



# *Soundings*

## What's New - February 2025

Quote of the month:

*"Make some noise BD. Track some mud on the carpet." Johnny Cash*

Cash's advice to friend Bobby Dylan as he prepared to take the stage at the Newport Folk Festival in 1965. Inspired by Woodie Guthrie, Dylan went East in 1961 to pursue his dream of making a name for himself in the folk music scene. His natural gifts coupled with a relentless drive and work ethic quickly brought unimaginable success. But he'd soon discover that what got him to that point, wasn't going to bring him where he needed to go. A mid-career shift, seismic at the time, was just what the doctor ordered and would lead ultimately to a Nobel Prize in Literature. In classic Dylan form, he skipped the ceremony.

Though the Santa Claus rally never materialized, a strong January gave us two signals of note. The S&P 500 closed positive over the first five trading days of January. Going back to 1950, the market gained ground in 48 of those years, and the full-year returns were higher in 81% of the cases, according to Ryan Detrick, chief market strategist for the Carson Group. Furthermore, during those positive years, the stock market gained 14%, on average, easily outpacing the average gain of 9.5%. For the full month, the S&P 500 closed up 2.7%. Yale Hirsch's January Barometer suggests "As goes January, so goes the year." I wouldn't take either signal as gospel, but coupled with the other indicators, conditions remain constructive and we are positioned accordingly.

In our financial planning sessions, when the subject turns to Social Security, many share that they doubt it will be there for them, particularly the non-silver haired. In this month's *Market & Economic Commentary*, I've placed a piece that not only addresses the issue, but provides a number of solutions to shore up the program for everyone. Even more interesting, the solutions came from surveys of ordinary folks like us, on what we're looking for and what we'd be willing to trade for it. It's a great read, especially for the skeptics. First, the numbers...

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# Market Update - Year to Date Returns

## Major Indexes

As of February 1<sup>st</sup>

Dow Jones Industrials	4.7%
S&P 500 Index	2.7%
NASDAQ	1.6%
MSCI EAFE (International)	4.8%
Russell 2000 (small cap index)	2.6%
Bloomberg Capital Aggregate Index (Bonds)	0.5%
XAU (gold/silver)	12.3%

## D.A.L.I. Signals - 2/01/2025

U.S. Equities	Commodities	Int'l Equities	Cash	Fixed Income	Currency
<b>329</b> 30.2%	<b>262</b> 24.0%	213 19.5%	<b>128</b> 11.7%	80 7.3%	78 7.2%

### **Source: Nasdaq Dorsey Wright**

- Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect investment performance. Individual investor's results will vary. The Dow Jones Industrial Average (DJIA), commonly known as the "Dow", is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal. The S&P 500 is an unmanaged index of 500 widely held stocks that's generally considered representative of the US stock market. The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ market. The MSCI EAFE (Europe, Australasia and Far East) index is an unmanaged index that is generally considered representative of the international stock market. The Russell 2000 index is an unmanaged index of small cap which generally involve greater risks. The Philadelphia Gold and Silver Index (XAU) is an index of sixteen precious metal mining companies that is traded on the Philadelphia Stock Exchange.
- The Bloomberg Barclays Capital Aggregate Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.
- DALI is a proprietary matrix created by Dorsey Wright & Associates, an independent 3<sup>rd</sup> party. It presents the relative strength relationship of six broad asset classes or "teams", domestic equities, international equities, commodities, fixed income, cash, and currencies. Each are represented by an equal number of ETFs. Each team play against each member of the other teams, with net victories tallied in an effort to rank each asset class team by order of overall strength. Raymond James is not affiliated with and does not authorize or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any website or the collection or use of information regarding any website's users and/or members.
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## Market & Economic Commentary

A solid majority of Americans believe that lawmakers should act to close the Social Security system's financing gap by raising the revenues needed to keep it on strong footing for the long haul. The newly published survey was conducted through a collaboration of the National Academy of Social Insurance, AARP, the National Institute on Retirement Security and the U.S. Chamber of Commerce. Americans are willing to pay more into the system to avoid benefit reductions, and also want to raise additional revenues to make targeted benefit improvements. Those include establishing a caregiving credit, a bridge benefit for older workers and a cost-of-living adjustment more in line with older Americans' spending patterns. The report suggests that Americans are "notably united" across political, income, education and generational lines when it comes to Social Security. They also have broadly shared views about their preferred path for the program's future. Eighty-one percent of respondents who are not receiving benefits stated that Social Security will be important or very important to their monthly income when they retire, while just 4% said it would not be important. An even higher proportion, 85%, said that the government should ensure that benefits are not reduced, or should be increased, even if it means raising taxes on some or all Americans.

Of the policies tested in the survey, Americans most strongly preferred lifting the payroll tax cap to raise needed revenue. Respondents also strongly supported increasing the payroll tax rate from 6.2% to 7.2% for both employers and employees if it helped to ensure solvency and maintain current benefits. Changes that would result in lower benefits, such as raising the retirement age or modifying cost-of-living adjustments, had much less support. Instead, Americans prefer a package that fully eliminates the financing gap and makes targeted improvements to benefits.

The preferred package identified by the report would do six things. First, it would eliminate the payroll tax cap for earnings above \$400,000. The existing cap — currently at \$176,100 — would be preserved, while those making more than \$400,000 per year (and their employers) would contribute to Social Security via payroll taxes on wages above that amount. Those affected would not receive additional benefits. Next, the payroll tax rate would "gradually rise" from 6.2% to 7.2% for both employers and employees. A worker earning \$50,000 per year would contribute an additional \$42 per month once the 7.2% rate is reached, according to the report. This policy option was nearly as popular as reforming the payroll tax cap. Third, the package would modify the annual cost-of-living adjustment to more accurately reflect inflation and the spending habits of older Americans, potentially by moving away from the CPI-W in favor of the R-CPI-E, which is a version of the Consumer Price Index tabulated for Americans 62 and older. Fourth, the preferred package would provide a caregiving credit for people who take time out of the workforce to care for children younger than 6. As the report notes, these workers generally receive significantly lower benefits than others under current law. Fifth, the package would provide a "bridge benefit" for older workers with a history of physically demanding work, allowing them to claim their benefits earlier without the normal early-retirement reduction. The final piece of the package would reduce benefits for those with higher incomes in retirement. Specifically, the preferred package would establish the option to reduce Social Security benefits for beneficiaries whose retirement incomes, not including Social Security, are \$60,000 or more per year (\$120,000 for married couples).

According to the researchers, these six changes together would eliminate Social Security's projected long-term financing gap while restoring a small surplus. "This package is preferred over the status quo by eight in 10 respondents across political lines, generations, income and education," the report states. "The preferred package includes no increase to the retirement age, no across-the-board benefit bump for future beneficiaries, and no change to the current taxation of benefits." While the preferred package does include reducing benefits for beneficiaries with significant retirement incomes from non-Social Security sources, that was by far the least popular option. There is an almost even split of opinion on it. "It is likely that people opted to reduce benefits for those with higher incomes in retirement to create a package that solved the entire financing gap," the authors explain. "Without that option, the package described above would not have fully closed the gap. This underscores the value of trade-off analysis. It forces respondents to weigh the costs of options holistically versus considering individual options in isolation."

**John Manganaro, How Everyday Americans Would Fix Social Security, Think Advisor, January 29, 2025.**

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# On a Personal Note

Even the speed limits are bigger in Texas. We were “kick stands up” at 9:30 am with temps in the mid 30’s. The law gave us 75 mph, but I left 20% on the table. It was cold and we were in no hurry. It was day 5, our last leg of the Big Bend Texas BDR (Backcountry Discovery Route) and this one really put the “B” in DR. The Big Bend region is rugged, remote and gets its name from the prominent bend in the Rio Grande River which separates Texas from Mexico. Known for hiking, camping, star-gazing and a place to get away from it all, we were there for some two-wheeled exploration and adventure. Collin and I had a financial conference in Arizona and I decided to head out a week early with a few of my regular riding buddies, dirt-bikes in the back of the trucks. Sadly, we lost Nolan about 10 minutes into the first day to a freak, low-speed spill pulling out of the gas station which injured his foot. That left me, Tom, a retired merchant marine engineer, and Randy, a 26-year Navy diver, who currently keeps the recompression chambers at the Naval Diving & Salvage Training Center in Panama City up and running. Randy coined our mantra, “Hard Ride with Easy People.”

Over 5 days, we logged about 700 miles through expansive Chihuahuan desert, over and around the rugged cliffs of the Chisos mountains, on a combination of glorious ribbons of beautiful pavement and rocky, sandy, gravel trails that made us feel like the cowboys and settlers of years gone by. Quirky towns, only gently touched by time dotted the landscape. Particularly noteworthy was Terlingua, a former mining site, now a modern-day ghost town with a current population of about 78 according to the 2020 census as reported by Wikipedia. The mines long closed, it’s a popular tourist spot and Starlight Theater is a must visit if you’re in the area, where we washed down our antelope fried steak with some tasty local brew. Of course, it’s also about the folks you meet along the way and we met some characters (But so did they!) We ate lunch with Jim, a fellow motorcyclist, in the border town of Presidio. He landed in Terlingua after returning from the Vietnam war to an unfriendly country, and never left. A recovered drug and alcohol abuser (It’s funny what folks will share with new-found friends!), he’s been clean and sober for over 40 years and lives with his wife in an Airstream trailer he affectionately called the “sardine can”. We tipped a mug or two with Allen, a Navy vet, newly retired from the city of San Diego, and a long-time Harley rider on his way to Dallas with his wife. Sporting a long, gray beard that fit with the rest of his “doo”, his hat said it all, “No Worries.”

We finished up the trip with no further incident, tired and dusty, but all in all better for the experience. At our last lunch stop before pulling back into the town where we began, we had a chance reunion with our buddy Nolan. He’d spent the past few days recovering at our beginning/ending point and decided to take a short road trip while he waited for our return. All’s well that ends well. Thanks to Kathleen, for letting me go play; thanks to Collin and Sandy for holding down the fort so magnificently; and thank you God for friends, hobbies, and the blessing of living in this country, with all of its freedom and opportunities.

## From Collin:

At the beginning of this year, Jackie and I re-signed our lease for the house we rent in Pensacola. Time really does fly when you’re having fun. I still don’t know why she sticks around, but a big help has been the introduction of the “pink vs. blue” job rule. If you haven’t heard of it, I may change your life. Blue jobs are chores that fall under the responsibility of the man of the house, and pink, the woman. Naturally, I claimed mowing the lawn, taking out the trash, and protecting us from any wild animals...the squirrels in the back yard can be intimidating! I thought that pink jobs were more gentle tasks like laundry, cleaning, and keeping the fridge stocked with fresh fruit and veggies. As usual, I assumed wrong. What I learned in short order was, in Jackie’s words, “All pink jobs can be blue jobs, but no blue jobs are pink jobs.” I will say, I never realized how much I enjoyed doing laundry until I started doing two people’s worth!

Until next month, with warmest regards,

*Jon, Collin & Sandy*

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