



**ALBION
FINANCIAL
GROUP**

Guiding Clients
To A Lifetime of
Good Decisions



APRIL 2025

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INTRODUCTION

As the snow melts and spring blossoms emerge, we close the books on a dynamic first quarter and look forward to the opportunities that lie ahead in this season of renewal and growth. From the desk of Albion's President, Liz Bernhard, this letter begins with a retrospective of headlines from previous episodes of market volatility and economic uncertainty compared to the tone of today's newspapers. Then our CIO Jason Ware details the strengths and weaknesses of the US economy and markets. Finally, Senior Wealth Advisor Anders Skagerberg promotes the long-term mindset that is required to persist through challenging times. Read through to our Community segment for team updates and upcoming events.

FROM LIZ BERNHARD'S DESK

"This Time Is Different"—But Is It, Really?

Every market cycle brings its own headlines, anxieties, and reasons to believe that “this time is different.” And in some ways, it is—unique political developments, global tensions, new technologies, and shifting economic data can make the present feel unprecedented.

Lately, investors have voiced concerns about market volatility, geopolitical strife, and domestic political uncertainty. It's easy to feel unsettled. These moments invite the temptation to react, retreat, or alter long-term plans based on short-term fears.



The Wall Street Journal from March of 2020. The coronavirus outbreak fanned new fears of a worldwide recession, as well as an all-out oil price war, sending stock markets spiraling down to new record lows not seen since the financial crisis of 2008.

But while the circumstances change, human behavior rarely does. History shows that uncertainty is not the exception—it's the norm. Markets have weathered wars, recessions, elections, and crises. And each time, the refrain is familiar: *"But this time feels different."*

And yet—this too shall pass.

Let's take a walk down memory lane. Remember the Great Financial Crisis of 2008? Of course you do. A few headlines from that time:

- "Job Losses Accelerate, Signaling Deepening Recession" — The New York Times, Dec. 6, 2008
- "Foreclosures Soar as Homeowners Fall Behind" — Bloomberg, late 2008
- "World Recession Looms as Markets Tumble" — BBC News, Oct. 6, 2008

How about COVID?

- "Wall Street's Coronavirus Collapse Marks Fastest Bear Market Ever" — Bloomberg, Mar. 12, 2020
- "Oil Prices Plunge to 18-Year Low as Demand Evaporates" — CNBC, Mar. 30, 2020
- "March 2020 Becomes Most Volatile Month in Stock Market History" — MarketWatch, Mar. 31, 2020

The beginning of the war in Ukraine:

- "Market Volatility Spikes as Russia Launches Full-Scale Attack on Ukraine" — CNBC, Feb. 24, 2022
- "Stocks Swing and Oil Prices Soar After Russia Attacks Ukraine" — CBS News, Feb. 24, 2022
- "Global Inflation Surges Amid Ukraine Conflict" — Reuters, May 10, 2022

And now:

- “Consumer Confidence Hits Two-Year Low as Inflation and Job Fears Rise” — Associated Press, Mar. 28, 2025
- “Wall Street Tumbles, and S&P 500 Drops 2% on Worries About Slower Economy, Higher Inflation” — Associated Press, Mar. 28, 2025

Each moment felt unique: the worst economy since the Great Depression, a global pandemic, a war in Europe. And each time, the market—and headlines—reacted. Yet the market recovered.

- The S&P 500 took about 4.5 years to recover from the March 2009 low during the GFC.
- The COVID crash recovery took under five months.
- After Russia’s invasion of Ukraine in February 2022, it took only a month for markets to bounce back.

The point is: markets recover. Stocks go higher. While each situation truly was different, those who stayed the course were rewarded.

The core principles of sound investing haven’t changed: stay disciplined, remain diversified, and stay focused on long-term goals. Emotional reactions to uncertainty are among the greatest threats to building lasting wealth.

Our approach remains rooted in evidence, not emotion. We build durable portfolios designed to weather a wide range of possibilities—always with an eye on the big picture and the most probable long-term outcomes: humanity will progress, economies will grow, markets will rise. And within that reality, asset allocation, diversification, behavior, and planning are what matter most.

ECONOMY & MARKETS by Jason Ware

The first quarter of 2025 is in the books, and it was a bumpy one. While it never feels like it at the time, corrections are normal – even healthy – in a bull market. Since 1928, the S&P 500 has experienced 103 such corrections, occurring about once every 13 months, with an average drawdown of -13.5%. The latest decline of about -10% follows an extended stretch of relative calm as the previous correction (September-October 2023) was roughly 16 months ago. Put differently, in a way, markets were sort of due. We certainly recognize that pointing to historical patterns offers little comfort when portfolios are under pressure. But history is clear on how most corrections end: by avoiding recession. The majority *don’t* turn into full-blown bear markets. When they do, it’s almost always tied to economic contractions or sudden, unexpected shocks.

Consequently, the critical question now is: where do we stand on recession risk? Let’s unpack.

Underneath the volatility – both in the markets *and* the headlines – the US economy remains on pretty good footing, though with some shifting undercurrents. Growth is moderating from last year’s pace, but not stalling. The labor market, while cooling at the margins, is still adding jobs, layoffs are low, and wage growth continues to outpace inflation supporting real household incomes. Meanwhile, business investment runs apace, with AI, automation, software, and infrastructure spending leading the way.

That said, some pockets of weakness are emerging. Higher borrowing costs continue to weigh on certain industries, particularly interest-rate-sensitive sectors like commercial real estate, housing, and manufacturing. Consumer

spending, while resilient, is showing more divergence between higher-income households (who are still spending freely) and lower-income consumers, who are feeling the pinch of tighter credit conditions, a lower savings cushion, and elevated uncertainty. However, with pro-growth fiscal deficits still in place (despite ‘DOGE’), productivity improving, and a generally healthy jobs market underwriting robust services activity (by far the largest piece of GDP), we continue to believe the post-Covid economic expansion endures.

Meanwhile, the inflation story has largely played out as we’ve expected. The supply shocks and demand surges of 2021-23 have faded, and price pressures have eased. While we’re unlikely to see inflation sustainably at 2% any time soon, the mid-to-high-2s look like a reasonable resting place. That’s a world away from the 9.1% peak of 2022, and as long as inflation stays contained the Fed has room to maneuver. Moreover, as we’ve past highlighted, inflation at 3% or less is constructive for both the economy and stock market.

After holding rates steady for much of 2024, the Fed finally pivoted to rate cuts late last year. The goal? A “soft landing” where inflation stays in check without tipping the economy into recession. The Fed’s definition of “neutral” policy – where rates neither stimulate nor restrict growth – coupled with the economy’s structural underpinnings as we see them suggest a terminal fed funds rate somewhere around 3.5%. With inflation easing, the Fed had begun moving in that direction, but the path forward remains uncertain. Markets are pricing in multiple rate cuts ahead, but the Fed is keeping its options open, and we see “sticky” inflation restraining them for now – unless unemployment begins to rise meaningfully.

Bond yields have settled into a more predictable range. If neutral rates are around 3.5% and term premiums are historically normal, then long-term Treasury yields should hover in the 4.0-5.0% range. Of course, fiscal deficits, geopolitical events, US economic growth and inflation, as well as investor sentiment will keep things

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“...we remain...focused on navigating the ever-evolving landscape while keeping our true north, the long-term, firmly as our guide.”



volatile at times. But in general, this is a favorable environment for long-term investors with a balanced asset allocation looking to lock in attractive yields.

Turning to stocks, notwithstanding the acute volatility since late-January, US equities remain well-supported by fundamentals. Corporate earnings are growing at a healthy pace. S&P 500 earnings-per-share (EPS) finished 2024 at \$243, with estimates for 2025 approaching \$270 (that's double-digit growth!) and 2026 potentially reaching \$300. For context, EPS was about \$138 at the Covid low and \$162 in 2019, reinforcing the ever-present resiliency and dynamism that defines American business ... a vigor we never wish to bet *against*.

While earnings growth remains strong, valuation is a key consideration. As of this writing, the S&P 500 trades at ~20.5x this year's earnings – not “cheap” per se, but certainly not extreme. Much of the premium remains concentrated in a handful of technology (AI) stocks, while other areas of the market, such as healthcare, industrials, REITs, financials, and small / mid-caps, offer more attractive valuations. Many of the mega cap stocks, or “Mag 7”, also look more attractive amid the market pullback. Portfolio positioning remains key, as leadership may continue to broaden beyond the handful of dominant winners. In everything we do, the mantra *own great companies* and *diversify* reigns supreme.

In sum, as noted in our last missive, we're calling 2025 “A Year of Three-Twos.” That is, a US economy growing at roughly +2%, core inflation settling into the *mid-2s*, and a Fed that may cut rates *two times*. It's a backdrop supportive of continued, if more moderate, market gains. Indeed, we *don't* need multiple expansion. Rather, merely sustaining nourishment from a salubrious business cycle and profits should do the trick. Of course, risks remain. Geopolitics, tariffs,

government austerity, the level of inflation and bond yields *could* each or in concert introduce volatility. But overall, the foundation, at present, remains solid from our perch.

As always, we remain resolutely focused on navigating the ever-evolving landscape while keeping our true north, the long-term, firmly as our guide. Thank you for your continued trust!

PLANNERS CORNER by Anders Skagerberg

Mind The (Behavior) Gap

As the first quarter of 2025 comes to a close, a few things stand out to me.

First and foremost, as an advisor, I'm reminded that one of the best parts of my job is the privilege of walking alongside my clients—through market ups and downs, life's milestones, and all the thoughtful decisions in between. This is meaningful, important work.

Second, periods like these highlight just how powerful human behavior is. Recently, markets have been bumpy and headlines unsettling, affecting how we feel as investors—and ultimately, how we behave.

Like it or not, we're wired to feel losses more intensely than gains and to focus more on negative information than positive. These behavioral biases—known as loss aversion and negativity bias—are built-in features of the human brain.

Now, don't get me wrong—these biases aren't inherently bad. Think of them like a well-meaning friend who always 'speaks their mind.' They're survival mechanisms, hardwired to protect us from danger. If we rewind a few hundred thousand years, early humans lived in a world filled with physical threats, where losing

essential resources like food, shelter, or safety could literally mean life or death. That harsh reality shaped our brains to prioritize avoiding losses and taking fewer risks—because back then, one wrong move could have serious consequences.

Fast forward to today, and those same instincts often lead to unintended, sometimes costly, outcomes. What once protected us can now get in the way, pushing us toward decisions that undermine our long-term financial well-being.

In our industry, we call this impact *The Behavior Gap*.

Popularized by financial writer Carl Richards and quantified in Dalbar's annual Investor Behavior Report, the behavior gap refers to the difference between what an investment *should* return and what an investor *actually* earns. Simply put, it's the gap between potential returns and actual results.

And it turns out, there's quite a gap.

Dalbar's most recent study, published in April 2024, shows the average investor underperformed the market by 5.5% in 2023—the third-largest gap in the past decade. Looking at the long-term data, since 1988 the market has averaged a 10% annual return, while investors earned just 4.1%. That's nearly a 6% shortfall per year!

This is why, as investors, managing our own behavior is one of the most crucial ingredients for growing wealth.

Of course, that's easier said than done. If it were easy, everyone would do it—and the gap would disappear. But it's worth the effort. And ultimately, this is where we strive to add the most value as your advisors. We understand it's scary. We understand how it feels (we're investors too). And we understand what's at stake.

If nothing else, I hope this gives you a glimpse behind the curtain at how we think about our work. To us, the most meaningful thing we can do is be there—through the good times and the bad—to help you make the best decisions for yourself and your family, even when they don't feel like the easiest.

But before I go, in true advisor fashion, I want to leave you with some practical steps. Here's how to mind the (behavior) gap:

Step 1: Be aware of the gap.

If you've read this far, you're already ahead—you're now aware of the gap that exists between investment returns and investor returns. Awareness is the first, crucial step.

Step 2: Understand the role of volatility.

You've likely heard the term, but volatility simply measures how much and how quickly an asset's price moves over time. Here's the key: volatility isn't something to avoid—it's something to expect. It's the price we pay for long-term growth. As financial writer Morgan Housel puts it, "*Volatility is the price of admission. The prize inside is superior long-term returns. You have to pay the price to get the returns.*"

But here's the part you can control: how much volatility you *feel*.

Consider two investors who both started 30 years ago, invested the same way, and never sold. One checks their account once after 30 years. The other checks daily.

Both end up with the same financial result—but their experiences are vastly different.

The first investor might think, "*Wow, investing is simple. Look how much my account grew.*" The second, having

lived through every dip—the dot-com crash, the 2008 financial crisis, the COVID crash—might feel like they barely made it through.

This is an extreme example, but the point stands: volatility is unavoidable, but how intensely you experience it is within your control. The more you check, the more you'll feel the bumps. The volatility exists either way—but you decide how much of it affects you.

Step 3: Focus on what really matters.

At the end of the day, investing isn't just about numbers or market performance—it's about your life, your family, your dreams, and your legacy. When headlines feel overwhelming and markets feel uncertain, it helps to come back to what truly matters.

Think about the goals we've planned for together—whether it's retirement, supporting your kids or grandkids, or contributing to causes close to your heart. Keeping these front and center brings clarity and perspective when doubt creeps in.

As your advisors, we're here to keep you grounded in those objectives. It's not always easy, but the most important decisions rarely are. We're grateful for your trust and partnership as we navigate these moments—always keeping your bigger picture in mind.

***P.S.** If you know someone—a friend, family member, or colleague—who could benefit from thoughtful guidance and a steady hand during times like these, feel free to introduce us. A simple email introduction to your advisor is all it takes, and we're always happy to have an initial conversation to see how we can help.*

ALBION COMMUNITY UPDATE

Spring 2025 Client Conference Call

On **Wednesday, April 23, 2025 at 10:00 AM MT** we will be hosting our next Client Conference Call. We always look forward to these calls and greatly value the opportunity to connect and share ideas with you. We encourage your participation and welcome any questions you may have—either live during the call or in advance by sending us an email. A recording of the call will be available on our blog and YouTube channel afterwards, and a copy will be emailed to you. We hope you can join us. www.albionfinancial.com/events

New Faces

Introducing our newest Senior Wealth Advisor, **Jackson Watson CFA, CFP®**. Jackson hails from Vermont, and recently relocated to Utah from Boston. He is a graduate of Middlebury College.

Also recently joining our Wealth Advising team is **Ian Bird**. Ian, a graduate of Whitman College, is an Associate Wealth Advisor joining Jackson's team.

Office Renovation

We hope to be back into our new, “old” building very soon. As a reminder this is our temporary location:

Sugarhouse Commons
1165 East Wilmington Ave. Ste. 250
SLC, UT 84106

ALBION COMMUNITY UPDATE CONT'D**Golf Event**

On **Thursday, May 29th**, Albion will be hosting our first annual golf event at Soldier Hollow GC, in Midway, UT!

Stay tuned, more details to come.

www.albionfinancial.com/events



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