



**VERABANK**  
WEALTH MANAGEMENT

2025

»»» Investing Insights

# 2025 Investing Insights

## Eyes on the New Year

As investors look ahead, and as new leaders get to work in the US and many countries around the world, it's natural to wonder what impact their policies on taxes, spending, and trade may have on markets. And those are just some questions about 2025 that we know about.

While no one has the answers to any and all of these questions - as investors, we can review where markets currently stand and make an informed plan for the path forward.

This report features VeraBank Wealth Management market commentary, global stock and bond market data for 2024, and insights into how our team is working with clients to help them achieve their goals and navigate today's financial markets.

Investors are faced with a market landscape filled with uncertainty and an endless stream of predictions. Every financial news outlet, analyst, and pundit seems eager to offer their take on what the next year holds for the stock market. Amid these various opinions, it can be difficult to maintain clarity and stick to an investment strategy that aligns with your goals.

VeraBank Wealth Management is here to help tune out the noise, sift through the numerous market predictions, and design, build, and manage a customized investment plan for you and your family.



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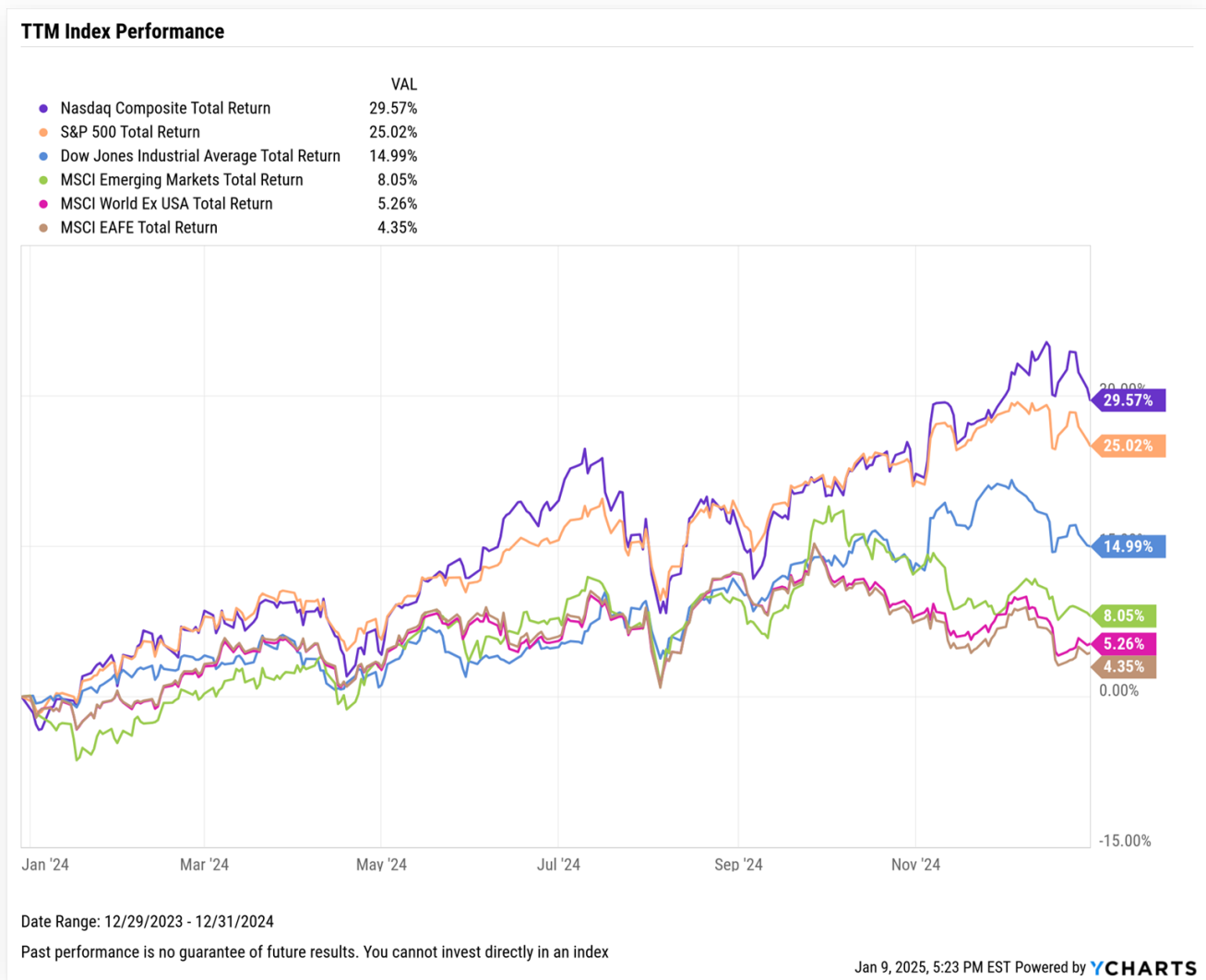
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Contact a [VeraBank Wealth Management Advisor](#) with any questions or if you know someone who might benefit from our expert advice.

# VeraBank Wealth Management | Commentary

## Stocks Soar in 2024

- US stocks extended the bull market, with the S&P 500 gaining over 25% in 2024 – its second year in a row with gains of more than 20%.
- International Developed<sup>1</sup> and Emerging Markets<sup>2</sup> stocks underperformed the US, extending their lead for much of the last decade.
- The Nasdaq and S&P 500 were the top performing indexes, led by the strength of tech/AI companies, once again, a trend that has been consistent for the last two years.



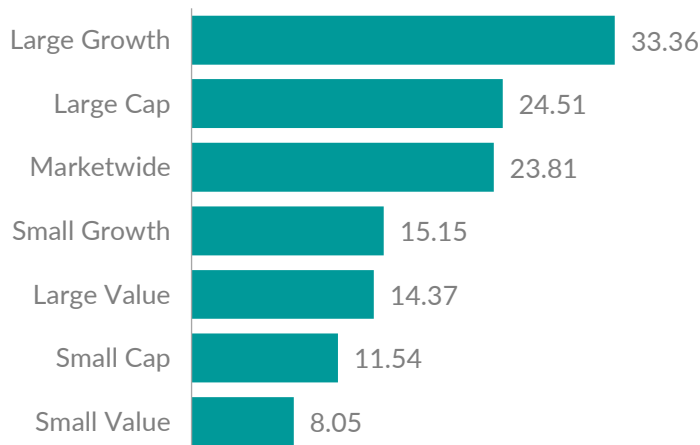
1 MSCI World Ex USA Total Return and MSCI EAFE Total Return.  
2 MSCI Emerging Markets Total Return

# VeraBank Wealth Management | Commentary

## Uneven Gains: 2024’s Market Segment Returns

- Fueled by excitement, high expectations, and hope for a new wave of technological advancement – the tech sector once again led the way in 2024. As shown below, this resulted in the Large Growth segment of the market returning 33.36%, compared to 23.81% for the Marketwide Index.
- Despite Small Cap and Value stocks being the top performers in Q3 2024, they continue to lag the overall market.
- This excitement of new technology is boosting valuations and creating sky-high expectations for these companies to deliver profits. As shown on page 7 of this report (Avoid Chasing the Hottest Trends and Build a Diversified Portfolio), any negative news (or even less positive news than expected) can lead to dramatic selloffs in these high-flying stocks.
- While we typically do allocate the greatest percentage of client portfolios to the Large/Large Growth portion of the stock market, we still firmly believe that diversification is critical to investing. Small and value companies play an important role in client portfolios and will continue to do so going forward. It would not be surprising to see these stocks that have lagged recently, lead the way over the next several years.

### US Stock Market - 2024 Ranked Returns (%)

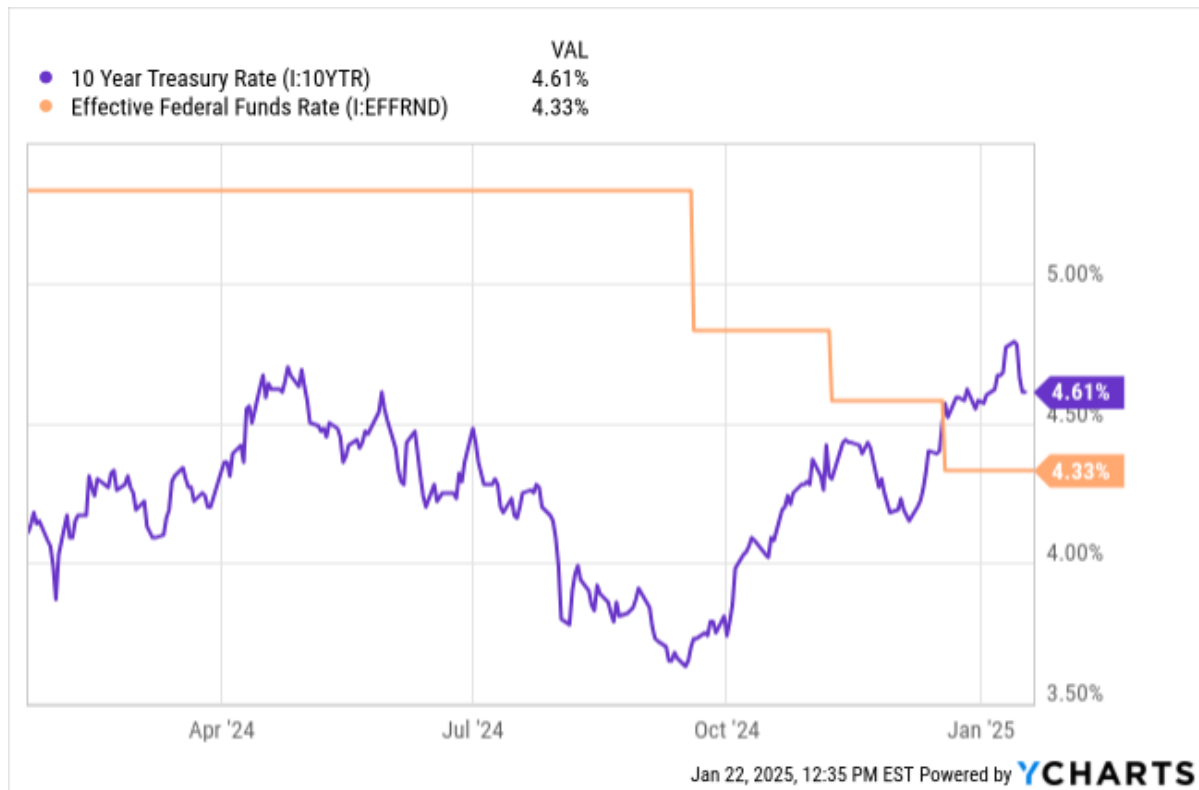


Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Value (Russell 1000 Value Index), Large Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Value (Russell 2000 Value Index), and Small Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Dow Jones US Select REIT Index used as proxy for the US REIT market. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2025, all rights reserved.

# VeraBank Wealth Management | Commentary

## Fed cuts, but interest rates on the rise

- The Federal Reserve has lowered the federal-funds rate to the 4.25%–4.5% range after three rate cuts totaling a full percentage point in September, November, and December 2024. The reductions, which were the first since the COVID-19 pandemic in March 2020, came amid easing inflation and conflicting readings on the job market.
- As the Fed lowered interest rates, the 10-year US Treasury yield moved in the opposite direction – a reminder to investors that the Fed only dictates the Fed Funds rate and other quoted rates are set by markets.
- Most expect the Fed Funds rate to continue decreasing slightly throughout 2025, but as we’ve learned from 2024 (and many other times throughout history), other interest rates that impact our daily lives are largely unpredictable. These longer-term rates will be impacted by inflation and economic growth expectations, among many other factors.



# Creating an Investment Plan for 2025 | Tuning Out the Noise

As we enter 2025, investors are faced with a market landscape filled with uncertainty and an endless stream of predictions. Every financial news outlet, analyst, and pundit seems eager to offer their take on what the next year holds for the stock market. Amid these various opinions, it can be difficult to maintain clarity and stick to an investment strategy that aligns with your goals.

The key to successful investing in 2025—and beyond—is focusing on long-term objectives rather than getting swept up by short-term market noise. At VeraBank Wealth Management, we follow a time-tested, disciplined, process to help clients achieve their goals.

## Start with Your Financial Goals

The first step in creating an investment plan for 2025 is to have clarity on your financial objectives. If you already have an investment plan in place, revisit this question to determine if anything has changed. Ask yourself: What am I investing for? A few common examples are:

- **Retirement:** Are you planning for long-term retirement, or are you looking to supplement existing savings?
- **Major Purchases:** Do you need to save for a house, education, or another significant life event in the near future?
- **Generational Wealth:** Are you focused on building wealth for legacy gifting to future generations or charity?

Understanding your goals allows you to define your time horizon and risk tolerance. For example, if you are in your 30s and investing for retirement 30 years from now, you may be able to withstand more market volatility than someone nearing retirement in their 60s. We work with our clients to answer these important questions, which lays the foundation for everything that follows.

## Tune Out Short-Term Market Predictions

One of the most dangerous habits an investor can have is reacting to the daily, weekly, or monthly predictions that flood financial news outlets. Stock market pundits are often proven wrong in the short term, and predictions based on economic cycles, interest rates, or geopolitical events can turn out to be more noise than substance.

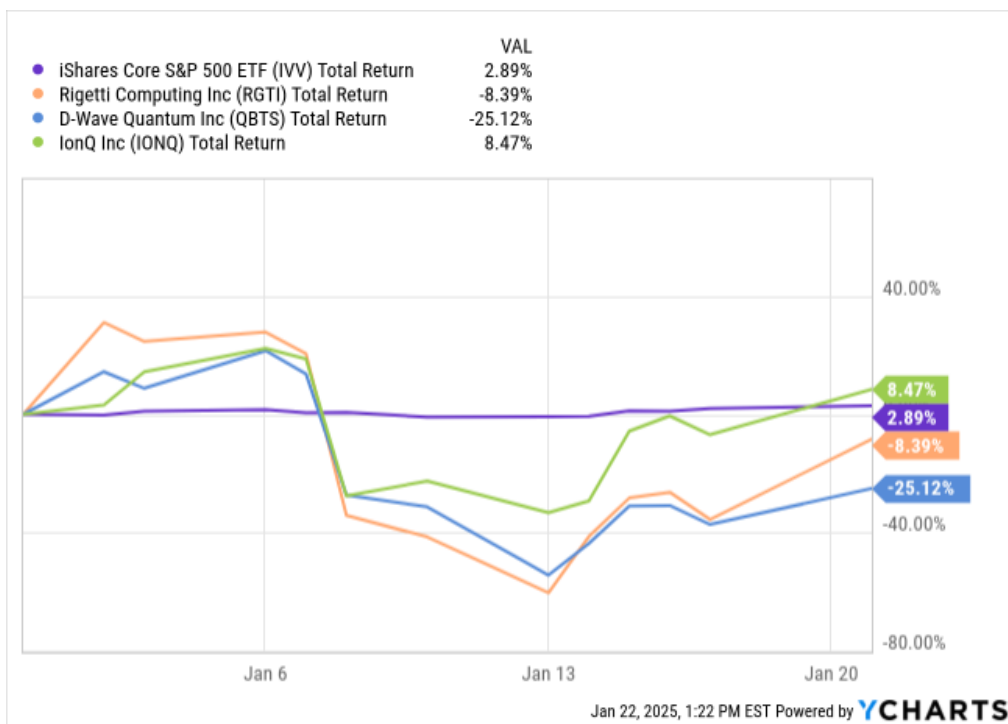
Instead of trying to predict the market's next move, focus on your long-term plan and objectives. The reality is that markets are unpredictable in the short term and influenced by factors that may be beyond anyone's control. Therefore, your investment decisions should be based on your time horizon and risk tolerance rather than on forecasts of what the market will do next month or next quarter. For many investors, this is easier said than done. By working with a fiduciary advisor to help lay the foundation of identifying goals, understanding possible risks to not achieving those goals, and building a portfolio that is designed to withstand market volatility from the beginning, an investor can have comfort knowing they don't need to listen to the noise of predictions. *(Continued on page 7)*

# Creating an Investment Plan for 2025 | Tuning Out the Noise *(Continued)*

## Avoid Chasing the Hottest Trends and Build a Diversified Portfolio

One of the most common mistakes investors make is chasing after the latest “hot” trend based on results. While it’s tempting to jump on the latest bandwagon, it’s important to be wary of speculative investments that promise high returns without solid fundamentals.

Investing in quantum computing stocks, has been one, of many, growing trends over the last several months. The potential of the technology is certainly promising and exciting. This excitement has also been reflected in the stock prices of quantum computing companies, with their stocks rising by multiples of three, eight, or even fourteen times their market value in just the 2024 calendar year. When owning stocks, valuation matters, and recent headlines reporting that the technology was many years away from being viable, which would greatly reduce the near-term revenue expectations of these companies, caused drops of greater than 50% in a week and largely underperforming the S&P 500 YTD.



Instead of chasing trends, we build client portfolios with diversification front and center. A well-diversified portfolio is one of the best defenses against the uncertainty that plagues the stock market. Diversification involves spreading your investments across different asset classes, sectors, and geographical regions, thereby reducing the impact of any single investment’s performance on your overall portfolio. *(Continued on page 8)*

# Creating an Investment Plan for 2025 | Tuning Out the Noise (*Continued*)

That is not to say we avoid the hottest trends completely – many of these stocks do deserve a role within a well-diversified portfolio. However, it's important to stay invested in a variety of asset classes that respond differently to market conditions and buffer your portfolio against underperformance in any one market sector.

## Focus on Consistent Contributions

One of the simplest yet most effective strategies for building wealth is consistently contributing to your investment portfolio. Rather than trying to time the market-based expectations, set up automatic contributions to your investment accounts on a monthly or quarterly basis.

This practice, known as dollar-cost averaging, helps mitigate the risk of entering the market at a high point by spreading your investments over time. In volatile markets, it can also smooth out the effects of price fluctuations. Over the long run, the disciplined habit of regularly investing can be more important than whether you're buying at the "perfect" time or investment.

The 2025 retirement account contribution limits are as follows:

- **401(k):** Maximum contribution of \$23,500 with a catch-up of \$7,500 for those 50 and older (\$11,250 for those 60-63).
- **Traditional or Roth IRA:** Maximum contribution of \$7,000, with a catch up of \$8,000 for those 50 and older.

## Review and Rebalance Periodically

While it's important not to react impulsively to market fluctuations, that doesn't mean you should ignore your portfolio altogether. A critical part of your investment plan for 2025 should be setting a regular schedule to review and rebalance your portfolio.

As markets evolve, certain investments may outperform while others underperform, and your asset allocation may become skewed. For example, as the "Magnificent Seven" tech stocks have continued to outperform, they are now oversized in weight of common indexes, such as the S&P 500 (34%) and the Nasdaq (41%). An investor that is heavily invested in only one of these indexes now has increased exposure to just a handful of companies.

Rebalancing ensures that your portfolio remains aligned with your original goals and risk tolerance. It also presents an opportunity to trim any over-performing assets or reinvest in underperforming ones, keeping your investment strategy on track.



# Creating an Investment Plan for 2025 | Tuning Out the Noise (*Continued*)

## Control What Can be Controlled

As we step into 2025, there will be no shortage of predictions about the stock market's direction. But as an investor, your success will not depend on trying to forecast the future. Rather, it will be determined by how well you stick to a disciplined, diversified investment plan that reflects your long-term goals.

By tuning out the noise, focusing on a clear strategy, and staying committed to your plan, you can navigate the uncertainties of 2025 with confidence and continue building toward financial success. Remember, investing is a marathon, not a sprint—and its consistency, not prediction, that will get you across the finish line. VeraBank Wealth Management is here to help.

Please reach out to a [VeraBank Wealth Management Advisor](#) with any questions or if you know someone who might benefit from our expert advice.

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