



SilverOak

WEALTH MANAGEMENT LLC

Quarterly Webinar October 18, 2024



Introduction

- Shannon King, CPA, CFP[®], PFS, CIMA[®], CPWA[®], MBT
President, Partner and Chief Compliance Officer
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Partner and Lead Analyst



Agenda

- Economy and SilverOak Dashboard
- Market performance
- SilverOak's outlook
- SilverOak updates and other items
- Estate and gift planning
- Questions



Economy and SilverOak Dashboard



Market Dashboard

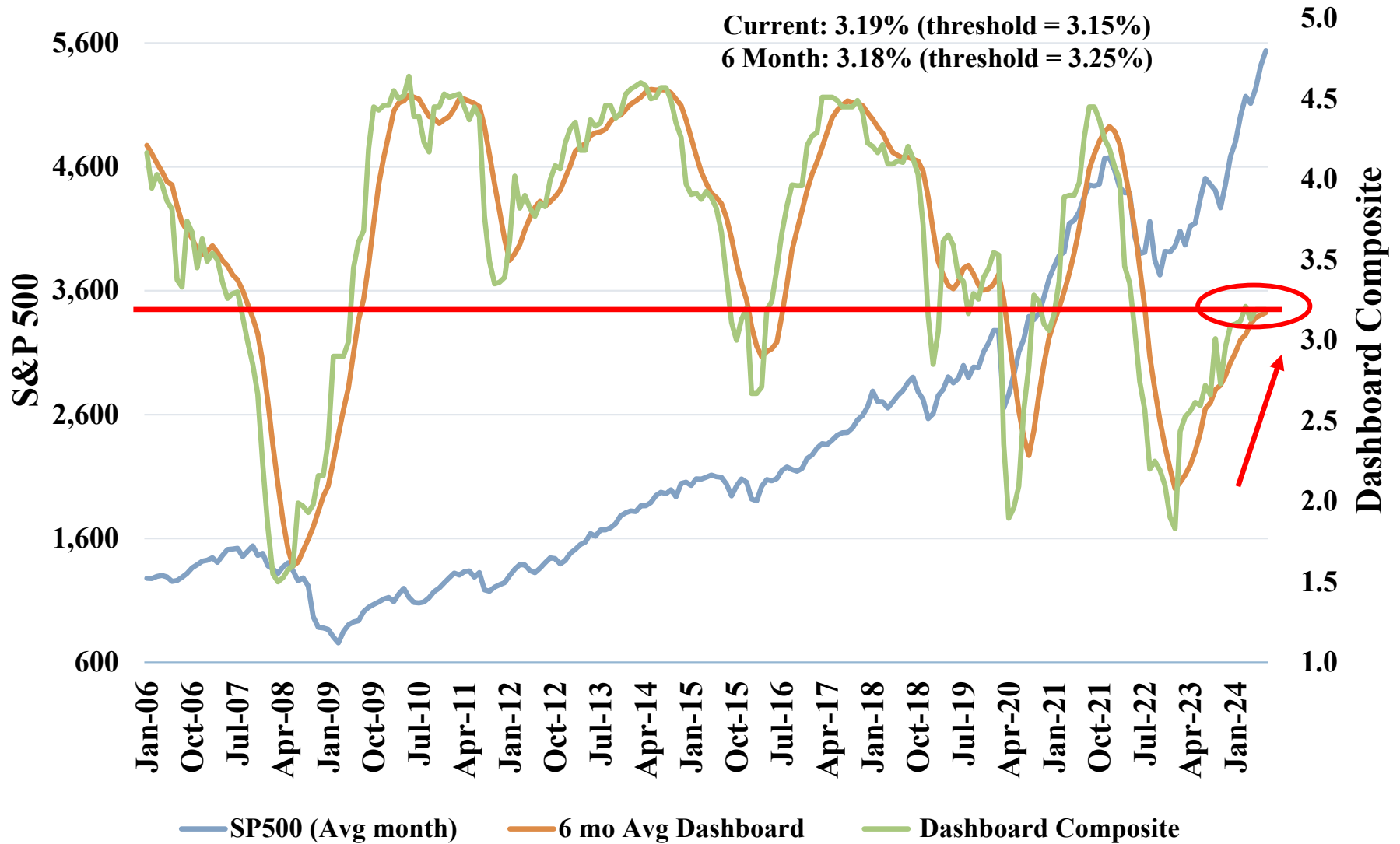
Projected



	3Q 2021	4Q 2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023	1Q 2024	2Q 2024	3Q 2024	4Q 2024
Economy	Green	Green	Green	Green	Red	Red	Red	Red	Red	Red	Grey	Grey	Grey	Grey
Credit Markets	Green	Green	Green	Green	Green	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey
Valuations	Red	Red	Red	Red	Red	Grey	Grey	Red	Red	Red	Red	Red	Red	Red
Market Sentiment	Green	Green	Grey	Red	Red	Red	Red	Green	Green	Green	Green	Green	Green	Green
Composite 6mo. Avg.	Green	Green	Green	Grey	Red	Red	Red	Red	Red	Red	Red	Red	Grey	Grey

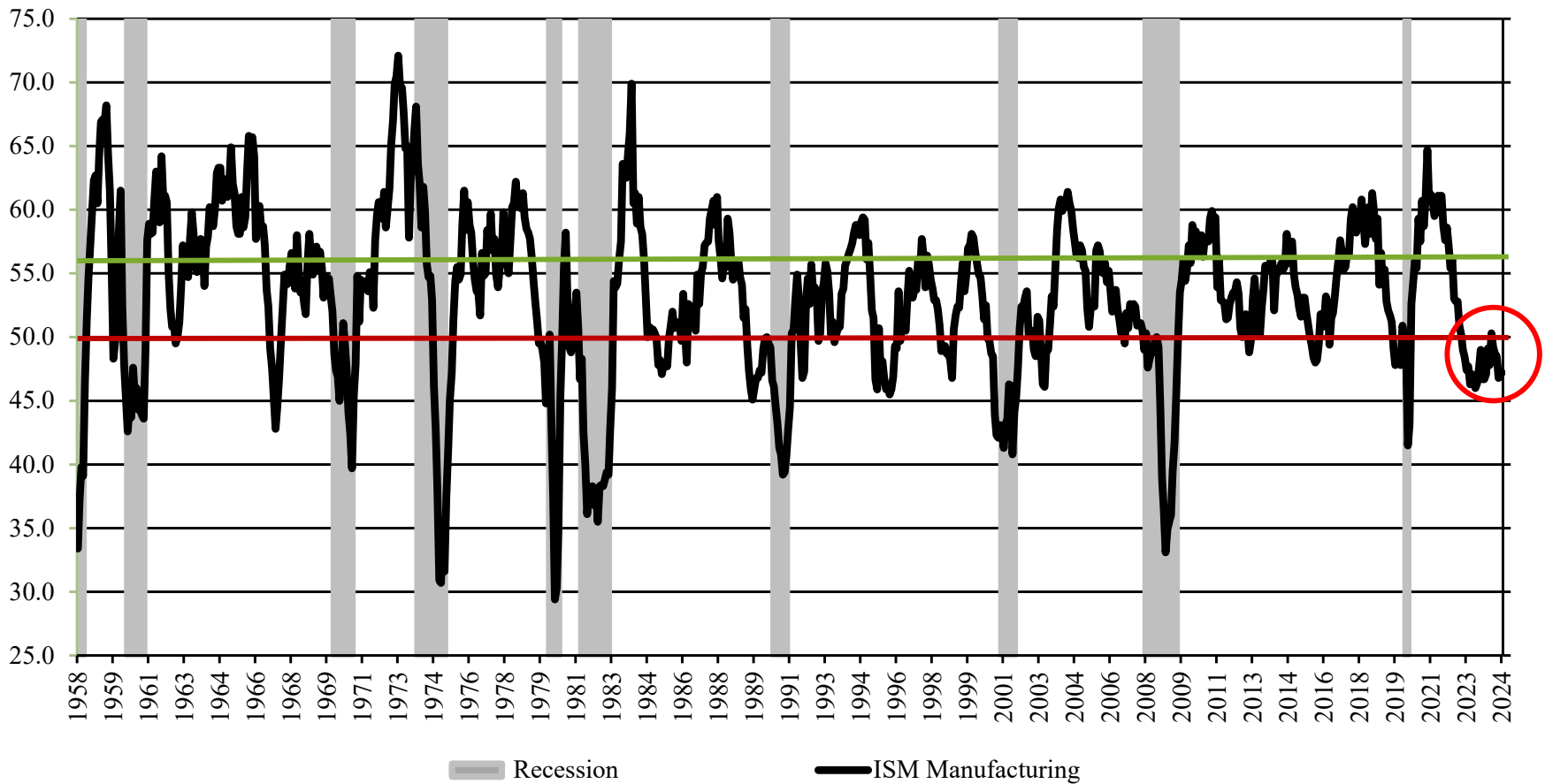


SilverOak Dashboard



Economy (ISM Manufacturing Index)

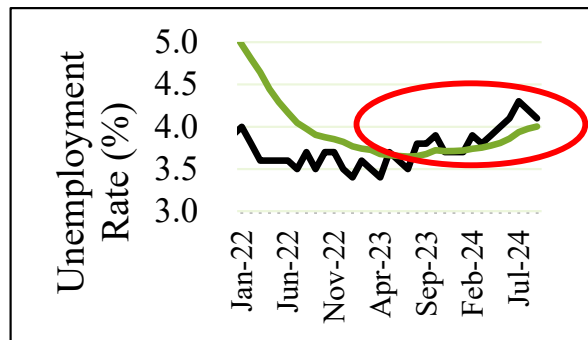
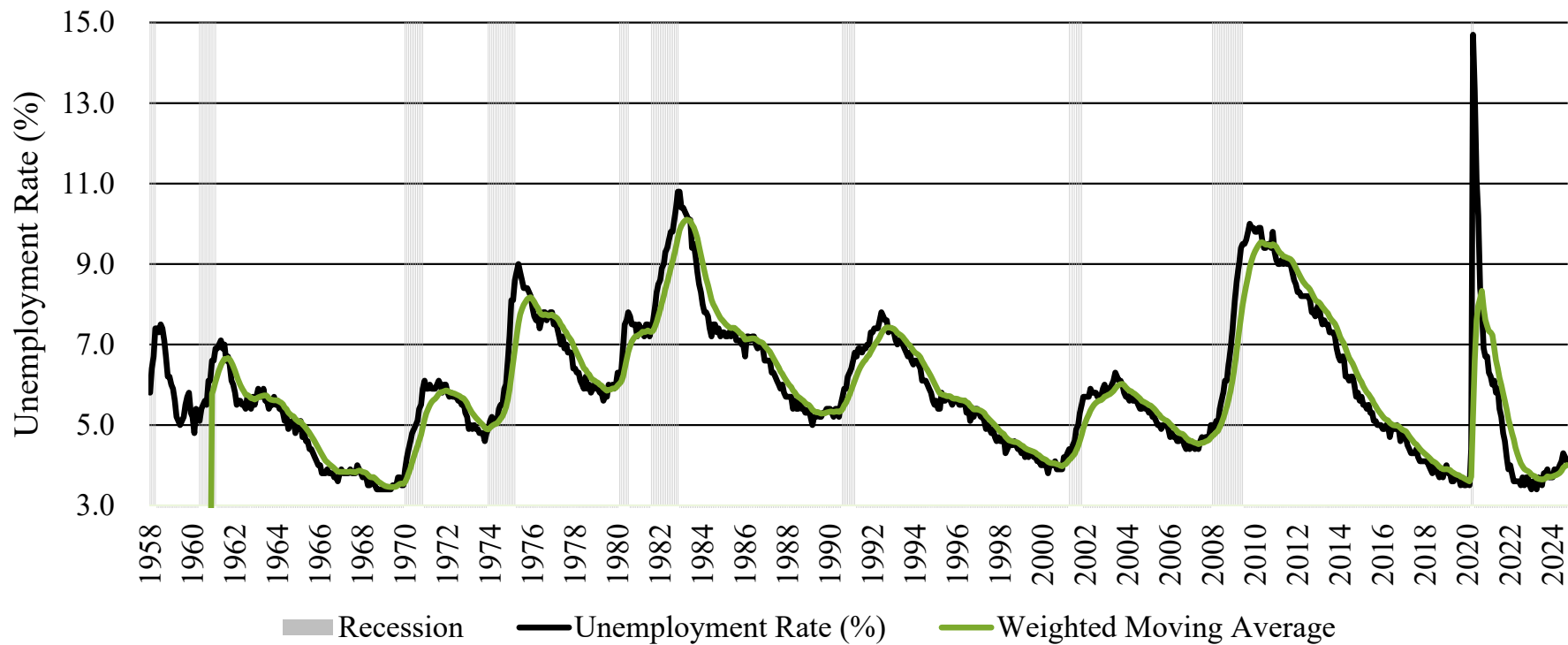
ISM Manufacturing Index



Source: Institute for Supply Management. Data as of 10/15/2024

Economy (Unemployment Rate)

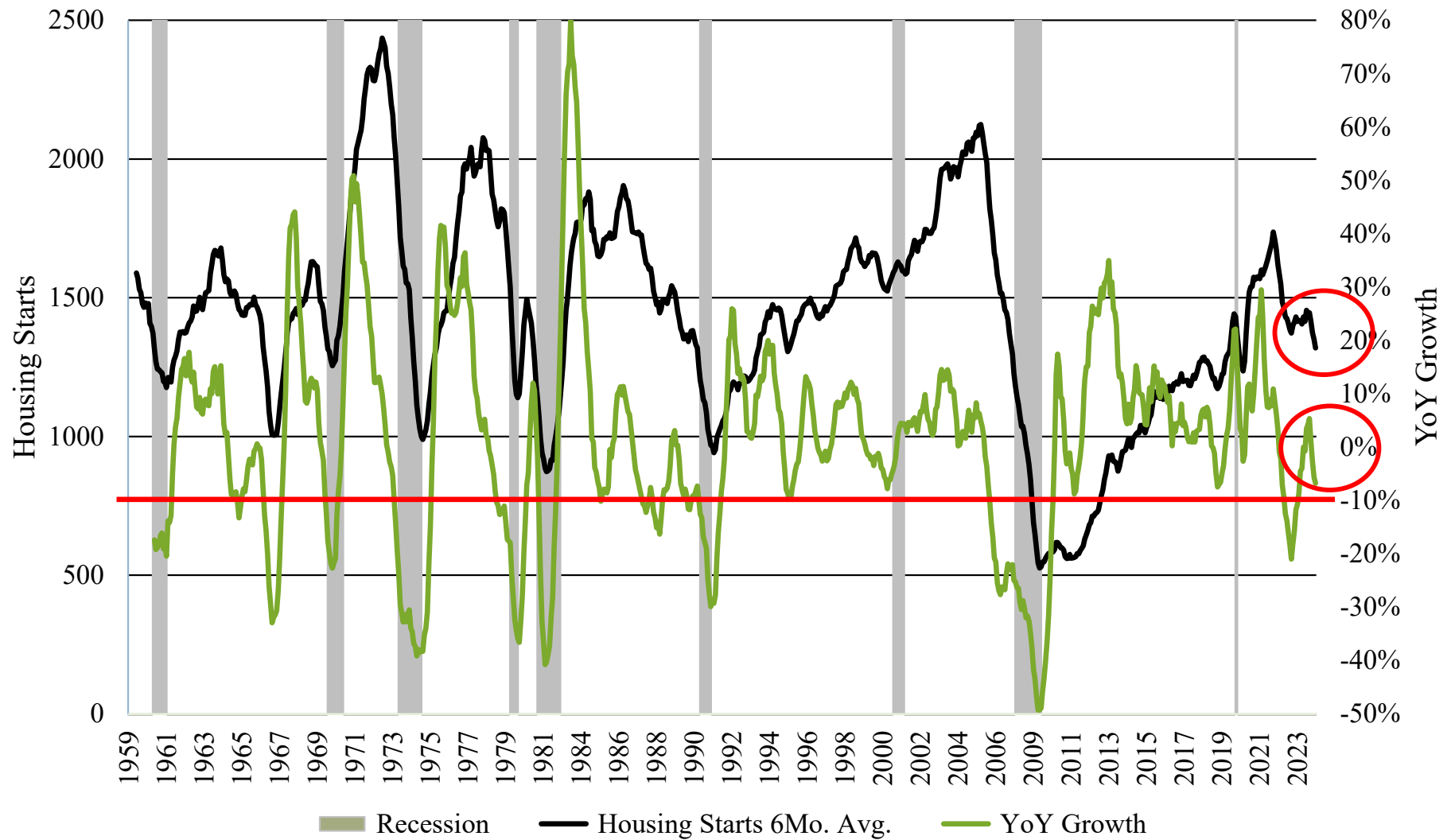
Unemployment Rate



Source: St. Louis Fed. Data as of 10/15/24

Economy (Housing Starts)

Housing Starts

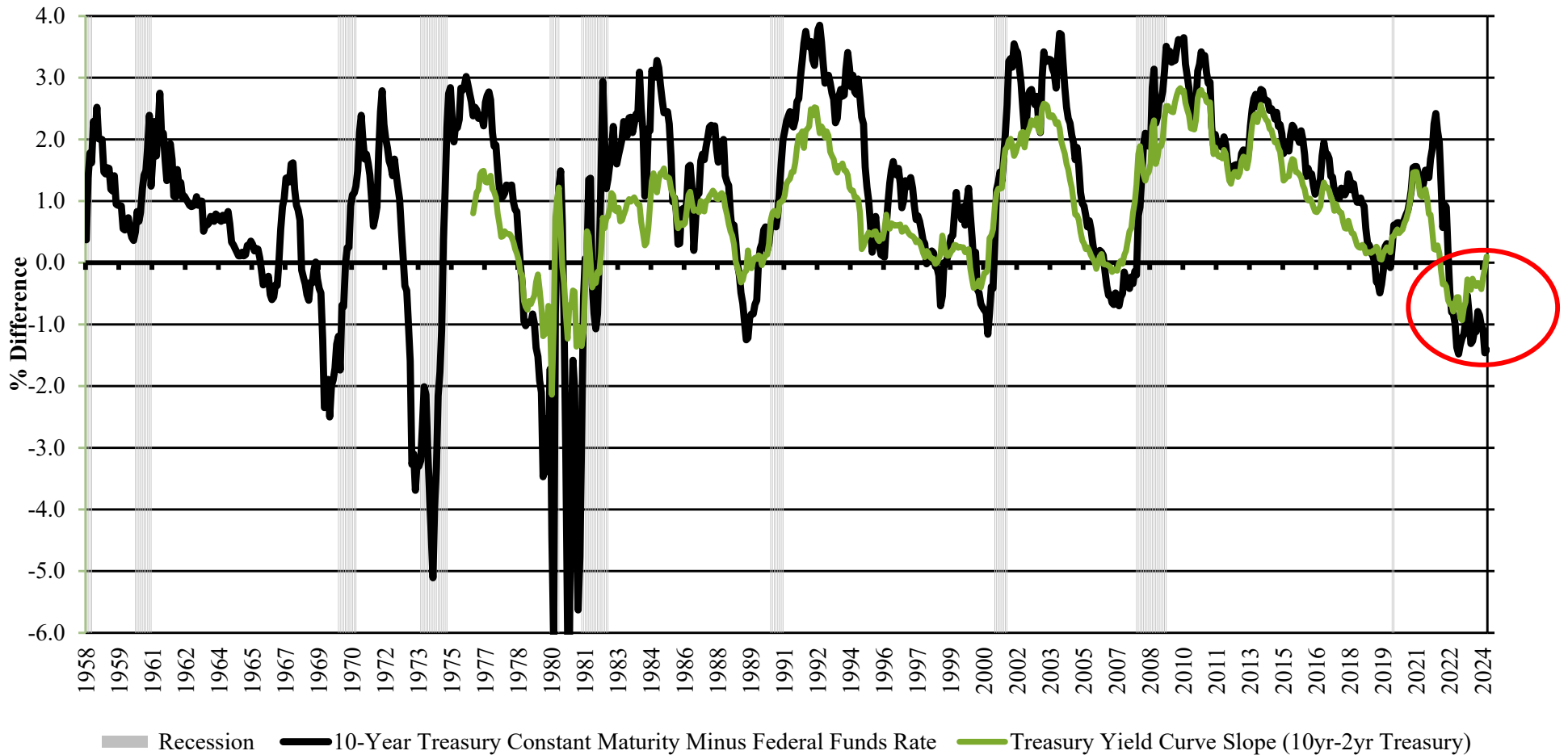


Recession Housing Starts 6Mo. Avg. YoY Growth



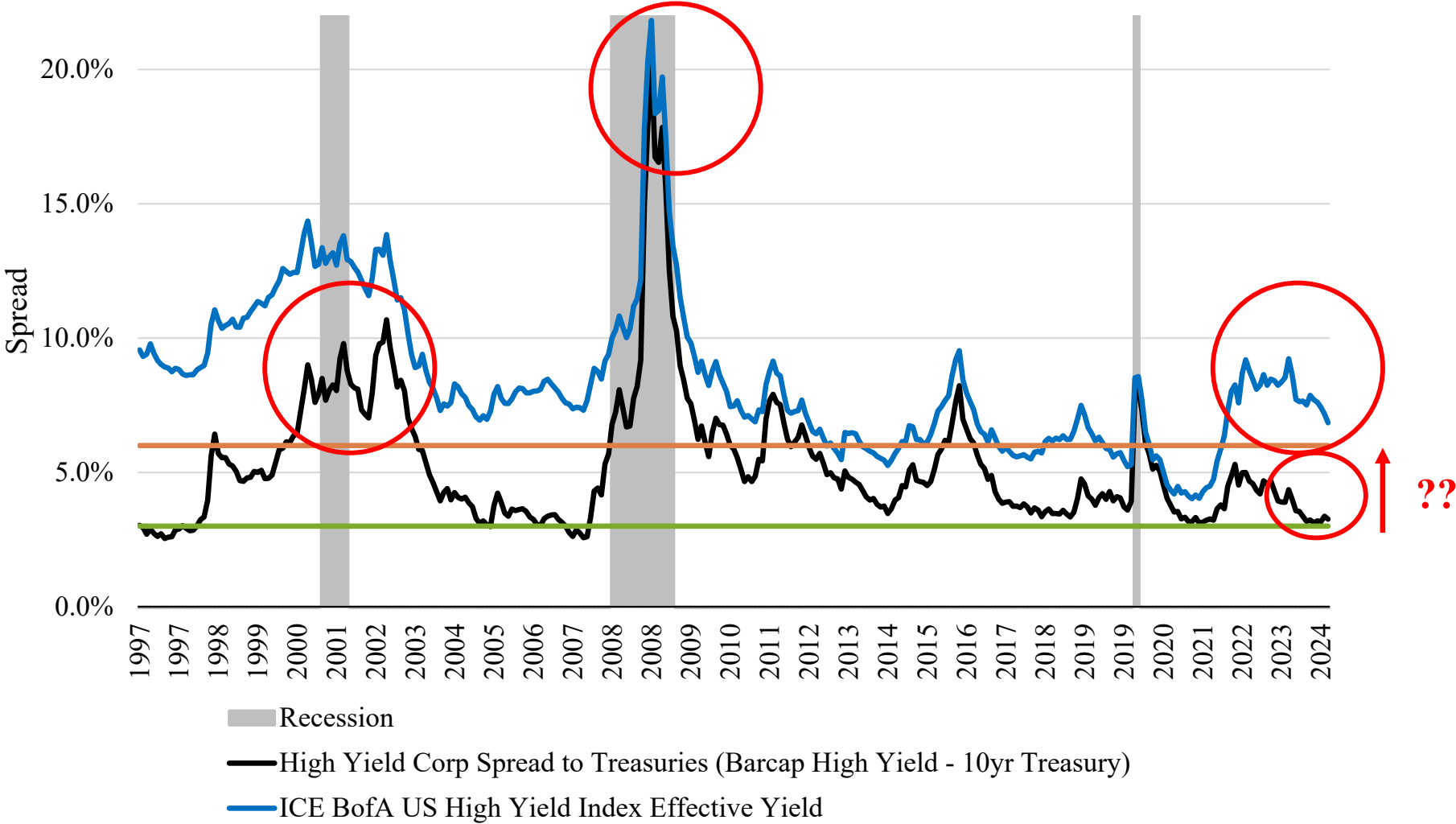
Credit Markets (Yield Curve)

Treasury Yield Curve Spread



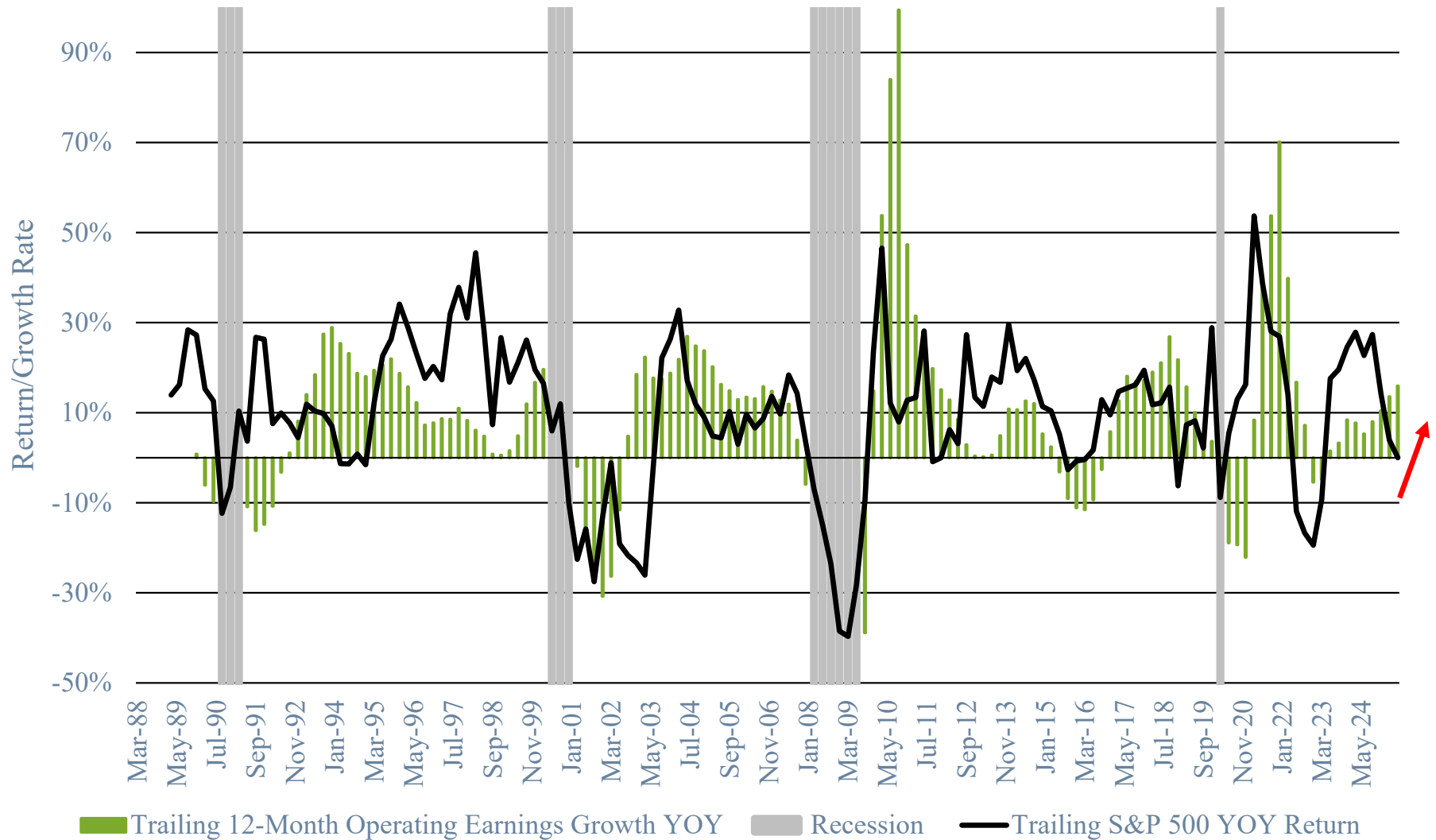
Credit Markets (High Yield Spread)

Credit Spreads – High Yield



Source: St. Louis Fed. Data as of 10/15/24

Valuations (Corporate Earnings)

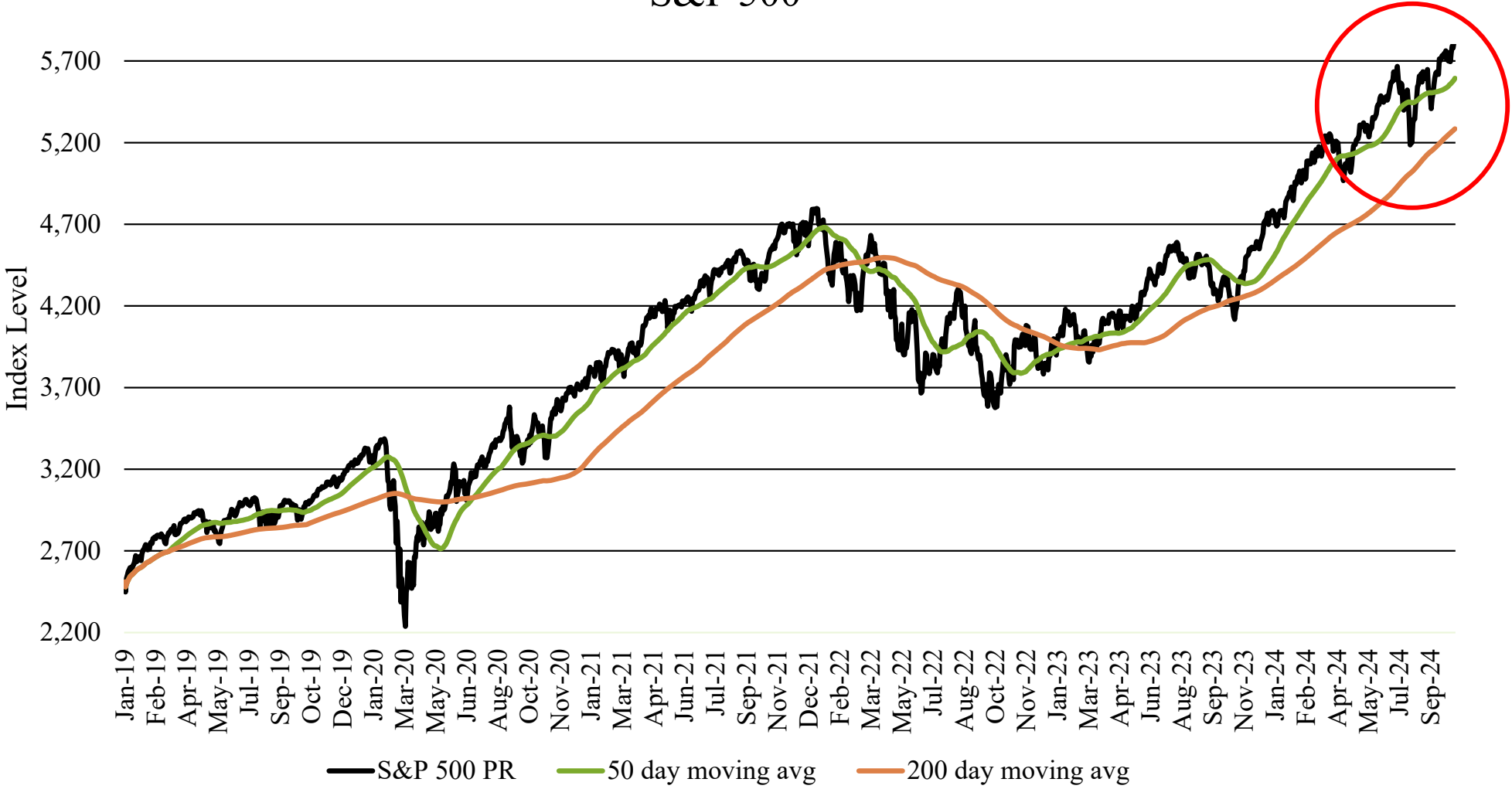


Source: S&P, as of 10/15/24



Sentiment (Market Trend)

S&P 500



Source: S&P, as of 10/15/24

Market Performance



Market Summary

■ Equity market performance

	<u>Q3 2024</u>	<u>YTD</u>
– US large cap		
• S&P 500	+5.9%	+22.1%
– US mid cap		
• Russell Midcap	+9.2%	+14.6%
– US small cap		
• Russell 2000	+9.3%	+11.2%
– International equities		
• MSCI ACWI ex US USD	+8.1%	+14.2%
• MSCI ACWI ex US NR LCL	+3.3%	+14.7%
– Emerging markets		
• MSCI Emerging Markets USD	+8.7%	+16.9%
• MSCI Emerging Markets LCL	+6.8%	+18.7%



Market Summary

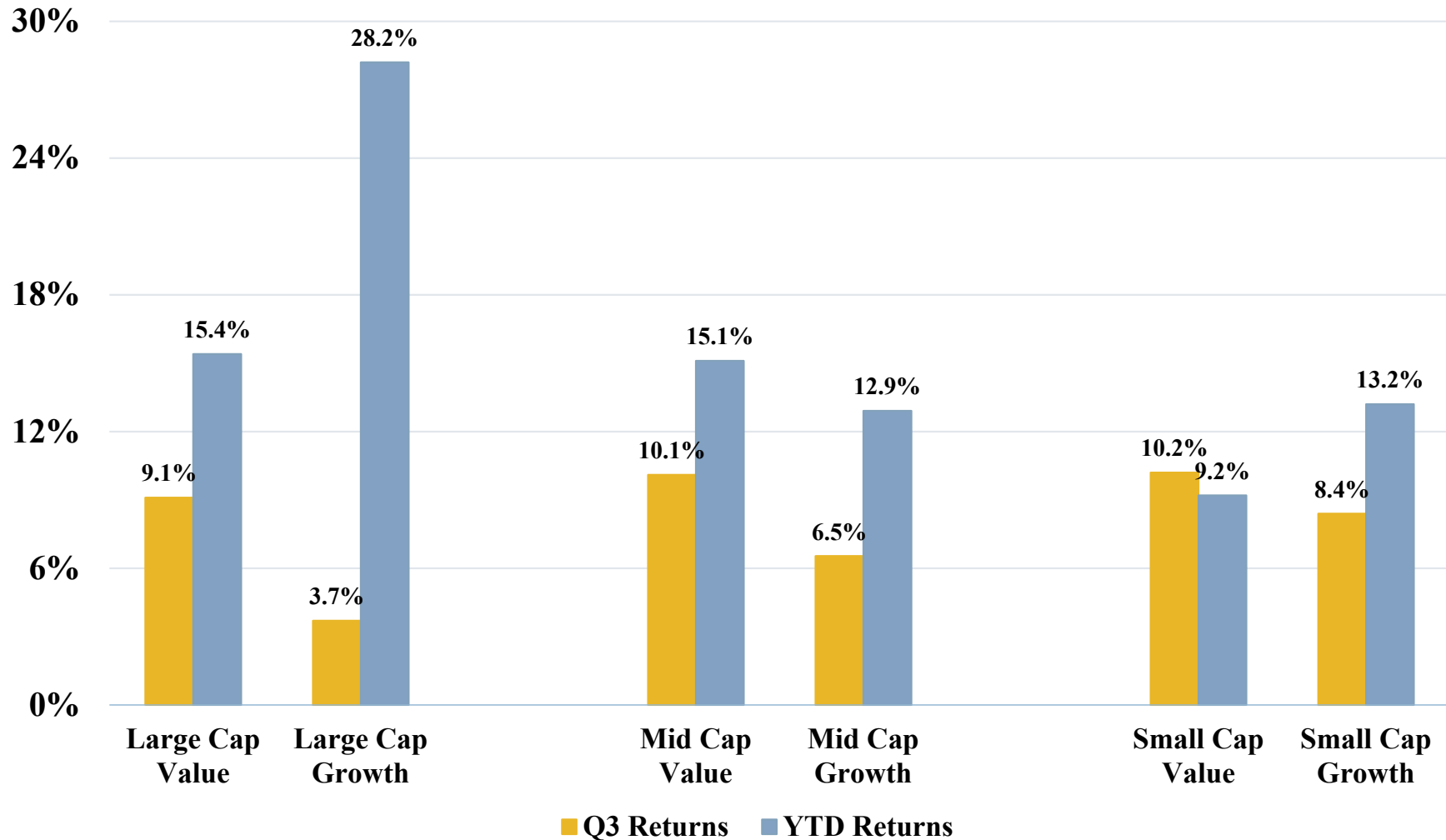
■ Bonds and other asset class performance

	<u>Q3 2024</u>	<u>YTD</u>
– US fixed income		
• Bloomberg U.S. Aggregate	+5.2%	+4.5%
– Global fixed income		
• Bloomberg Global Agg ex US	+9.5%	+2.8%
• Bloomberg Global Agg ex US Hdg	+3.5%	+4.2%
– Commodities		
• Bloomberg Commodity TR	+0.7%	+5.9%
– REITS		
• MSCI US REIT NR	+15.8%	+14.8%

Source: Morningstar



Value Led During the 3rd Quarter

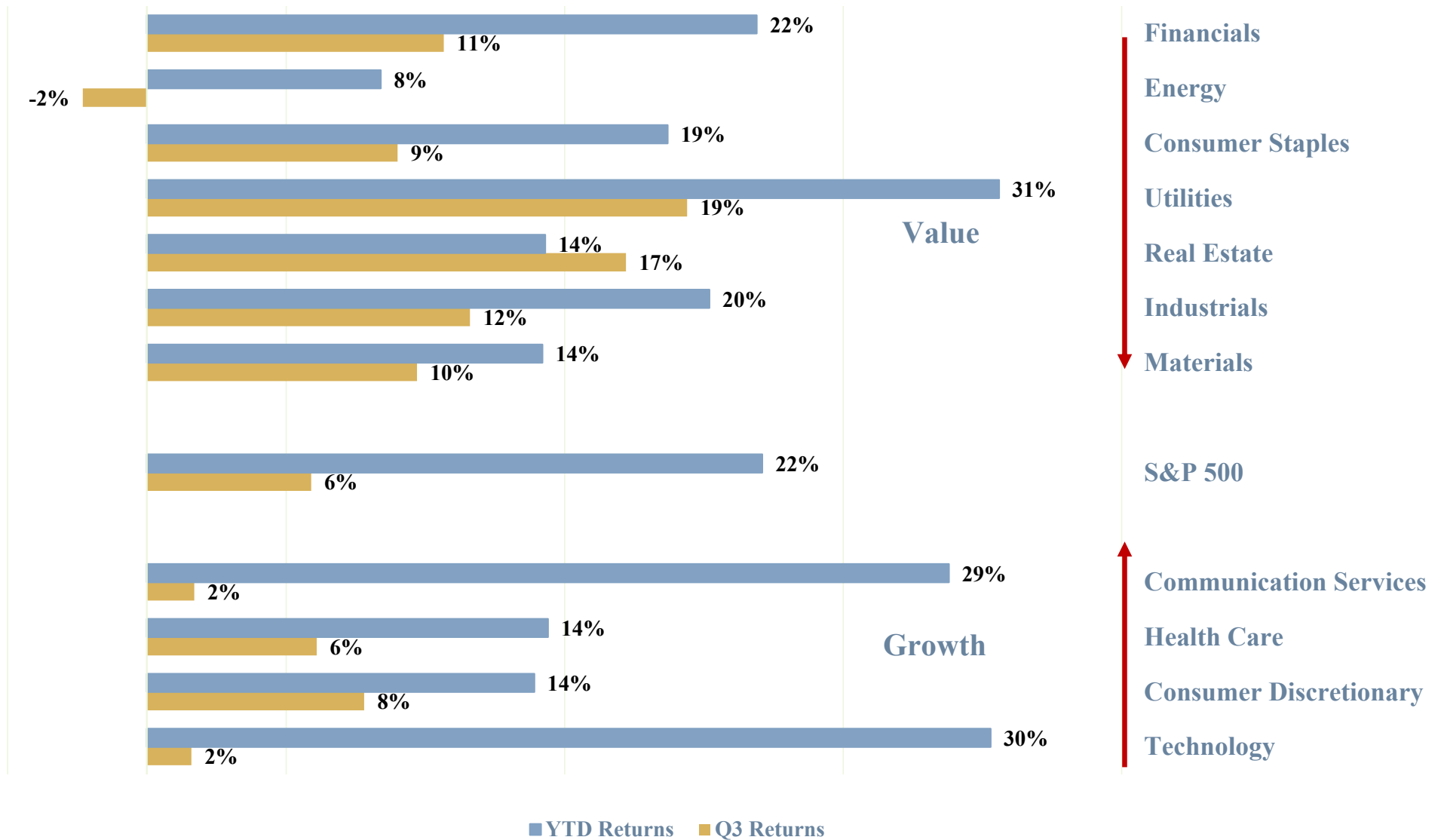


Past performance is no guarantee of future success. As of 9/30/2024.

Returns in US dollars.



S&P 500 Sector Performance

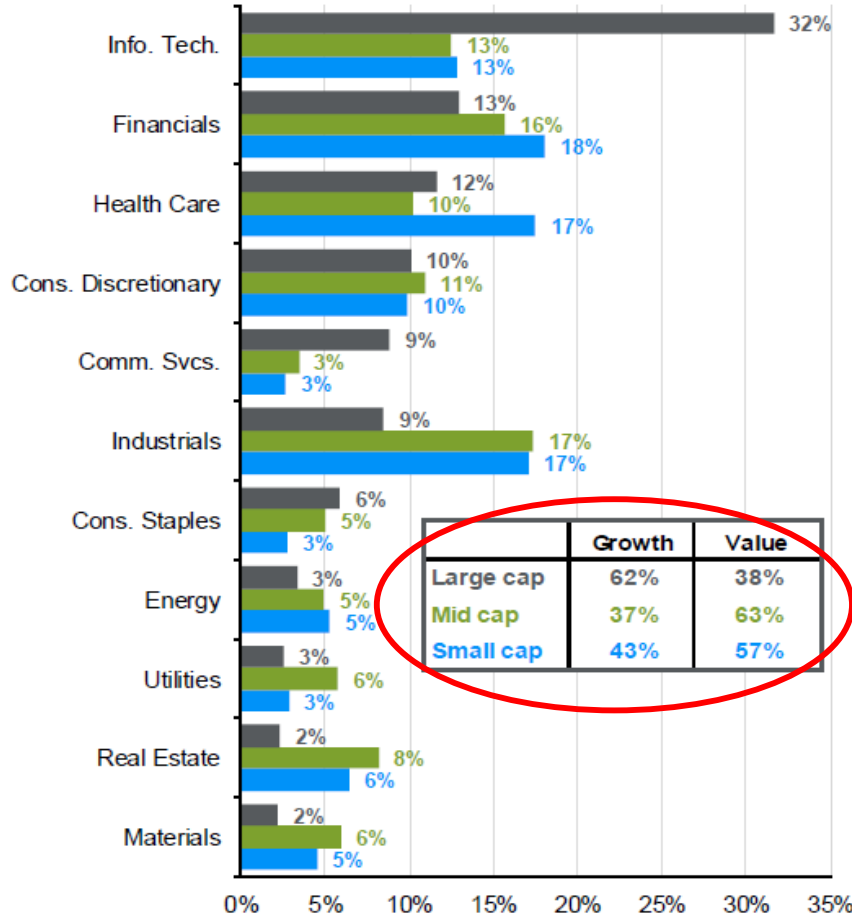


Past performance is no guarantee of future success.

Large Caps, Mid Caps and Small Caps

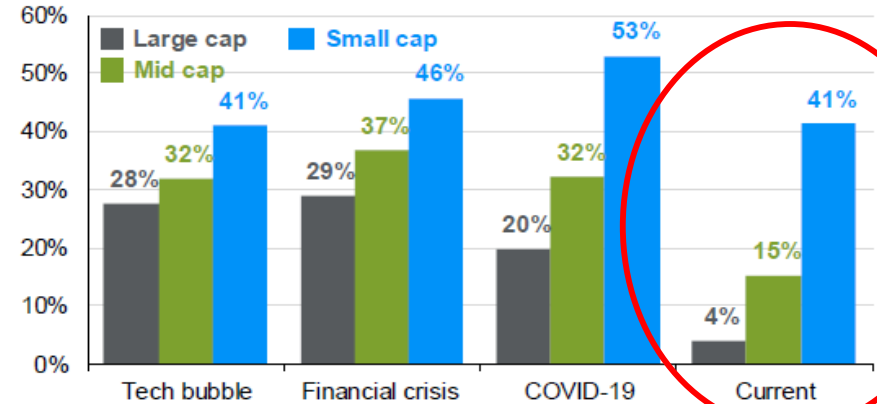
Sector composition

% of index market capitalization



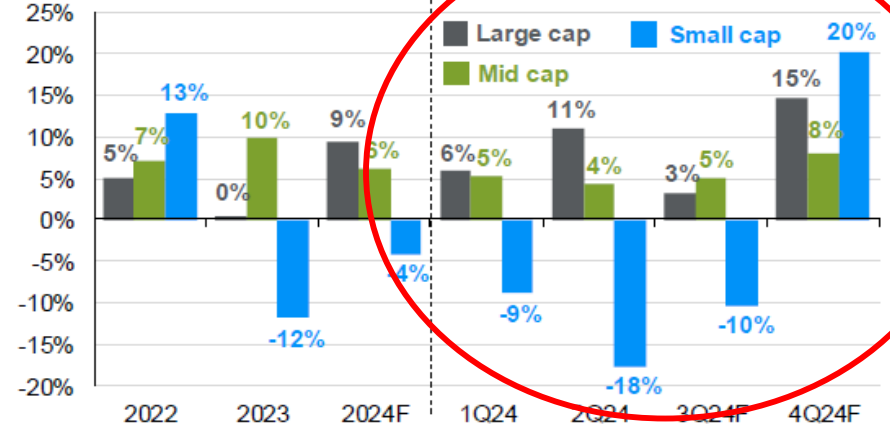
Percent of unprofitable companies

Pro-forma EPS



Earnings growth

Pro-forma EPS, y/y



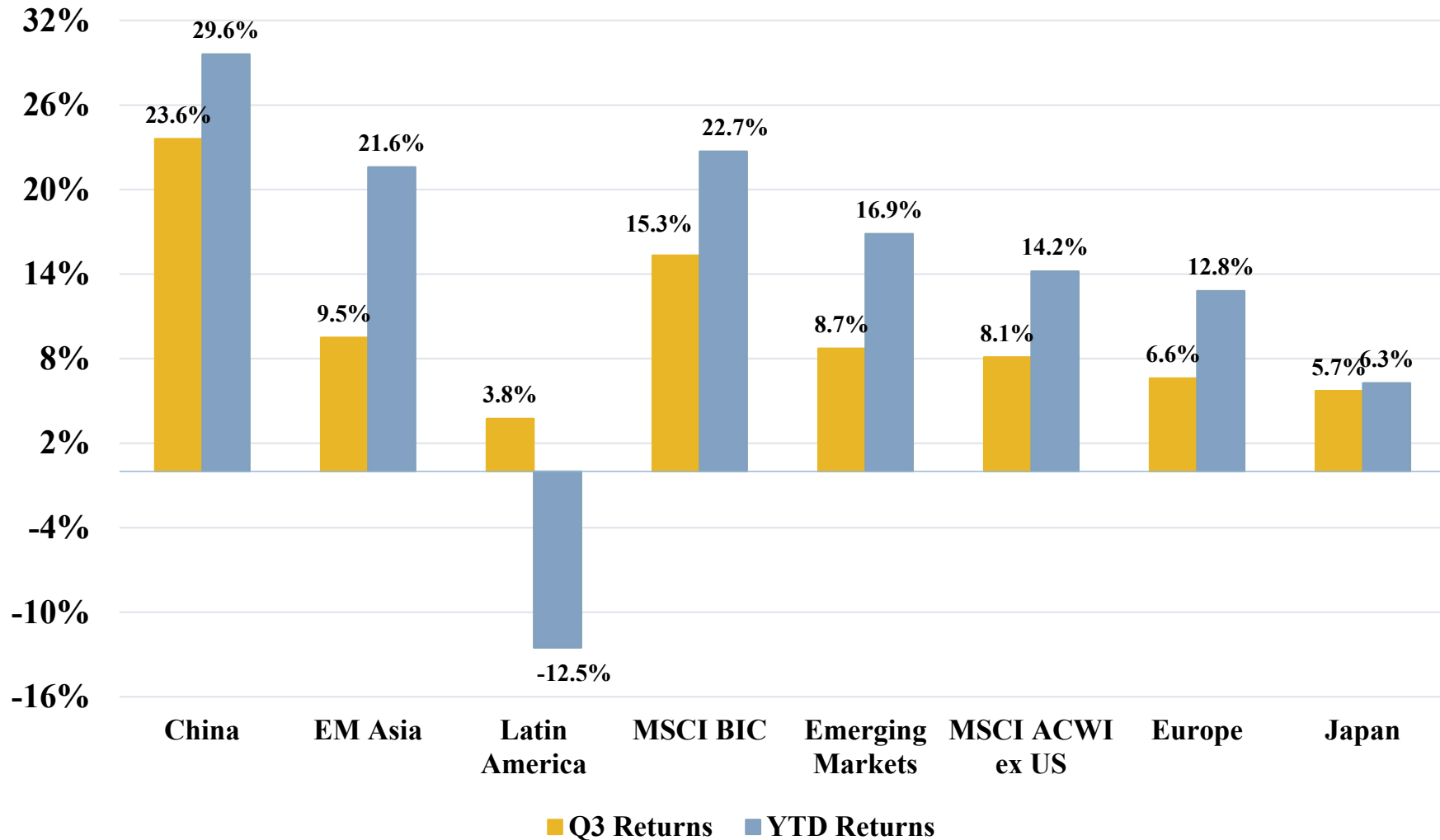
Source: Compustat, FactSet, FTSE Russell, NBER, J.P. Morgan Asset Management.

The S&P 500 is used for large cap. The Russell Mid Cap is used for mid cap. The Russell 2000 is used for small cap. Data for the percent of unprofitable companies in each index are from the following quarters: Tech bubble = 4Q01, Financial crisis = 4Q08, COVID-19 = 1Q20 and Current = 2Q24.

Guide to the Markets – U.S. Data are as of September 30, 2024.



International Performance

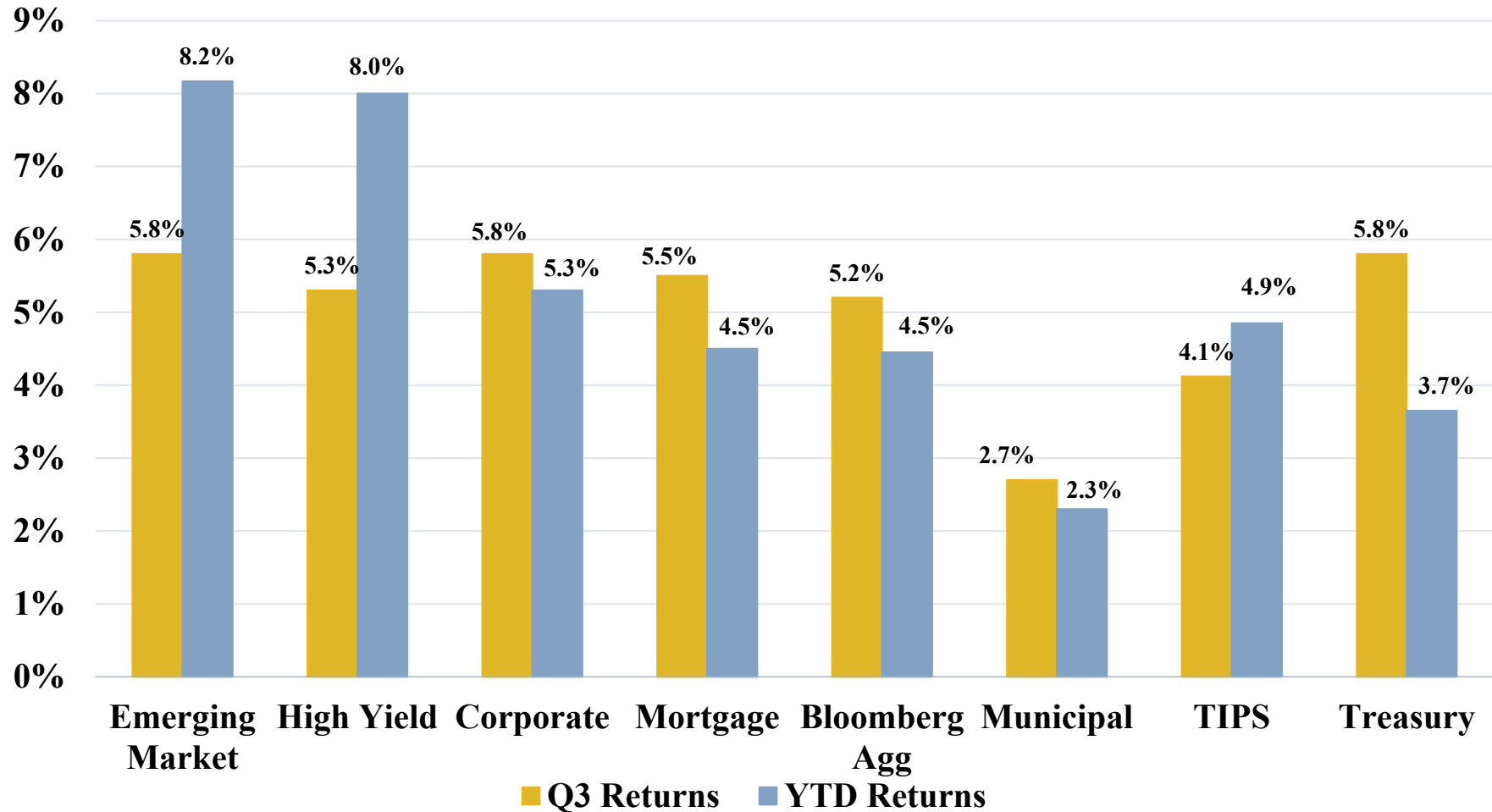


Past performance is no guarantee of future success. As of 9/30/2024.

Returns in US dollars.



Bonds Rebound During 3rd Quarter



Past performance is no guarantee of future success. As of 9/30/2024.

Source: Morningstar. Returns in US dollars.

SilverOak's Outlook



SilverOak's Economic Outlook

■ U.S. Economy

- “Soft landing” scenario still the most plausible outcome
 - Current spending and other data points suggestive of a moderating but stable economy
- Inflation likely to continue to decline to the Fed’s target
 - Monthly data could be volatile relative to expectations
- Further Fed rate cuts should be supportive
 - Likely will see areas of economy hit by higher rates begin to recover

■ International Economy

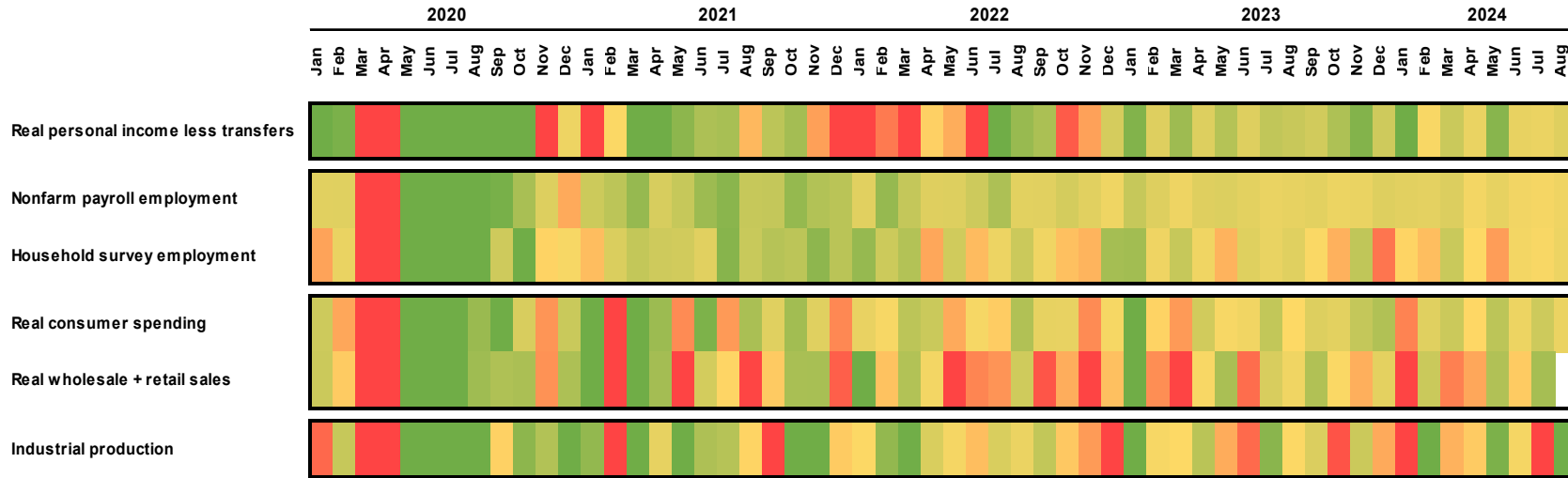
- Geopolitical risks currently appear manageable
- Several global central banks have started to cut rates
- Massive easing announced by China could stabilize their growth and add to the global recovery
- India and Japan continue to be bright spots



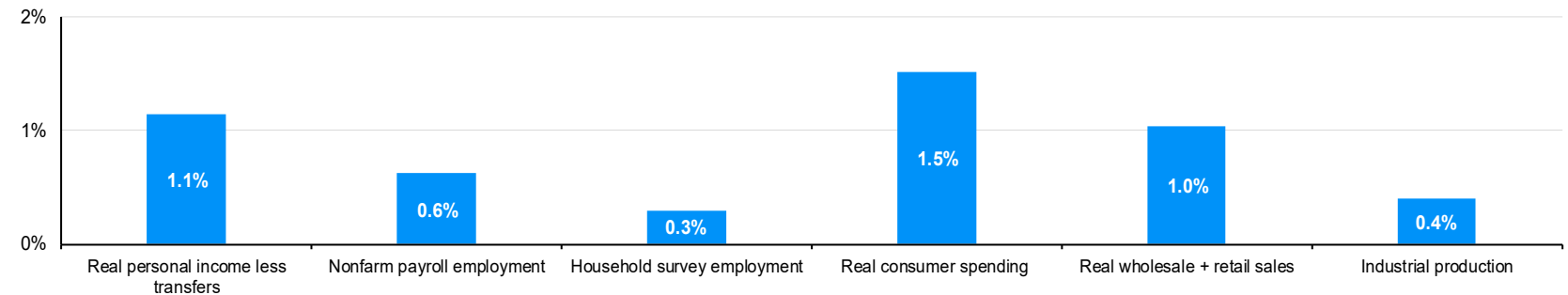
Recession Not Within Sight

Variables used by the NBER in making recession determination*

% change month-over-month



% change, last six months



Source: BEA, BLS, Census Bureau, NBER, J.P. Morgan Asset Management. Heatmap shading based on data back to 2020, with green and red reflecting a range of +/- 0.5 standard deviations from a baseline of 0% monthly growth. *The NBER's definition of a recession involves a significant decline in economic activity that is spread across the economy and lasts more than a few months. Specifically, they consider real personal income less transfers, nonfarm payroll employment, employment as measured by the household survey, real personal consumption expenditures, wholesale-retail sales adjusted for price changes and industrial production. There is no fixed rule about which measures contribute to the process or how they are weighted, but the committee notes that "in recent decades, the two measures we have put the most weight on are real personal income less transfers and nonfarm payroll employment."

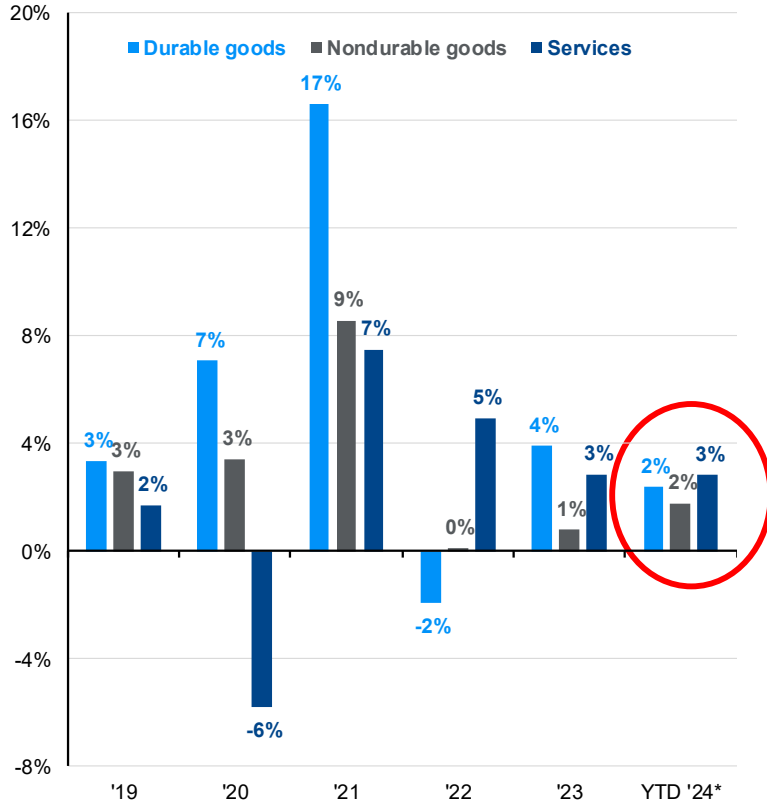
Guide to the Markets – U.S. Data are as of September 30, 2024.



Consumer Spending Continues to Fuel the Economy

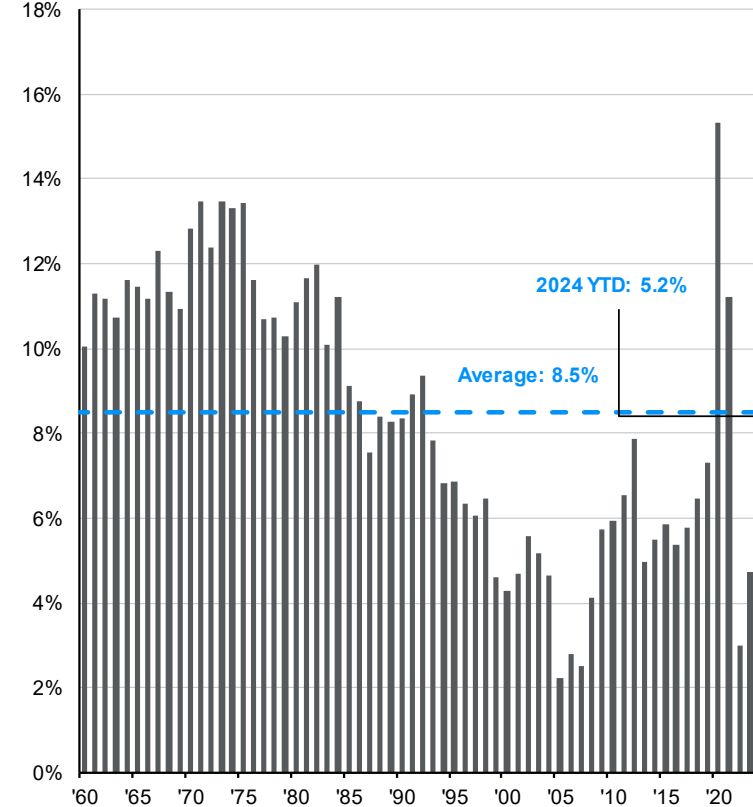
Real consumer spending by expenditure category

Y/y % change, average level of spending



Personal saving rate

Personal savings as a % of disposable personal income, annual



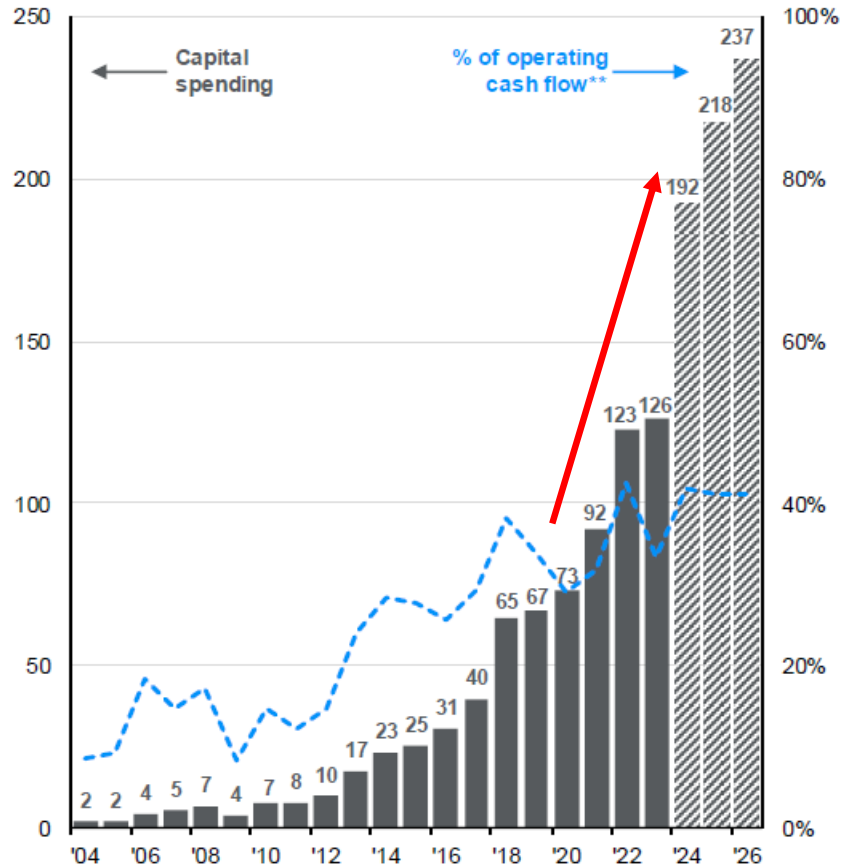
Source: BEA, Federal Reserve, J.P. Morgan Asset Management. *YTD figure for 2024 reflects the year-over-year % change in the average level of spending during the first eight months of 2024 relative to the average level of spending during the first eight months of 2023. *Guide to the Markets – U.S.* Data are as of September 30, 2024.



Technology Spending Fueling The US Economy

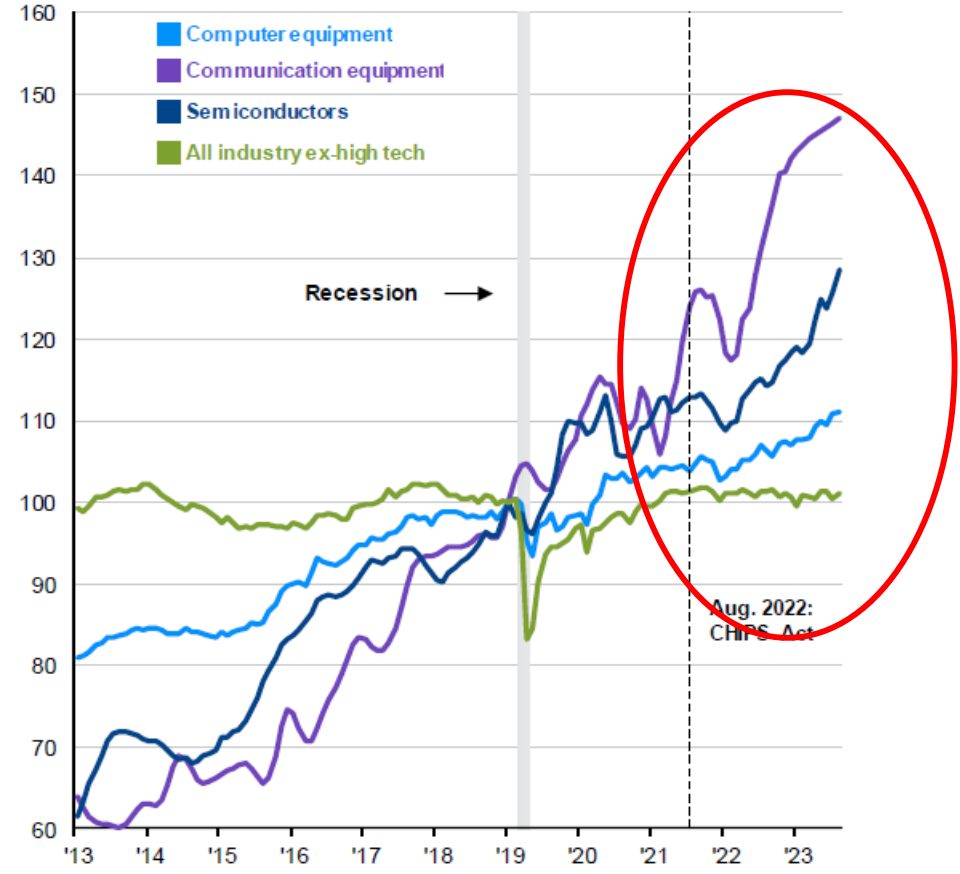
Capex from the major AI hyperscalers*

USD billions; Alphabet, Amazon (AWS), Meta, Microsoft, Oracle



U.S. industrial production of high tech industries

Indexed to 100 in Jan. 2020



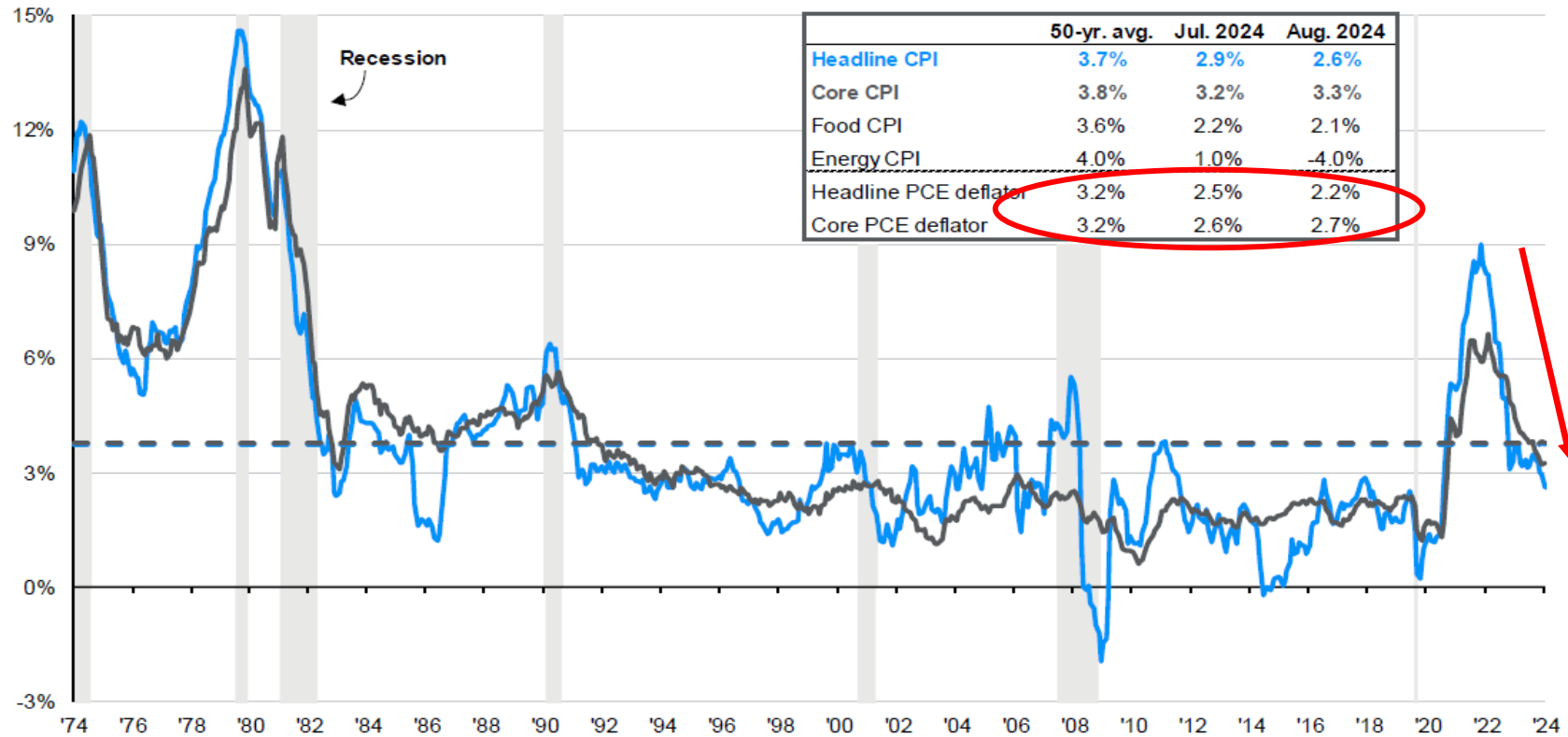
Source: J.P. Morgan Asset Management; (Left) Bloomberg; (Right) Federal Reserve Board. Data for 2024, 2025 and 2026 reflects consensus estimates. Capex shown is company total, except for Amazon, which reflects an estimate for AWS spend (2004 to 2012 are J.P. Morgan Asset Management estimates and 2012 to current are Bloomberg consensus estimates). *Hyperscalers are the large cloud computing companies that own and operate data centers with horizontally linked servers that, along with cooling and data storage capabilities, enable them to house and operate AI workloads. **Reflects cash flow before capital expenditures in contrast to free cash flow, which subtracts out capital expenditures. Guide to the Markets – U.S. Data are as of September 30, 2024.



Inflation Continues to Decline

CPI and core CPI

% change vs. prior year, seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management.

CPI used is CPI-U and values shown are % change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations.

Guide to the Markets – U.S. Data are as of September 30, 2024.



Manufacturing Remains Weak

ISM Manufacturing PMI & ISM Services PMI



As of September 2024
Next release: ISM Manufacturing November 1, 2024; ISM Services November 5, 2024
Source: DoubleLine, Institute for Supply Management (ISM), Macrobond



SilverOak's Market Outlook

■ Equities

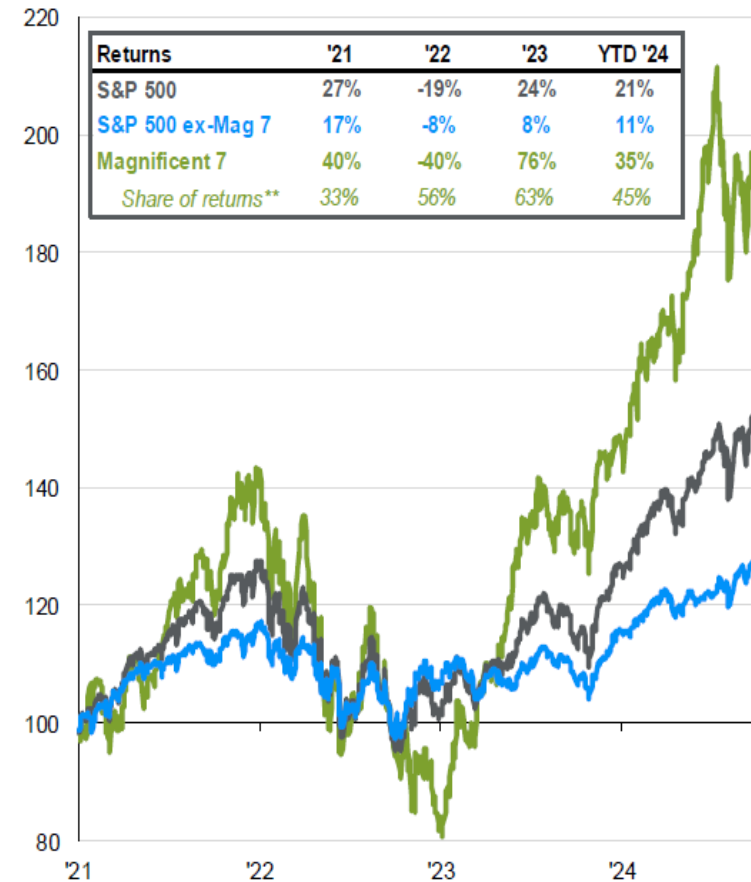
- Equities could see a pullback or an increase in volatility
 - High Mag 7 valuations incorporating very high expectations
 - Earnings growth outside of technology could help other equity categories perform better
 - Geopolitical wildcards
 - Pullbacks are normal and to be expected
- More positive long-term outlook
 - Strong price momentum continues
 - Equity performance appears to be broadening
 - International and Small Caps
 - Valuation of equities outside of Magnificent Seven not expensive
 - Earnings recovery and more Fed cuts supportive of stocks
 - Unless the Fed is behind the curve
 - In early stages of a multi-year AI technology trend



Earnings Growth Will be Important for Equities

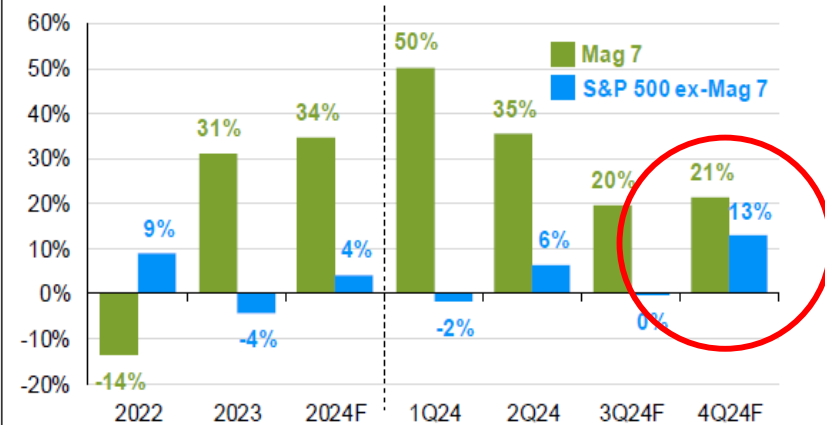
Performance of "Magnificent 7" stocks in S&P 500*

Indexed to 100 on 1/1/2021, price return



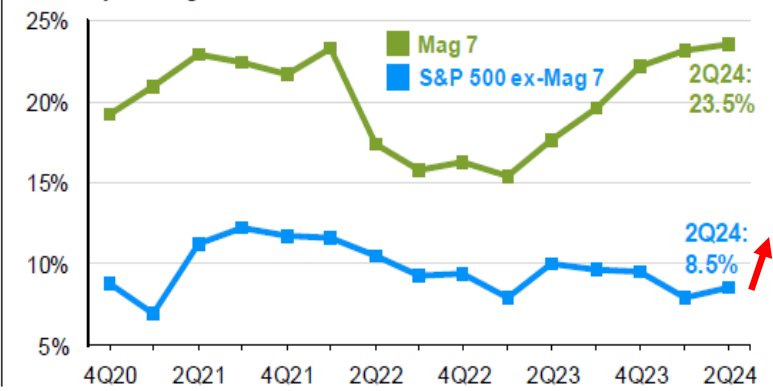
Earnings growth

Pro-forma EPS, y/y



Profit margins

Quarterly earnings/sales



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

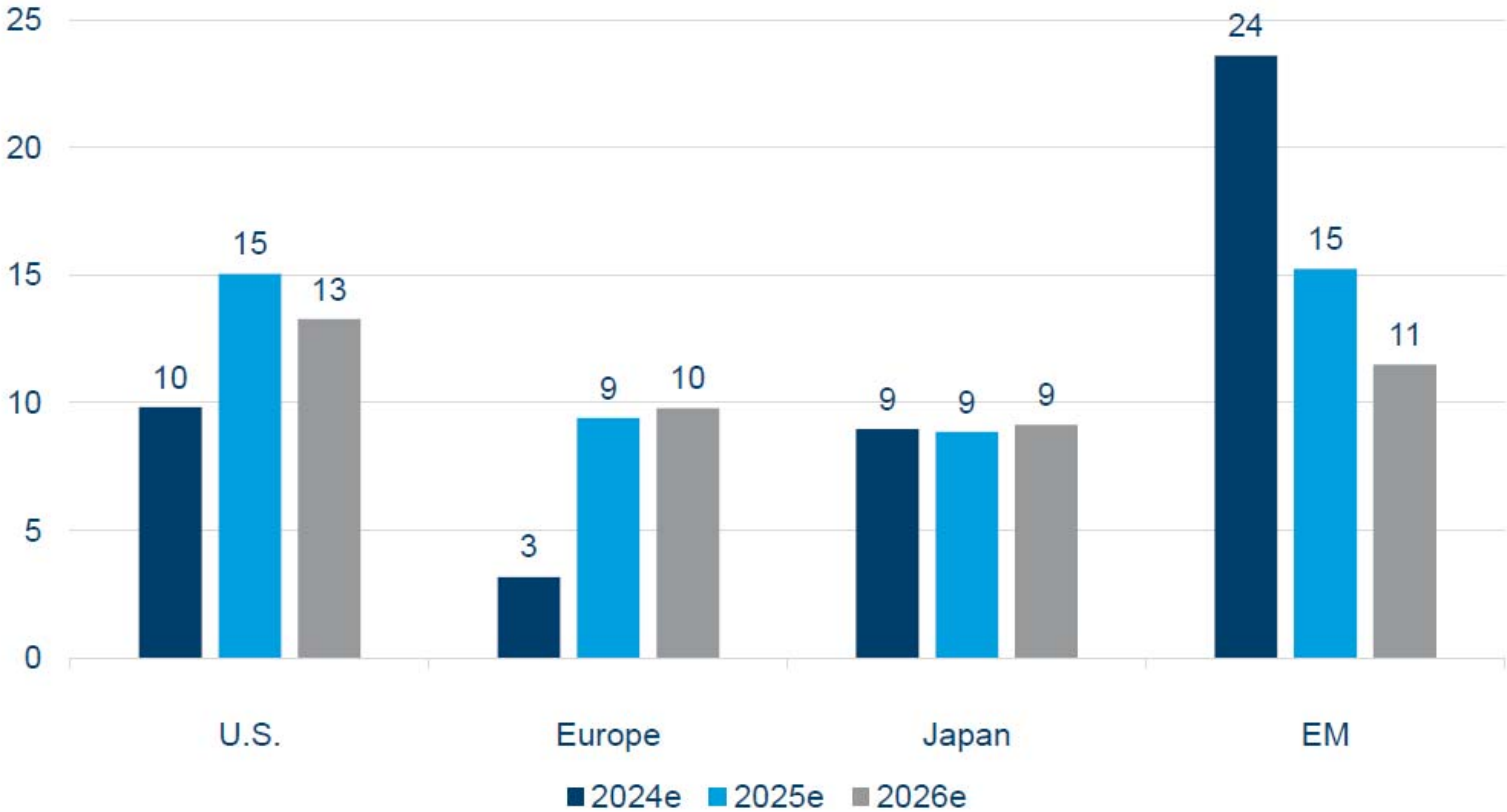
*Magnificent 7 includes AAPL, AMZN, GOOG, GOOGL, META, MSFT, NVDA and TSLA. Earnings estimates for 2024 are forecasts based on consensus analyst expectations. **Share of returns represent how much each group contributed to the overall return. Numbers are always positive despite negative performance in 2022.

Guide to the Markets – U.S. Data are as of September 30, 2024.



Solid Earnings Growth Expected in 2025

► U.S. consensus earnings growth is for double-digit growth anticipated in 2024, 2025 and 2026 (Earnings growth, %)



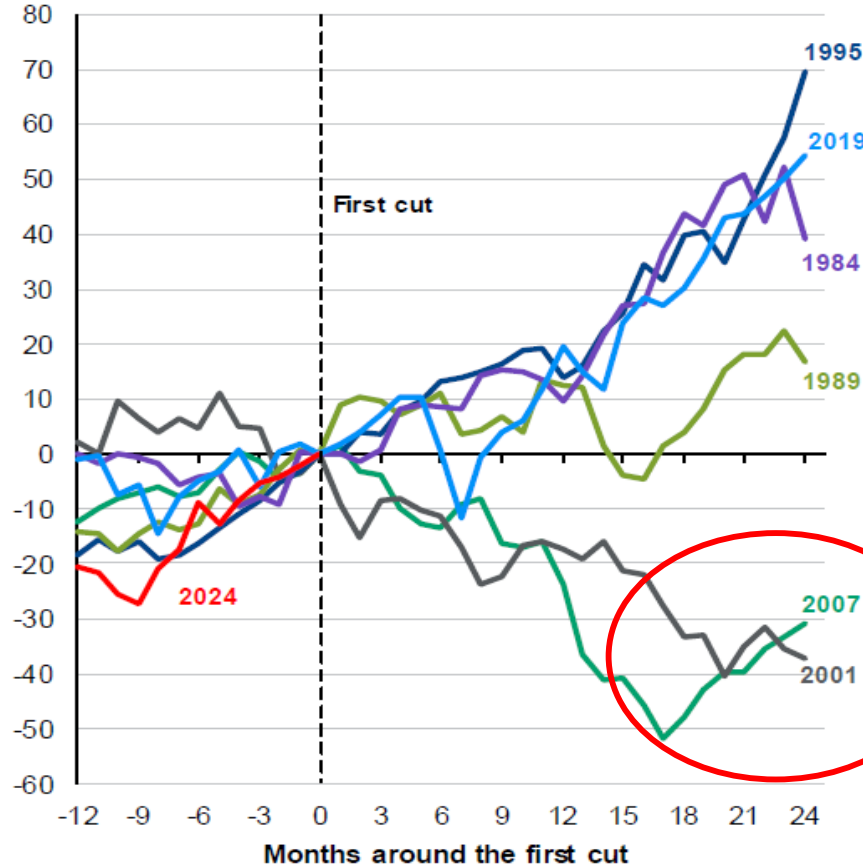
Source: FactSet, MSCI, data as of 09/30/24. U.S. is represented by MSCI US Index; Europe by MSCI Europe Index; Japan by MSCI Japan Index; EM by MSCI Emerging Markets Index. It is not possible to invest directly in an index.



Equity Returns Around the Start of Fed Cuts

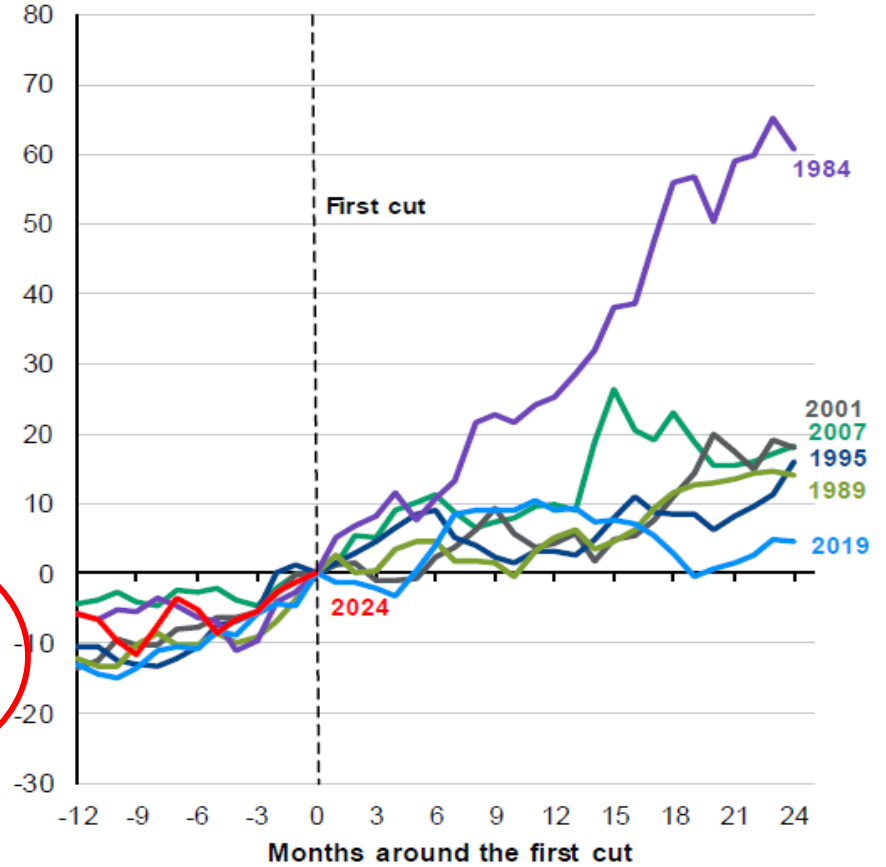
S&P 500 returns around the start of Fed cutting cycles

%, price return, indexed to zero at the first cut



U.S. 10-yr returns around the start of Fed cutting cycles

%, total return, indexed to zero at the first cut



Source: FactSet, Federal Reserve, LSEG Datastream, S&P Global, J.P. Morgan Asset Management. Past performance is not a reliable indicator of current and future results. Excludes 1998 episode due to the short length of the cutting cycle and economic context for the cuts.

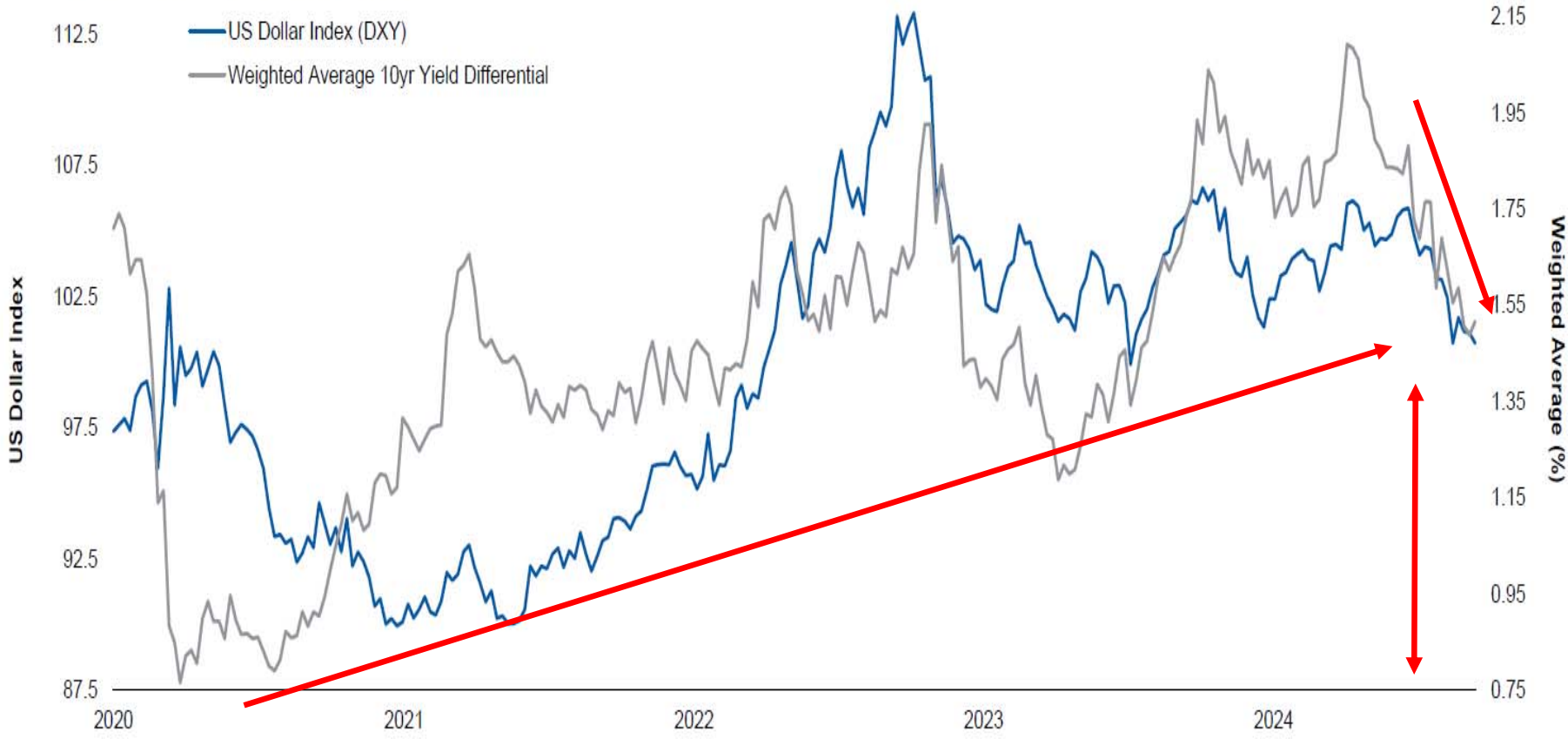
Guide to the Markets - U.S. Data are as of September 30, 2024.



The Moderating Dollar Could Help International

The U.S. Dollar Index is Moving in Lock Step with Yield Differential

US Dollar Index vs yield differential



Source: Bloomberg, MSIM. Data as of September 16, 2024. The views and opinions expressed are those of the Portfolio Solutions Group at the time of writing/of this presentation and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. **Past performance is no guarantee of future results.**

International Well Positioned

International: Price-to-earnings discount vs. U.S.

MSCI All Country World ex-U.S. vs. S&P 500, next 12 months



International: Difference in dividend yields vs. U.S.

MSCI All Country World ex-U.S. minus S&P 500, next 12 months



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.
 Guide to the Markets – U.S. Data are as of September 30, 2024.



SilverOak's Market Outlook

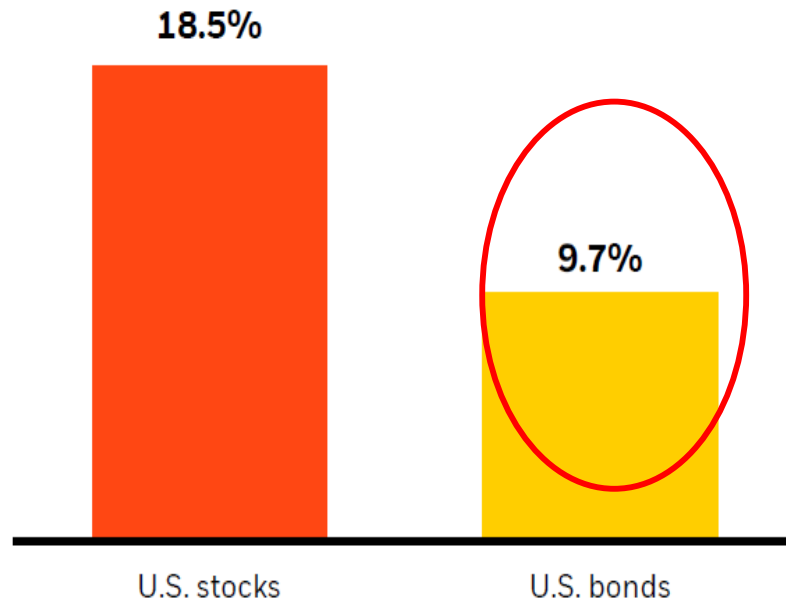
■ Fixed Income

- The Fed has started the path to lower interest rates
 - Fed started with a 50 bps cut in September
 - Likely will cut rates 25 bps in November and December
 - Likely to cut four times next year
- Current interest rates provide an attractive yield
- Cash yields will move lower as Fed continues to cut rates
- Bonds continue to have an important role in a diversified portfolio
 - Should provide a cushion against equity volatility
 - Should protect against a potential equity decline if the economy slips into a recession because the Fed waited too long to begin cutting rates

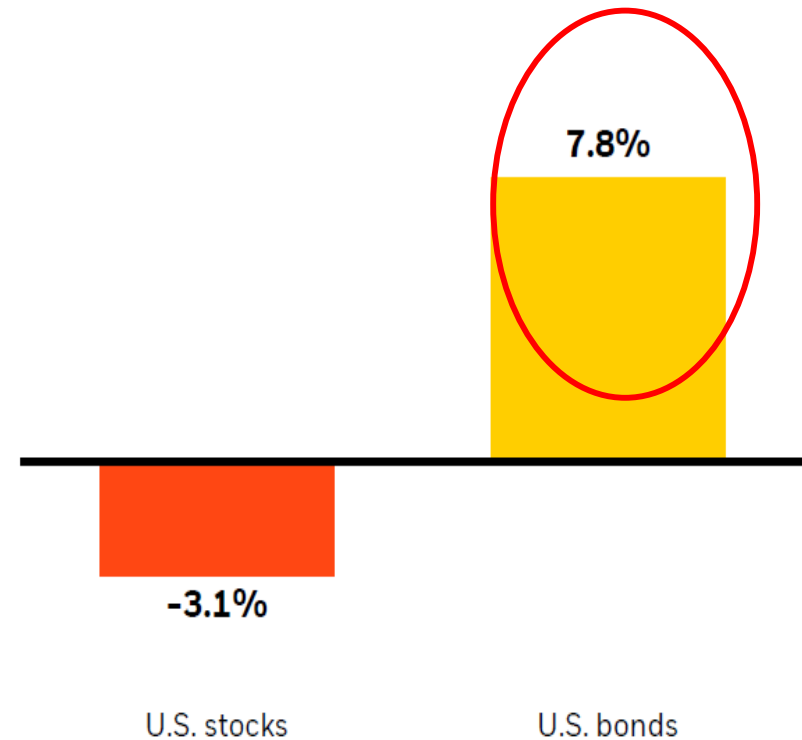


Bonds Continue to be Well Positioned

First Fed cut and no recession within 12 months
1/1/1926 – 8/31/2024



First Fed cut and a recession within 12 months
1/1/1926 – 8/31/2024



Source: Morningstar, Federal Reserve, NBER as of 8/31/24. U.S. stocks are represented by the S&P 500 TR Index from 3/4/57 to 8/31/24 and the IA SBBI U.S. Lrg Stock TR USD Index from 1/1/26 to 3/4/57. U.S. bonds are represented by the IA SBBI US Gov IT Index from 1/1/26 to 1/3/89 and the Bloomberg U.S. Agg Bond TR Index from 1/3/89 to 8/31/24. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You can not invest directly in the index.



SilverOak Updates
And
Other Important Items



SilverOak Updates

- 2023 tax season is officially over!
- SilverOak personnel update
 - Hired an additional Operations Specialist
- IQSStm (Investment Quality Scoring Systemtm)
 - Performance update
 - Added several positions to the Recommended List
 - One position added to Watch List
 - One position removed from the Recommended List



Year-end Reminders

- Keep good tax records for 2024
- Complete a year-end tax projection
- Watch for year-end capital gains distributions
 - Likely to be higher this year vs. last year
- Process year-end charitable donations
 - Low basis stock
 - QCDs (Qualified Charitable Deduction) from IRAs
 - Donor Advised Fund distributions/grants



Other Noteworthy Items

- Social Security updates
 - COLA increase of 2.5% for 2025
 - Wage base will increase to \$176,100
 - Maximum monthly benefit increased from \$3,822 to \$4,018



Estate & Gift Planning



Estate Taxes

- **Tax imposed on wealth transferring at death**
- **Maximum estate tax rate**
 - 40% maximum rate
- **Estate tax exemption**
 - Currently \$13.61 million per individual
 - Exemption level rises with inflation
 - In 2026, exemption expected to reduce to ~\$7 million unless Congress acts



Gift Tax

- **Tax imposed on gifts made during lifetime to non-charities**
- **Annual gift tax exclusion limit**
 - Currently \$18,000 per recipient per year
 - Annual gifts not exceeding the annual exclusion do not count against your lifetime exemption
- **Exclusion for education and health care costs**
 - Expenses paid directly to educational institutions or health care providers for the benefit of another person are not considered gifts
- **Lifetime Gift exemption**
 - \$13.61 million per donor
 - Single exemption amount is shared between gift taxes and estate taxes



State Estate and Gift Taxes

- **Each state may impose their own form of taxes**
 - Examples
 - Arizona – None
 - California – None
 - Florida – None
 - Iowa – Inheritance tax
 - Minnesota – Estate tax
 - Texas – None
 - Wisconsin – None

Minnesota:

Estate tax exemption = \$3 million (not portable)

No gift tax



Estate & Gift Tax Planning Tips

- **If you have a large life insurance policy, especially if you are just buying the policy**
 - Consider an Irrevocable Life Insurance Trust
- **If married with total joint assets > than \$6 million and Minnesota residents**
 - Be certain to consider “estate equalization” as Minnesota does not have portability of the exemption



Estate & Gift Tax Planning Tips

- **Utilize Bypass Trust structure within your estate documents**
- **Consider annual gift tax exclusions**
 - 529 Plans have a special rule allowing the front-loading of 5 years' worth of annual gifts
 - Requires annual gift tax returns to be filed for all 5 years



Estate & Gift Tax Planning Tips

- **If gross estate > \$7 million, particularly if it is considerably above this level**
 - Consider a large one-time gift (non-charity) in 2025 between \$7 million and \$14 million
 - Gifts of appreciated property have carryover basis and do not receive step-up treatment upon death
 - Ideal assets to gift to non-charities are high basis assets expected to appreciate in the future
 - May utilize an Irrevocable Trust, which can also be structured as a Grantor Trust

See your SilverOak Advisor with questions



*Additional
Questions
and/or Topics?*



End of Quarterly Webinar

Please contact your SilverOak Advisor
to discuss any questions and/or concerns.

If you are not currently working with SilverOak, feel free
to contact us at 952-896-5701 to learn more about our services.

www.silveroakwealth.com

Sources: MSCI, RIMES. Data reflects January 31, 2002, to May 31, 2024.

