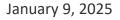
Bodnar Financial Advisors, Inc.

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Bodnar Financial 2025 Annual Client Letter: "It's Not Always Like This."

In keeping with tradition, allow us to be the **very last ones** to wish you a Happy New Year! We are happy to report that for most of you, 2024 was another highly successful year in pursuit of your most cherished lifetime financial goals.

Before we restate our core beliefs and give a few comments about the current economic and financial backdrop, we want to put on paper one of the things we've found ourselves saying the most in client reviews the past several weeks: **It's not always like this**.



The investment returns of the past 18 months, while very pleasant to see in our statements, are not sustainable. While they do put a smile on our faces, do not be tricked into believing that this is the new normal – that a traditional 60/40 portfolio (60% being equities) returns 12-15%. That type of return is what we'd expect to be the long-term performance of a 100% equities portfolio.

It's not always like this, folks. But don't hold back the smile, let it shine! And now that you're smiling, let's dive into it. As always, we begin the year with a two-part letter: a restatement of the principles that guide us and some musings on current market conditions.

Our Timeless Investment Principles

Bodnar Financial is a long-term, goal-focused, plan-driven financial planning organization. That is why our reviews always begin with updating your family net worth statement. This balance sheet is the "scorecard" we use to track the success of your financial plan.

Our core investment policy is to invest in broadly diversified portfolios of high-quality businesses. We do not react to economic, political, or market events. As long as your long-term goals remain unchanged, so will our plan for the pursuit of those goals. As we have said numerous times over these past 37 years, "we don't do Armageddon here."

We believe the economy cannot be consistently forecast, nor the markets consistently timed. That does not mean someone can't be lucky occasionally – we are all familiar with a story of someone getting in or out of the market at just the right time. But it is impossible to do it consistently. Warren Buffet's famous quote about the Hall of Fame of market timers is that "it's an empty room." We conclude from this that the only practical way to capture the premium long-term returns of equites is to ride out their declines, which are frequent and sometimes significant, but historically always temporary.

Thoughts on Current Market Conditions

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As noted above, 2024's not-always-like-this-market was an exceptionally good one for the diversified equity investor. However, the market return was powered largely by a very few of the very largest technology stocks. As the year ended, the market gave evidence of broadening out to some extent. That would certainly be welcome. Some other things of note:

The presidential election result was clear and uncontested. The economic backdrop continues to be favorable. The job market remains strong, though showing signs of cooling due to relatively stringent monetary policy. Inflation has not gone away. Nor, as Federal Reserve Chairman Powell observed in mid-December, is it going away. A frothy market took this statement rather badly, as indeed it should have.

While the fiscal condition of the government of the United States remains appalling, the consumer is in particularly good shape. The household debt service ratio (debt payments as a percentage of disposable personal income) was 10.1% in the third quarter of 2024, and is near a 40-year low.

Corporate earnings and dividends reached record highs and are expected to increase further in 2025. If anything, late last year many investors feared that the equity market had gotten ahead of itself, based on somewhat stretched valuations. Since valuations have never proven to be a reliable timing tool – any more than anything else has – we encouraged clients to just keep on keeping on with their plans.

And unless your financial goals change in 2025, we plan to largely continue advising investors to keep on keeping on with their plans. We know the broad equity market will not go on indefinitely compounding at the nearly 16% it's been producing since the March 2009 Global Financial Crisis lows – nor do we need it to. Our long-term plans assume a 100-year return of the S&P500 of about 10%. So, it's not Armageddon if the equity markets underperform for a year or two. That's how this works. In fact, it's how it has always worked. So, when it happens, we are ready for it. When will it happen? Your guess is as good as mine.

The economy, the markets, politics, and geopolitics are for all practical purposes perfectly unpredictable. The only constant is SURPRISE. If we let utterly random current events alter our investment policy, then we never really had a policy in the first place, and are doomed to fail as long-term investors.

We wish all our clients and friends – because to us, they're the same! – a healthy, happy and prosperous 2025. We are always here to answer your questions or address your concerns. Thank you for being our clients. It is a privilege to serve you and your families.

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Dividend payments are not guaranteed and may be reduced or eliminated at any time by the company.



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