

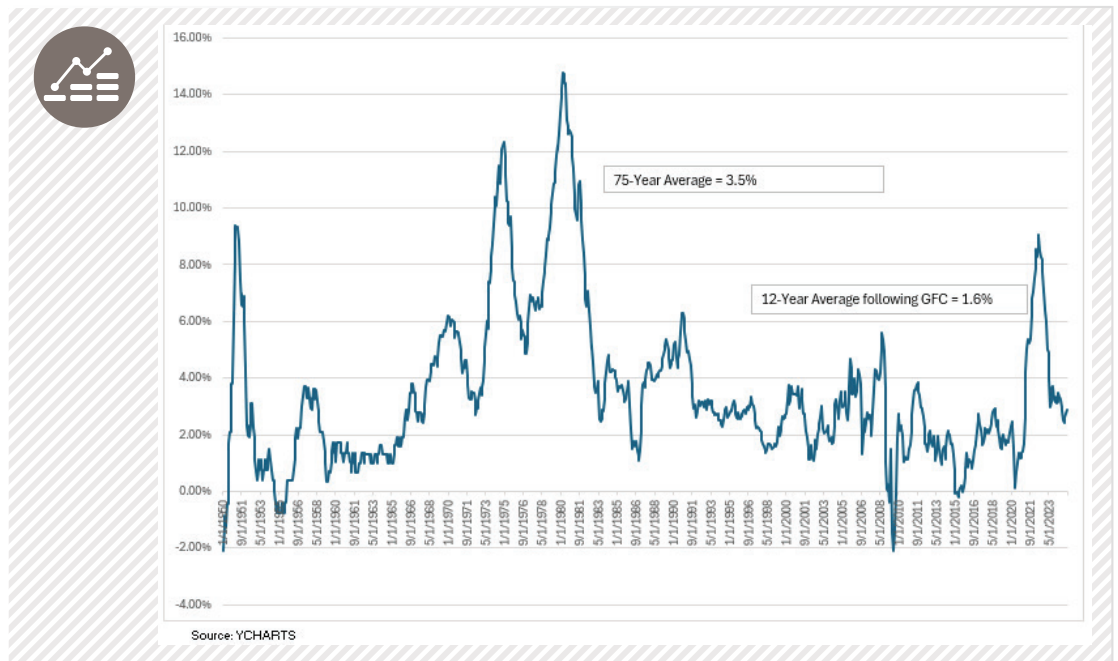
Moderating Return Expectations in 2025

We typically use our winter edition quarterly newsletter to highlight key things we're watching in the new year and beyond. This year is no different, and we've fielded many questions given the incoming administration in Washington, D.C., and what perceived policy changes will mean for markets.

Markets rallied following the election, and it's understandable to see why: animal spirits took hold as investors perceived the incoming administration's policies will be pro-growth given expectations of deregulation, cost-cutting, and promises of lower inflation. While this may all come to fruition, history tells us that markets price in the perceived impact of an incoming administration's policies by inauguration. The bigger question, and what we will be watching in the coming weeks and months, is reconciling market perceptions with reality.

We believe there has been a structural shift in the inflation and interest rate environment compared to the decade-plus period following the Great Financial Crisis (GFC), and this will be a key factor to watch. As the chart below illustrates, the 75-year average inflation rate has been 3.5% as measured by the Consumer Price Index (CPI). The average inflation rate for the 12-years following the GFC was 1.6%. Inflation, while not at the Federal Reserve's stated 2% target, has fallen within range of the long-term average. We believe the decade-plus following the GFC was an anomaly rather than the norm, and that the historically low interest rates and elevated market multiples that were supported during that time should not be expected going forward. History also tells us that a second wave of inflation is plausible; and while there are no signs such a wave is imminent, we cannot rule it out.

We experienced strong equity markets in 2023 and 2024, with the S&P 500 returning over 20% each year. History tells us that, on average, we should expect more muted returns in the third year of a market rally. This, coincidentally, aligns with data suggesting we could see slowing economic growth, hampered by inflation and interest rates remaining higher than what they were post-GFC, relative to the strong growth we saw in 2024.



Of course, we cannot discount the possibility that investors will remain exuberant in the near term, supporting and bolstering market multiples. While history tells us to expect muted returns in the third year of a rally, it also tells us to expect strong returns in the first year of a new administration. While this may seem contradictory, it supports the notion that one should stay invested in accordance with long-term goals.

Investing in quality matters if you subscribe to the notion that the next decade may look different than the last, as we do. At Camden National Wealth Management, we believe in positioning clients for long-term success and navigating all types of environments with the goal of growing and preserving wealth.



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Medicare Premiums and IRMAA

If you are covered by Medicare Part B you may be subject to a monthly surcharge known as IRMAA (Income Related Monthly Adjustment Amount). The Social Security Administration determines whether you are subject to IRMAA and the surcharge affects enrollees in both original Medicare and Medicare Advantage Plans.

For 2025, the standard monthly premium for Medicare Part B is \$185. This standard premium amount will be adjusted based on an enrollee's modified adjusted gross income (MAGI), which is your Adjusted Gross Income plus tax-exempt interest. There is a two-year lag in determining whether you are subject to an IRMAA surcharge. This means that the 2025 IRMAA surcharge is based on your 2023 tax returns.

The 2025 income brackets (based on 2023 MAGI) are as follows:

Surcharges can also apply for enrollees in Medicare Part D coverage. If you are subject to IRMAA, your total cost of your Medicare Part D coverage will depend on your individual plan and existing premium. The IRMAA surcharge for Medicare Part D is paid to Medicare directly, not to your plan provider.

Because IRMAA is calculated each year, it is possible that you may be subject to IRMAA if you have had unusual income activity. This can include a substantial capital gain from the sale of property; taking a larger than usual distribution from a tax-deferred account such as an IRA or 401(k) plan; or doing a Roth conversion. IRMAA should be reduced or eliminated once your income activity normalizes in future years.

If Social Security determines that you are subject to IRMAA, you will receive an initial determination, and you can request a new initial determination if you believe the calculation is incorrect or if you have a "life-changing event" that affects your income in the current year. A life-changing event includes marriage, divorce, death of a spouse, or other loss of income.

If you have questions about IRMAA, you can reach out to Medicare at 800-Medicare or to the Social Security Administration at 800-772-1213.

You can also reach out to Medicare SHIP (State Health Insurance Assistance Program) which is a free counseling service available to anyone who is eligible for Medicare. Each state has its own version of the SHIP program and is a resource for navigating Medicare questions.

Medicare Part B Income-Related Monthly Adjustment Amounts			
Beneficiaries who file individual tax returns with MAGI:	Beneficiaries who file joint tax returns with MAGI:	IRMAA	Total Monthly Premium Amount
Less than or equal to \$106,000	Less than or equal to \$212,000	\$ -	\$ 185.00
Greater than \$106,000 and less than or equal to \$133,000	Greater than \$212,000 and less than or equal to \$266,000	\$74.00	\$259.00
Greater than \$133,000 and less than or equal to \$167,000	Greater than \$266,000 and less than or equal to \$334,000	\$185.00	\$370.00
Greater than \$167,000 and less than or equal to \$200,000	Greater than \$334,000 and less than or equal to \$400,000	\$295.00	\$480.90
Greater than \$200,000 and less than \$500,000	Greater than \$400,000 and less than \$750,000	\$406.90	\$591.90
Greater than or equal to \$500,000	Greater than or equal to \$750,000	\$443.90	\$628.90



Lauren Epstein, JD, CFP®
Senior Vice President
Director of Client Services

As always, you can also reach out to a member of the Camden National Wealth Management team, we are here to help.

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About Camden National Wealth Management

Camden National Wealth Management provides investment management, goals-based financial planning, and trust and estate services to individual and institutional clients in Maine and throughout the United States. Our highly credentialed team averages 25 years in the business and includes Chartered Financial Analysts, estate planning attorneys, CFA trust specialists, and financial planners. Together, we bring a customized investment and planning approach to meet each client's unique financial needs.