BARRISTER
BULLETIN

The Supermarket, Super Catch-Up & Consumer Debt

The Supermarket

Have you noticed a proliferation and focus on new investment options from Wall Street? From funds lending money to private companies to ETFs that offer triple leverage on a single stock, there is no shortage of products being marketed.

I recently read this in Almost Daily Grant's from Grant's Interest Rate Observer:

> The study of 40 global asset managers including BlackRock, State Street, JPMorgan and Goldman Sachs by German financial strategy advisor zeb Consulting showed their profits in 2023 slipped to 8.2 basis points (0.082%) of assets under management from 10.1 basis points in 2021 and 9.4 points in 2022.

This helps explain what is going on. Over the last few years there has been a lot of fee compression for asset managers, specifically a race to zero for managers of ETFs, where most money now flows, including many of the companies named above. The average cost for most large ETFs now hovers around .05%, which does not allow for much profit. What does this mean for the average investor? Buyer beware.

Wall Street is very much like the supermarket, there are a lot of products offered, but most of them are not good for you. At creation, hedge funds, private equity, private credit, and ETFs were very beneficial to investors, but as capital flowed into these strategies/products profit margins shrunk. Private Equity, for example, used to focus on large publicly traded companies, now they are rolling up local HVAC and plumbing companies. ETFs were created to track indexes and keep fees down, now there is an ETF (PAWZ) to invest in pet related companies.

Wall Street is always going to have something shiny and new, just like the supermarket is always going to offer the high margin, unhealthy new snack product. Like a healthy shopper, investors need to avoid those middle aisles items, and stick to the outside aisles of the supermarket, where they'll find the healthy, low-margin, low-cost, index tracking ETFs.

Super Catch-Up

Thanks to the Secure Act 2.0, beginning in 2025 those who are age 60-63 will be given the opportunity to make a super catch-up contribution to their employer qualified plan. Instead of the usual catch-up, another $3,750 can be saved. For 2025 the total catch-up contribution will equal $11,250 or $7,500 plus $3,750. Please note this is above the normal salary deferral limit of $23,500.

<u>Consumer Debt</u>
Offered without comment, you have heard it enough from me. Again, from Almost Daily Grant's from Grant's Interest Rate Observer:

> Thus, aggregate domestic household debt reached a record $17.94 trillion as of Sept. 30 per a Wednesday report from the Federal Reserve Bank of New York, up 4.5% over the past year to outpace the 4% uptick in nonfarm wages as measured by the Economic Policy Institute. Credit card balances reached $1.17 trillion per the New York Fed, up 8.1% from September 2023 and 26% over the past two years, while the share of serious delinquencies (meaning in arrears by at least 90 days) is nearly 12%. That's the highest since at least 2003 outside the aftermath of the Great Recession.

As always if you have any questions please don't hesitate to reach out.

Best,

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