

ALLIANCE WEALTH ADVISORS

THE 2024 ANNUAL LETTER





ALLIANCE

WEALTH ADVISORS

To our clients and trusted partners,

2024

2024 ANNUAL LETTER

As advisors, we have an important job. We're honored by the trust you've put in us and take our responsibility to do it well seriously. We believe our role goes far beyond helping you manage savings and investments. Our goal is to build deep, trusting relationships while supporting you through life's challenges and successes. As an independent firm, we have the ability to communicate with you clearly, directly and proactively. Our first annual letter is a new way for us to do this while also sharing some of what we have worked on over the last twelve months.

FINANCIAL PLANNING

On the planning front, our team is committed to providing useful information to help our clients make important decisions. Our Center for Investor Education was created as a resource as clients face life's many financial choices. Whether you're in your twenties, just opening your first investment account, or in your eighties, considering an estate plan, we try to offer information for every stage of life in a digestible way. All of our research, articles, and insights stem from the real conversations we have with clients every day.

We've now published eighteen episodes of our podcast. We launched our latest project this year, "Off the Page," to continue delivering timely topics in new and engaging formats. We also remain committed to investing in technology, ensuring that the planning process stays efficient and accessible in an increasingly complex financial landscape.

INVESTING

2024 has been a good year for the financial markets, with various asset classes—from cash and bonds to stocks and commodities—all making positive contributions to portfolios as of this writing. Despite a growing sense of uncertainty around the world, markets have shown resilience. Factors like inflation, fiscal and monetary policies, and geopolitical risks have contributed to a sense of unease many investors are feeling despite the market's gains. We understand these concerns, but history reminds us that the world is always an uncertain and risky place. That's why our investment philosophy



Alliance Wealth Advisors Team

2024

focuses on positioning our clients' portfolios for a wide range of potential outcomes. There will undoubtedly be bumps in the road—there always are. By always preparing for volatility and being comfortable with uncertainty, we can be ready for whatever comes next while remaining flexible and opportunistic.

We've written a lot over the last few years about how advances in technology have shortened investors' attention spans and time horizons. The financial media often seems more focused on capturing attention than truly informing people. For many, investing has become another form of entertainment, or worse, gambling. Our instant access to endless amounts of information makes it more challenging than ever for people to be patient long-term investors. Taken together, this is not a sustainable formula for building and maintaining wealth.

Markets feel noisier these days, which is why staying focused on what truly matters and separating the “signal from the noise” is a central tenet of our investment approach—one we believe will pay off in the long run. As Warren Buffett famously said, “The less the prudence with which others conduct their affairs, the greater the prudence with which we must conduct our own.” We believe that markets will continue to reward those who are willing to play the long game in an increasingly short-term-focused world.

COMMUNITY

We are a firm focused on partnering with our clients to help them achieve their financial goals, but we know there is so much more to life than planning and investing. We care deeply about the community in which we live, and we feel we all have a responsibility to make it better. As a firm, we have created a culture of giving back to the community. Each team member has the opportunity to identify causes or organizations to support. Our team members donate their own money, and Alliance has a matching program to enhance the support to these worthy causes.

To take it a step further, our team members take pride in doing more than making donations to have our name in a program or on a website. We give a lot of our time to different organizations in our community as committee members, board members or volunteers. Many of our team members serve in leadership positions on the boards of some very important non-profits in our community. We love Northeastern Pennsylvania and are heavily invested in the growth and well-being of it.

While our growing team brings decades of varied experience and unique skillsets, each of us joined Alliance from other financial institutions for the same reason: to be part of a firm that is built on always putting the client first. Partnership with our clients—and with each other—has been the foundation of our company since it was founded. We thank you for your continued support and wish you a strong finish to the year, along with a healthy and prosperous 2025.

Sincerely,

THE ALLIANCE TEAM

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ALLIANCE CENTER FOR INVESTOR EDUCATION



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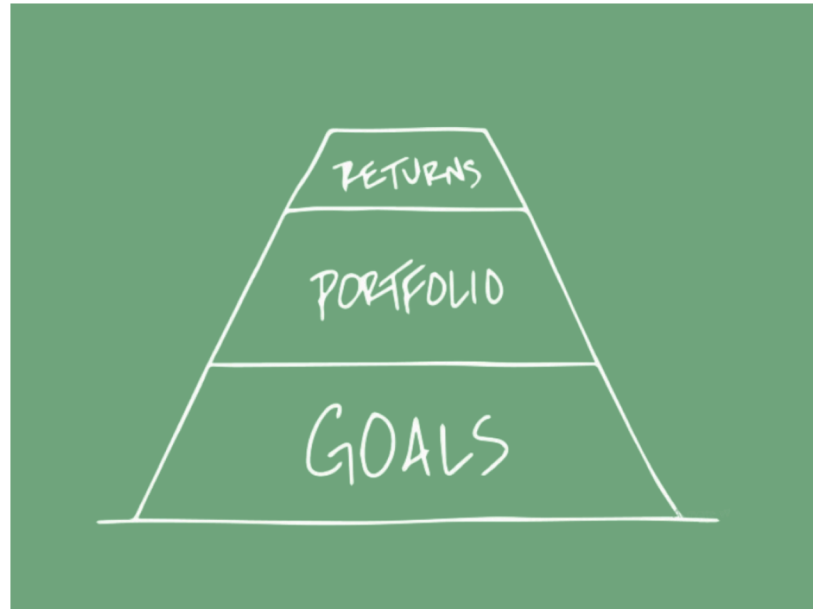
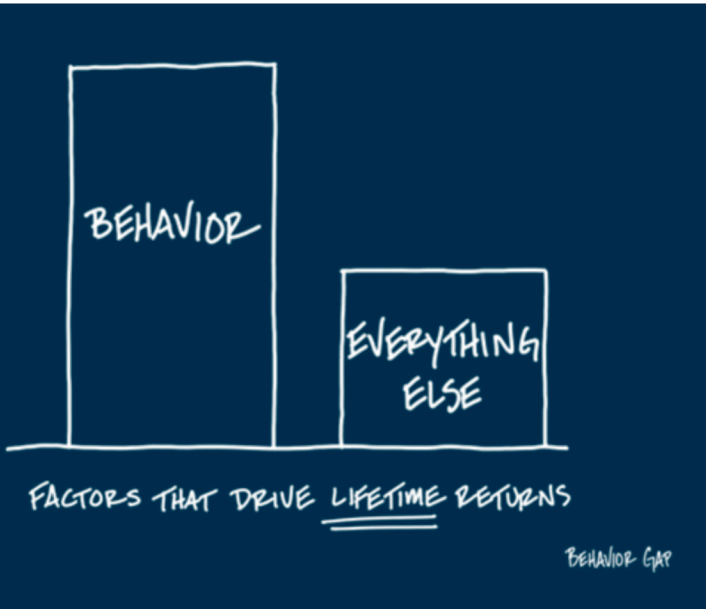


ALLIANCE
WEALTH ADVISORS

CENTER FOR
INVESTOR
EDUCATION

The Alliance Center for Investor Education's mission is to distill complex financial topics into clearly communicated ideas to help people make better decisions with their money. As an extension of our wealth management firm, we partner with families, business owners, and institutions to improve both communication and outcomes related to personal finance, investing, and strategic planning.

OUR FOUNDATION OF FINANCIAL PLANNING AND INVESTING



PLANNING

Before creating a plan, we must first take a step back. It's important to understand the actions—or inactions—that have led to your current situation. By doing this, you'll gain a clearer understanding of the behaviors, emotions, and habits that will either support or hinder your progress toward future goals. Our habits and mindset around money have the greatest long-term impact on financial outcomes.

Financial planning is essential to any successful investment strategy because financial success hinges on aligning the risks you take with your personal situation and the time frame in which you'll need your money. Know what you own and, more importantly, why you own it. Once we understand how each of our clients think, our goal is to structure your financial situation in a way that protects you from the inevitable short-term fluctuations life and markets will bring.

INVESTING

When it comes to investing success, no one should need to perfectly predict the future to achieve good results—that's not a sustainable process. Many investors focus on the short term and make decisions driven by emotions and headlines. We have built our investment foundations on principles that don't change frequently. This helps us filter out short-term noise and focus on what truly matters. We're not short-term traders; we are long-term investors who want our clients to thrive in a wide range of future scenarios.

We believe strong outcomes result not from chasing the latest investment fad, but from having a solid process for making sound decisions over time. A deep understanding of human psychology, market cycles, and the power of compounding helps prevent costly mistakes and supports the growth of long-term wealth.

CENTER FOR INVESTOR EDUCATION: FEATURED RESOURCES

We try to provide a library of resources focused on investing and strategic planning, all designed with the goal of helping people make better decisions with their money. Through in-depth writing and research, we offer insights into the principles that drive long-term success. However, we also realize it's not everyone's favorite topic to read about in their free time!

For those looking for deeper exploration, our long-form interviews with business owners and industry experts dive into key strategies and decision-making processes.

This year we also launched "Off the Page"- short-form videos to deliver quick, actionable takeaways that simplify complex topics, making it easier to stay informed even with limited time.

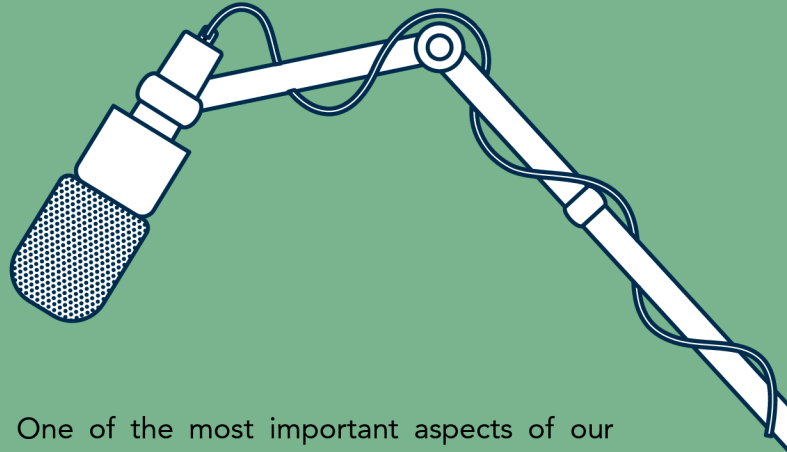
By offering content in multiple formats, we aim to meet you where you are, delivering valuable information in ways that fit your lifestyle. Whether you prefer reading, watching, or listening, our goal is to help you navigate your financial journey with confidence and clarity.





PODCAST

As advisors, we get to have fascinating conversations with interesting people every day. We take pride in the deep relationships we build with our clients. While our role as advisors may mean different things to different people, one thing remains the same: we help our clients think through where they are in their lives, and how to get where they want to go. The goal of this podcast is to interview business owners, high performing individuals, and industry leaders to better understand how they made important decisions in their lives. By exploring these “inflection points” we hope it helps others think through decisions in their own lives, while giving a glimpse into the types of conversations we have with clients.



One of the most important aspects of our job as advisors is to always communicate to be understood. In an industry filled with complexity and confusion, our goal is to provide simplicity and clarity. For that reason, we have created a new series we are calling "Off the Page". Our goal is to simplify complex financial topics that we write about through brief discussions with our team and outside experts. We want to bring important topics that impact our clients every day "off the page" with quick and dynamic conversations that help you be better informed to make important decisions.

OFF THE PAGE





FINANCIAL PLANNING

Financial planning can mean different things to different people, but there are certain characteristics all plans should have in common. Working with a team of advisors who deeply understand your situation and the way you think about money is essential. It is also not a one-time exercise, but an ongoing strategic process that changes as your life does. As writer Morgan Housel says: "Planning is important, but the most important part of every plan is to plan on the plan not going according to plan." Good financial planning should also incorporate your goals and values. It should be a dynamic process rooted in giving you flexibility as the environment changes, not about needing the market to behave a certain way.

TO ROTH OR NOT TO ROTH?



JUDE R. MCDONOUGH,
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JUNE 6, 2024

“The Roth is an excellent way to manage taxes for both retirement planning and estate planning.”

“Should I move it into a Roth?” That question is posed to us quite often. Roth IRA’s have gained in popularity over the last 10 to 15 years mainly because of legislation that made them more accessible to higher income families. While the concept of tax-free retirement income is very attractive, it is important to understand the tradeoffs associated with making Roth contributions or converting IRA funds to Roth. In many cases, the people asking us the question about moving money to a Roth changed their minds after we explained the tax implications.

Let’s start by reviewing the difference between a Roth IRA (or 401k) and a Traditional IRA (or 401k). In the Traditional way, you get a tax deduction for money you put in now and pay tax on any money that comes out of the account when you begin accessing it. In a Roth, you don’t get a tax deduction to contribute, but you don’t pay taxes when you withdraw it as long as you had a Roth for 5 years or more and are over 59 ½ years of age.

Thanks to some legislation passed in 2001, most Americans have to decide whether to

make Traditional or Roth contributions to their 401(k) plans. In this situation, we would consider your age, current cash flow and your tax situation. There is a cost associated with utilizing the Roth contribution option because you miss out on the tax break today. With that in mind, if you are looking to get as much as possible in the account with the lowest impact on your cash flow, then you are probably better off with the Traditional. If you like the idea of tax-free growth, but are in a high tax bracket, you should take the time to evaluate what is best for you.

In 2010, another major barrier to entry was eliminated when the income limitation was removed for Roth Conversions. In the years leading up to it, some were calling it the financial planning opportunity of a lifetime. The year 2010 came and went, the limitations were lifted, and not nearly as many people took advantage of it as predicted. The reality is that converting money from an IRA to a Roth IRA has a cost associated with it. If you convert your \$100,000 IRA to a Roth IRA, you have to come up with the money to pay income tax on the \$100,000. That turned a lot of people off and

they decided to keep the money in the IRA. Some people will take advantage of a loophole in the tax code called a “backdoor” Roth. However, you need to be very careful with this. The way it works is you can contribute to a “non-deductible” IRA and then immediately convert it to a Roth. This is only necessary if you are over the income limit to contribute to a Roth. The way you can run into issues with this is if you have other IRA assets. The IRS counts the other IRA towards your conversion, and you end up owing taxes on a portion of the conversion. If you have a sizable balance in your IRA, then most of your conversion will be taxable, thus eliminating the loophole.

In reverting back to the original question, is a Roth right for you? Of course, you know that answer is going to be that it depends. The chart below depicts the debate perfectly. Our rule of thumb is that the younger you are, the more it makes sense. If you can take advantage of

compound interest for an extended period tax free, then it is worth some strong consideration. However, the chart offers some arguments to that thought process for the higher earning years. It also reminds us that you don’t have to go all in on Roth or Traditional.

One other situation we’ve encountered that isn’t on the chart pertains to people who are close to or in retirement. Those who have been fortunate enough to build up a lot of wealth and are thinking about the next generation can contribute to a Roth or convert some IRA money to Roth and earmark it for their children or grandchildren. It can be an effective way to continue the tax benefits beyond your lifetime.

The Roth is an excellent way to manage taxes for both retirement planning and estate planning. If you aren’t sure if it works for you, take the time to evaluate it with a professional. Making an informed decision can save you and your family substantial tax money in the long run.

Disclosures: This article is for informational purposes only and should not be used to determine taxability. Changes in tax laws may occur at any time and could have a substantial impact upon each person’s situation. While we are familiar with the tax provisions of the issues presented herein, we are not qualified to render advice on tax or legal matters. The information in this report has been obtained from sources that we believe to be reliable, but cannot be guaranteed. Additional disclosure information can be found on the last page.

Tax break now

→

Traditional IRA

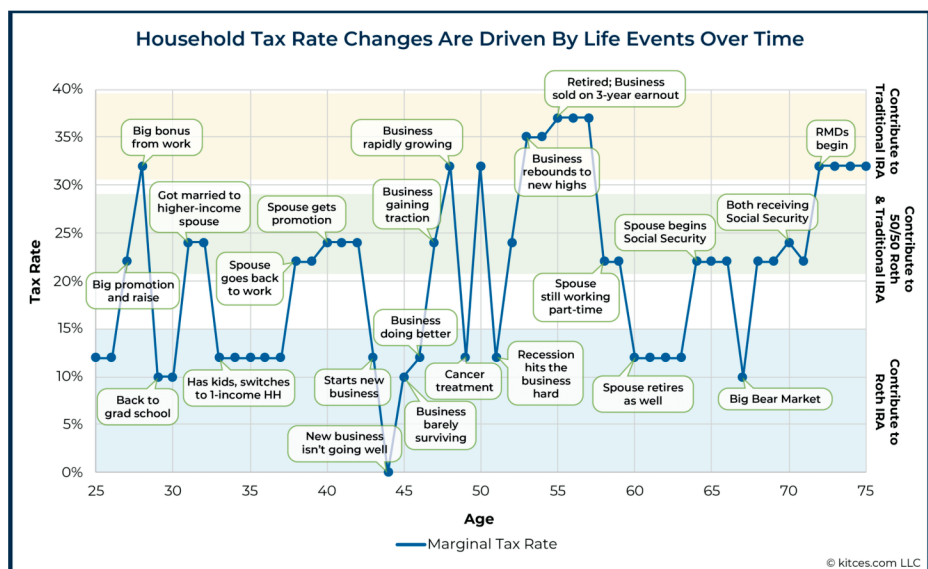
You get your tax break up front and pay no taxes on the money you put in until you withdraw it.

Tax break later

→

Roth IRA

The money you deposit has already been taxed. You pay no taxes when you make withdrawals after age 59½.



DO YOU HAVE “TRUST” ISSUES?

We often receive questions from clients about whether they should have a trust. While the reasons vary, they most often pertain to earmarking money for children or grandchildren, protecting money if they end up in a nursing home or leaving money to charity. The reality is trusts are very complex and there are legal costs associated with them. Furthermore, there are guidelines to follow that often leave the funder with less control over his or her own money.



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JUNE 26, 2024

We recently sat down with Attorney Scott Lynett of Legacy Planning. Scott joined us to discuss the basics of trusts and estate planning to help listeners understand this very complicated topic.

Here are some common advantages of trusts and some considerations for each benefit. We also included a visual Scott provided to help break down a trust and the roles that are involved on the next page.

BYPASS PROBATE

This enables the money to pass through directly to the beneficiaries in a timely fashion without incurring the costs associated with the probate process. There are other ways to avoid probate without creating a trust. Qualified assets such as IRA's and 401(k)'s have beneficiaries and

avoid probate. You can also add a beneficiary to your non-qualified accounts.

TAX ADVANTAGES

Certain trusts effectively transfer assets out of your estate, which can reduce estate and gift taxes. It is important to note that this usually pertains to federal estate tax planning. Each state has its own guidelines. On the federal side, the exemption for 2022 is \$12.06 million per individual and \$24.12 million per couple. This means that if your estate is worth less than these amounts, you don't have to concern your-

self with avoiding the federal estate tax of 40%. However, these limits are subject to change, and it is almost always an item of debate in Washington.

PROTECTING ASSETS

The transfer of assets out of the estate also affords you some protection from creditors. This is the attraction to people who are concerned about going into a nursing home. There are different rules that vary by state, so it is imperative to understand those rules before taking any action. There are other ways to protect your assets from the nursing home such as long-term care insurance or cash flow from your assets and income sources. If you have enough assets and income sources, you may not need a trust or long-term care insurance to cover nursing home costs. If not, you need to understand the tradeoffs of purchasing insurance vs. opening a trust.

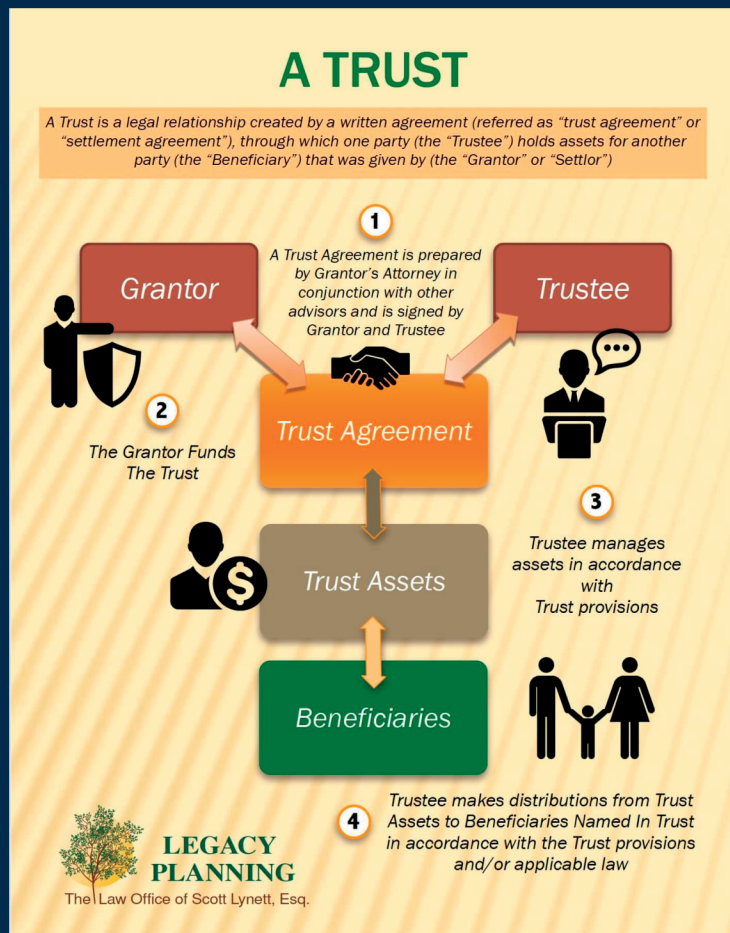
CONTROL OF ASSETS

While you give up some control of your assets in a living trust, a testamentary trust gives you control of the assets after death. This is sometimes referred to as "control from the grave." This trust is set up after death according to your will. It can define terms for how your assets are distributed and utilized by your beneficiaries.

A trust can be revocable or irrevocable. You have to be comfortable with the terms and the benefits you are receiving if you choose an irrevocable trust. The tax benefits and asset protection usually pertain to irrevocable trusts. Once you outline the terms they cannot be changed. The revocable trust can be changed at any time, but the main benefits you receive from a revocable trust pertain to probate.

This article only scratches the surface. There are many types of trusts, and it can get very complex. If you are considering a trust, you need to define your objectives. Once you do that, you can work with a professional to determine the best course of action to accomplish your goals and if a trust is necessary. As we have written many times, every financial decision comes with a tradeoff. Take the time to weigh out the options and make the best decision for you and your family.*

*Disclosure information can be found on last page.



Listen to the episode here



AGE-BASED PLANNING

This series was created around the conversations we have with clients every day. Here is the short version: life can get pretty complicated! People are starting careers. They are starting families. They are buying, selling, and starting businesses. They are changing jobs to pursue their interests. They are building and buying homes and helping take care of their parents or grandparents. At every stage in life we are faced with major life decisions. A good financial planning process allows you to become more financially resilient so you can think clearly and make the right decisions for you and your family.

This point by Shane Parrish from his book *Clear Thinking* is not related to financial planning, but it perfectly captures what a good planning process should do at every stage in life: “The greatest aid to judgment is starting from a good position. A good position allows you to think clearly rather than be forced by circumstances into a decision.” Regardless of where we are in life, there is never a perfect time to get started. However, we can all improve our financial positioning by doing one thing that is squarely under our control today: getting started.



20

The power of compounding interest is fascinating when you look at it. It is more than just interest on the money you invest; it is interest accumulated on the interest earned over the years. Compounding becomes more powerful with time. Similarly, decisions compound over time too. Having a process in place that incorporates basic elements like an emergency fund, a strategy around debt, and long-term investing can go a long way if you get started early.



30
+
40

Your 30s and 40s are also a time when your career and financial situation should be coming together. You may be advancing at the company you are with, starting your own business, or moving on to a new opportunity. This stage in life is not just about your career and finances, though. Planning for potential life transitions—marriage, starting a family, or moving—can make this chapter feel more manageable. It is easy to get caught up in everything you are juggling day to day during this busy time, but having a plan can help reduce stress and help you create the life you want. There is never a “perfect time” to take action, but having a plan in place is essential.

As you enter your 50s, retirement is no longer a far-off event that you can't fathom; it is actually something that you can start to visualize. There are still plenty of distractions from retirement savings, such as children graduating from college, starting careers, and becoming adults. You may make your final major career move or even be considering a succession plan for the business you built. Regardless of where you are, actively preparing for the next chapter in life is essential so you can enjoy the fruits of your labor.



Your 60s are the decade that once seemed so far off, but the one you talked about most as you planned for your future. As you blow out the candles and start a new decade, the retirement conversation becomes more real than ever. Your children are probably no longer children, and they may even have children of their own for you to spoil. It is time to start paying more attention to your investments if you haven't done so already, but that is not the only piece of the puzzle. You have to start thinking about government entitlement plans that are available to you after paying into them for all these years. Estate planning may have been something you've put on the back burner, and now is a good time to update or create one. Most importantly, this stage in life is about thinking about how you want to spend your time. What exactly does a retired person do all day? In our experience, the best retirees have some type of plan for how they will spend their time in retirement as well.



Many people are very active and some even continue working well into their 70s. Whether you are retired or still working, hopefully, you are finding time to do things that you always wanted to do. As life expectancy continues to increase, so does the amount of time your money needs to last in retirement. Having a plan that reduces financial stress can help you enjoy this wonderful chapter of your life even more. Building a sustainable lifestyle and thinking about how you will create a legacy for future generations are important, but we also remind people not to get so consumed with trying to get money out of their estates that they forget to enjoy their money.





INVESTMENT MANAGEMENT

In investing, just like in life, there are no guarantees. As an investor, you must understand you cannot get something for nothing. Understanding that volatility and risk can never be fully removed is essential to making good decisions. Attempting to predict the future is also not a part of our investment philosophy. We prefer to position our clients to accomplish their goals regardless of what happens next, rather than playing a game of pin the tail on the donkey trying to guess what the future might look like. Investing success often comes down to matching the risk you take with the time horizon in which you may need the money.

Many people lose sight of the fact that compounding capital at moderate rates for a long time can make you a multi-millionaire. In other words, it is not about speculating, it is about earning pretty good returns that you can stick with for the longest period of time. If you save and invest patiently, you can build real wealth. As Charlie Munger said, "the big money is not in the buying and in the selling, but in the waiting."

ARE BONDS “BACK”?

A FIXED INCOME DEEP DIVE WITH JIM JACKSON, CO-CIO AT VICTORY CAPITAL

JANUARY 18, 2024



MICHAEL J.
CORDARO, MBA
AUTHOR



LISTEN TO THE EPISODE HERE



Interest rates have reached levels not seen since in well over a decade. How should investors navigate this new world of higher rates? Are they here to stay? To help unpack what this seismic shift means we sat down with Jim Jackson. Jim is currently the co-chief investment officer and senior portfolio manager of Victory Income Investors, which was formerly known as USAA Investments. We had Jim on because he is among the most qualified people in the world to discuss this with. We were able to get his thoughts on so many important conversations we are having with clients. Before entering the investment business, Jim served in the United States Marine Corps.

He holds a degree in economics from the United States Naval Academy, an MBA from the University of Michigan, and is also a CFA® charter holder.

While we do go "into the weeds" of fixed income investing at times, this conversation is not just for people interested in the complexities of bond math or monetary policy. First, Jim explains what "fixed income" means and the role it should play in your portfolio. From there we take a broad historical view of interest rates and discuss how the last 40 years of declining interest rates have influenced people's decision-making, and how the magnitude of the Federal Reserve's interest rate

hikes caught people off guard. We also discuss the current narratives playing out in markets today and look ahead to potential risks and opportunities.

Jim also shares his team's investment philosophy and explains why they spend very little time trying to make predictions about the economy or the direction of interest rates. Instead, their focus is on continual improvement of their process and focusing only on the things they can control. Interestingly this even extends to how Jim spends his personal time, where he avoids watching financial news on television all together.*

*Disclosure located on last page

MONEY MARKET FUNDS: CASHING IN OR MISSING OUT?



MICHAEL J.
CORDARO, MBA
AUTHOR
DECEMBER 7, 2023

“So how should investors think about cash in the portfolio? The short answer is it depends. Cash is simply a tool. Tools are neutral. The outcome of utilizing cash, just like utilizing a hammer, will depend on the person using it and the situation. Your cash position should be personal to YOU.”

After over a decade of record low interest rates kept returns in the fixed income world muted, many believe “bonds are back” as a source of returns in a portfolio moving forward. Assets like gold and Bitcoin have also seen positive returns, but none of these asset classes are getting the most attention. Cash is once again “king” for many, as investors have poured record amounts into money market funds over the last couple of years.

Before going any further, let’s explain what a money market fund even is. Money markets are mutual funds that generally hold very short-term and safe assets like government debt. **To remove the jargon, think of a money market fund like a parking spot for your cash that provides cover from the ups and downs you experience while invested in other assets like stocks and bonds.** Investors utilize them because they provide price stability while paying you income based on where interest rates are. While they are not completely free of risk, investors anticipate that the value of a money market fund will rarely move up or down very much. Money market funds are also liquid, meaning they can be sold to raise cash easily if an investor needs it. If you don’t need the money, the fund will pay you interest for as long as you stay invested.

Over \$1 trillion has flooded into money market funds since the beginning of last year. While that is a big number, it probably doesn’t mean much on its own. So for context, from 2012-2022 the average net inflow for money market funds each year was \$179 billion.

Let’s discuss why this is happening and what it means.

Money market funds are paying you again. There are a few reasons for the reinvigorated love affair with cash, but the first one is simple – interest rates have gone up at a breakneck pace as the Federal Reserve continues its efforts to tamp down inflation. To put it

more simply: money market funds are paying investors to hold cash again. Since the 2008 Global Financial Crisis savers have had to make a choice: take more risk or settle for less return. Right now, that is no longer the case. Cash appeals to people at all stages in life, albeit for different reasons. For many people who joined the work force after 2008, the ability to make 5% on your cash savings has been unheard of for their entire adult lives. Meanwhile for people closer to retirement, being able to make a decent return while taking less risk is a welcome development.

AN ALTERNATIVE TO BANK SAVINGS

Another reason for the flows into money market funds is that many banks are still refusing to pay depositors any meaningful interest on their cash. If you are getting less than 1% on your cash in a savings account, investing in a money market paying 5% has felt like a no brainer for many people. Further, concern with bank deposits certainly played a role in the flows to money markets as well. The fall of Silicon Valley and Signature Bank in 2023 made people realize that having an excessive amount of cash in their bank accounts wasn’t as risk free as they thought.

IT FEELS SAFE

There is more to this flight to cash than interest rates allowing people to get paid a little more on their savings. **Holding cash also provides “psychological comfort” at a time when both consumer and investor sentiment remain near historic lows.** Polls and data consistently show that people feel uneasy and uncertain about the state of the economy (and things in general). The constant barrage of negative headlines over the last few years have left many feeling mentally exhausted. In short, holding cash can feel like the portfolio equivalent of a warm fuzzy blanket that helps people sleep at night in uncertain times.

One of our investment foundations is that “there is no

such thing as a free lunch". You simply can't get something for nothing as an investor. Everything has risks and trade-offs. Including cash. Understanding this, what are the potential risks of holding too much cash?

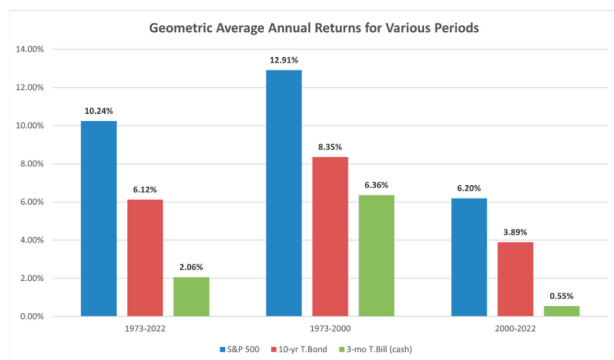
Parking more in cash has provided mental relief from the volatile ride of markets since 2020, but has it actually *paid off*? While the last few years have not felt "normal" for investors for many reasons, stocks have behaved in line with how they normally do over long-term. It has just been a wild and noisy ride along the way. Look at the last three years for the S&P 500:

2020: +18.4%
2021: +28.71%
2022: -18.1%
2023: +21.5% (as of 12/4)

The average comes to about 10.9%, which is similar to long-term averages we have seen throughout modern history. As Howard Marks is fond of saying, stock market returns are like the pendulum on a clock:

"The mood swings of the securities markets resemble the movement of a pendulum. Although the midpoint of its arc best describes the location of the pendulum "on average," it actually spends very little of its time there. Instead, it is almost always swinging toward or away from the extremes of its arc."

Think about all the doom and gloom headlines that kept many investors on the sidelines over this same period. Unfortunately, we do not get to choose when the big up markets are going to come. We also can't reliably time when to buy and sell to avoid the down markets. Over the long-term cash simply does not provide the upside that other asset classes do in order build and protect wealth:



Source: Barbara Friedberg Personal Finance, NYU Stern

Over longer time horizons, holding a lot of cash can go from being a source of psychological comfort to what Ben Carlson aptly labeled a "cash addiction". He explains why:

"...once you do it, market timing can lead to a cash addiction. When markets are falling you assume they will fall even further. Cash becomes a safety blanket. When markets are rising you assume they are too expensive and will correct at some point. Again, cash becomes a safety blanket."

The other major risk in holding too much cash is that historically interest rates have come down very quickly. This is called reinvestment risk, or the risk of holding too much short-term cash and then needing to reinvest that money at a lower rate of return. If you are sitting on a large cash position anticipating you'll be able to make 4 or 5% for a long time, you might be caught flatfooted if rates drop quickly. For savers and those nearing retirement this is a big deal. We need to preserve our purchasing power from inflation and taxes. **The below chart is from a Hartford Funds report, but the title says it all: "Your Juicy Cash Returns Could Disappear Quickly"**

SO HOW SHOULD INVESTORS THINK ABOUT CASH IN THE PORTFOLIO?

The short answer is it depends. Cash is simply a tool. Tools are neutral. The outcome of utilizing cash, just like utilizing a hammer, will depend on the person using it and the situation. Your cash position should be personal to YOU. Working with a financial planner to come up with the proper asset allocation across your balance sheet can help you determine what is appropriate. Diversification, or having a combination of stocks, bonds, as well as cash and other assets should be determined based on your situation. A good financial plan creates different buckets with specific "assignments". This can ensure you don't miss out on long-term growth while still having the comfort that comes with holding cash in uncertain times.

Date Range	Beginning Yield	Ending Yield	Total Yield Drop
4/74-1/76	8.90	4.73	4.17%
3/80-6/80	14.24	7.88	6.36%
8/81-11/81	15.52	10.37	5.15%
3/82-9/82	13.99	7.88	6.11%
8/84-6/85	11.06	7.05	4.01%
9/90-9/92	7.37	2.75	4.62%
10/00-10/02	6.38	1.44	4.94%
2/07-11/08	5.14	0.04	5.10%
Average Yield Drop			5.06%

Data Source: Factset, 9/23.

Citations:

- *Gush of cash into money market funds tipped to continue in 2024*, Harriet Clarfelt, Kate Duguid and Brooke Masters, Financial Times, December 3, 2023
- *Overcoming a Cash Addiction In Your Portfolio*, Ben Carlson- A Wealth of Common Sense, November 30, 2023
- *Cash's Big Blind Spot*, Callie Cox- The Bottom Line, November 17, 2023
- *Your Juicy Cash Yield Could Disappear Quickly*, Hartford Funds, November 2023

Additional disclosure information can be found on the last page

BELIEVE THE HYPE?

ALL ABOUT “AI”, WITH STEPHANIE ALIAGA, GLOBAL MARKET STRATEGIST AT J.P. MORGAN ASSET MANAGEMENT

SEPTEMBER 26, 2024



MICHAEL J.
CORDARO, MBA
CONTRIBUTOR



CHRISTOPHER
D. ROSS,
CFP®
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ABOUT OUR GUEST

As an independent firm, we partner with market leaders like Stephanie Aliaga, a Global Market Strategist at J.P. Morgan Asset Management. Based in New York, Stephanie shapes economic views, delivers timely commentary, and maintains forecasting models for Bloomberg and the Wall Street Journal. She contributes to key publications like the Guide to the Markets and serves on the Long-Term Capital Market Assumptions

committee. Her research focuses on the U.S. economy and artificial intelligence. Stephanie holds a Bachelor’s in Economics from the Wharton School of Business.

WHY LISTEN?

As the chart on the next page shows, artificial intelligence (AI) is being discussed everywhere—particularly by management teams of hundreds of companies within the S&P 500 during their earnings calls. Anyone in the workforce needs

to understand what AI could mean for business and everyday life.

Stephanie breaks the AI story into two distinct parts: **“A.I. 1.0”**: The excitement in the markets over the past year has been driven by a handful of technology companies. Stephanie draws an analogy to the companies that sold ‘picks and shovels’ during the gold rush, referring to those who provided the tools rather than the miners themselves. Similarly,

she compares today's tech companies to those selling essential tools that support the broader industry.

"A.I. 2.0": The exciting technological transformation story about how AI will change the way we work and live in the coming years, which is still in its very early stages.

Stephanie explains that the first story, A.I. 1.0, is more tangible at this point, while the next phase, A.I. 2.0, has many unknowns and it is incredibly hard to predict who the winners and losers will be this early on.

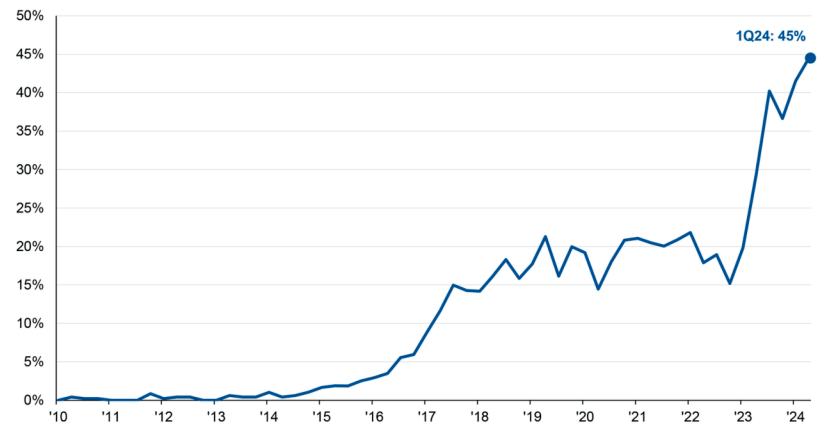
We also discussed how AI will impact the workforce, with some projections suggesting it could automate up to 25% of everyday tasks in people's jobs. However, rather than fearing job losses, Stephanie believes history offers valuable insights. In her view,

much like with other major technological shifts, AI presents a huge opportunity for people to engage in more interesting, creative, and productive work by automating many of the manual tasks that currently consume a lot of time. Ironically, she also believes AI could lead to increased human interaction and a greater demand for "soft skills" in the coming years. In fact, AI could act as a catalyst for increased productivity and help solve structural challenges related to demographics, economic growth, and quality of life.

The next part of the conversation focused on how to approach investing during a time of rapid change. The chart below shows how market leadership evolves as technology advances. For this reason, we must not only focus on today's leaders but also recognize that the companies leading in the future will change as technology evolves. Investors need to remain disciplined and humble to ensure long-term success. Diversification, rather than attempting to cherry pick a few specific companies, is also crucial to be able to stay invested and limit downside risk. Although AI is currently dominating

The AI transition is underway

Share of S&P 500 companies mentioning AI in earnings calls



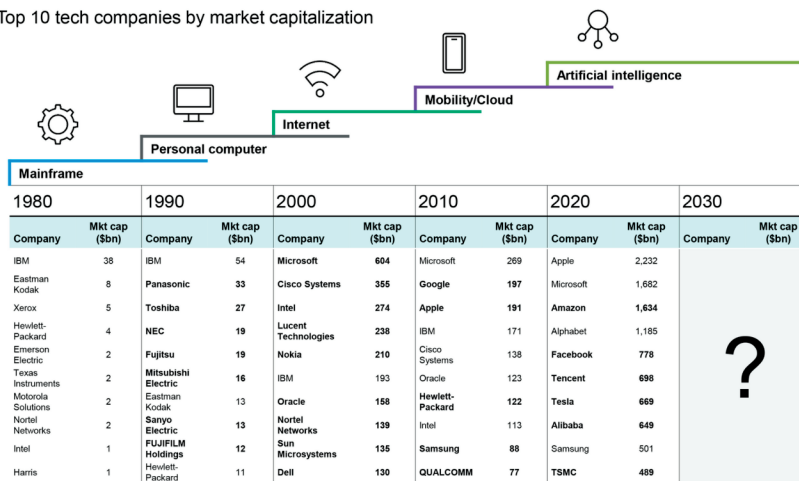
Source: J.P. Morgan Asset Management. Mentions of AI include the keywords: artificial intelligence (AI), deep learning, machine learning, chatbots and natural language processing. At time of update, data reflect roughly 85% of companies reporting 1Q24 earnings. Data are as of June 30, 2024.

Exhibit 6 in "The transformative power of generative AI: Supercharged productivity or mass joblessness?" by J.P. Morgan Asset Management.

J.P.Morgan
ASSET MANAGEMENT

Today's "top 10" won't be tomorrow's – technological evolution has been associated with market leadership shake ups

Top 10 tech companies by market capitalization



Source: Bloomberg, FactSet, J.P. Morgan Asset Management; as of December 31, 2020. Market capitalization in \$billions. New names for each innovation wave are bolded. The companies/securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. J.P. Morgan Asset Management may or may not hold positions on behalf of its clients in any or all of the aforementioned securities. Past performance is not a guarantee of future results.

J.P.Morgan
ASSET MANAGEMENT

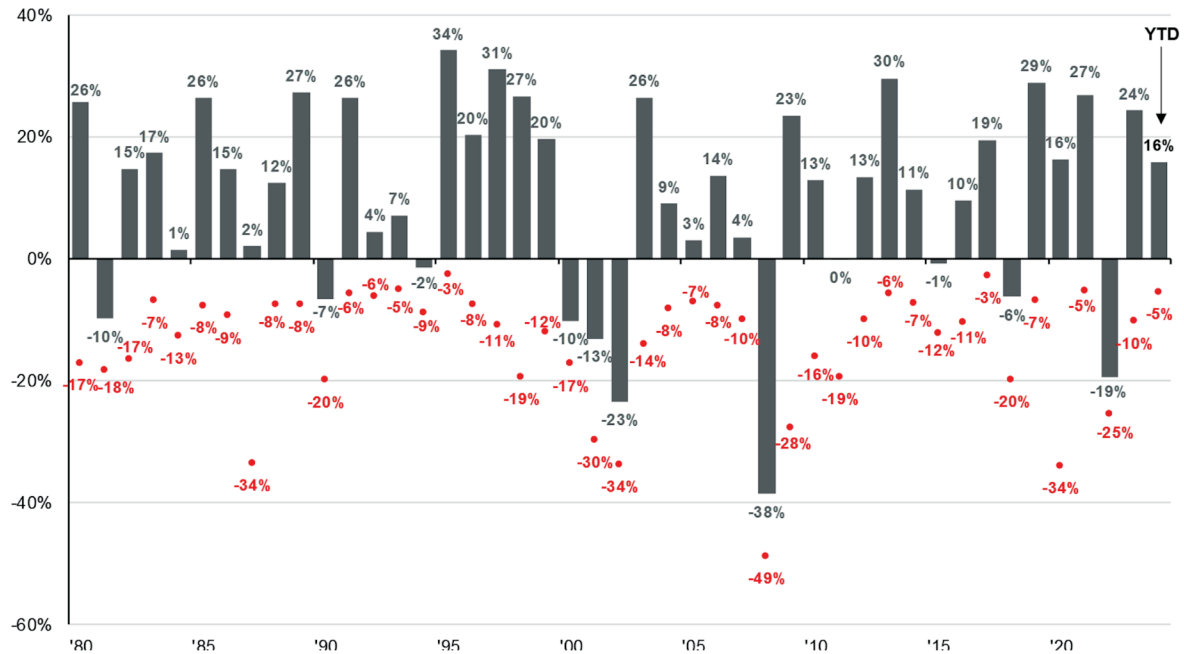
headlines, the reality is that only 4% of S&P 500 companies have fully adopted it into their businesses to this point. In simpler terms, it's still early days, and history teaches us that trying to predict the future isn't a reliable way to invest. As the markets continue to digest these technological changes, two of our "Foundations of Investing" provide a useful framework for making decisions: First, this won't be a straight line upward. There will be pullbacks and sell-offs, and trying to time the market is not a repeatable strategy. Second, investors must always understand what they own and why they own it.

Thanks to Stephanie for an insightful conversation!

*Disclosure located on last page

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.2%, annual returns were positive in 33 of 44 years



WHAT IS NORMAL?

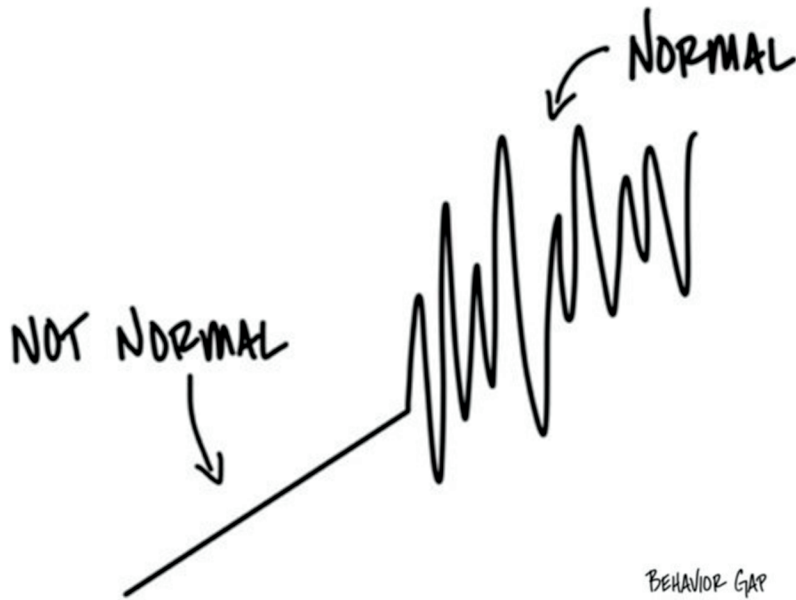


JUDE R. MCDONOUGH,
CFP® AIF®

AUTHOR
AUGUST 7, 2024

Market volatility always prompts calls and e-mails from clients and friends asking us if the market is going to crash. Some people flat out tell us that this is it. There are always headlines exacerbating the negativity. The reality is nobody ever really knows how things will play out. What they do know is that fear sells. The permabears come out of their caves getting more airtime calling for the same 50% drop that they've been calling for years and in some cases, decades. The only problem is that a significant drop from current levels would likely leave the market substantially higher than where it was when they started proclaiming their thesis to anyone who will listen.

Corrections are not enjoyable. We talk about them, prepare for them by diversifying our accounts, and understand that it is part of investing. However, it still is not a good feeling when it happens. In times like these, we have to remember that whether we like it or not, corrections are normal. The chart above from J.P. Morgan says it all.



The market experiences an average intra-year drop of 14% going back to 1980. In fact, there have only been 4 years since 1980 with an intra-year drawdown of 5% or less. The rest had drawdowns of 6% or more. Despite that, 33 of the 44 years had positive returns.

While you always have to acknowledge the headlines in front of you, it is important to put things into perspective. Volatility is part of investing. It serves as a reminder of why we diversify. There is an old saying that markets climb a wall of worry, and it is very applicable during volatile times when you're ready to throw in the towel. To take it a step further, when do things ever feel perfect? Those are usually the euphoric moments where the black swan comes in and brings us back to reality. In the end, short term predictions are just noise. Making a plan and committing to an asset allocation that fits your risk profile will win in the end.

**Chart Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2023, over which time period the average annual return was 10.3%. JPM Guide to the Markets – U.S. Data are as of July 31, 2024. Past performance is no guarantee of future results. Additional disclosure information can be found on the last page.*

POLITICS, PORTFOLIOS AND PERSPECTIVE:

INVESTING IN A CRAZY ELECTION YEAR



**MICHAEL J.
CORDARO, MBA**
AUTHOR
OCTOBER 4, 2024

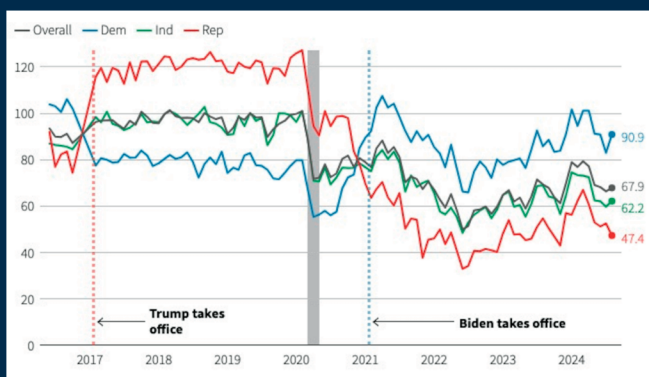
“As the politically driven news cycles get increasingly chaotic in today’s digital world, it’s crucial to separate political anxieties from your investment strategy.”

Election season feels like it is getting longer and crazier with each cycle, especially for those of us in swing states inundated with constant political ads and junk mail. The good news? There’s only a month left. For investors, the increasingly polarized political landscape makes it harder to tune out the noise and make good decisions. As we speak with our clients about the fiscal, economic and geopolitical ramifications of the 2024 election, we also want to provide some historical context to help you stay focused on what matters most.

First, while we tend to think of ourselves as individuals who are mostly rational, as a society politics are more of an emotional topic than we care to admit. Look at how people tend to view the economy depending on political affiliation:

U.S. CONSUMER SENTIMENT BY PARTY AFFILIATION

U.S. consumers’ economic sentiment now largely reflects partisanship. Political independents, who typically measure near the Michigan survey’s overall sentiment reading, have so far in 2024 swung notably below it. But their views brightened in August for the first time this year, alongside a big increase among Democrats after Kamala Harris became the party’s presidential nominee.



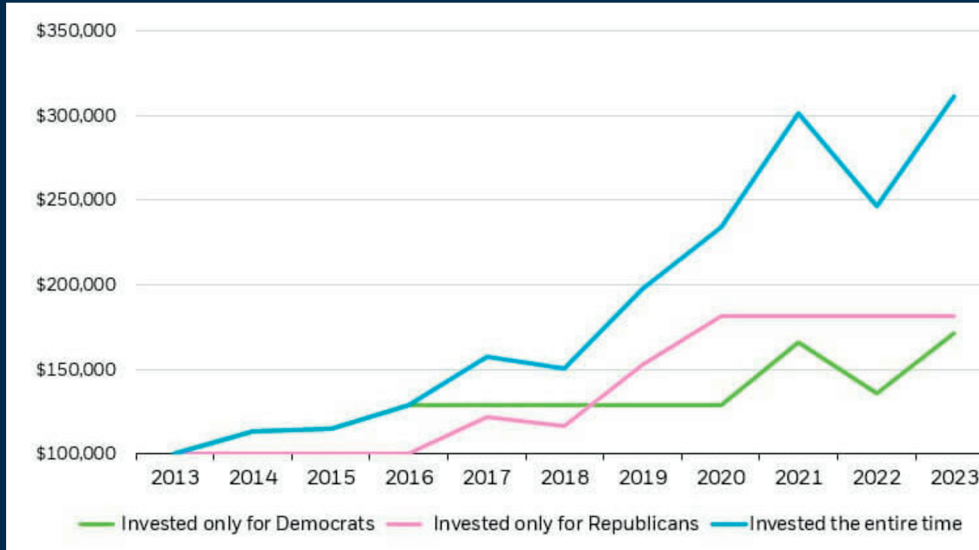
Note: Gray bar is recession; survey was not conducted from November 2016 through January 2017. Source: University of Michigan Surveys of Consumers

As this chart from Reuters shows, how we feel about the economy is directly correlated to if the party we most closely identify with is in power or not. This is regardless of what the economic data actually tells us. In other words, our emotions get the best of us and cloud our ability to stay objective. We tend to do the same thing when it comes to making investment decisions- how we feel about the “other team” can lead us to act on our biases and make mistakes.

Second, it is important to remember that stocks are long-term instruments. They represent an ownership stake in a business, they are not betting slips to be exchanged based on the latest headline or polling data. While traders aim to make profits from short-term price movements, investors build wealth by holding a diversified portfolio of quality assets over the long run. History shows that politics rarely impacts how the stock market will behave over longer periods of time.

Here are a few visuals that underscore this point: In the past two presidential elections, there were many “expert” predictions claiming that electing both Donald Trump and Joe Biden would cause a significant stock market correction. Yet, both presided over stock market highs at various times. Anyone who made changes to their portfolio based on those election outcomes suffered a serious opportunity cost that will impact them for a long time. To be fair, this is a small sample size. So, let’s zoom out to see the market performance from 2013-2023, spanning three administrations and changing congressional majorities. The chart below compares the outcomes of investing only when Democrats or Republicans held the White House versus staying invested the entire time:

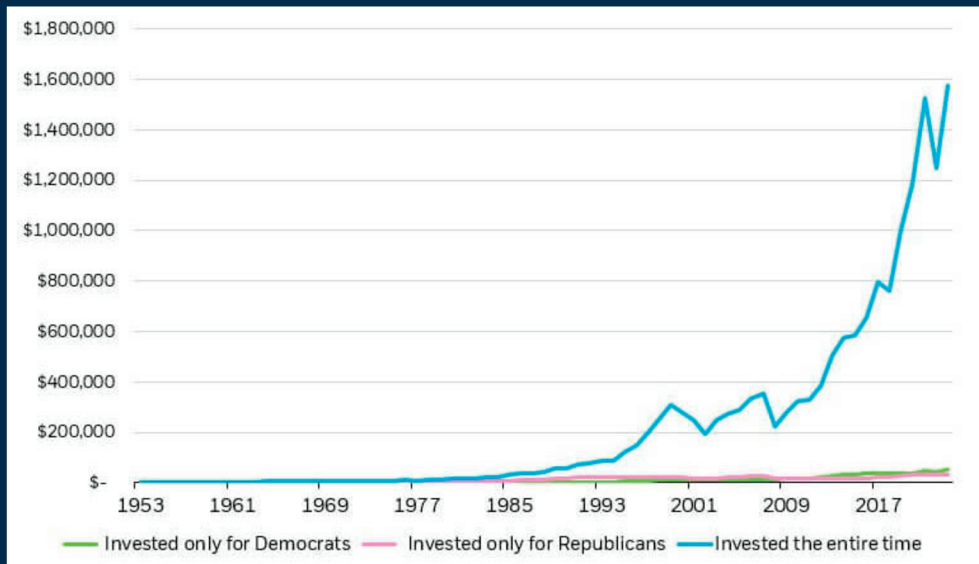
LAST 10 YEARS, \$100,000 INVESTED IN 2013, DEPENDING ON WHICH PARTY HELD PRESIDENCY



Source: BlackRock, Morningstar, as of December 31, 2023. Party presidency period determined by party presidency inauguration to next opposing party presidency inauguration. Stock market represented by the S&P 500 Index from 1/1/70 to 12/31/23 and IA SBBB U.S. large cap stocks index from 1/1/54 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in an index.

If you invested based on which party held office, you left significant gains on the table. Zooming out even further, the next chart shows the growth of \$1,000 invested since 1953:

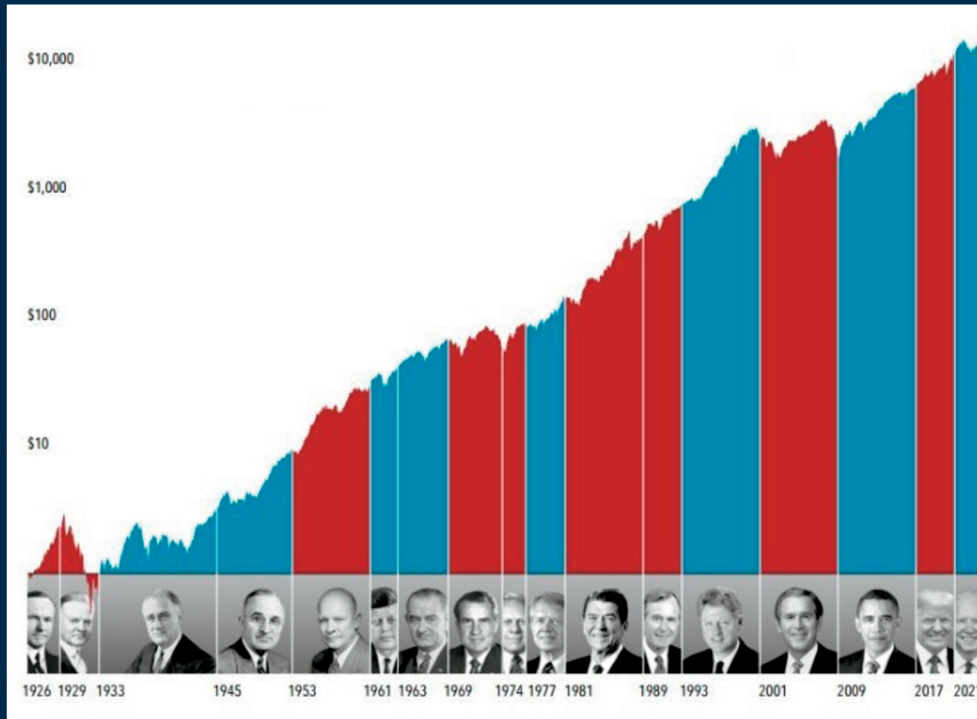
LAST 70 YEARS, \$1,000 INVESTED IN 1953, DEPENDING ON WHICH PARTY HELD PRESIDENCY



Source: BlackRock, Morningstar, as of December 31, 2023. Party presidency period determined by party presidency inauguration to next opposing party presidency inauguration. Stock market represented by the S&P 500 Index from 1/1/70 to 12/31/23 and IA SBBB U.S. large cap stocks index from 1/1/54 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in an index.

Political outcomes and investing decisions simply do not mix. At the risk of overdoing it, we will give one last example to show this point by zooming out even farther. The following chart illustrates what \$1 invested in the S&P 500 in 1926 would look like, while breaking up by party and each administration that occupied the Oval Office:

HYPOTHETICAL GROWTH OF \$1 INVESTED IN THE S&P 500 INDEX 1926-2023



Source: *Demystifying Markets*. Past performance is no guarantee of future results.

Third, while policies certainly matter, relying solely on party platforms gives limited insight and carries risks. We are not saying anything new or original when we state that politicians on both sides often promise what it takes to win votes. These days that practice has been taken to a whole new level though. Even if the winner attempts to enact major legislation, they must navigate a deeply divided Congress to implement anything- a tall task in today's environment to be sure.

Politics aside, the stock market is a complex adaptive system, influenced by countless variables interacting with one another in constantly evolving ways. Companies are dynamic and run by smart people who learn to adapt to new environments. History has shown that companies can react to all kinds of changes and have always been able to grow their earnings over time. When they do stock prices tend to follow. While the past is no guarantee of future results, we do know that trying to time the market is not a repeatable investment strategy. We can't cherry-pick factors with any certainty, nor can we let emotions drive our decisions.

As the politically driven news cycles get increasingly chaotic in today's digital world, it's crucial to separate political anxieties from your investment strategy. No one has a crystal ball. Being diversified, staying dispassionate, and following a plan tailored to your situation will bring you closer to your financial goals—regardless of the latest political drama or what the next month of uncertainty will bring.

We are not political commentators so we will leave forecasts to others. We are experienced long-term investors, so we will make one prediction with confidence: Regardless of how the election plays out, market volatility will certainly show up in the weeks, months and years ahead. That is the price we pay for long-term growth. To quote investor Cliff Asness, "Having and sticking to a true long-term perspective is the closest you can come to possessing an investing superpower."

Additional disclosure information can be found on the last page.

OUR COMMUNITY

*"We make a living by what we get, but we make a life by what we give".
-Winston Churchill*

We are a firm focused on partnering with our clients to help them achieve their financial goals, but we know there is so much more to life than planning and investing. We care deeply about the community in which we live, and feel we all have a responsibility to make it better. As a firm, we have created a culture of giving back to the community. Each team member has the opportunity to identify causes or organizations in our community for Alliance to support. The team members donate their own money and Alliance has a matching program to enhance the support to these worthy causes.

To take it a step further, our team members take pride in doing more than making donations to have our name in a program or on a website. We give a lot of our time to different organizations in our community as committee members, board members or volunteers. Many of our team members serve in leadership positions on the boards of some very important non-profits in our community. We love Northeastern Pennsylvania and are heavily invested in the growth and well-being of it.

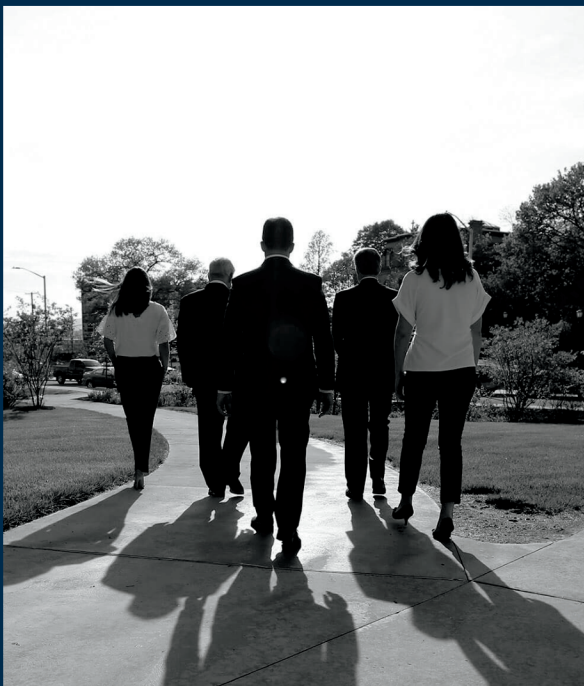
Below are some of the organizations we've supported this year:



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Alliance Wealth Advisors operates as a team of financial professionals, working to provide strategies to meet our clients' wealth management needs. Our team approach is critical to the success of our company and ultimately our clients. We are comprised of an experienced group of individuals with various skill sets, focused on offering a comprehensive and personalized client experience.

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