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"Partners in Your Financial Future"

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Financial News

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WHEN SHOULD YOU CLAIM YOUR SOCIAL SECURITY BENEFITS?

As you work toward your retirement goals, one of the most important decisions you'll make is determining when you should start taking Social Security. Why? Because the age at which you begin taking benefits can significantly impact your benefit amount.

You can start taking benefits as early as age 62, but many people wait for "full retirement age," at 66 or 67 depending on their birth year. If you choose to start early, that could result in your monthly check being reduced by as much as 30% because the longer you receive those government benefits, the less you get per month. The maximum Social Security benefit is offered at age 70. (Your benefit amount won't increase after that.)

So, how do you decide what age is best to apply for Social Security? Everyone's situation is unique, and there are many questions to consider:

- How long will your retirement last (based on your life expectancy)?
- Do you plan to continue working in retirement?
- What other income sources do you have?
- Will your retirement income be taxable or tax-free?
- How will your Social Security decision impact your spouse's benefits?

It's a complex calculation, and your specific needs and goals must be part of the equation. But you don't have to figure it out alone; our firm has helped many through this process

Frustrated Following The Fed?

Stick with your investment strategy, and don't let outside influences like the Fed get in your way.

Following the Fed these days is like watching an endless point in a tennis match. The back-and-forth is causing anxiety, anticipation, more anxiety, and confusion.

At its March meeting, Fed officials said they penciled in three quarter-point cuts in short-term rates by the end of 2024. But wait. Not so fast.[1]

In the following weeks, Atlanta Fed President Raphael Bostic suggested one cut. San Francisco Fed President Mary Daly noted no guarantees, and Cleveland's President Loretta Mester said rate cuts may come later this year. Minneapolis President Neel Kashkari said that no cuts may be on the table, followed by Fed Governor Michelle Bowman, who said it's possible rates may have to move higher to control inflation.[2,3]

Confused? You're not alone. So are the financial markets. As you can see in the table below, market speculators now anticipate only one, maybe two, cuts this year. But as the percentages show, there's not much conviction in any outlook.

Fewer Interest Rate Cuts Expected?

Market participants are mixed about the Fed's next move with short-term rates.

Moral of the story: Don't let the Fed influence your decisions

FOMC Meeting Date	3.75% - 4.0%	4.0% - 4.25%	4.25% - 4.5%	4.5% - 4.75%	4.75% - 5.0%	5.0% - 5.25%	5.25% -5.5%
5/1/2024	0%	0%	0%	0%	0%	2.5%	97.5%
6/12/2024	0%	0%	0%	0%	0.5%	20.5%	79.0%
7/31/2024	0%	0%	0%	0.2%	7.1%	39.8%	52.9%
9/18/2024	0%	0%	0.1%	3.1%	20.8%	45.3%	30.7%
11/7/2024	0%	0%	0.8%	7.5%	26.9%	41.7%	23.1%
12/18/2024	0%	0.5%	3.9%	16.60%	33.9%	32.9%	12.2%
1/31/2025	0.1%	1.5%	8.0%	22.2%	33.6%	26.3%	8.3%

The CME Group publishes a table that shows the probability of the Federal Funds Rate's level by the FOMC's scheduled meeting dates. The blue highlights show the highest probability, by meeting date.

The CME Group's table changes on a daily basis. Probabilities are based on assumptions and subject to revisions. Financial, economic, political, and regulatory issues may cause the actual results to differ from the expectations expressed in the table. The data and output from this tool does not constitute investment advice and is not a personal recommendation from CME Group. Any investment activities based on this table are at the sole risk of the investor. Partial table shown for illustrative purposes.

Source: CME Group, April 11, 2024

The April Consumer Price Index report only added to the confusion. When consumer prices came in a bit hotter-than-expected, that added to the uncertainty about what's next with the Fed.

So, try to stay focused, tune out the noise, and don't get pulled into the guessing game "What the Fed is Going to do Next?"

FINANCIAL AID FOR COLLEGE IN CHAOS AMID NEW FAFSA

Navigating the financial side of college can be complex, especially with the recent overhaul of the FAFSA form. The FAFSA, or Free Application for Federal Student Aid, is a crucial tool used to determine a student's eligibility for federal financial aid, including grants, loans, scholarships, and work-study program funds. The form was revamped at the end of 2023 to be more streamlined. It now features fewer than 50 questions and is offered in 11 languages. However, there have been some hiccups. Access to the form was delayed, and many families have reported technical glitches. The result? Applications are down nearly 60% from previous years. Despite these issues, the Department of Education encourages all students considering college to submit a FAFSA form. You can also use online tools like the College Scorecard and the Federal Student Aid Estimator to help plan for future costs. Remember, the deadline to submit a FAFSA form for the 2024-2025 school year is 11:59 p.m. CT on June 30, 2025. Remember, education is an investment, and understanding the financial process is crucial to the journey. Stay informed and stay proactive in your planning!

U.S. ELECTRIC UTILITIES BRACE FOR SURGE IN POWER DEMAND FROM DATA CENTERS

U.S. electric utilities are preparing for a surge in power demand driven by the growth of data centers used for technologies like AI. This growing demand leads to revisions in capital expenditure plans and demand forecasts. In fact, nine of the top 10 U.S. electric utilities have identified data centers as a primary source of customer growth. Power usage from data centers is expected to triple globally from less than 15 terawatt-hours in 2023 to 46 TWh this year. By 2030, the power demand from IT equipment in U.S. data centers is projected to reach more than 50 gigawatts, up from 21 GW in 2023. But here's the catch: the rapid growth raises concerns about whether the electric utility industry, known for its slow and steady returns, can keep up with the rising power demand due to a backlog of power generation and transmission projects. As investors, it's essential to stay informed about these trends as they can influence the performance of utility stocks and the broader energy sector.

BRUCE & KAREN'S NOTES

We hope this newsletter finds you well, enjoying the first bit of spring, and looking forward to the warmer days of summer. The first quarter of 2024 ended up being a terrific quarter which you will clearly see looking at March 31 statements. This followed a very good fourth quarter of 2023 as stated in our last newsletter. As of this writing (7 May), the Federal Reserve Board has had continued meetings without an interest rate hike, and rate cuts are still widely expected to take place during 2024. However, the timing and frequency of those rate cuts have become a point of interest. Some of the recent inflation data has created short-term concern, and market returns in April were negative although we are still up nicely for the year. As each economic data point becomes available, the markets move up or down based upon short-term expectations concerning when the Fed will potentially cut rates, and the bottom line now is that rate cuts will probably be delayed until later in the year. As we stated in last quarter's update, that expectation for lower interest rates means it would be less expensive to borrow money which is good for both businesses and individuals. That expectation for expanded spending and improved business profitability is what the markets are focused on and has been the catalyst for the market's movements. Unemployment numbers have continued to remain low, real wages have improved, consumer demand has thus far remained strong, and first quarter company profit announcements have been good thus far. Making sure we adequately communicate with you and ensuring appropriate construction of your portfolio allow you to successfully handle volatility such as that encountered in 2022, the third quarter of 2023, and April of this year. We still strongly believe staying the course is the most prudent course of action.

Office Update: You will soon begin seeing information about our supervising Broker Dealer's name changing from Securities America, Inc., to OSAIC. There will be no action required on your part so long as you still want us to be your financial advisors. The structure of Brown & Associates and the way we do business with you is NOT changing.
Please call if you have questions or concerns. Thank you for allowing us to be a part of your life.

Bruce Karen

Resources:

1. CNBC.com, March 20, 2024. "Fed holds rates steady and maintains three cuts coming sometime this year."
2. CNBC.com, April 5, 2024. "Fed's Powell emphasizes need for more evidence that inflation is easing before cutting rates."
3. Reuters.com, April 10, 2024. "US consumer prices heat up in March; see delaying Fed rate cut."