

VIDEO TRANSCRIPT

Video Title: **Midterm Elections & Your Financial Plan: 5 Things Investors Should Know**

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Description: This video explains five key considerations for navigating midterm election years, including market volatility, sector impacts, Roth conversions, and the importance of keeping your financial plan focused on long-term goals.

[00:01]

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[On-screen chart: "5 Things To Know About The Markets & Midterms"]

[Speaker appears on screen]

Sean Tesoro:

Hi, I'm Sean Tesoro, President of Salem Five Wealth Management.

Midterm elections tend to generate a lot of headlines and hot takes, but very little of that coverage translates into advice you can actually use. Control of Congress affects tax law, regulation, government spending, and trade policy—all of which touch your investments, your paycheck, and your long-term plans. Here are five things worth knowing about midterms and your financial plan, based on historical patterns rather than predictions.

[00:40]

1. Historical Market Averages Around Midterms

Midterm election years have historically been associated with more modest average returns than other years in the four-year presidential cycle, particularly in the months leading up to the election. However, the period following midterms has often coincided with stronger-than-average market performance. In fact, since 1950, the average return for the S&P 500 in the 12 months after a midterm election has been 15.4%, regardless of which party wins.

[01:14]

2. Expect more volatility

Markets generally dislike uncertainty, and the months leading up to a midterm election often bring exactly that. Investors weigh the odds of different outcomes for control of the House and Senate, and that uncertainty can translate into choppier trading. This is typically a short-term phenomenon tied to not knowing the result, rather than a reaction to any specific policy. Once the outcome is known, markets have generally settled back into patterns driven more by earnings, interest rates, and economic data than by the election itself. For your plan, this mostly means being mentally prepared for some short-term swings rather than reacting to them.

[01:58]

3. Industry-Specific Regulatory Changes

Although markets as a whole have historically held up after midterms, capital can rotate between different sectors of the economy, depending on which party gains or holds ground in Congress because of shifting expectations for regulation and policy. Healthcare, energy, financials, and defense are sectors that have historically shown sensitivity to midterm outcomes, since they are more directly affected by legislation and regulatory posture. If your portfolio is concentrated in a particular sector, it is worth understanding how exposed it might be to policy-driven swings—not necessarily to make changes, but to avoid being surprised.

[02:44]

4. Leveraging Roth Conversions

The potential for increased volatility in a midterm election year can be a useful prompt to revisit Roth conversion strategies, since the tax environment is one of the more direct ways control of congress can affect your plan. If tax rates or brackets are expected to change based on the political landscape, converting traditional IRA or 401(k) assets to a Roth in a lower-tax year may be worth evaluating—locking in today's rate on the converted amount rather than a potentially higher future rate. This is a highly individual decision that depends on your current tax bracket, expected future income, and time horizon, so it is worth running the numbers with your advisor or a tax professional rather than acting on general assumptions.

[03:32]

5. Maintaining a Long-Term Focus

Perhaps the most consistent lesson across midterm cycles is that reacting to short-term political and market noise tends to hurt more than it helps. Peter Lynch famously said that “more money has been lost by investors trying to anticipate corrections than has been lost in corrections themselves.” Staying invested through election-related volatility has historically provided a better outcome than trying to time moves around the outcome. A midterm election is a reasonable moment to review your plan, check your asset allocation, rebalance if needed, and revisit tax strategies. It is rarely a good reason to make dramatic changes to a plan built around your actual goals and time horizon.

[04:19]

The bottom line? Don’t let election-year headlines drive long-term financial decisions.

Instead, use this moment to review your plan, make sure your portfolio and tax strategy still reflect your goals, and stay focused on what you can control.

Because your financial plan should be built for more than one election cycle.

If you have questions about what the midterms could mean for your plan, connect with your Salem Five Wealth Management advisor.

[End Screen – Blue background with text]

[Soft background music begins]

Salem Five Wealth Management & Trust

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