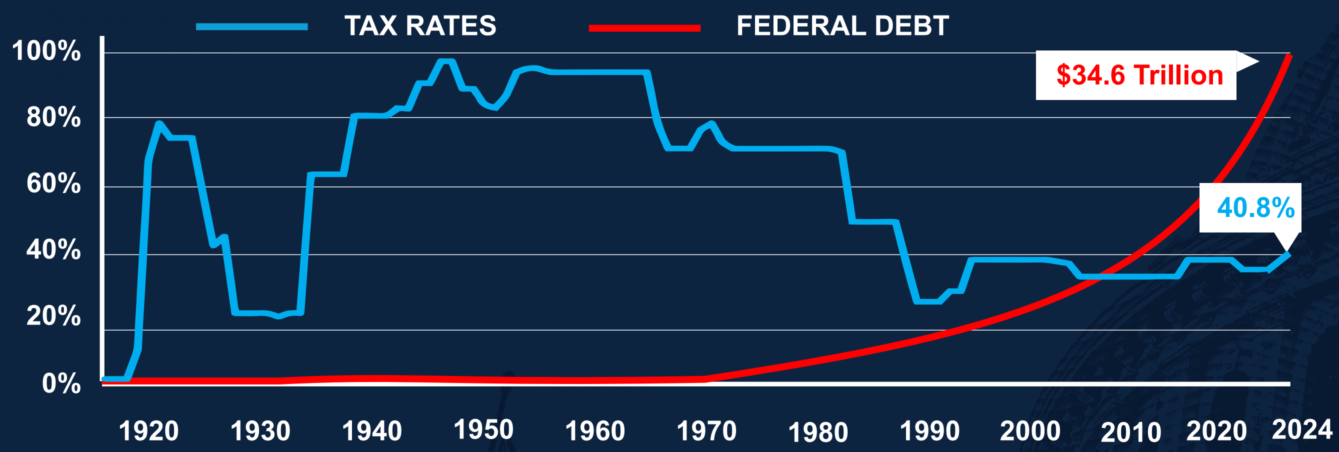
https://www.investopedia.com/articles/tax/10/historytaxes.asp#:~:text=Income%20Tax%20Rates%2C%20Then%20and%20 Now&text=That%20changed%20over%20time.,also%20depend%20on%20filing%20status. Accessed June 18, 2024

LOOKING AHEAD

THE EXPIRATION OF THE TCJA

The TCJA's provisions are set to expire at the end of 2025, leading to a cloud of uncertainty regarding future tax rates. With federal debt at an all-time high and current tax rates among the lowest in history, investors and taxpayers are left in a risky situation. The expiration of the TCJA could potentially lead to higher tax rates, affecting income, investments, and, particularly, retirement savings.

Most retirement savings in the United States are held in tax-deferred qualified plans, meaning taxes are paid upon withdrawal in retirement. With the current favorable tax conditions, many have strategized their savings and investments under the assumption of relatively low tax rates. However, the looming uncertainty post-2025 raises important questions about the future fiscal landscape and the rules of the game for retirement planning.



Source: https://bradfordtaxinstitute.com/Free_Resources/Federal-Income-Tax-Rates.aspx. Accessed May 22, 2024
https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/. Accessed May 22, 2024.

THE INTERSECTION OF FEDERAL DEBT, TAX POLICY, AND RETIREMENT PLANNING

This intersection of soaring federal debt and the potential for rising tax rates creates a complex scenario for financial planning. The current environment presents a unique opportunity for individuals to assess their long-term financial strategies, considering the possibility of higher taxes in the future. It underscores the importance of diversification, not just in the types of assets held but also in the tax treatment of those assets.

As we navigate through these uncertain times, the key takeaway is the necessity for proactive financial planning. Understanding the implications of federal debt and tax policy changes is crucial for making informed decisions that safeguard your financial future. With the future of tax rates hanging in the balance, now is the time to consider strategies that optimize your financial situation, regardless of how the rules may change in the years to come.

CONCLUSION

BEYOND ELECTIONS - THE PATH TO FINANCIAL RESILIENCE

As we've navigated through the complexities of election years, historical market performance, tax policies, and the looming uncertainties of federal debt, a clear narrative emerges: the dynamics of financial markets and the broader economy are influenced by a multitude of factors, many of which transcend the political landscape of any given moment. While elections can introduce temporary volatility and uncertainty, the longer-term trends and health of your investments are shaped by deeper economic and monetary policies rather than by who holds office or which party is in power.

The fluctuations and trends we've discussed reveal an essential truth: markets have their own rhythm, often dictated by global economic conditions, technological advancements, demographic shifts, and policy changes that extend well beyond the four-year election cycles. While political events can lead to short-term market reactions, economic fundamentals and the complex interplay of monetary policy decisions made by central banks worldwide have an overarching influence on financial markets.

In this context, having a well-thought-out, comprehensive financial plan is the key to not just surviving but thriving through election cycles and the numerous economic scenarios we may face. Such a plan considers the full spectrum of potential risks and opportunities, balancing short-term needs and reactions with long-term goals and strategies.

As individual investors, it's critical to recognize the limitations of our ability to predict the future, be it the outcome of an election, the direction of the market, or changes in tax legislation. However, one aspect remains within our control: our strategy. A robust financial plan that accounts for various scenarios, integrates tax-efficient investing, and adapts to changing economic landscapes is your most reliable tool for growing and preserving your assets over time.

Given the complexities of financial planning, especially in an environment marked by significant uncertainty, the guidance of a professional financial advisor becomes invaluable. A knowledgeable advisor can provide the insight and expertise needed to navigate these challenges, helping you to tailor a strategy that aligns with your personal goals, risk tolerance, and financial situation. They can offer clarity amidst confusion and stability in the face of volatility.

As we look ahead, let us move beyond the temporary nature of election cycles and political discourse. Instead, let us focus on building resilient financial futures guided by informed decision-making and strategic planning. Seeking the help of a professional financial advisor is not just a step towards securing your financial well-being—it's a move towards achieving peace of mind, knowing that your financial plan can withstand tomorrow's uncertainties, regardless of who is in office or the prevailing political climate.

While the world of finance and investments will always have its uncertainties and challenges, the foundation of a successful financial journey lies in strategic planning, informed decision-making, and the personalized guidance of a professional advisor. Let this be your guiding principle as we navigate the complexities of the financial landscape together.

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