HUGHES FINANCIAL SERVICES, LLC
A BLUESPRING WEALTH PARTNER

Economic *update*

Overall, 2024 was another strong year for equity investors. While not as good as the year's first three quarters, the fourth quarter still finished with positive returns, more record highs, and an optimistic outlook toward 2025. Equities advanced in the fourth quarter and after a series of ups and downs, they finished ahead of where they began.

Entering the quarter with strong momentum, equity markets responded favorably to election results in early November and the continued monetary easing from the Federal Open Market Committee (FOMC).

The equity indexes ended 2024 with nearly the same results as 2023: the S&P 500 closed with a gain of more than 23% (24.23% in 2023) and had 57 record closes and the Dow Jones Industrial Average (DJIA) ended the year up almost 13% (13.7% in 2023).

However, the S&P 500 stumbled to the finish line and produced the year's lowest quarterly return of almost 2.0%. The DJIA was up less than 1% as well.

Interest rates were reduced three times in 2024. During the fourth quarter, the Fed implemented interest rate drops in both November and December.

After the December FOMC meeting, the Federal Reserve stated, **"Recent indicators suggest that economic activity has continued to expand at a solid pace. Since earlier in the year, labor market conditions have eased, and the unemployment rate has moved up but remains low. Inflation has made progress toward the Committee's 2% objective but remains slightly elevated."** As a result, the Fed felt it appropriate to make a third and final rate cut for 2024.

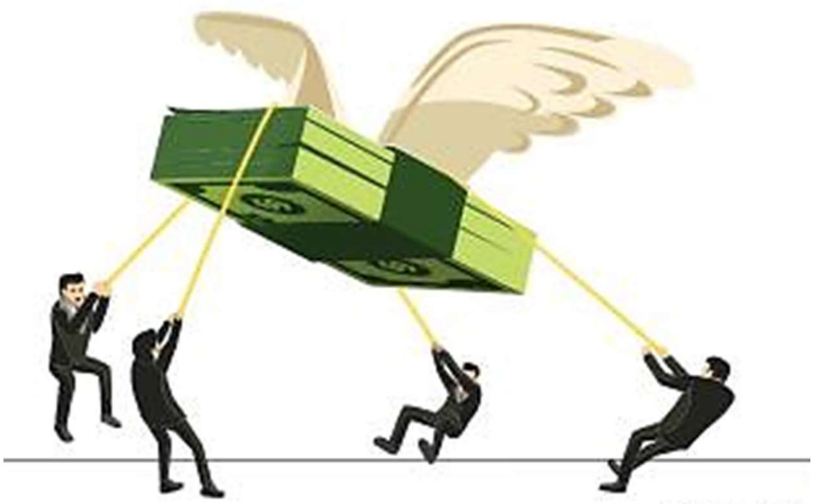
In November, unemployment was 4.2%, and wage growth increased by 0.4%. The data from these two key economic indicators is closely monitored by the FOMC to help inform the Fed when making monetary policy decisions.

While some analysts are optimistic, others note 2025 will bring about new and long-standing issues that could affect the U.S. economy. Proposed policy changes, monetary easing, and continued geopolitical unrest are just a few matters that could bring uncertainty to equity markets.

- **New Administration:** President Trump has vowed to bring about change when he returns to the Oval Office. How these changes will affect the U.S. and global economies is yet to be seen.
- **Monetary Policy Changes:** While the Fed reduced interest rates in 2024, their outlook for 2025 was more hawkish. The Fed has a goal of 2% inflation and maximum employment. The December FOMC statement noted, **"The economic outlook is uncertain, and the Committee is attentive to the risks to both sides of its dual mandate."**
- **Continued Geopolitical Unrest:** The Russia-Ukraine war continues, and conflict in the Middle East remains. In addition, proposed tariffs on imports from foreign countries could directly affect equities and the U.S. economy.

As your financial advisors, we are committed to keeping you aware of any changes and activities that could directly affect your unique situation. Our goal is to continuously review HFS client portfolios to ensure alignment with our clients' time horizons, risk tolerances and goals.

INFLATION
& INTEREST RATES



KEY POINTS:

- Interest rates were reduced by the Federal Reserve twice in the fourth quarter of 2024
- Two additional rate cuts are anticipated in 2025

In 2024, the Federal Funds interest rates started at a range of 5.25% to 5.5%. In the last quarter of the year, the Fed began a campaign to ease monetary policy and lower interest rates. They started in September with a rate reduction of 50 basis points and the expectation of four rate cuts in 2025. In November, interest rates were reduced another 25 basis points, bringing the range down to 4.5% to 4.75%. The Fed ended 2024 with another 25-basis point reduction in December, finishing the year at 4.25% to 4.5%. This reduction marked the third interest rate cut of the year after 11 increases were made between March 2022 and July 2023.

Equities responded favorably to the first two cuts but took a tumble in December due to the Fed's forecast of significantly pared-back interest rate cuts in 2025. The Fed is now projecting rates to be reduced by 0.50% in 2025.

The Fed was encouraged to ease its policy as key indicators suggested, **"economic activity continued to expand at a solid pace,"** as stated in the FOMC press release following the November meeting. Inflation was gradually moving closer to the Fed's 2% target, labor market conditions were easing, and unemployment remained low.

Uncertainty about interest rates persists as we move into 2025. The Fed is committed to their mandate to maintain strong employment rates while striving to return inflation to 2%. They will continue to watch key indicators to determine their approach to interest rates and are prepared to adjust their monetary policy stance if necessary. According to the FOMC in November, **"The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and expectations, and financial and international developments."**

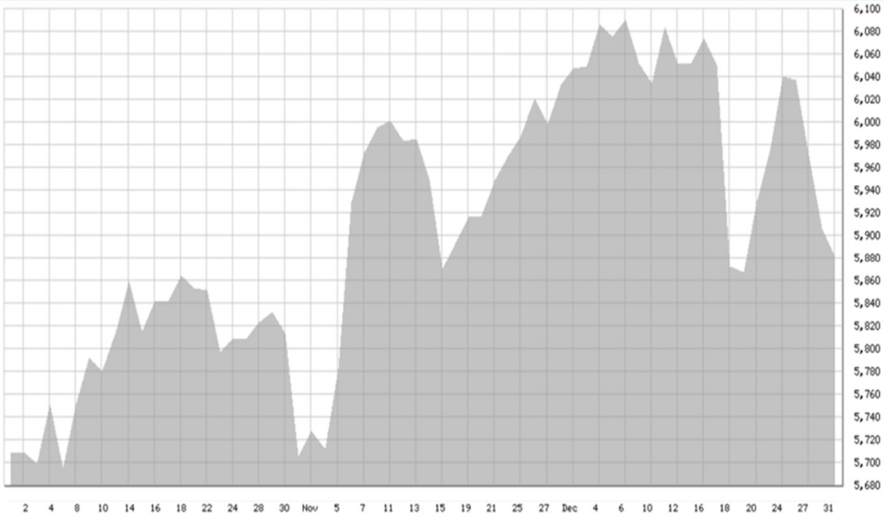
In November, the Consumer Price Index (CPI) recorded its largest increase in seven months, rising by 0.3%. The core CPI (excludes food and energy prices) which is often viewed as a better gauge of future inflation, also increased by 0.3%.

A 0.3% rise in shelter costs accounted for nearly 40% of the overall increase, hotel prices spiked by 3.7%, and food prices rose by 0.4%, with groceries increasing by 0.5%. A significant factor contributing to this increase was the recent avian flu outbreak, which resulted in an 8.2% increase in egg costs in November.

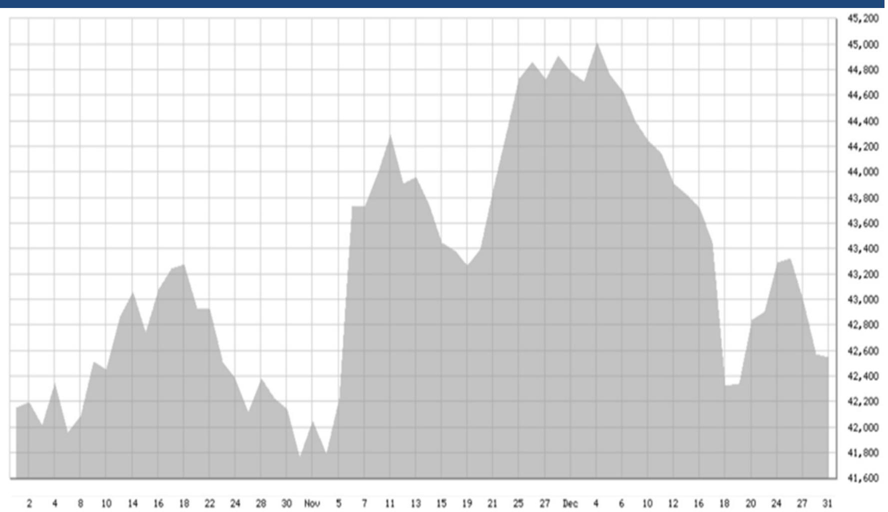
Interest and inflation rate movements are integral to investors' financial planning, so we will continue to monitor these key economic indicators.

S&P 500 and Dow Jones Industrial Average
QUARTER 4, 2024

S&P 500 + 1.9%



Dow Jones Industrial Average + 0.7%



MONEY RATES
(as posted in Barron's 12/30/24)

	LATEST WEEK	YEAR AGO
Fed Funds Rate *	4.37%	5.33%
Bank Money Market Z	0.47%	0.60%
12-Month Certif Z	1.93%	1.93%

Z – Bankrate.com * - Avg Effective Offer Source: Barron's, bankrate.com

Note: The views stated in this report are not necessarily the opinion of Hughes Financial Services, LLC, and should not be construed, directly or indirectly, as an offer to buy or sell any securities mentioned herein. Investors should be aware that there are risks inherent in all investments. With any investment vehicle, past performance is not a guarantee of future results. Material discussed herewith is meant for general illustration and/or informational purposes only, please note that individual situations can vary. Therefore, the information should be relied upon when coordinated with individual professional advice. This material contains forward-looking statements and projections. There are no guarantees that these results will be achieved. All indices referenced are unmanaged and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. The S&P 500 is an unmanaged index of 500 widely held stocks that is general considered representative of the U.S. Stock market. 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. NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system. Due to volatility within the markets mentioned, opinions are subject to change without notice. Information is based on sources believed to be reliable; however, their accuracy or completeness cannot be guaranteed. **Sources:** www.macrotrends.net; cnbc.com (1/2/2025); treasury.gov; Department of Treasury; fool.com (12/20/2024); Federal Reserve Bank of New York; bigcharts.com; U.S. Bureau of Labor Statistics. Contents provided by the Academy of Preferred Financial Advisors, 2025

Q4 HIGHLIGHTS

- 2024 was a robust year for equities and ended with investors seeing positive returns
- The Fed reduced the federal funds rate range three times in 2024, with two being in the fourth quarter
- Inflation pressures continue to be stubborn, with November clocking in a 2.7% increase compared to a year earlier
- Bonds present a reasonable option for those looking to diversify their portfolio while including a less volatile alternative to equities
- 2025 brings about a host of challenges including: proposed tax law changes, potential tariffs, monetary policy changes, stubborn inflation rates, and geopolitical issues which can create uncertainty and market volatility
- Staying the course and maintaining the consistency of a well-devised, long-term focused plan has historically served investors well
- **Your HFS Team is always here for you to discuss your personal financial situation and help with any concerns or questions**

The Bond Market & Treasury Yields

KEY POINTS:

- The outlook for bonds in 2025 is hazy. If interest rates continue to fall, bonds should appreciate. However, if inflation does an about face due to potential policy changes, interest rates may stagnate or rise.
- Current bond yields could present an appealing option for investors seeking more stability against market volatility.

Bonds have an inverse relationship with interest rates – when one goes up, the other usually goes down. After December's FOMC meeting, treasury yields rose on the news that fewer rate cuts were anticipated for 2025. This shift pushed investors to longer-term treasuries, triggered a selling wave of mid-term U.S. treasuries, and driving some bond prices lower and yields higher. The 2-year yield dropped to 4.295%, while the 10-year rose to 4.56%, and was trading around its highest level since late May. That yield variance left the two-year trading around 0.26 percentage points below the 10-year, a level not seen since June 2022.

On December 31, the 10-year note was 4.58%, higher than at the end of the third quarter when it reached 3.81%. The 20-year treasury ended the fourth quarter at 4.86% and the 30-year note closed at 4.78%

Treasury Par Yield Curve Rates

January 2, 2024				December 31, 2024			
5-year	10-year	20-year	30-year	5-year	10-year	20-year	30-year
3.93%	3.95%	4.25%	4.08%	4.38%	4.58%	4.86%	4.78%

Yields rose at the end of 2024 and are currently close to multi-decade highs, even with interest rates forecasted to continue falling in 2025. If everything unfolds as expected, this could make bonds, which historically have lower volatility than stocks, a more appealing option as a stable alternative to cash as well as a hedge against market volatility. On the contrary, interest rates could stagnate if inflation remains belligerent or even reaccelerates.

Bonds can be a part of a well-diversified portfolio, and we consider using them for investment portfolios based on each client's unique situation. Please remember that while diversification in your portfolio can help you pursue your goals, it does not ensure a profit or guarantee against loss.

INVESTOR OUTLOOK

Looking ahead to 2025, investor sentiment remains hopeful with a mix of optimism, anticipation and caution. Despite moments of wavering, the U.S. economy has experienced impressive growth, and many believe the current bull market will continue.

Key factors such as low unemployment rates, slowing inflation, strong corporate earnings, monetary easing, investor enthusiasm for Artificial Intelligence (AI), and significant market returns have kept investor confidence high. Fears of a recession, while still around, have lowered as the Federal Reserve continues to fight inflation without slowing down economic growth.

The past few years have been exceptional for the U.S. stock market. Moving into 2025, a major question is about the U.S. economy and economic growth. The new year will bring changes that could potentially increase volatility, including adjustments to monetary policy and tax laws. Additionally, the possibility of new tariffs and their impact on inflation and the equity markets needs to be monitored.

While inflation is relatively moderate compared to previous years, it's still above the Fed's target of 2%. Even as interest rates were cut three times in a row at the end of 2024, the persistent nature of inflation and certain proposed economic policies may lead them to slow or pause their easing efforts in 2025. Officials closely monitor key indicators such as housing, labor markets, and core goods to help determine monetary policy. While the Fed expects to implement more rate cuts in 2025, recent years have taught us to remain vigilant and prepared for unexpected circumstances.

Analysts have mixed outlooks for the markets in 2025. Many are optimistic about a continued market rally driven by ongoing AI growth and deregulation, as well as the potential for lower taxes. If interest rates keep going down, this could fuel the stock market forward. On the other hand, some are concerned that equities are highly priced and could see some setbacks.

Investors have enjoyed strong annual returns in 2023 and 2024; both are up over 20%, compared with the long-run average of about 10%. History has taught us that after that kind of run you need to be prepared for a possible pullback. Historically high valuations for some leading equities are another indicator of a potential pullback sometime during 2025. Having said that, momentum is also high and long-term investors never try to time equity markets.

When the S&P 500 index falls more than 10% from a recent high, it is said to have entered "correction" territory. There have been 24 market corrections since November 1974. While they historically happen on average about every 18 months, the S&P 500 did not experience a correction in 2024.

Analysts say that corrections are healthy and even necessary for bull markets. They help shake out some of the so-called froth in the stock market, when prices run up too dramatically and get ahead of themselves. Analysts also share that a correction isn't necessarily something to dread. Most strategists are still predicting solid earnings growth for equities in 2025. With that backdrop, stocks could head higher, even if there may be some bumps in the road.

KEY POINTS:

- Investors enter 2025 with a mix of optimism, anticipation and caution
- Annual returns were strong in 2023 and 2024, both up over 20%, compared with the long-run average of about 10%
- One of the best exercises for investors is to revisit their time horizons

SO, WHAT SHOULD INVESTORS DO?

One of the best exercises for investors is to revisit their time horizons. Equities are mainly long-term investments and investors should be prepared to hold equity positions for at least five years or more. The goal is to potentially allow enough time to recoup any downfalls that occur. A well-disciplined plan recognizes that equities do not move in a straight line and the benchmark for investment returns is long-term. The term "correction" is used for downturns of 10% to 20% because historically, the market drop often "corrects" and returns equity prices to their longer-term trend.

The American Association of Individual Investors (AAII) surveyed investors in December and reported 43% of respondents were bullish about the stock market over the next 6 months, 32% were bearish, and 25% felt neutral.

As we start the new year, we will continue to monitor inflation, interest rates, key economic data, and monetary policy changes. It is obvious that changes are on the horizon, which brings uncertainty and the potential for increased market volatility. Regardless of what happens moving forward, we will uphold our mantra of "proceed with caution."

It is important to resist the emotional temptation to deviate from your long-term strategy. Many times, it can be tempting to "cash out while the going is good," but doing so could result in missing out on additional gains. While we can all analyze, speculate and theorize, trying to predict short-term market movements is always challenging and difficult. Therefore, we prefer to rely on a well-planned, long-term strategy that considers market volatility, and your time horizon and risk tolerance. Such a strategy should serve as a benchmark for savvy investors. As always, you should stay informed about the news but minimize your exposure to avoid getting caught up in speculative claims, unfounded predictions and fearmongering.

We believe in proactive preparation, and our aim is to provide you with a solid financial strategy that is thoughtfully designed for all market environments. Rebalancing and appropriate diversification are important for all our clients. If you have any changes to your risk tolerance or time horizons, please let us know.

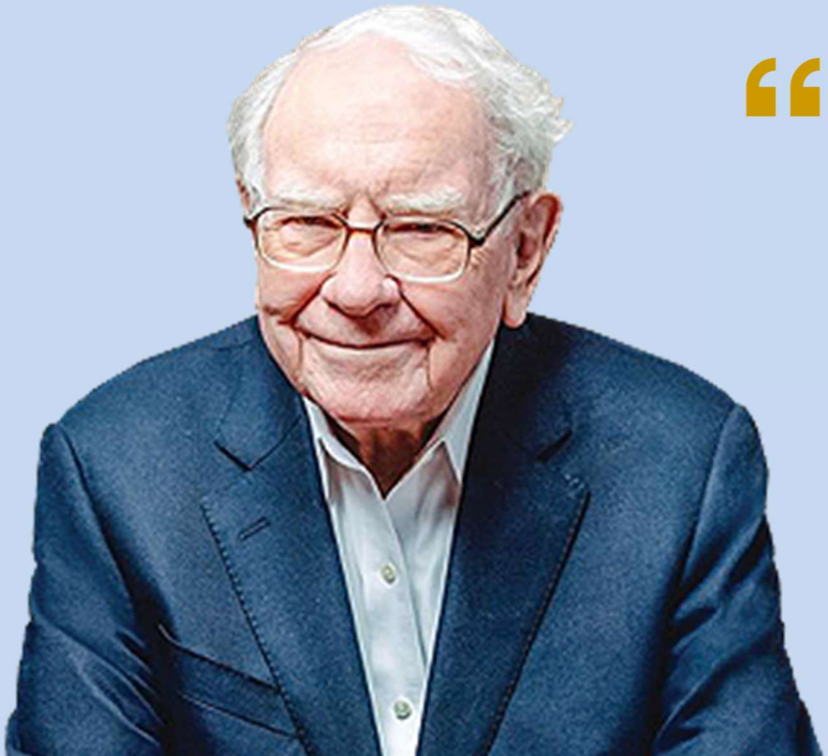
We also believe an educated client is the best client, and we strive to keep you updated on areas that could affect your situation in a variety of ways including newsletters and reports and our popular educational presentations. Keep an eye on your email for the dates for our series of educational presentations – available in two formats: in person workshops and online webinars – that are designed to help you stay updated and informed. Please make it a goal to join us in 2025 for future presentations!

In 2025, we want to exceed your expectations. We take pride in offering top-tier service that includes:

- A proactive, individually tailored approach to our client's financial goals and needs.
- Consistent and meaningful communications.
- A schedule of regular client meetings.
- Continuing education for all our team members on issues we help our clients with.
- Proactive planning to navigate the changing environment in retirement planning, tax laws, estate planning and investment management.

Please remember that as a valued client, we are here to serve you. We always recommend discussing any changes, concerns, or ideas you may have with us before making any financial decisions. This way, we can help you determine the best strategy for your situation. Keep in mind that there are often other factors to consider when altering anything in your financial plan, such as tax implications, increased risk, and changes in your time horizon.

Feel free to contact us with any concerns or questions you may have. We appreciate the trust and confidence you place in Hughes Financial Services and look forward to serving you.



"WE DON'T HAVE TO BE **SMARTER** THAN **THE REST;**

WE HAVE TO BE MORE **DISCIPLINED** THAN **THE REST.**"

WARREN BUFFETT

Join the Hughes Financial Services

AMBASSADOR PROGRAM

Help us make meaningful, impactful connections

We value your relationship with us. We would also love to serve the valued people in your life and give them the same trust, guidance and ongoing relationship we provide for you.

How does the Client Ambassador work?

It's simple! All you have to do is tell someone about us, someone who can potentially benefit from the services we provide.

Who should I introduce?

We want to meet and help people just like you. This includes individuals and families who are:

- In retirement or nearing retirement
- Undergoing a major financial change or life event
- Your children and other family members

What is the best way to introduce someone?

There are a few ways to introduce someone to Hughes Financial Services:

Bring them as a guest to one of our events or workshops	Invite them to our website at h4fs.com to schedule a meeting with HFS	Have them email us at clientservices@h4fs.com to ask any questions

When you become a Client Ambassador for Hughes Financial Services, you'll earn your spot at one of our special Thank You events in 2025! Past events have included private dinners, cooking classes, a private suite at the Washington Nationals games, exclusive dinner and concert at Wolf Trap, and much more!

HUGHES | FINANCIAL SERVICES, LLC

A BLUESPRING WEALTH PARTNER

Hughes Financial Services, LLC, is an independent Registered Investment Advisor (RIA) working closely with individuals and families in or near retirement to provide direction and strategies on how to financially achieve their personal goals and dreams. We take a holistic, personalized approach to bring all the pieces of your financial life together.

Our adherance to the highest fiduciary standards when providing advice that is truly unbiased and has only our clients' best interests in mind.

We offer our clients a wealth of comprehensive financial planning expertise in the following areas:

- retirement planning
- investment management
- tax minimization/planning
- estate planning
- risk/protection management
- education planning

The financial advisors at Hughes Financial Services proudly hold a variety of professional designations and certifications, including the standard of excellence for financial planners, the CERTIFIED FINANCIAL PLANNER™ certification, and are well-versed in several financial disciplines. We specialize in helping employees and retirees of local government and school systems, business owners, medical professionals, and the U.S. military with their retirement options.

Our combined education and experience allow us to offer you independent financial advice and solutions we are proud to provide.

Located in Herndon, Virginia (Fairfax County), Hughes Financial Services works with clients across the United States.

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