



## *A Review of 2023 and Preview of 2024*

January 2024

*“It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair..”*

– Charles Dickens

Typically, I only use a short quote, or part of one, to begin this newsletter. However, although the passage pertains to London and Paris during the French Revolution, I believe Dickens aptly commented on the duality of mankind in any era – and it just seemed apropos to the current environment.

Seriously, think about it. Have you ever witnessed such contrasts between the haves and have nots, such despair and anxiety countered by hope and joy, such polarization between the two major political parties, or such U.S. economic growth while other parts of the world seem to be on fire? We believe the same is true for the outlook of the economy and the markets, good and bad will be fighting each other once again.

First, let's begin with what we thought we saw coming twelve months ago (as a note, please remember that as good as any prognostication of the future may be, we are a million times more convinced that *no one* knows what may occur in the future as it is, by definition, unknown and unknowable). In January of 2023 we said 2022, a poor year in most ways, helped bring down valuations as well as expectations, created higher/better fixed income yields, enabled potential tax savings, and helped show the emperor may have no clothing when it comes to some previously hyped products (such as blank check companies). We ended that newsletter by reminding everyone that it could be dangerous to fight the Fed, and recessionary forces could be further postponed by artificial fiscal and monetary stimulus - so it made sense to, as always, “plan for the best of times as well as the worst of times.”

Well, things ended up not unexpectedly (how's that for a tongue-twister?!). The S&P 500 earned 24% last year (ending at 4,769), although 14% of that was only found in the last two months, seemingly due to anticipation that the Federal Reserve was done tightening (turns out the last such increase was in July). Either way, it was a great year! But to lend some perspective, please remember that 2023 was as much a good year as 2022 was a bad one. And, paradoxically, remember that the S&P 500 started the year 2019 at 2,476 and 2014 at 1,845, increasing roughly 93% and 158% over those five and ten years, respectively (not to mention hitting an all-time high of 4,850 just recently on January 22<sup>nd</sup>). I say “paradoxically” because, as Dickens points out, good is always balanced by bad, and optimism is tempered by pessimism - and vice versa for both. So we start 2024 with the S&P 500 hitting all-time highs, with its five and ten year returns solidly eclipsing long-term averages, and ask ourselves what could go wrong? Well, to balance the enthusiasm, here goes...

First, we have one of the most dysfunctional and non-functional governments of all time. Current politicians (blue and red) seem to value their own performative art more than their job of running the country and tend to fight their own party just as much as their colleagues across the aisle. A frightening and ghastly example of their lack of concern for the country is the fact that they're endorsing the two politicians that most people actually do *not* want to see run for president (an historical lose/lose proposition, in our eyes).

Next, we now have a record federal debt load over \$34 Trillion, with interest costs soaring to \$659 Billion for fiscal year 2023, a 39% increase from the prior fiscal year (U.S. Treasury Dept). Call me crazy, but simple math dictates that a day of reckoning may be on the horizon, especially when we still have historically low tax rates. Maybe this is why the Social Security Board of Trustees now says it can only "pay full benefits until 2033, a year earlier than projected last year." In other words, Social Security, Medicare, and Medicaid, may be going bankrupt, but our wonderful politicians (again red and blue) would rather posture and fight about it than plan for a known future financial debacle that's coming for us sooner than we think.

Last but not least is an unfortunate list of concerns, two of which are serious regional wars/conflicts that could start World War III (troubling but true), and recessionary factors combined with lingering covid symptoms (physical as well as philosophical symptoms, whereby some people may now believe they do not have to work hard much less consistently). Enough to say that we may be whistling past the graveyard, a scary proposition but one that may be balanced by people continuing to add money to stocks. This, in turn, may be driven by FOMO (Fear Of Missing Out), TINA (There Is No Alternative), or the knowledge that stocks may simply need a "wall of worry" to climb. Long story made short, we wouldn't be surprised if the stock market reaches even higher highs this year. Further, we cynically believe Congress (supposedly run by Republicans, whatever that word means now) and the President (a Democrat, whatever that word means now) will do whatever they can to prop up the economy and markets so they don't take the blame for poor performance on either one before the November elections (just because it's cynical doesn't make it untrue).

So, what to do? Well, our advice may be repetitive, but it's also priceless and timeless: plan for the best of times as well as for the worst of times, knowing both may come to fruition; by doing some actual financial planning for good times and bad, you may be able to enjoy the good times and weather the bad. Remember, the duality of people and circumstance ensures that the one constant of life is and will be change.

Have a great start to 2024, and as always, thank you for your friendship, your trust, and your referrals!

*R. Timothy Curran, JD, CFP®*

tcurran@lpl.com    Direct 704.499-9703

Opinions in this material are for general information only and not intended to provide specific advice or recommendations for any individual. Performance referenced is historical and no guarantee of future results. Economic forecasts in this material may not develop as predicted and there is no guarantee strategies promoted will be successful. All indices are unmanaged and cannot be invested in directly.

[www.TheFinanceCouple.com](http://www.TheFinanceCouple.com)

Securities and advisory services offered through LPL Financial, a registered investment advisor, member FINRA/SIPC. TWC Wealth Management and The Finance Couple™ are separate entities from LPL Financial.