

H A P P Y
Valentine's Day





WEST PLAINS
BANK
AND TRUST COMPANY

Central Trust Company Team



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STATE OF THE MARKET





Recession

Recession Talk in 2023

Federal Reserve Economist Survey – January 2023: The U.S. economy has a 64% chance of entering a recession this year

- Just two experts (15%) said the U.S. could avoid a downturn
- One economist arrived at 100% odds – he was certain of a recession in 2023

What really happened in 2023?

- In 2023, stocks and bonds recouped most of the losses seen in 2022 after a historic rally in November and December
- Most major asset classes generated positive returns for the calendar year
- The **S&P 500** was **up 26.3%** due to:
 - Core CPI (ex-food and energy) inflation falling from 6.4% to 3.9% YoY (headline 3.3% YoY)
 - A sharp fall in Treasury Yields in November and December
 - Federal Reserve commentary in December signaling rate cuts possibly coming in 2024
 - Inflation & economic data in Q4 suggested a path for inflation to fall towards 2% in 2024
- The **Bloomberg U.S. Aggregate Bond Index** was **up 5.5%**
 - Negative through Q3 with 6.8% return in Q4
- Commodities were the lone asset class loser with the **Bloomberg Commodities Index** down **(-7.9%)** although gold was up 13.4%

Magnificent Seven 2023 Performance

2023 Magnificent Seven Returns

	2023 Return	Forward P/E
Apple	48%	27
Microsoft	57%	31
Alphabet (Google)	58%	19
Amazon	81%	33
Tesla	102%	46
Meta (Facebook)	194%	20
NVIDIA	239%	34

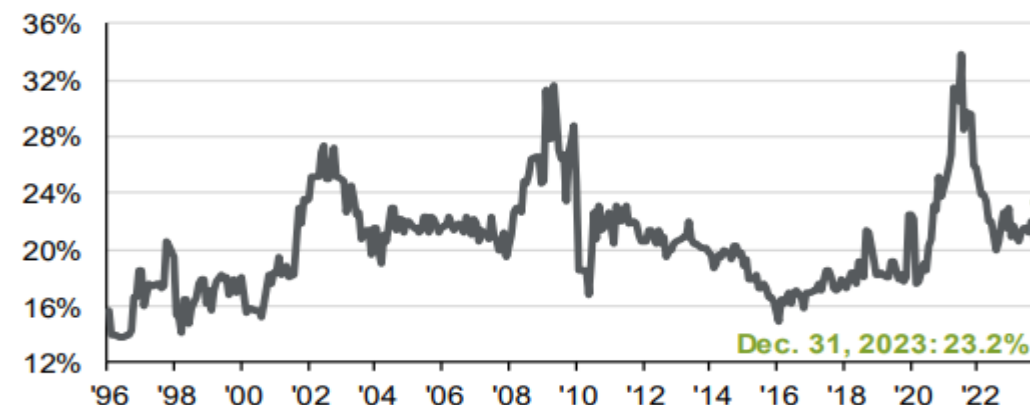
Weight of the top 10 stocks in the S&P 500

% of market capitalization of the S&P 500



Earnings contribution of the top 10 in the S&P 500

Based on last 12 months' earnings



Market Update – Where we came from

- The stock market advance was narrow in 2023, led by the Magnificent Seven up 107%
- Magnificent Seven profit growth of 29%; remainder of S&P 500 (-4.8%) in 2023
- Large Cap Growth up 42.7%, while Large Cap Value stocks were up 11.5%
- Unemployment stayed below 4%, wages increased, and GDP grew 2.5% in 2023. However, pessimism permeated the market.
- In 2023, U.S. equities outperformed international equities again, which gained 17.2%. Emerging markets rose 10.5%, weighed down by China (-11%)
- The M2 money supply decreased, the U.S. ran an annual deficit of \$1.6 trillion, and U.S. national debt increased to \$34 trillion in 2023 (Big Fiscal)
- Federal net debt (accumulated deficits) was 97.6% of GDP at year-end (highest level since the 1940s) and estimated to be at 120.9% in 2033

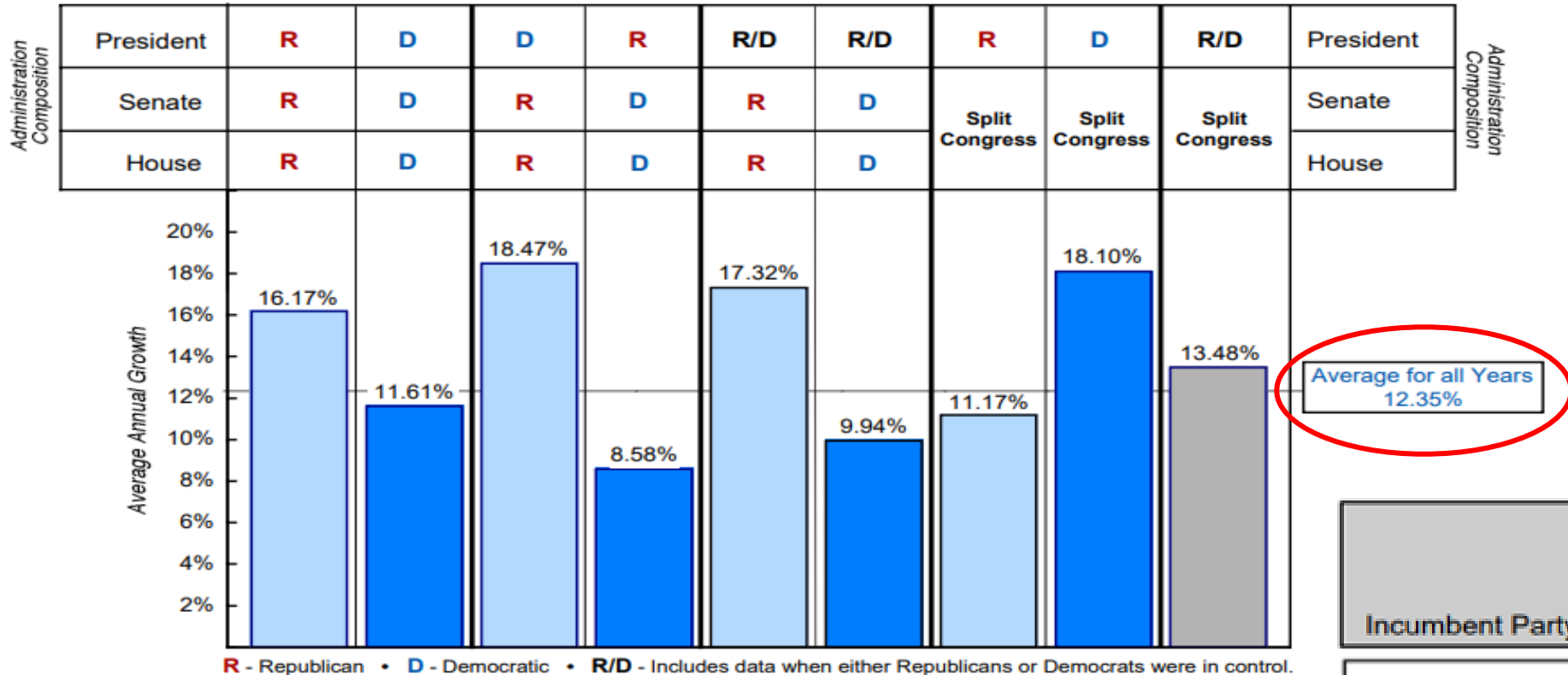
Market Update – Where we are today

- The U.S. economy has remained resilient because of a strong U.S. consumer; defying predictions it would slide into a recession
- The labor market has been very tight & unemployment has been historically low (3.7% currently)
- Recent data indicates a more normalizing U.S. labor market as job openings have decreased from 12 million down to 8 million (work to do)
- Stock valuations possibly stretched at 19.5X earnings vs. 16X historically
- S&P 500 earnings per share estimates have remained reasonably steady in recent quarters; 11% growth expected in 2024 and 12% in 2025
- Consumer sentiment remains incredibly poor, and inflation remains a central concern for many Americans

Has anyone heard about an upcoming election?

The Political Landscape - President & Congress

Standard & Poor's 500 Stock Index



Data: Total Return; Administrations - 1953 Through December 2023

Sources: Standard & Poor's Corporation; Copyright © 2024 Crandall, Pierce & Company

Calendar Year of the Election		
Average Return		
	Won	Lost
Incumbent Party	+13.36%	+7.82%

Calendar Year After Election		
Average Return		
	Won	Lost
Incumbent Party	+15.54%	+8.05%

Market Outlook – Where are we going?

- Growth in the economy remains strong, and unemployment is low. Given demographics and immigration (political), unemployment could stay low.
- AI driven scalability will continue giving investors hope of further earnings growth
- 17% of companies who have reported 2023 earnings have revised forward earnings guidance upward, 34% have made downward revisions, and 49% have maintained projections

	EPS growth		Contribution to growth	
	2023	2024	2023	2024
Magnificent 7	29.4%	21.2%	4.0%	3.7%
S&P 500 ex-Magnificent 7	-4.8%	8.7%	-4.1%	7.1%
S&P 500	-0.1%	10.9%	-0.1%	10.9%

Market Outlook – Where are we going?

- Fixed Income investments now offer attractive yields, providing more opportunities for investors. Federal Reserve rate cuts (most likely in 2024) will increase principal values and lead to lower CD and bank deposit rates.
- There are downside risks to double-digit earnings growth as the economy slows back to trend
- Can AI, technology, and growth stocks continue to produce 20%+ earnings growth?
- Inflation appears likely to fall closer to the Fed 2% target in 2024
 - A moderation in shelter prices could be a notable driver of lower inflation in future quarters
- Conflicts in the Middle East could lead to heightened geological tensions & volatility

2.0.2.4.

- Could it mean **2%** growth, **0** recessions, **2%** inflation, and **4%** unemployment?

DO YOU HAVE A PLAN?



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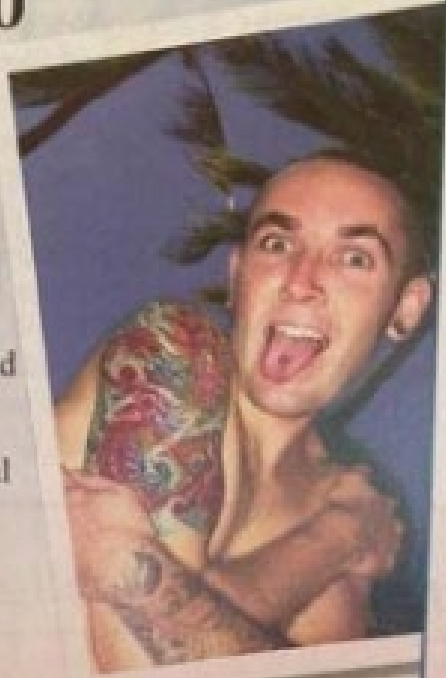
TOO MANY PEOPLE DO NOT PLAN

- Not enough assets
- Not old enough
- Too busy
- Confused and don't know who can help
- Don't want to think about it
- If you don't have a plan, the state has one for you, but you may not like it

Reason To Make An Estate Plan #10

Your son-in-law, Fred

- Hasn't had a job since 1999
- Belongs to a religion that you consider a cult
- Sells T-shirts at concerts by a band called "Phish"
- You suspect he is fond of chemical substances
- Thinks it's great that he has rich in-laws



Is he going to get half of what you leave to your daughter?

WHAT IS AN ESTATE PLAN?

- It is a roadmap
 - How do you want your personal and financial affairs handled in case of incapacity or death?
 - How do you want your religious, education, work ethic and other values to be remembered?
- Reasons to create an estate plan
 - Provide support and financial stability
 - Preserve wealth
 - Ensure wishes are carried out
 - Support family charity
 - Distribute assets in a timely manner
 - Minimize taxes and expenses
 - Avoid problems for loved ones
 - Protect your family's privacy
 - Set and meet expectations
 - Provide enough cash

- If you become mentally or physically incapacitated and your name is the only one on your assets:
 - The courts will determine how your assets are used to care for you through a conservator or guardian
 - Only a court appointee can sign for you

- If you die without a will:
 - Assets distributed according to Missouri's probate laws
 - If married with children, each receives a share – meaning your spouse may only receive a fraction of your estate
 - If you have a minor child, the court controls the inheritance
 - If both parents die together, the court appoints a guardian for the minor children without knowing whom you would have chosen

- Administration of estate under supervision of court
- The probate process:
 - Public
 - Time-consuming
 - Expensive
- If you die owning property in your name without a non-probate transfer, you have a probate estate
- Small estate administration (less than \$40,000)

WHAT DOCUMENTS ARE IN AN ESTATE PLAN?

- Last Will and Testament
- Trust
- Durable Power of Attorney for Finance
- Durable Power of Attorney for Healthcare
 - Advanced Medical Directive
 - Health Insurance Portability & Accountability Act (HIPAA) Form

LAST WILL AND TESTAMENT

- Provides instructions, but does not avoid probate
- Directs how your property will be distributed
- Names an executor and guardian for minor children
- Pour-over provision
- Personal property list

- Continues indefinitely, if desired
- Private
- Avoids expensive, time-consuming and public probate process
- Control after death
- Addresses a variety of needs
 - Family Situations
 - Estate/ Income Tax Savings
 - Special Needs
 - Asset Protection

REVO CABLE VS. IRREVO CABLE TRUSTS

- Revocable
 - As long as grantor is alive and competent, document can be amended, altered or revoked in entirety
- Irrevocable
 - Cannot be readily amended, altered or revoked

DURABLE POWER OF ATTORNEY

- **Finances**
 - Allow you to designate someone to act on their behalf in relation to financial matters
 - Expires upon death
- **Health Care**
 - Allows you to designate someone to make decisions about your health care in case you are not able to make those decisions yourself

NON-PROBATE TRANSFERS

- Payable on Death (POD)
 - Bank accounts, Certificates of Deposits
- Transfer on Death (TOD)
 - Brokerage accounts, vehicle, boat titles
- Beneficiary Deeds
 - Real estate
- Beneficiary Designations
 - Life insurance, 401Ks, IRAs

ESTATE PLANNING INVENTORY

- Contact Information
 - Loved ones, professionals
- Personal Documents
 - Birth certificate, Social Security card, marriage license, estate documents
- Computer & Technology Passwords
 - Social media, mobile phone
- Household information
 - Electricity, water, gas, internet, alarm system, safe deposit box
- Income sources
 - Employer, pension, Social Security, IRA, 401K, investments, bank accounts
- Debt
 - Mortgage, auto, credit card, time share
- Funeral Instructions
 - Service type, clergy, pallbearers, music, obituary, donations

Q U E S T I O N S ?



SECOND OPINION SERVICE

Making Sure Your Investment Plan is Working for You and Aligns With Your Goals and Objectives

**INVESTMENT
ANALYSIS**

**ESTATE PLANNING
REVIEW**

**RETIREMENT &
FINANCIAL
PLANNING**

**TAX EFFICIENCY &
CONSIDERATIONS**

**RISK
ANALYSIS**



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