STONE PINE FINANCIAL PARTNERS

Retirement in Focus

SPRING 2025

Why Market Forecasts Are (Almost Always) Wrong

Each year, the largest financial institutions attempt to predict the future by publishing market forecasts. These reports outline potential risks to the economy, highlight upcoming challenges, and offer reasons why the market might rise or fall. Their rationale appears well-founded, their research rigorous, and their predictions convincing—after all, these are the largest, most well-informed institutions in the world.

But as investors, should we put much stock in these forecasts? More importantly, should we make investment decisions based on them?

History tells us that market forecasts make weather predictions look downright reliable.

How Far Off Were 2024's Predictions?

Let's take a look at recent history. On the next page is a graph showing stock market forecasts for 2024. Analysts' predictions ranged from a **12% loss** to an **8% gain**, with the average forecast calling for a **1.7% return** in the U.S. market. Despite the range, one thing was striking—**not a single forecast came close to the market's long-term average return.** Many analysts cited concerns about inflation, recession risks, and geopolitical tensions, leading to a broadly pessimistic outlook.

Yet in 2024, the S&P 500 delivered an impressive **23% return.** The most optimistic forecast underestimated the market by **15 percentage points,** while the most pessimistic call—predicting a loss of 12%—was a staggering **35 percentage points off.**

If these institutions had simply said, "We have no idea what will happen," they would have been more accurate.

A Track Record of Misses

Perhaps 2024 was just an unusually difficult year to predict? Not quite.

Looking back at previous years, we see one thing that remains consistent: the inaccuracy of these forecasts. In 2020, 2021, and 2023, analysts significantly underestimated strong market returns. Meanwhile, in 2022, they failed to anticipate just how severe the downturn would be.

Despite access to the best data, the smartest minds, and cutting-edge models, these forecasts remain unreliable. If anything, they often mislead investors into making short-term, reactionary decisions—one of the biggest threats to long-term success.

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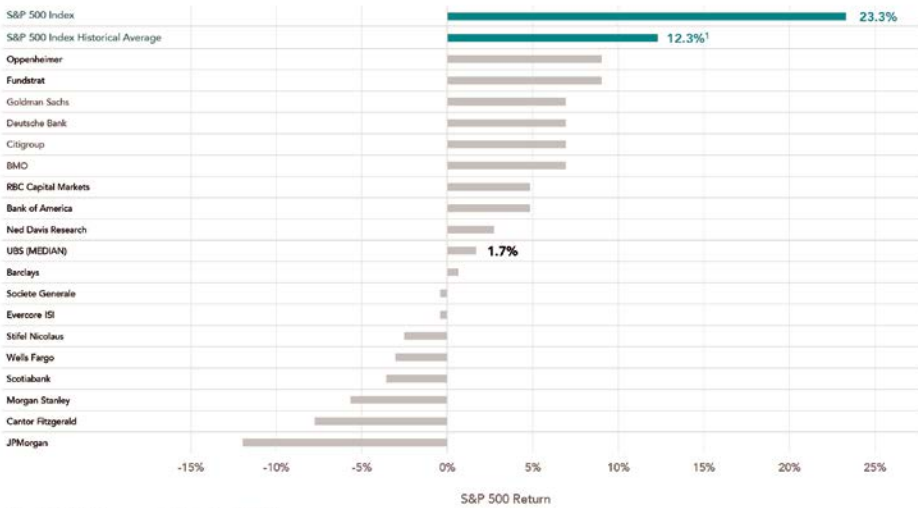
(Continued from page 1)

Forecasts vs. Reality for 2024

Equity analyst predictions vs. actual for S&P 500 Index calendar year price return in 2024

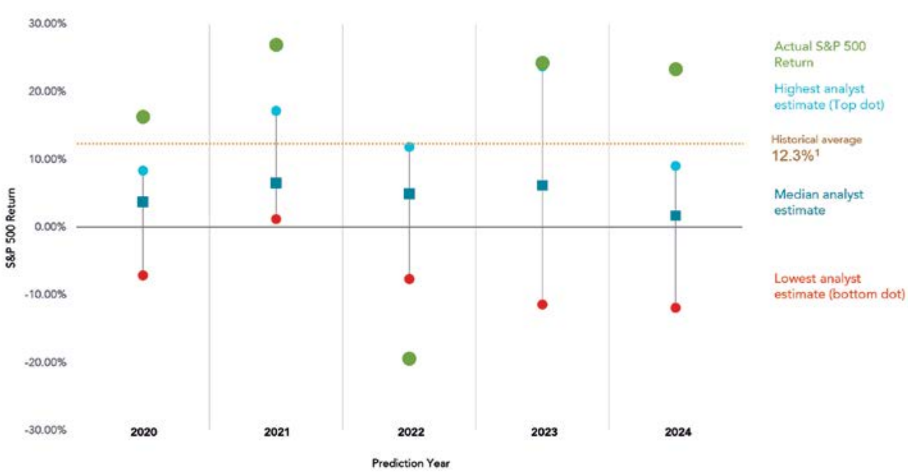


1. Based on S&P 500 Index average annual total return from 1927-2024.

Past performance is not a guarantee of future results. In USD. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. Source: Bloomberg, using the "Strategists S&P 500 Index Estimates for Year-End 2024" as of December 19, 2023. Analyst forecasts and 2024 return are price returns. Price return represents the change in price of an investment and does not include dividends and other earnings. S&P data © 2025 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

Forecasts vs. Reality in Recent Years

Equity analyst predictions vs. actual for S&P 500 Index calendar year price returns



1. Based on S&P 500 Index average annual total return from 1927-2024.

Past performance is not a guarantee of future results. In USD. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. Source: Bloomberg, using the "Strategists S&P 500 Index Estimates for Year-End...". Analyst predictions for each year are as of December in the year prior. Analyst forecasts and returns are price returns. There were 21 predictions for 2020, 17 for 2021, 19 for 2022, 22 for 2023, and 19 for 2024. Price return represents the change in price of an investment and does not include dividends and other earnings. S&P data © 2025 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved

A Better Approach: Plan, Don't Predict

Markets, by their very nature, are unpredictable over short periods. New information is constantly reflected in prices, and adjustments can be swift and surprising. But over long periods—**10 years or more**—returns become far more predictable. The law of averages is powerful, and history shows that patient investors are rewarded.

For those in or near retirement, the key isn't forecasting—it's **structuring your investments in a way that accounts for uncertainty.** One way to do this is by segmenting retirement assets into two parts:

- **Growth Investments** – A diversified stock portfolio that captures excellent returns over time.
- **Safety Investments** – A mix of bonds and cash that provides stability and a multi-year runway for planned withdrawals.

With this structure, market downturns become far less concerning because you're never forced to sell stocks at a bad time.

Final Thought

Market forecasts are inaccurate, unhelpful, and often detrimental. Instead of trying to predict the next market move, **focus on building a plan that works in any market environment.**

Our advice: **ignore market forecasts—but do check tomorrow's weather.**

Welcome Abby Schmid

We're excited to introduce the newest member of our Stone Pine team — Abby Schmid, who joined us earlier this year as an Associate Advisor.

Abby brings a wealth of experience from her previous role as a financial planner with another local firm. She holds both her bachelor's and master's degrees from Temple University and is deeply passionate about helping others achieve their financial goals.

We're thrilled to have Abby as part of our team and confident that her expertise will enhance the service we provide to you.

Tariffs and Trade: What Investors Need to Know

Many investors are wondering what the ongoing tariff discussions between the U.S. and its key trading partners (Mexico, Canada, China) mean for the markets and their portfolios. The government is considering adjustments to trade policies, which has led to concerns about potential economic disruptions. While tariff announcements can make headlines and create short-term market volatility, history has shown that these policies rarely have long-term negative effects on a well-diversified investment strategy.

We saw a similar situation unfold during President Trump's first term when U.S. tariffs were imposed on Chinese goods. The following chart shows a timeline of the tariff negotiations and the subsequent price changes of the Chinese, S&P 500, and developed international markets. As you can see the value of each market increased despite the tariffs.

Also during President Trump's first term, we saw key trade agreements renegotiated. One major example was the transformation of the North American Free Trade Agreement (NAFTA) into the United States-Mexico-Canada Agreement (USMCA), which introduced stronger labor protections, stricter auto manufacturing rules, updated digital trade and intellectual property policies, and increased access for U.S. farmers to Canada's dairy market. While all of these moves initially caused uncertainty, markets quickly adapted, and businesses found ways to adjust. Despite fears of economic slowdowns, the overall trajectory of the U.S. economy remained strong, and long-term investors who stayed the course saw continued growth.

The same principle applies today—markets have already factored in much of the potential impact of new tariffs, limiting the likelihood of major surprises.

One of the reasons markets remain resilient is that companies are constantly adapting to new trade conditions. Supply chains adjust, alternative sourcing strategies emerge, and businesses find ways to manage costs. While certain industries may experience short-term disruptions, broad economic fundamentals, such as consumer spending and corporate earnings, tend to stabilize over time. The interconnected nature of the global economy means that trade policies evolve, but they rarely derail long-term market growth.

For investors, the key takeaway is that while tariffs may dominate the news cycle, they shouldn't drive investment decisions. Reactions to political and economic headlines often lead to unnecessary market moves, and history has shown that staying focused on long-term financial goals is the best approach. Markets have endured numerous trade disputes, policy changes, and economic shifts, yet they continue to grow over time.

Ultimately, the best strategy is to avoid getting caught up in short-term noise and maintain a disciplined investment approach. While tariffs and trade negotiations may create momentary uncertainty, they are just one of many factors influencing the market. A well-structured financial plan considers both risks and opportunities, ensuring that investors stay on track toward their long-term objectives—regardless of political or economic headlines.

Exhibit 1

Growth of $1 During President Trump's First Term

January 2017–December 2020

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Retirement in Focus

Spring Meetings

We'll be reaching out soon to schedule our spring planning meetings, which will take place at the end of April and the beginning of May. During these meetings, we'll review your planning and investment portfolio and address any questions or concerns you may have.

Meetings will be held in person at our office, or via Zoom or phone call. We recommend in-person or Zoom meetings because they provide a better way to share materials with you.

We look forward to connecting with you soon!

Stone Pine Volunteers in the Community

At Stone Pine Financial, giving back to our community is a core value. We're happy to share that our team recently volunteered with two local non-profits as part of their Adopt a Family initiatives: *YWCA Delaware Home Life Management Center and Grands Stepping Up* during the 2024 holiday season. We assisted in providing a variety of items for families in need including clothing, baby items, and holiday gifts for children. It was fulfilling to join forces and make a positive impact.

In addition, Myriah recently had the opportunity to volunteer by teaching personal finance to victims of domestic violence. Over two sessions, her group explored key topics like saving for retirement, the pros and cons of buying vs. renting, and practical ways to teach children about smart financial habits and the importance of saving for the future. She found it to be an incredibly rewarding experience to share her knowledge and spark meaningful discussions among participants.

We are thankful for the opportunity to support such meaningful causes and look forward to continuing our efforts this year!

Join Us for Our Annual Stone Pine Community Service Event!

We're excited to announce that this year's event will be held at **Jenkins Arboretum & Gardens** in Devon, PA, on **Wednesday, April 23, 2025,** from **9 AM to 12 PM.**

Jenkins Arboretum & Gardens is a local treasure, serving as a hub for education, conservation, and community engagement. With guidance from the staff, we'll roll up our sleeves and help remove invasive garlic mustard from the gardens. After a productive morning, we'll gather for a boxed lunch and enjoy the beautiful surroundings together.

An official invitation will be sent out soon—we hope you'll join us for this meaningful and fun morning in the gardens!