4th Quarter 2018 Newsletter
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NovaPoint CAPITAL LLC

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MARKET UPDATE

By JOSEPH SROKA, CFA, CMT

The markets shrugged off rising interest rates and global trade concerns to finish the third quarter near all-time highs. U.S. markets fared better than their global counterparts as both international developed and emerging markets failed to keep pace during the quarter.

We continue to think trade concerns should get resolved over time. The U.S.-Mexico-Canada Agreement ("USMCA" or "New NAFTA"), if ratified by all three countries, sets stable trade in North America. We think Europe and China trade find resolutions as well.

We think higher interest rates are here to stay. The Federal Reserve has raised the short-term interest rate target three times in 2018 and has signaled a fourth rate increases before year-end. Interest rates are still low by historical standards and have not yet had a detrimental impact on economic growth.

As I write this in mid October, we have already seen greater levels of volatility in the equity market. While we see the recent equity market decline as a pause after a strong run through the middle of the year, we see volatility as potentially persisting at least through the outcome of the U.S. midterm elections. If investors sense that control of Congress could go to the Democrats, it could put tax and regulatory reform in jeopardy. I think this would be bad for the equity market in the near-term. If the Republicans retain control of Congress then the policies enacted since early 2017 would be maintained.

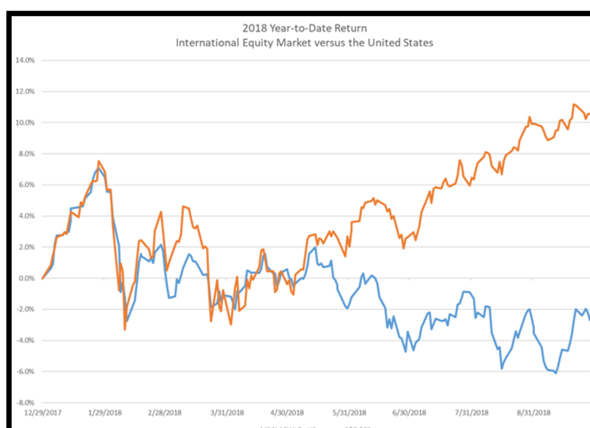
The Volatility Index (VIX) spiked to 25.0 last Thursday before ending the week at 21.3. This was not as high as the spike to the 37.3 level in early February, but higher than the mid-teens levels seen for the past few months. The VIX Index serves as an anxiety gauge in the market and can rise due to economic, geopolitical or industry specific catalysts.

Our equity holdings are well diversified across sectors. We favor stocks with a demonstrated track-record of increasing dividends.

For clients with fixed income holdings, we are keeping bond duration shorter than normal to maintain better price stability as interest rates rise.

Index	3Q Return	YTD Return
S&P 500	7.7%	10.6%
Dow Jones Industrials	9.6%	8.8%
NASDAQ 100	8.6%	20.2%
Russell 2000 (small caps)	3.6%	11.5%
Int'l Developed Markets	1.2%	-1.3%
Int'l Emerging Markets	-2.2%	-8.1%
S&P US Aggregate Bond	0.1%	-1.3%
US Treasury Bond	-0.4%	-1.3%

Sources: S&P Global, Thomson Reuters



WEALTH MANAGEMENT

By JEFFERY V. WRIGHT, CFA

Timing isn't Everything, but Time Is

Much has been written about the challenges of "market timing" from an execution perspective. This has proven to be extremely difficult, if not impossible to consistently implement profitably. Time, however, should be used constructively from a planning and investment standpoint.

An investor's time horizon can serve as a guiding principle as they determine their objectives and design strategies to accomplish them. The apparent application is somewhat behavioral: if someone knows they are investing for the long term, they can emotionally withstand short-term volatility under the expectation that investments will recover. In fact, since 1871, the S&P 500 has never had a negative rolling 20-year return. While this is certainly no guarantee of future returns, it is comforting nonetheless.

This application may be obvious but determining the proper time horizon is just as important in the context of a more complex portfolio strategy or financial plan. When there are multiple goals and priorities, amidst ever changing circumstances, it becomes even more critical to understand how the time horizons of these different aspects complement each other within a comprehensive plan. For example, an investor may have a goal to purchase a home in five years, to retire in 20 years, and leave a philanthropic or intergenerational legacy in 30 to 40 years. Each of these should be properly planned for individually and cohesively within the investor's overall strategy. Then the investor and their advisery team can navigate everchanging environments and make behavioral and investment adjustments along the way towards achieving the multiple objectives.

Wealth Strategy Idea: Comprehensive Financial Planning

At NovaPoint Capital, we provide comprehensive wealth and financial planning, along with professional investment management to help clients achieve their goals. Too often, investors think about an investment portfolio in isolation rather than as part of a comprehensive financial plan. A fully understood financial plan, properly consolidated and clearly presented, provides clarity to implement appropriate investment and wealth management strategies to accomplish those goals. Please let us know if we can assist in the integration of your planning and investment needs.

BUSINESS RETIREMENT PLANS

By ALAN J. CONNER, CPFA

Benefits of Using the Roth 401k

Among the choices of business retirement plans, a 401 with a Roth option may be a great choice for many individuals since the Roth 401k has many features and benefits not available in the traditional 401k account.

Retirement plans are intended to accumulate assets to be used in the future. Although we have recently had tax reform which re-set tax rates, there remains the question of whether tax rates in the future will be higher, lower or the same. The Roth 401k can remove future tax uncertainty by paying the taxes today on the contributions, but not on the earnings for as long as you have the account. For this reason, it can be helpful to hedge against future increases in income taxes by paying the taxes today on some of your retirement savings via the Roth 401k and deferring taxes for the future on the remainder of your savings via the traditional 401k.

The Roth 401k also has better distribution flexibility. Both IRA and traditional 401k contributions come with the requirement to withdraw minimum distribution (RMD) amounts when the account holder turns age 70 ½. This is not an issue if you have stopped working and have a lower income, but if you continue to work or have a higher income due to other investments, the taxes due on withdrawals can be substantial. A Roth 401k has no RMD, and after age 59 ½ there are no taxes due on any distribution regardless of the amount withdrawn provided the funds have been in the account longer than five years.

Unlike an IRA or traditional 401k, the Roth 401k allows for early withdrawals (prior to age 59 ½) of your contributions only, provided they have been in the account longer than five years. If you have been contributing to a Roth 401k for some time, or have been doing systematic IRA to Roth conversions, you are able to withdraw funds without penalty. This can allow you to retire sooner and have access to tax free funds to start your retirement.

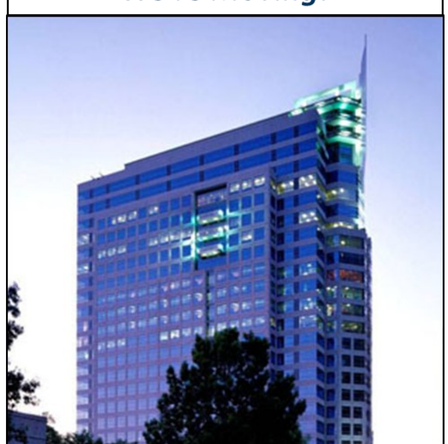
The Roth 401k also provides some attractive estate planning features. When an IRA is inherited, the beneficiary must continue to take annual required minimum distributions (except for a spouse). There is no such requirement for a Roth beneficiary since the funds are nontaxable. This gives the beneficiary the flexibility to either withdraw the funds or allow them to continue to grow tax free for future use.

The Roth 401k also has greater contribution limits than a Roth IRA. The Roth IRA that has a maximum annual contribution of $5500 plus a $1000 catch up if over age 50. The Roth 401k has a contribution limit of $18,500 plus a $6000 catch up provision. This allows for greater annual contributions and allows for contributions regardless of income level. Roth IRA contributions are phased out at certain income levels, meaning that this is not even an option if you are in the $135,000 single/$199,000 joint tax filing income level. There limits do not exist on the Roth 401k.

The Roth 401k is only available as part of a business retirement plan. If you are a business owner and want to utilize this benefit for you and your employees, please call us to learn more.

If you have a traditional or Roth 401k at your current employer and would like to better understand strategies for your 401k, please call us to learn more.

We're Moving!



In November, NovaPoint Capital will be relocating to
1170 Peachtree Road NE, Suite 1200
Atlanta, GA 30309

Pasta With Bacon, Cheese, Lemon and Pine Nuts

Total Time: 30 minutes / Serves 4 to 8

Ingredients

8 ounces thickly sliced bacon, cut into ¾ -inch pieces
1 to 1 ½ cups grated Parmesan, in a small bowl
1/3 cup chopped parsley, in a small bowl
Hot red pepper flakes, in a small bowl
1 large lemon
1 ½ to 2 pounds pasta
4 to 8 tablespoons unsalted butter (1/2 to 1 stick)
1/3 cup pine nuts
Coarse salt

How to Make It

Put bacon in a medium-size heavy pot and turn the heat on low. Cook, turning occasionally, until fat has rendered and bacon is chewy-crisp, about 10 minutes. Lift out bacon pieces and drain on a plate lined with paper towels. Keep warm on top of the stove.

When the water boils, add pasta, stir well and cover. When the water comes back to the boil, uncover and stir again.

Put 4 tablespoons butter in a small saucepan and melt it over medium-low heat. When it foams, throw in the pine nuts and cook, shaking the pan, until they turn brown and toasty. Turn off heat and squeeze the lemon into the pan. Transfer bacon to a serving bowl and place on the table.

As soon as the pasta is tender (it will cook a bit more later on), drain it, reserving a cup of the cooking water. Immediately return the pasta to the pan over low heat. Toss in a chunk of butter. Add a splash of cooking water and a pinch of salt, stir well, cover and let rest 1 minute. Taste and adjust the seasonings until the pasta is completely cooked and tasty (but plain).

Pour the pine nuts and butter into the pasta remaining in the pot, add another splash of cooking water, and toss to combine. Serve from the pot or in a serving bowl, passing the various toppings.

Recipe courtesy of The New York Times

Do You Know Your Risk Number?

Individuals often classify their investment risk tolerance with adjectives such as "Conservative", "Moderate", or "Aggressive".

These can be highly subjective and may not correctly identify the amount of risk someone is actually comfortable taking.

One Moderate investor may feel uncomfortable if their portfolio fell 5% while another may not feel uncomfortable until their portfolio falls more than 10%.

While investors understand that the purpose of taking risk is to achieve investment returns, they may not have a realistic sense of how much risk is required to achieve a targeted level of return. In this case, they may not be taking enough risk and wondering why they are not able to achieve the returns they want.

We work with our clients to identify the risk they are comfortable taking and balance it with the investment objectives they are seeking to achieve.

Contact us about our complimentary risk analysis questionnaire.

NovaPoint CAPITAL LLC

NovaPoint Capital is an investment management and advisory firm. We manage investment portfolios for individuals, family offices, businesses and their retirement plans, nonprofit organizations, and institutions.

Our Team

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