NORTHWEST NEWS

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INVESTMENT COUNSELORS LLC

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Please contact us: (1) If there is a change in your financial situation, investment objectives, or risk profile, (2) For questions about your portfolio or to set up a quarterly review, (3) If you are not receiving statements from your custodian, (4) If you want to impose reasonable restrictions on the management of your portfolio, or (5) if you just want to say Hello!

What's New at Northwest?

YEAR-END MONEY MOVEMENTS

We'd like to remind you of some financial matters that should be addressed prior to year-end. We encourage you to complete year-end money movements such as required minimum distributions, gifting to individuals, and gifting of stocks to charities by December 2, 2024. This will help us to better serve you and give your custodian time to complete the transactions.

If you have any questions, please do not hesitate to reach out to us at 503.906.9624 or 800.685.7884 as well as by sending an email to mecatala@nwic.net.

IT'S OFFICIAL - WE'VE MOVED

We are settling into our new office at 5 Centerpointe Drive, Suite 270. We are enjoying our new space, and we look forward to meeting you in our new location.





SOCIAL SECURITY COST OF LIVING ADJUSTMENT (COLA) FOR 2025

The Social Security Administration (SSA) announced a 2.5% cost-of-living adjustment (COLA) for recipients in 2025. The increase is the smallest since 2021 in response to cooling inflation.

OUR NEW ADDRESS

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Northwest Calendar

November 28 Thanksgiving - Office Closed
November 29 Early Market Close - Early Close 10:30
December 2 Year-End Money Movement Deadline
December 24 Christmas Eve - Early Close 10:30
December 25 Christmas - Office Closed
January 1 New Years Day - Office Closed

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STOCKS

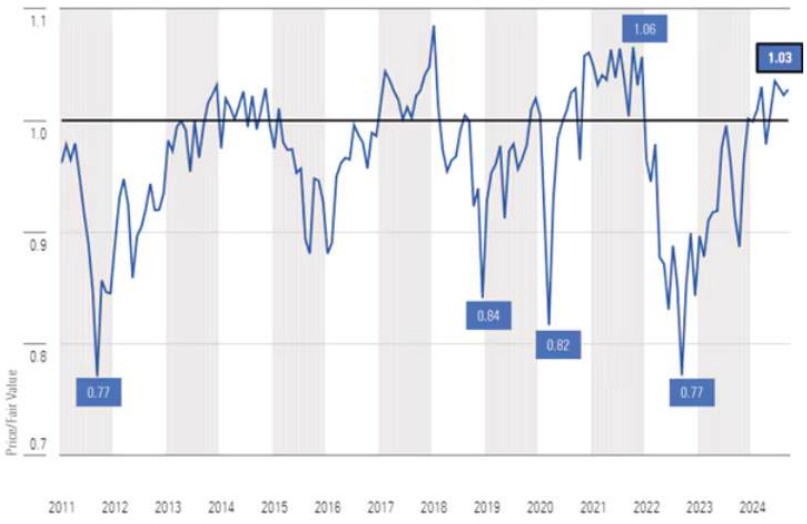
The combination of easing inflation, continued growth in the economy, falling interest rates, and a Federal Reserve shift to a less restrictive stance on monetary policy propelled stocks (and other assets) higher during Q3. Our section on fixed income discusses more on the Federal Reserve and the economy. The increase in the broader US market (+5.88% for an S&P 500 fund) was led by more value-oriented stocks (+13.02% for the Dow Jones Select Dividend fund) rather than growth stocks (+3.67% for the S&P 500 Growth fund) during the quarter. This is a change from the artificial intelligence (AI) fueled rally in tech stocks in 2023 and the first part of 2024 (AI companies are generally classified in the growth category). International stocks rose over 7% during the quarter. Gold rose about 13% in the quarter on geopolitical issues and looser monetary policy. Timber focused REITs (Real Estate Investment Trusts) advanced over 10%. By market capitalization (the price of a stock multiplied by its shares outstanding), smaller caps rose around 8% while large caps only 4%. The same dynamic was true in the strategies we run for you, with Smaller Companies and Equity Income performing well ahead of Blue Chip Growth. All turned in solid performance.

Turning to valuation and expectations going forward for stocks, Morningstar's research team pegs the US market at slightly overvalued now (see chart below). To arrive at this estimate, they average the price-to-fair value estimate for each stock they cover in the US markets. Our conclusion is similar as we look at our research coverage and holdings for you, with the most attractive values being in the small and mid-cap universe.

Updating a more top-down view of the market instead of a stock-by-stock approach yields a similar conclusion (see chart below). The rally so far in 2024 has knocked a couple points off of our long-range estimate for the total return of the S&P 500, now standing at a ten-year range of 4-7% expected compound annual return including dividends. Here, though, is an apt time to caution that you should take any long-range market forecast, ours included, with a grain of salt.

During the quarter, we added one new investment

Price/Fair Value of Morningstar's US Equity Research Coverage at Month-End



Source: Morningstar. Data as of September 23, 2024.

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to our Smaller Companies strategy, CBIZ Inc. CBIZ provides accounting, valuation, insurance, human resources, and other professional services to middle-market companies. After a recent acquisition, CBIZ has become the seventh largest accounting firm in the US.

Like most fiduciaries, we continue to emphasize the value of diversification amongst major asset classes like stocks and bonds in your portfolio, but also varying segments of the stock market (i.e., market cap and style) as being a valuable diversification tool for your portfolio. We also tend to shy away from wholesale shifts in our allocations based on market sentiment or expectations, instead preferring to let our research process (like new investment CBIZ detailed above) and focus on buying intrinsically undervalued companies at any given time, lead to gradual tilts to our investment allocations over time. However, there is never a shift from our core investment philosophy of searching out companies with durable competitive advantages, which have attractive returns on invested capital, which can grow their invested capital, and which can be bought in the market for less than our assessment of intrinsic value. Done consistently over long periods of time, our clients have earned attractive rates of return.

NOTES FROM THE PLANNING DESK

Tax Bracket Management

In this election year and with the sunset of the Tax Cuts and Jobs Act (TCJA) at the end of 2025, consider the tax bracket you will fall under now and what tax bracket you will fall under if the tax brackets revert back to their 2017 brackets. If the TCJA expires, are there any actions you can take to positively impact your financial situation prior to 2026? For instance, do you want to make additional distributions from your pre-tax/tax-deferred accounts to take advantage of the lower tax brackets? We can work with you and your CPA to find a plan that best fits your needs.

Pre TCJA/Post TCJA 2017/2026 Tax Rates (%)	TCJA 2024 Tax Rates (%)
10%	10%
15%	12%
25%	22%
28%	24%
33%	32%
35%	35%
39.6%	37%

End of the Year Planning

Have you maxed out your contributions to pre-tax accounts (i.e. workplace retirement plans and health savings accounts) or your tax-deferred and tax-exempt accounts (e.g. traditional and Roth IRAs)?

2024 Contribution limits:

- Elective deferrals 401(k), 403(b), 457, and SARSEPs: $23,000 ($30,500 if you're 50 or older)
- Health Savings Accounts: $8,300 for a family ($9,300 if you are 55 or older)
- Traditional and Roth IRAs: $7,000 ($8,000 if you're 50 or older).

Have you considered taking distributions from your pre-tax/tax-deferred accounts to "fill up the rest of your income bracket"? One study found this strategy added an extra year to the life of your funds compared to living solely off your taxable account first, as is the typical recommendation.[1] By reducing the balance of your pre-tax accounts you are potentially lowering the taxes you pay in retirement when you take distributions. (*Continued on Page 5)*

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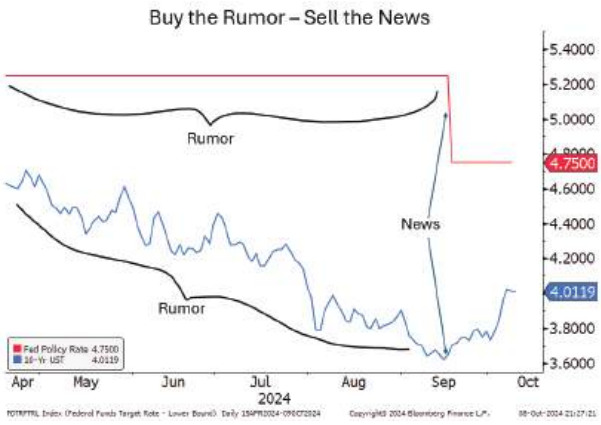
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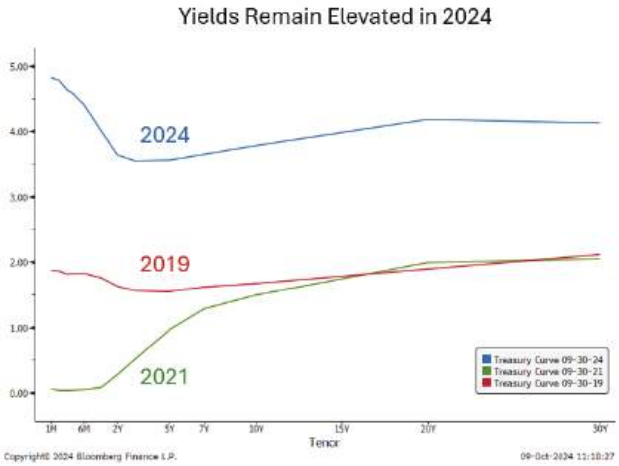
BONDS

The U.S. Aggregate Index (the Agg), a broad-based flagship benchmark that measures the investment grade bond market, rose 5.8% in the third quarter of 2024. For the 12 months ended September 30th, 2024, the Agg returned 11.6%. Prices of bonds increased as the benchmark 10-yr US Treasury rate fell during the quarter, from 4.46% to 3.78%, reducing borrowing rates and setting off a wave of refinancing in various markets. Corporations took advantage of falling rates in the quarter by retiring higher rate debt and in the housing market refinance applications in August were at their highest levels in two years and up 60% compared to the year earlier, according to the Mortgage Bankers Association refinance index. However, just into the fourth quarter, the falling rate trend has experienced a reversal.

There is a saying among traders: "Buy the rumor, sell the news." The adage infers that the rumors, or anticipation of an event, can have one impact on prices, and the news, or occurrence of an event, can have the opposite effect. In the third quarter, and earlier, the Fed telegraphed that it intended to cut rates at its September meeting. In anticipation of the cut, buyers of US treasuries drove the yield on long-term US Treasuries down during Q3 and due to the inverse relationship, prices rose (i.e. buy the rumor). Market participants and other financial professionals believed Fed rate cuts would bring long awaited decreases to borrowing costs. Instead, the above adage held true, and after the Fed cut its policy rate at its September meeting by 50 basis points, long-term borrowing rates actually increased and prices fell, which is to say, traders sold the news.



While we can't say for sure why exactly rates on longer-term bonds rose after the Fed cut, we can speculate that: 1) rate cut expectations were already baked into long-term rates and traders had gotten ahead of themselves in bidding rates lower, 2) lower short-term rates increased the expectation for higher future economic growth, 3) September's job report was much stronger than expected, and 4) traders returned their focus to other macro issues such as the high level of Treasury issuance required to finance US deficit spending. Whatever the reason(s), our expectation is for lower and lower short-term rates, barring the re-emergence of inflation, but for intermediate to long-term rates to remain range bound at levels higher than those leading up to and during the pandemic. We continue to see value for fixed income investors across the yield curve. As of the end of Q3, Treasury yields exceeded 3.50% across all maturities on the yield curve, with some maturities still yielding over 4%. This contrasts with Q3'21 and Q3'19, when all maturities across the yield curve yielded less than 2%.



As interest rates approached their cyclical peak in 2023, we were quite active in Treasuries and government agency bonds. At that time, with

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yields at their highest levels since 2007, it was prudent to purchase bonds with attractive yields and the backing of the government. As Treasury yields have fallen below their near-term peak, we have returned to buying a more normal mix of government bonds and corporate bonds, which offer higher yields in exchange for credit risk. We seek the highest level of yield and income that is appropriate given the bond issuer's level of risk. We occasionally make adjustments on the margins of our strategy (e.g. buying longer bonds when it seems logical to lock in higher yields for longer, buying certificates of deposit when rates are high relative to corporate and agency bonds, and aligning maturities for clients as specific conditions dictate). Our core strategy, creating 10-year bond ladders composed of government, corporate, and—when appropriate—municipal bonds, remains the same.

NOTES FROM THE PLANNING DESK CONTINUED

Continued From Page 3

Another "fill up the rest of your income bracket" strategy is doing a Roth conversion. In this strategy, you convert a portion (or all) of your traditional IRA into a Roth IRA. The conversion is taxed at ordinary income tax rates today, and the funds grow tax exempt, and distributions are generally tax free if you meet the requirements. This is a great legacy planning tool for your beneficiaries. When a beneficiary takes an Inherited Roth distribution the distribution is tax free while a distribution from an Inherited IRA is taxed at ordinary income.

A Roth conversion can be a great investment allocation planning tool. An investor may be more inclined to locate higher income paying investments like dividend stocks and bonds in a traditional IRA to shelter the income from ordinary income taxes. If you Roth convert your IRA funds you can also invest for growth without having to worry about it affecting your taxes in the future.

With either of these strategies, you may reduce your future Required Minimum Distributions (RMD) from your pre-tax accounts and potentially your future marginal tax bracket. Your RMD is calculated on the value of your pre-tax accounts on 12/31 of the previous year, and if the value is reduced within the context of an effective tax mitigation strategy then your RMD will be reduced.

Due to ever changing regulations and tax rates these planning tools might need to be reviewed and adjusted. We encourage you to meet with your NWIC Wealth Advisor and CPA (or other tax preparer) every year to make these estimates and generate a plan that is right for you.

By reducing the balance of your pre-tax accounts you are potentially lowering the taxes you pay in retirement when you take distributions.

[(1)]Tax-Efficient Withdrawal Strategies, Cook, Meyer, Reichenstein, Financial Analysts Journal 2015.



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PORTFOLIO STRATEGIES

According to a recent Bankrate survey of institutions, the national average savings account yield is 0.58% APY (annual percentage yield). With the interest rate on our Schwab money market fund of choice (SNSXX) at 4.55% (at the time of this writing) we strive to make sure any cash in client accounts that is not currently invested is carrying its weight. Additionally, you might consider whether your emergency or rainy-day fund, at your bank, credit union, or under your mattress is carrying its weight. If it's not, you might consider putting it to work in your taxable Schwab account (e.g. your brokerage, individual, designated beneficiary, joint, or trust account). We also have a range of short-term debt instruments we can purchase on your behalf such as certificates of deposit (CDs) or T-Bills, to increase earnings on your reserve funds. Money market funds and cash equivalents are useful for cash that you want or need to hold (e.g. while accumulating funds for a down payment, a future home project, or emergencies) but should not be used for long periods in place of stocks or bonds. Funds invested in a money market fund can be converted to cash proper with a day's notice and transferred back to your financial institution.



YOUR PORTFOLIO IS ELECTION READY

With under a month until the presidential election, you may feel a bit anxious. You aren't alone. We've talked through election concerns with a good number of our clients. A common question has been how to position the portfolio for election volatility or future policies. Our advice has been consistent. Any changes to the portfolio allocation should reflect changes in your financial situation or be based on underlying changes to your ability and willingness to tolerate risk in your portfolio over the long-term. These are factors we strive to discuss with you during our periodic meetings. The election will come and go. Markets may be volatile in response, but over the long-term, its impact will be less consequential than the hard work we collectively undertake to construct your portfolio within the framework of your personal risk tolerance and goals.

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NW BLUE CHIP GROWTH STOCKS

Top 10 Stocks	% of Total
Apple Inc	7%
Oracle Corp	7%
Microsoft	7%
Alphabet	4%
Carrier Global Corp	4%
Amazon	3%
Walmart	3%
Accenture	3%
Honeywell	3%
Automatic Data Processing	3%

NW EQUITY INCOME STOCKS

Top 10 Stocks	% of Total
Caterpillar Inc.	11%
Emerson Elec.	8%
Cisco	7%
McDonalds	6%
Bank New York Mellon Corp	6%
Blackrock	6%
Lockheed Martin	6%
Procter & Gamble	5%
Paychex	5%
Home Depot	5%

NW SMALLER COMPANIES STOCKS

Top 10 Stocks	% of Total
Fair Isaac Co.	15%
Allegion	5%
Equifax	5%
Waters	5%
Expeditors Intl Wash Inc	5%
Generac	4%
Broadridge	4%
Simpson	4%
Illumina	4%
Insperity	3%

NW INTERMEDIATE FIXED INCOME

Top 10 Bonds	Coupon/Maturity
Federal Home Loan Banks	4.750% Due 12-10-32
United States Treas NTS	2.000% Due 11-15-26
Federal Farm CR BKS	2.080% Due 12-02-30
Federal Farm CR BKS	1.720% Due 10-20-31
Johnson & Johnson	2.950% Due 03-03-27
United States Treas NTS	3.875% Due 08-15-34
United States Treas NTS	2.250% Due 11-15-25
United States Treas NTS	2.250% Due 11-15-27
United States Treas NTS	4.500% Due 11-15-33
United States Treas NTS	3.500% Due 02-15-33

MARKET INDEX DATA

Alternatives	1 Year	3 Years	5 Years	10 Years
Timber	19.0%	2.5%	9.9%	7.7%

Equity Indices	1 Year	3 Years	5 Years	10 Years
Large Stocks (S&P 500)	36.3%	11.9%	15.9%	13.3%
Income Stocks (Dow Jones Sel Div)	30.4%	9.5%	9.8%	10.0%
Midcap Stocks (Russell Midcap)	29.1%	5.6%	11.1%	10.0%
Small Stocks (Russell 2000)	26.6%	1.7%	9.3%	8.7%
International Stocks	25.2%	5.7%	8.2%	5.7%

Fixed Income Indices	1 Year	3 Years	5 Years	10 Years
Intermediate G/C (Barclays Int.)	9.3%	0.0%	1.1%	1.8%

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Disclosures

Please read this Disclosure section for a summary of changes made to our Form ADV Parts 2A & 2B, which we recently filed with the Securities and Exchange Commission (SEC). As a reminder, Registered Investment Advisers, like us, make at least annual filings with the SEC regarding changes in our business practices and how we manage money for our clients. It is the summary of these changes that you will find below in Disclosures. Should you want a complete copy of our Form ADV, please do not hesitate to contact anyone here at Northwest Investment Counselors.

Material Changes
Christel Turkiewicz left employment with NWIC on October 31, 2023. She is no longer a member.

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• Questionnaires.
• Tax Returns.
• Estate Planning Documents.
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• We will provide notice of changes in our information sharing practices. If, at any time in the future, it is necessary to disclose any of your personal information in a way that is inconsistent with this policy, we will give you advance notice of the proposed change so you will have the opportunity to opt out of such disclosure.
• We maintain a secure office and computer environment to ensure that your information is not placed at unreasonable risk.
• For non-affiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors, we also require strict confidentiality in our agreements with them and expect them to keep this information private. Federal and state regulators also may review firm records as permitted under law.
• We do not provide your personally identifiable information to mailing list vendors or solicitors for any purpose.
• Personally identifiable information about you will be maintained during the time you are a client, and for the required time thereafter that such records are required to be maintained by federal and state securities laws. After this required period of record retention, all such information will be destroyed.

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