

MARKET UPDATE

By JOSEPH SROKA, CFA, CMT

“V” is for V-shaped recovery. The fear and pessimism seen in the fourth quarter of 2018 quickly turned into the best start for the S&P 500 Index in a decade.



What caused the reversal of fortune? We think the main factor aiding the market was the change in posture from the Fed. The Fed raised interest rates three times in 2017 and four times in 2018. This slow, methodical pattern allowed rates to return to normal, but not at a pace that might choke off economic growth. When some economic data showed weakness early in the fourth quarter of 2018, the methodical pattern suddenly became worrisome. Would the Fed keep raising rates regardless of how the economy was performing?

Once the Fed changed to a more patient, data dependent stance in early January, it removed the risk that the

Fed would push the economy over the edge. This gave support to equity investors and the market started regaining ground. A combination of good fourth quarter earnings reports and some optimism that the U.S. and China would make progress on a trade agreement kept the upward momentum throughout February and March. The global economy has slowed, but that risk has been digested.

Not all sectors have fared the same in the 2019 rebound. Healthcare was 2018's best performing sector, but has now trailed more cyclical sectors such as Technology, Industrials, Real Estate, and Energy. Financials rose with the market in January, but have since cooled as a flat yield curve may pressure profitability for banks. Higher oil prices have boosted the Energy sector, but higher gasoline prices can put a crimp on discretionary spending in Consumer sectors.

We don't time the market and we don't time sector rotations. Our equity holdings are well diversified across sectors. We favor high-quality stocks with a demonstrated track-record of increasing dividends as we believe they are more durable through economic cycles.

For clients with fixed income holdings, we are extending duration and increasing credit quality. We are less concerned about the pace of rate increases and now more concerned about the quality of corporate balance sheets.

	<u>1Q19 Return</u>		<u>1Q19 Return</u>
S&P 500 Index	13.1%	International Stocks (MSCI ex-US)	10.3%
Dow Jones Industrial Average	11.2%	Aggregate Bond Index	2.4%
NASDAQ 100	16.6%	U.S. Dollar Index	1.2%
Russell 2000 (Small Cap Index)	14.2%	WTI Crude Oil	32.4%

Sources: S&P Global, Thomson Reuters



Wag the Dog

One of the most obvious considerations in wealth management and planning is tax impact.

As comprehensive wealth planning advisers and institutional investors, these are front and center in our planning and execution. We implement thoughtful and sophisticated strategies to maximize tax efficiency. Examples include executing backdoor Roth IRA conversions, investing in tax-advantaged municipal bonds, and complex options strategies to provide tax-efficient diversification from concentrated positions.

The only two certainties in life are death and taxes, so the saying goes. However, the circumstances and the details of taxes are far from certain. We advise clients to be tax-efficient and tax-aware, but not tax *driven*. We like to say “don’t let the tax tail wag the investment dog.”

Our primary objective is to plan and execute for best total outcomes. This can mean the best after-tax out-

comes, but not necessarily the *least taxed* outcomes. As an example, holding a bad investment simply to avoid realizing capital gains could result in loss of value greater than the potential capital gain tax liability from selling that investment. This is missing the forest for the trees.

We always emphasize the importance of understanding goals and risk. Investment or behavior risk could have a greater impact on a desired outcome or goal than tax risk. Be tax efficient, not tax driven. Stay the course, but know your course first.

Do You Know Your Risk Number?

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

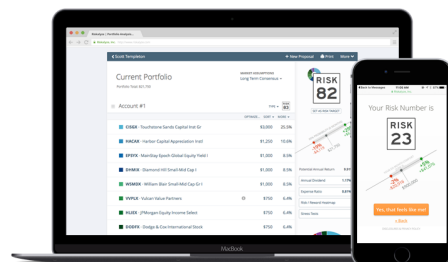
These can be highly subjective and may not correctly identify the amount of risk someone is actually comfortable taking.

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.

Follow this link to take our complimentary [risk analysis questionnaire](#).





BUSINESS RETIREMENT PLANS

By ALAN J. CONNER, CPFA



It's not how much you make, It's how much you keep

You started a business to provide for your family and your own long-term financial well-being. One way to both minimize the taxes you pay on your earnings and build retirement assets is to set up a retirement plan for the business.

Whether you are an independent contractor, sole proprietor, or owner of a business with a few or many employees, there are retirement plan options that can benefit you as the business owner, as well as your employees. Most of the tax benefits vary based on income and the type of business sponsoring the plan.

Having a retirement plan for your business allows owners and employees a systematic way to accumulate retirement savings. Depending on the type of plan selected, the money can be pre-tax, post-tax, or a combination. It can be contributed by the employees, the employer, or both.

Every plan should offer a variety of investment choices. This allows investment selections to reflect the needs of the individuals. Age, years-to-retirement, accumulated savings, risk tolerance and other factors can determine what is best for each plan participant.

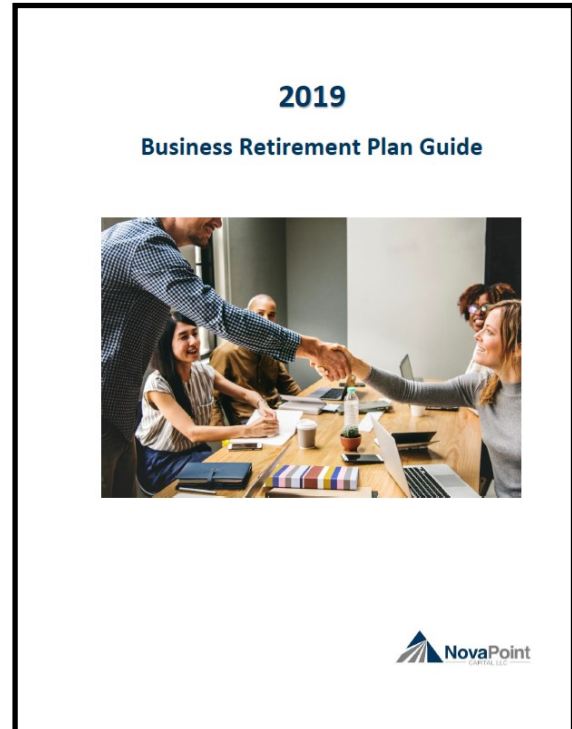
Benefits of a business retirement plan can go beyond saving and investing. For the employer, a retirement plan can help attract and retain high-quality employees. Higher employee retention can save the business money through lower recruiting and training costs. Helping employees build financial security can also keep them focused at work.

There are also tax benefits for both the employer and employees both at time of contribution and over the life of the plan. Specific tax benefits depend on contribution amounts, plan design, and tax brackets. Some businesses may qualify to receive tax credits and other incentives for starting a retirement plan.

Saving and investing for retirement is necessary because retirement can last for up to 40 years and retirees may need up to 80% of their income to retire comfortably. The average monthly Social Security payment is around \$1,000, so additional savings are necessary for individuals to fund their retirements.

Our newly released 2019 Business Retirement Plan Guide can help you evaluate the different types of plan structures and help determine which is the best fit for your business.

[DOWNLOAD THE GUIDE HERE](#)



Spring Lima Bean Soup with Crispy Bacon

Total Time: 50 minutes / Servings 8

Ingredients

4 strips bacon, chopped
1 tablespoon extra-virgin olive oil
1½ cups diced onions
1 cup thinly sliced celery
2 cloves garlic, minced
6½ cups water
1 pound Yukon Gold potatoes, diced
1 teaspoon salt
½ teaspoon ground pepper
2 (16 ounce) bags frozen baby lima beans
1 cup frozen peas

¼ cup chopped fresh tarragon
2 tablespoons chopped fresh parsley
2 teaspoons white-wine vinegar



Recipe courtesy of Eating Well

Directions

Cook bacon in a large pot over medium heat until browned and crisp, about 5 minutes. Remove to paper towel.

Drain all but 1 tablespoon bacon fat. Add olive oil, onions, and celery and cook over medium heat, until soft, about 5 minutes. Add garlic and cook, stirring frequently, for 30 seconds. Add water, potatoes, salt, and pepper. Bring to a boil. Reduce heat to a simmer, cover and cook until the potatoes are tender, about 8 to 10 minutes.

Add lima beans and peas. Return to a boil over high heat and cook, uncovered, for 3 minutes. Remove from heat. Stir in tarragon, parsley and vinegar. Serve topped with bacon and a drizzle of oil, if desired.

NovaPoint Receives Two Industry Awards

NovaPoint has received two investment industry awards for our Dividend Growth Strategy.

NovaPoint Capital has been named **Large Cap Manager of the Year** for the 13th Annual Emerging Manager Awards by *Emerging Manager Monthly*. The award recognizes the NovaPoint Dividend Growth Strategy as the top strategy in the Large Cap Equity category based on outstanding performance and growth.

NovaPoint Capital has also been awarded a **Top Guns** designation by Informa Investment Solutions' PSN manager database. Top Guns firms are awarded a rating ranging from one to six stars, with the number of stars representing continued performance over time. NovaPoint Capital was named a Top

Gun with star ratings of both 2 and 3-stars meaning its Large Cap Dividend Growth Strategy performed among the top ten within their respective universes, based on returns for both the one-year and three-year periods ending December 31, 2018.



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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.

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