Navigating the Markets During an Election Year

5 Tips To Help You Traverse the Tumult

We're heading toward another contentious presidential election in the United States. If you're on edge in this political climate, you're not alone.

But we don't want your valid political qualms to lead you to make financial missteps. That's why we've compiled five essential tips to help you maintain a level head and effectively manage your financial future in the face of political uncertainty.

1. Look at the History

Despite the month long parade of anxiety-inducing headlines that typically precede a national election, recent history shows that elections rarely cause significant upset to financial markets.

In evaluating data from the past five presidential elections, short-term volatility does occur in the days and weeks immediately before and after the election. But those fluctuations fade quickly, and the market reverts to whatever trajectory it was already on.[1]

2. Enhance Your Media Literacy

In the coming months, headlines will likely try to tie every newsworthy event — big and small — into the 2024 election. While that will include financial news, it's important to remember that small events typically don't drive markets.

Instead, macro events move the needle. The subprime mortgage crisis sparked the Great Recession. A once-in-a-century pandemic set off economic upheaval in 2020. Be wary of headlines that try to convince you the economic world is falling off its axis because of an event that is ultimately micro in scale.

To navigate stories around the upcoming election it helps to increase your media literacy. Some sources cultivate panic or anger to drive more views, clicks, and revenue.

Use these tactics to evaluate the trustworthiness of a story:

- **Scrutinize the source.** Does the individual or organization have the credentials to speak on the topic?
- **Question the melodrama.** Is any emotion in the piece necessary, or is it a tactic to elicit a specific response or manipulate the reader?
- **Examine the tone.** Look for words that are designed to provoke emotional reactions.
- **Consider the motive.** Is the information neutral and purely informative, or is there a self-serving angle to the piece?
- **Check the facts.** Is the piece based on facts or opinions? If information is being presented as factual, can you independently verify it with a reputable third party?

3. Keep Calm and Invest On

Advisors preach this all the time, but it bears repeating during a stressful news cycle: Staying invested is one of the most beneficial things you can do for your financial future.

The stock market has averaged a 10% rate of return over the past 50 years — a period that includes stagflation, the '79 energy crisis, the dot-com bubble, the Great Recession, and Covid-19.[2] Those who have remained invested regardless of the economic ups and downs have seen their money grow thanks to compounding.

Instead of letting external economic forces influence your decision, look inward. Remaining focused on your personal long-term financial goals can help you stick to the plan you and your advisor have created.

4. Turn To Your Advisor for Support

If you're struggling to maintain your serenity, reach out to your advisor. The economic chatter can be stressful and advisors are committed to helping you tune out the noise and remain focused..

Advisors can help you by:

- **Contextualizing economic headlines.** Advisors spend a lot of time tracking trends and watching markets. They can fill in critical blanks when you encounter a news story that sounds scary.
- **Running stress tests.** Advisors use technology to help us create hypothetical projections so they can better understand potential upside and downside risk in various macroeconomic scenarios. If you have a particular concern about a macro force, they can run that stress test on your portfolio and walk you through the results.
- **Revisiting your financial plan.** Advisors are here to help you keep a level head and stay focused on what matters. They can walk through your plan together and review projections to inspire you to stay the course.

5. Vote

If you are concerned about the election's potential impact on markets, one of the most impactful steps you can take is to head to the polls on Tuesday, November 5.

While it's true that elections themselves usually don't create long-term market waves, government policies can and do impact macroeconomic forces. These are just a few of the policy issues that may affect money and markets in the coming four years:

- **The expiration of the Tax Cuts and Jobs Act (TCJA) at the end of 2025.** When the TCJA expires, it will change key individual and corporate tax provisions.[3] What new tax policies will follow it?
- **The relationship between China and the United States,** Trump's tariffs, Biden's CHIPS and Science Act — what comes next? We'll all be watching how the next president exerts influence over the second-largest global economy.
- **The ongoing national debt conversation.** With the debt ceiling set to be reinstated on January 2, 2025, more contention around the national debt is likely during our next president's first term.
- **The wars in Ukraine and the Middle East.** These conflicts remain ongoing and unpredictable. Offering aid and financial support will impact US spending, while the fighting may continue to interrupt the flow of commodities like wheat, oil, and fertilizer, which may contribute to ongoing inflationary pressures.[4,5]

1 Source: Bratanova-Cvetanova, K. (2024, January 24). Do stock and bond markets become more volatile around US presidential elections? FactSet Insight. https://insight.factset.com/do-stock-and-bond-markets-becomemore-volatile-around-us-presidential-elections
2 Source: Price, M. (2023, November 23). Average Stock Market Return. The Motley Fool. https://www.fool.com/investing/how-to-invest/stocks/average-stock-market-return/
3 Source: Gleckman, H. (2023, June 7). Buckle Up. 2025 Promises To Be an Historic Year in Tax and Budget Policy. Tax Policy Center. https://www.taxpolicycenter.org/taxvox/buckle-2025-promises-be-historic-year-tax-andbudget-policy
4 Source: Daoud, Z., Altstein, G., & Sakthivel, B. (2023, October 12). Wider War in Middle East Could Tip the World Economy Into Recession. Bloomberg.com. https://www.bloomberg.com/news/features/2023-10-12/israelhamas-war-impact-could-tip-global-economy-into-recession
5 Source: Arndt, C., Diao, X., Dorosh, P., Pauw, K., & Thurlow, J. (2023, March). The Ukraine War and rising commodity prices: Implications for developing countries. Global food security. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC10015268/

Contact your financial advisor today to learn more.