

# The SEIA Report

Q4  
2023

## Key Investment Themes for 2024



By Gene Balas, CFA®  
Investment Strategist

As we enter 2024, investors face a landscape shaped by various themes. Three particularly noteworthy factors include the challenge of reconciling diverse economic perspectives, the ongoing influence of artificial intelligence (AI) and digital transformations, and the evolving terrain of geopolitical risks. Rather than attempting precise predictions, it may prove valuable for investors to explore the potential outcomes within the uncertainties of these themes, understanding their nuanced impact on the markets.

### Reconciling Investors' Wide Range of Economic Views May Cause Increased Market Volatility

Economists' views on economic growth and the pace of Fed rate cuts cover a wide range of potential outcomes. Forecasts for stronger-than-consensus economic growth are based on optimism that is partly fueled by the expectation that consumer spending will outdo forecasts, supported by gains in real income and elevated levels of household net worth. Such economists note the labor market is projected to maintain its robustness, featuring an estimated low unemployment rate of 3.6%, while wage growth is set to align with inflation targets. Diminishing inflationary pressure is anticipated to trigger a series of rate cuts by the Federal Reserve, aiming to recalibrate policy rates, such optimists note.



Despite this positivity, there is contrast from some economists who maintain a guarded stance. Concerns center on the risks posed by a potential savings rate rebound and the depletion of excess savings accumulated during the pandemic. These developments could translate into headwinds for the stock market, where heightened valuations and geopolitical uncertainty may become more prominent hazards.

Seeing how these competing views heading into the new year play out may be a source of continued volatility in the markets, especially as the pace of Fed rate cuts – dependent, in turn, on how inflation evolves – is also broadly debated among economists.

### Fed Holds Steady, Signaling Rate Cuts for 2024

#### Upper limit of the U.S. federal funds target rate range\*



\*Dotted lines indicate median projections of the midpoint of the appropriate target rate range at the end of the specified calendar year.

Source: U.S. Federal Reserve

**"I believe successful wealth management is the result of an ongoing collaboration between investor and advisor, built upon trust and maintained according to the highest standards of integrity and expertise."**

**Brian D. Holmes,**  
MS, CFP®, CMFC, AIF®,  
President & CEO

#### **ABOUT SEIA**

Signature Estate & Investment Advisors, LLC® (SEIA) is a Registered Investment Advisor firm offering Investment Supervision and Financial Planning Services tailored to align the unique needs of affluent individuals and corporations. Fundamental experience and professionalism enable the financial advisors, with SEIA's research and support staff, to design a financial plan or investment portfolio to align the client's goals.

# A New Face. New Services.

## April Rosenberry Joins SEIA to Head Estate & Tax Planning



As your wealth builds, so too does the complexity of your financial needs. New challenges arise which extend beyond traditional financial and investment planning—demanding specialized estate and tax planning knowledge and guidance. This has led a growing number of clients to turn to us for help and guidance on managing their federal, state and international tax liabilities, estates, personal and charitable trusts, real property and business planning.

With this in mind, we're thrilled to welcome April Rosenberry, J.D. to the SEIA team as our new Director of Estate, Tax, and Financial Planning. April brings more than 25 years of experience as a tax attorney to our firm. With Bar licenses in California and New York, she has extensive experience drafting complex estate plans, structuring companies, advising on taxation issues, and supervising estate administrations. Her proficiency includes business litigation cases (where she has represented banks, corporations, and trustees) as well as numerous will contests and estate litigation cases. She also provides pro bono legal services for first responders through Wills for Heroes.

We're excited to offer these new and expanded capabilities—as well as April's deep well of knowledge—to help deliver (in coordination with your attorney and/or CPA) more fully-integrated wealth solutions. If you have specific tax or estate planning needs or questions, please don't hesitate to reach out to your SEIA advisor who can set up an in-person or online meeting.

## 2023 Tax Brackets

The tax items for tax year 2023 of greatest interest to most taxpayers include the following dollar amounts:

#### **Married – Filing Jointly**

The standard deduction for married couples filing jointly for tax year 2023 rises to \$27,700 up \$1800 from the prior year.

#### **Married – Filing Separately / Single**

For single taxpayers and married individuals filing separately, the standard deduction rises to \$13,850 for 2023, up \$900.

#### **Head of Household**

For heads of households, the standard deduction will be \$20,800 for tax year 2023, up \$1,400.

#### **Marginal Rates**

For tax year 2023, the top tax rate remains 37% for individual single taxpayers with incomes greater than \$578,125 (\$693,750 for married couples filing jointly).

#### **The other rates are:**

35% for incomes over \$231,250  
(\$462,500 for married couples filing jointly)

32% for incomes over \$182,100  
(\$364,200 for married couples filing jointly)

24% for incomes over \$95,375  
(\$190,750 for married couples filing jointly)

22% for incomes over \$44,725  
(\$89,450 for married couples filing jointly)

12% for incomes over \$11,000  
(\$22,000 for married couples filing jointly)

The lowest rate is 10% for incomes of single individuals with incomes of \$11,000 or less (\$22,000 for married couples filing jointly)

Source: Internal Revenue Service

Generative AI could contribute to productivity growth if labor hours can be redeployed effectively.

Productivity impact from automation by scenario, 2022-40, CAGR, 1%



Note: Figures may not sum, because of rounding.  
 1 Based on the assumption that automated work hours are reintegrated in work at productivity level of today.  
 2 Previous assessment of work automation before the rise of generative AI.  
 3 Based on 47 countries, representing about 80% of world employment.  
 Source: Conference Board Total Economy database; Oxford Economics; McKinsey Global Institute analysis

The decline in inflation has been uneven. The Consumer Price Index (CPI) inflation report released February 13 showed inflation unexpectedly rose more than market expectations, halting a string of declining rates of price increases. As such, market participants are now aligning their views on the pace of Fed rate cuts with the Fed’s more cautious approach and its hesitation to declare victory over inflation just yet. The Fed is forecasting far fewer rate cuts than the market had been, with the Fed forecasting 75 basis points (bp) (0.75%) in rate cuts in 2024 while the market had expected 150 bp (1.50%).

Reconciling these competing views over the course of the coming year may mean heightened volatility in the markets – especially given that markets are also already arguably pricing in more earnings growth than some economists predict.

**Artificial Intelligence (AI) and Digital Transformation**

AI is a rapidly growing field with perhaps significant investment potential. This includes investments in leading AI companies as well as businesses involved in supporting infrastructure like hardware and data centers. The transformative impact of AI across sectors like fintech, robotics, and cybersecurity offers a spectrum of investment opportunities, potentially leading to high growth and innovation-driven returns.

A July 12, 2023, CNBC article entitled, “Bill Gates explains why we shouldn’t be afraid of AI” stated that Microsoft cofounder Bill Gates believes artificial intelligence (AI) models like the one at the heart of ChatGPT are the most important advancement in technology since the personal computer.

Furthermore, a study by management consultant Gartner found that 55% of organizations reported increasing investment in generative AI since it surged into the public domain ten months ago. The study noted that generative AI is now on CEOs’ and corporate boards’ agendas as they

seek to take advantage of the transformative potential of this technology. However, AI is still at the very start of its evolution and adoption, so investors would be wise to conduct their own due diligence before investing in companies that purport to be developers or users of AI.

McKinsey & Company, a consultancy, calculated the effects of generative AI – the type of AI that is embedded in ChatGPT, among others – on productivity gains. It used two scenarios of how quickly generative AI would be adopted, the first being adoption within eight years (the “early” period in the nearby graph), and the second being adopted towards the end of a 27 year period (the “late” period). (In reality, the time for adoption would likely be in the middle of the two extremes.) McKinsey also assumed that workers whose jobs changed as a result of this transformation would apply the same labor hours to another role with similar productivity gains as in the baseline assumptions. As seen in the nearby graph, early adoption of generative AI can boost productivity, and therefore, has the potential to increase economic growth, with more muted effects for late adoption.

Investors should also appreciate that there are other types of AI besides generative AI, and there are other transformative technologies, including, but not limited to, robotics, blockchain and cybersecurity, that could be incorporated alongside AI-oriented companies within a diversified portfolio of growing companies that use or develop revolutionary technologies. The importance of cybersecurity, the glue that holds the technologies (both traditional and transformative) puzzle together, should not be underestimated, as Gartner predicts that 45% of all organizations will have experienced attacks on their software supply chains by 2025.

Digital transformation innovations are fundamentally reshaping how businesses operate and interact with their customers. Blockchain technology is revolutionizing transactions and data security, enhancing transparency and efficiency

across various sectors. Digital commerce continues its upward trajectory, spurred by innovations in online retailing, mobile commerce, and personalized customer experiences. Investments in these areas are considered strategic, as they tap into new revenue streams and operational efficiencies, offering long-term growth prospects that could enhance the performance of traditional stock portfolios.

### Geopolitical Risk and International Investment Opportunities

This theme encapsulates the evolving geopolitical landscape, characterized by heightened risks and uncertainties. Investments are likely to be influenced by factors such as international conflicts, political instability, and global power shifts. With the eyes of the world on the ongoing wars in Ukraine and Gaza, an unprecedented number of potentially major conflicts are going under the radar, analysts have warned.

Plus, any conflict in the Middle East in which conflict between Israel and Iran's proxy agents, including Hezbollah to Israel's north – where conflict is currently brewing – as well as Hamas, with which Israel is currently at war in Gaza to Israel's south, along with armed conflict with Houthi rebels in the Red Sea, has the potential to compel other nations, including the U.S., to enter the conflict. This could lead to a sizable increase in the price of oil. Even though the U.S. produces much of the oil domestically that it consumes, the price of oil is set globally and is sensitive to conflicts in the Middle East.

Meanwhile, as the world's geopolitical risk factors shift, the reshaping of global supply chains is creating new investment

opportunities, particularly in emerging markets. Countries like Mexico and India are among those that are expected to benefit from these shifts, according to some economists. These markets may offer attractive investment opportunities as they expand their manufacturing capacities and play larger roles in the global supply chain.

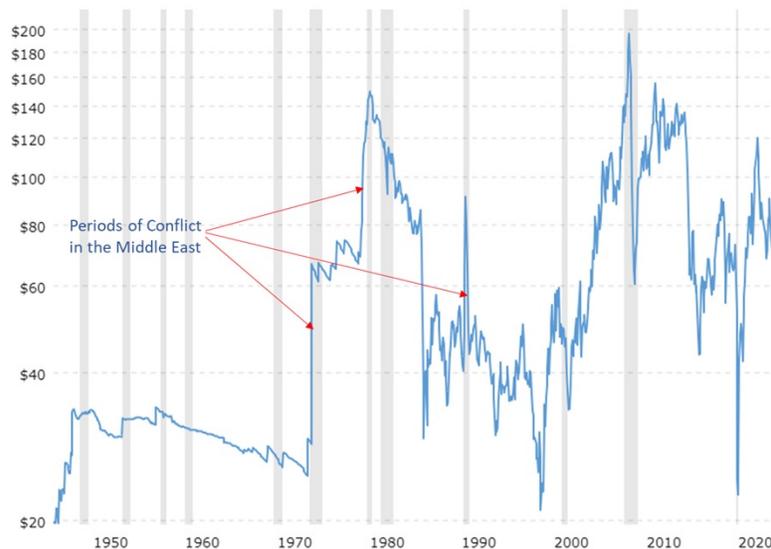
Separately, changes in the value of the U.S. dollar, particularly if it experiences a sell-off, could create investment opportunities in international investments denominated in foreign currencies: if the dollar depreciates against its peers, repatriated values become larger when translated into dollars. Conversely, the dollar's value can potentially increase with fewer Fed rate cuts and/or greater geopolitical instability.

### Conclusion

These three themes bring their own promises and perils, as there is considerable uncertainty as to how each of them will unfold. It is important that investors consider a range of possible outcomes, and ensure that their portfolios are built to withstand these forces, with proper and thoughtful diversification being paramount.

Given that risk is always embedded in the markets, avoiding it completely may not necessarily be prudent: after all, the returns an investor receives are the compensation they receive for taking on some amount of risk. The questions to ask are what types of risk one is willing to undertake, and by how much. In that regard, your SEIA advisor is always ready to assist you in helping prepare your portfolio for whatever events transpire.

### Price of West Texas Intermediate Oil



Source: MacroTrends. Shaded bars indicate U.S. recessions. Periods of conflict in the Middle East include the Yom Kippur War and Arab Oil Embargo in 1973-1974, the Iranian Revolution in 1979, and the Persian Gulf War in 1990-1991.

Investing involves risk, including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss. There is no guarantee that a diversified portfolio will outperform a non-diversified portfolio in any given market environment; it is a method used to help manage investment risk. Investments in overseas markets pose unique risks, including currency fluctuation and political risks, and the portfolio is expected to be more volatile than that of a U.S. only portfolio. These risks are generally intensified for investments in foreign emerging markets. Small cap equities, international equities, and real estate securities are generally more volatile than large cap equities and bonds.

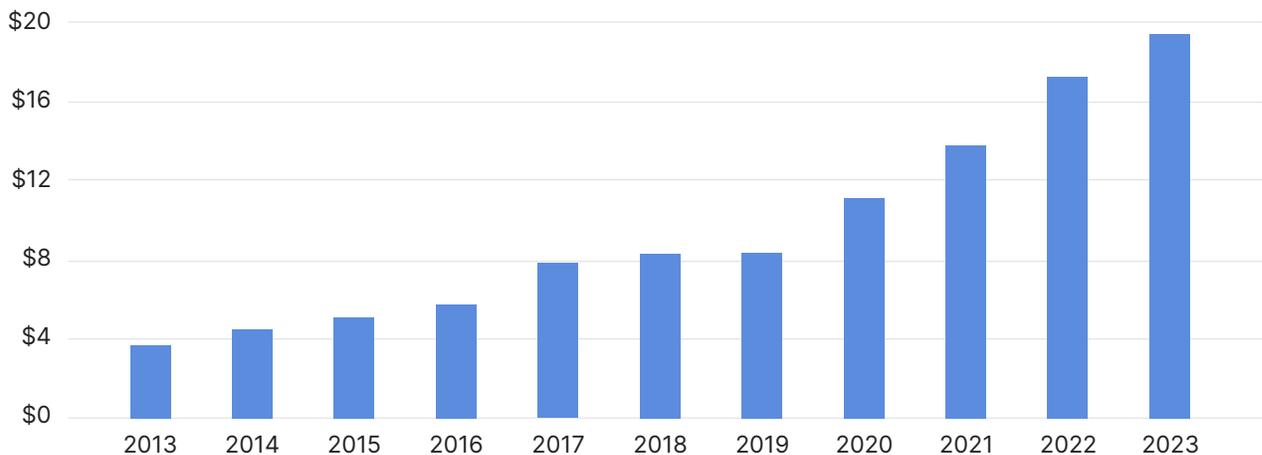
# Growing to Serve You Better



By Jared Chase, CFP®

Just ten years ago, SEIA was overseeing less than \$4 billion in assets for about 3,000 clients. A decade later, we have surpassed the \$20 billion mark in assets under advisement<sup>1</sup> and now serve more than 12,000 clients. It's an incredible rate of growth—something we're tremendously proud of as a sign of the trust so many individuals, families, and business have placed in SEIA.

Historical Growth of SEIA Assets Under Advisement (in billions)



AUA growth is by no means our primary goal. Rather, it serves the ability to unlock new and exciting opportunities that will further enhance our wealth management platform, capabilities, and services. This growth has allowed us to attract a diverse and talented group of financial professionals as well as facilitated the broadening of our national presence with the establishment of several new offices.

As a direct byproduct of this growth, we continue to uphold our commitment to serve our clients' best interests, guided by our fiduciary responsibilities. This fuel has empowered us to strive towards building a firm with the goal of enduring sustainability, aiming to serve our clients faithfully across generations.

After working directly and indirectly with SEIA over the past 16 years, I couldn't have been more excited to officially join the firm last January. Brian Holmes and the rest of the SEIA leadership team represent everything an Advisor would want to become a part of. I look forward to the opportunities and that continued growth enables in serving your future.

On behalf of all SEIA Partners, Advisors, and Employees, we thank you for entrusting us with your financial future. We look forward to continuing our valued relationship with you and your family in the years and decades to come.

<sup>1</sup> As of February 16, 2024.

Note that these figures and our past growth do not predict or guarantee future performance. Investing involves risks, including the risk of loss. The success of our firm's strategies in the past does not ensure similar outcomes in the future. Prospective and current clients should make investment decisions based on their specific financial needs, objectives, and risk tolerance. The reported Assets Under Advisement (AUA) represents all accounts linked to SEIA and its affiliated entities as of 12/31/2023, but may not be receiving continuous supervision and management. The AUA encompasses assets like stocks, bonds, ETFs, mutual funds, and cash, among others. Past performance does not guarantee future results. The perspectives and personal insights shared in this context reflect the author's individual experience and viewpoint. It is important to note that these views may not necessarily encompass the diverse range of experiences held by others.

## SIGNATURE FUND for GIVING

The **Pediatric Cancer Research Foundation** and the **V Foundation** hosted their annual Dribble for Victory Over Cancer for the 16th year this past October at The University of California, Los Angeles. SEIA was a proud National Champion Sponsor, helping to raise \$160.5k for life-saving childhood cancer research at UCLA Mattel Children's Hospital.

The UCLA Athletic Department and Men's and Women's Bruin Basketball participation at **Dribble for Victory Over Cancer** have raised over 1 million dollars since its inception.

Additionally, the Signature Fund for Giving is excited to announce our partnership with **Richstone Family Center** located in Hawthorne, CA. The Center is dedicated to treating and preventing child abuse and trauma; strengthening and educating families; and preventing violence in families, schools, and communities. We're so proud of the work Richstone is providing to our community members and look forward to our ongoing commitment to the Center's mission.



If you have any questions regarding our fund or how to participate, we invite you to contact Hayley Wood Bates at 310-712-2323 or [hwood@seia.com](mailto:hwood@seia.com).

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