INVESTOR'S Edge

Fourth quarter, 2024

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Top things to know about the U.S. elections

Given the increased contentiousness of U.S. presidential elections, there is a growing perception that the stock market will be heavily influenced by the outcome. But a quick look at previous election cycles may offer reassuring insights for investors to focus on instead.

Over the years, the market's strength during and after presidential elections has had less to do with who or which party occupies the White House, or which party controls the House of Representatives and Senate, and more to do with other factors.

As the election approaches and campaign rhetoric fans the flames of financial worry or anxiety, keep in mind the following four key points as well as three investment fundamentals.

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Top things to know about the U.S. elections, continued from page 1

Key points

#1 – The market has performed well under various combinations of party control

The U.S. stock market has risen during Republican and Democratic presidencies—including during both controversial and noncontroversial presidencies, as illustrated on the chart. There were a couple of lengthy periods when the S&P 500 struggled, such as during the 1970s when Presidents Richard Nixon and Gerald Ford (shown in red in the chart) and Jimmy Carter (in blue) served. But by and large, from 1933 onward, the market rose during several Republican and Democratic presidential periods and substantially so at times.

#2 – Wall Street's priorities often differ from Main Street's

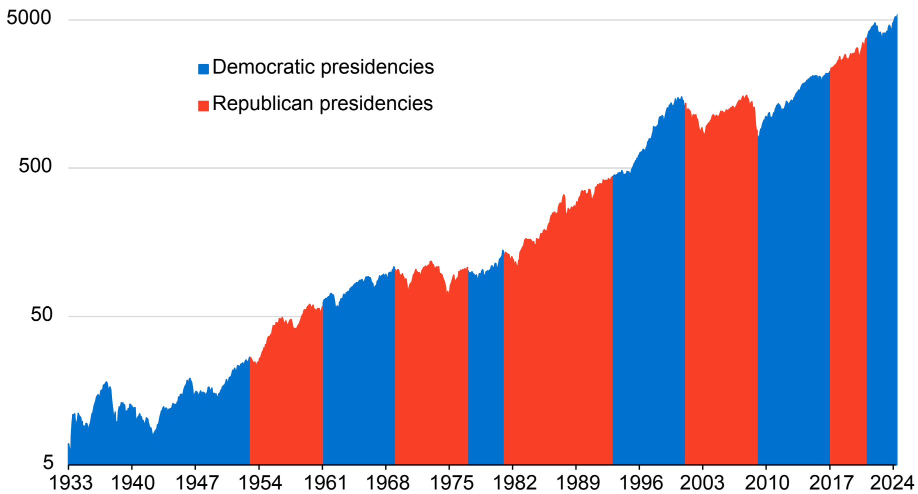
Wall Street and Main Street priorities often differ. Among the policy issues that catch Wall Street's attention, very few end up being primary drivers of stock market or sector returns—especially long-term returns. Wall Street's priorities, which are shown in the accompanying illustration, can differ from what large portions of the electorate prioritize. The market often ignores important social issues that help determine election outcomes. For example, this election season, various voter groups are focused on crime, border security, homelessness, the fentanyl and opioid crises, abortion, etc. But historically, social issues have had little direct, immediate or discernible impact on the corporate profit growth of large companies that make up the S&P 500, which is Wall Street's primary focus.

#3 – The Fed, economy, innovation and profits tend to matter more than Washington policies

The Fed's monetary policies have historically influenced the economy, inflation, bank lending and credit availability much more. The Fed's decisions tend to help shape the

Market gains have occured under both parties

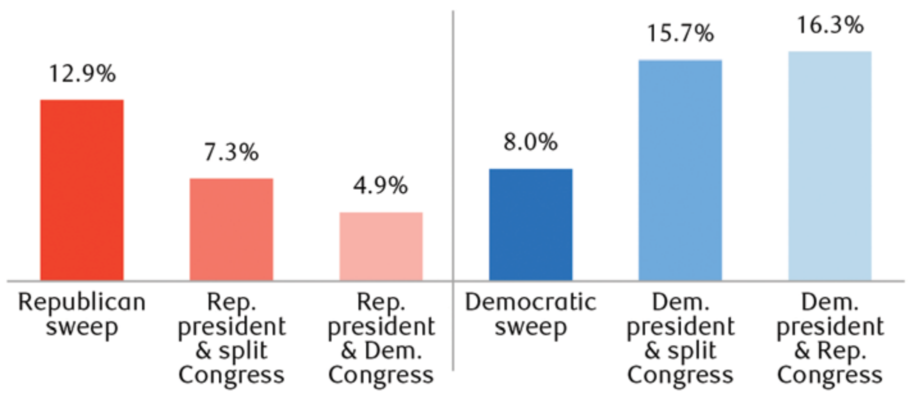
S&P 500 performance since 1933 by presidential party control (log scale)



Source - RBC Wealth Management, Bloomberg; monthly data through 8/31/24 shown on a logarithmic scale. Categories separated by inauguration dates when a party change occurred
Past performance does not guarantee future results.

Elephant or donkey—or both?

Average annual S&P 500 returns since 1953 by party control



Source - RBC Wealth Management, Bloomberg; data through 12/31/23; data based on price returns (does not include dividends)
Past performance does not guarantee future results.

A bevy of election issues that markets focus on

Economic policy	Foreign policy	Sectors & industries
• Inflation	• Tariff & trade policies	• Energy policy
• Tax policy	• Sanctions	• Energy transition
• Federal spending	• U.S.-China rivalry	• Green initiatives
• Federal debt & deficit	• Onshoring, near-shoring	• Infrastructure spending
• Immigration	• Friend-shoring	• Tech subsidies
• Student loan debt	• Deglobalization	• Tech & AI regulations
• Treasury/Fed appointments	• De-dollarization	• Health care policy
• Washington gridlock	• U.S./NATO-Russia risks	• FDA rules
	• A wider Middle East conflict?	• Defense spending
	• Multipolar world	• Banking regulations

Source - RBC Wealth Management

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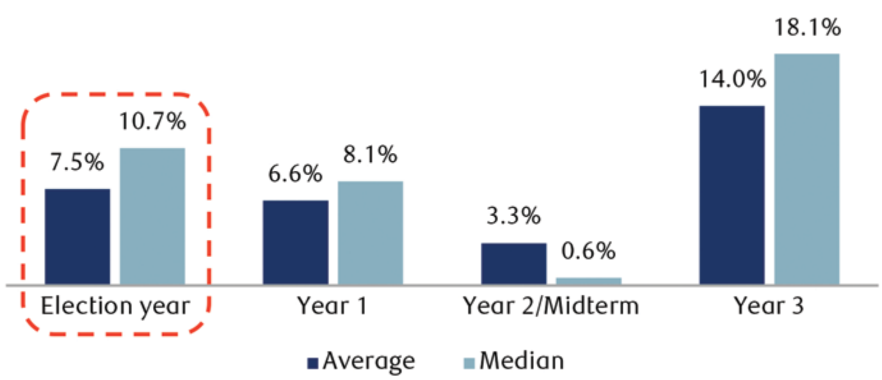
Top things to know about the U.S. elections, continued from page 2

Four-year presidential cycle track record

S&P 500 performance during U.S. presidential election cycles since 1928



Note: "Year 1" is the first year of the presidential term, "Year 2" is the second year and so forth.

Source - RBC Wealth Management, Bloomberg; annual data through 2023; data based on price returns (does not include dividends)

Past performance does not guarantee future results.

business cycle, which in turn highly influence corporate profit growth—the latter of which is the secret sauce of the stock market. Likewise, Fed policies have tended to be major determining factors of U.S. bond market performance and have increasingly influenced policies of other developed-market central banks and the performance of those bond markets.

#4 – Historical election data are useful to consider, but there are caveats

When dividing time into four periods—the election year, year one of the presidential term, year two of the presidential term (which is also the midterm election year) and finally year three—a persistent pattern of performance appears stretching back to 1928. The S&P 500 was strongest in year three and second strongest during the presidential election year (see the four-year presidential cycle chart). Political pundits and market strategists have their theories as to why this four-year pattern has persisted—some of which involve higher federal spending in year three and some data point to Fed policy patterns in the various years.

Asset allocation and diversification do not assure a profit or protect against loss.

Historical trends show that the stock market and investments should remain stable regardless of the election outcomes.

Focus on the bigger picture

Regardless of your personal point of view about the economic and investment prospects, instead of counting on historical trends or listening to campaign rhetoric that may fade soon after the election, you may feel more confident in your investment decision-making when you consider the following three investment fundamentals.

1. Diversification—By spreading your dollars among various equities, fixed income securities, cash accounts, alternative investments and other vehicles, you can help reduce the effects of market volatility on your portfolio.
2. Asset allocation—Allocate your investment portfolio appropriately for your long-term goals while maintaining a suitable cash position for your short-term financial goals and liquidity needs.
3. Tax management—A tax-smart move is to contribute to tax-advantaged retirement accounts, such as your 401(k) and IRA.

Presidents and politicians come and go, as does their impact on the financial markets. So, when you "vote" with your portfolio by making investment decisions, choose wisely and stick to the fundamentals of investing because no one has greater control over your success than you. And, of course, work with your financial professional for guidance and advice.

Year-end planning tips

If you've noticed that Mother Nature has decorated your neighborhood for autumn, this may remind you that a calendar change is coming around the corner soon.

Whether your fall pastimes include enjoying pumpkin lattes or cheering on your favorite football teams, you should also set aside time for year-end planning. The following are some financial strategies to consider.

Income tax

If you anticipate being in a lower taxable income bracket:

- Defer income and the sale of capital gains property to postpone taxable income to the following year
- Bunch your itemized medical expenses in the current year to meet the threshold percentage of your adjusted gross income to claim such deductions
- Make your January mortgage payment in December so you can deduct the interest

If you anticipate being in a higher taxable income bracket:

- Accelerate income and the sale of capital gains property to receive taxable income in the current tax year
- Make your January mortgage payment after January 1 so you can deduct the interest on your next year's tax return

Additional income tax considerations:

- Increase your W-2 federal withholding amount in preparation for a significant tax bill or to avoid the under-withholding tax penalty
- Determine if you are subject to the alternative minimum tax by speaking with your tax advisor before deferring or accelerating income and/or deductions

Retirement investing

- Maximize your IRA contributions—if you are 50+, take advantage of catching up on IRA contributions
- Increase or maximize your 401(k) and other retirement account contributions
- Confirm with your tax advisor that you have withdrawn the appropriate amount as required minimum distributions (RMDs)—note that the required beginning date for RMDs increased to age 73 on January 1, 2023
- If you're between your 20s and 40s, you'll want to focus on building your wealth by increasing your savings, lowering your debt and taking advantage of compounding interest—also, see the New Investors' Nook elsewhere in this newsletter for more tips.

Gifting strategies

Gifting to loved ones:

- Consider making gifts up to $17,000 per person as allowed under the federal annual gift tax exclusion, using assets likely to appreciate

Gifting to charity:

- Make charitable donations before December 31, keeping all your receipts
- Use appreciated stock instead of cash to contribute to nonprofits to help avoid income tax on the built-in stock gain while maximizing your charitable deduction
- If you are over 70 1/2, consider donating from your IRA as you can gift up to $100,000 annually to qualified charities using a qualified charitable distribution (QCD)—you can avoid taxes through a direct transfer of funds from your IRA custodian to qualified charities, which is a particularly effective way to direct your RMDs
- Set up a donor-advised fund (DAF) for an immediate income tax deduction and providing immediate and future benefits
- Consider bunching several years of charitable contributions into one year with a gift to a DAF to make your contributions more tax efficient
- Annual gift exclusion for 2024 is $18,000 and the QCD limit for gifts from your IRA is $105,000

These are only some items to consider. For more year-end tips fitting your situation and goals, contact your financial professional.

Contact your financial professional for help and remember to ask about the sunsetting tax acts.

Take our mobile app on your winter getaway

Like many busy people today, you may be planning a winter vacation to relax, refresh and reenergize. And, like your busy peers, you may use your smartphone or tablet for any number of activities. Staying in touch with friends and family. Streaming movies. Checking the weather. But did you know you can use your mobile device to have instant access to your investment accounts as well?

While you are sharing pics and videos of your winter adventure, why not also check out your portfolio of accounts? Now it's easier than ever, because there's a mobile app available. It's a practical tool for clients who want to stay in the know—and an ideal solution for when you are on the go.

Try the RBC Connect mobile app

The RBC Connect app is free for both Apple and Android users from the App Store® and Google Play™. Just search "RBC Connect" and follow the simple download instructions.

To access your account information, use your same ID and password that you use to log in to the desktop version your online account access website (which you must be registered for before you download the app—contact your financial professional for help with this, if you are not already set up for online account information access).

You can use the app to view your accounts and review your investment mix, account level performance data and other key information. The app also gives you the ability to contact your financial professional at the touch of a button.

Plus, you can make mobile check deposits. All you need to do is take a photo of the front and back of your check made payable to the account owner to deposit it into your eligible account.

If you have checking account services associated with your RBC Cash Management Account and/or standard account, you can order new checks featuring mobile check deposit optimization, including enhanced security functionality and enhanced tracking capabilities. Contact your financial professional for help ordering checks.

You can use your app anytime, anywhere you have an internet connection. We will continue to enhance and update the mobile app to bring you the right features and functions. We want to give you the flexibility and convenience to access your financial information wherever you are, whenever you want.

Enjoy the convenience of Apple Pay or Google Pay

In addition to the mobile app, you have the convenient option of choosing either Apple Pay® or Google Pay™ mobile wallets. Instead of having to carry cash or credit cards with you or go through the hassle of constantly entering payment and contact information for online purchases, you can "pay and go" with just one touch of your mobile device.

If you have an RBC Visa® Platinum Debit Card associated with one of your accounts, you can link your debit card to either of these mobile wallet services. And, of course, RBC will not charge you for using them.

Consider exploring the mobile wealth management tools available to you. They can save you time and effort—and offer greater flexibility and convenience while you are away from home this winter.

For more information on any of our mobile wealth management services, please contact your financial professional.

Catch up to cybercrime

Cybercrime is a booming business with devastating consequences. Nearly one in three Americans has been the victim of online financial fraud or cybercrime, according to a 2023 Ipsos survey, with nearly $12.5 billion in losses reported to the FBI's Internet Crime Complaint Center (IC3) last year alone.

While no one is immune to cybercrime in today's digital age, high-net-worth individuals and families are especially susceptible to online attacks, as hackers see them as lucrative targets.

To protect your assets, read on for some common cyber threats and risk prevention strategies.

Common cyberattacks

Cybercrime might start or finish online, but it rarely takes place completely in cyberspace. Many cybercrimes involve obtaining sensitive information such as multifactor authentication (MFA) codes or user passwords that are used to access the victim's account or accounts. In these cases, the cybercriminals don't directly breach security systems; rather, they exploit other people's natural trustworthiness by posing as a trusted individual, such as a bank employee.

Common cybercrime techniques include:

- Phishing
- Ransomware
- Data breaches
- Deepfakes

For more information about common fraud approaches, talk to your financial professional.

How to protect yourself—and your family—from cybercrime

As cybersecurity threats continue to evolve, it's crucial to take proactive steps to protect your safety, privacy and financial legacy. Follow these tips.

Make a plan

Scammers rely on emotional tension and the pressure to act now. You can counter this by having a pre-established plan to address issues that arise. For example, a plan could include a family password or secret question that must be provided accurately before any money is wired or transferred.

Set ground rules for social media

Social media is a huge vulnerability, so be careful about what information you post online as well as what can be seen in the background of photos. You and your family members should use strict privacy settings and require approval of new followers.

Enable multifactor authentication

Enabling MFA requires both a password and a second form of verification (often a one-time code) each time you log on. But be cautious of code requests you didn't initiate.

Let's curb cybercrime

Ultimately, cybercrime prevention and preparedness are critical to helping curb cybercrime, as is understanding the many ways you and your family may be a target. Take time to keep apprised of news and information on cybercrime and consult your financial professional whenever you have questions or concerns regarding financial fraud.

Contact your financial professional today for more resources about cybercrime mitigation.

New Investors' Nook

Priorities for now and later

You probably know what your own financial goals are, but have you ever wondered what others prioritize? A recent RBC Wealth Management – U.S. survey of high-net-worth and high-earning millennials showed that 72% listed their top financial priorities as:

1. Paying off debt
2. Establishing an emergency fund
3. Maxing out an employer-sponsored 401(k)

These are fundamental steps toward a fulfilling financial future. It is an unfortunate reality, however, that finances can become more complex as life changes. Buying a house, starting a family and caring for aging parents can all have an impact.

Whether you're encountering big changes to your finances in 2024 or not, year-end is a good time to talk to your financial professional about these and other goals you want to work toward in 2025.

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