4th Quarter 2021 Newsletter
October 2021

NovaPoint Capital LLC

NovaPoint Capital ● 1175 Peachtree Street NE, Suite 1825, Atlanta GA 30361 ● Phone 404-445-7885 ● www.novapointcapital.com

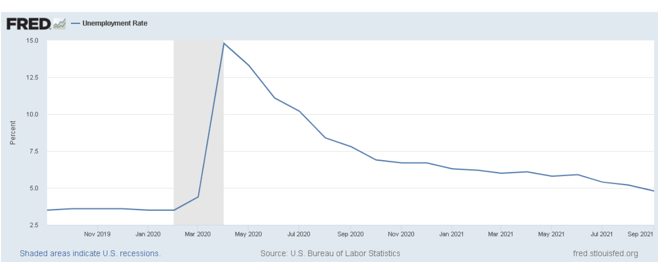
MARKET UPDATE

By JOSEPH SROKA, CFA, CMT

After a strong start for 2021, the major stock averages cooled in the third quarter. Volatility in the pace of improvement in the labor market, persistence of COVID-19, and rising inflation gave reason for investors to question whether the economy was ready to move beyond the pandemic.

The labor market continues to improve, albeit a unevenly from month to month. One of the issues for the lumpy improvement is a mismatch between available positions and available workers. This may be due to geography, skill set, interest, and other factors. Additionally, as many companies returned to the workplace post-COVID, they found employees that elected to seek other employment with more flexible home versus office accommodations. August saw the highest level of workers quit their jobs since the data on that statistic has been collected.

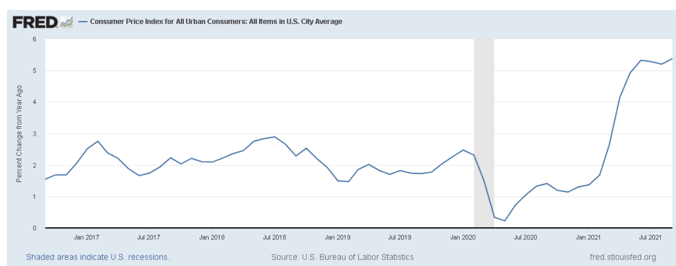
Unemployment is lower…



Supply chain disruptions both in imports and domestically have slowed some areas of the economy. The restart of production to meet demand for a post-COVID economy caused shortages ranging from input materials, such as semiconductors and lumber, to finished goods, such as automobiles and houses.

With inflation above the Federal Reserve's 2% target rate and improvement in the labor market, conditions have reached an appropriate level for the Fed to begin removing the accommodative monetary policy put in place at the outset of the COVID-19 pandemic. It should being reducing its monthly bond purchasing ("tapering") in November, and eventually start to increase its short-term target interest rate from its current 0% to 0.25% range sometime in the second-half of 2022.

…Inflation is higher



Corporate earnings continue their rebound from the COVID-induced recession. Third quarter earnings reporting is underway and earnings for the S&P 500 Index are expected to grow 34.8% year-over-year. This growth rate should subside as the economy moves on to tougher comparisons in 2022 versus 2021.

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, while the growth of the dividends can help offset the impact of inflation.

	3Q21 Return	2021 YTD Return
S&P 500 Index	0.6%	15.9%
Dow Jones Industrial Average	-1.5%	12.1%
NASDAQ 100	1.1%	14.6%
Russell 2000 (Small Cap Index)	-4.4%	12.4%
International Stocks (MSCI ex-US)	-3.7%	4.5%

	3Q21 Return	2021 YTD Return
Aggregate Bond Index	0.1%	-1.3%
U.S. Dollar Index	1.9%	4.8%
WTI Crude Oil	2.1%	54.6%
Gold	-0.7%	-7.4%
Real Estate (US REIT Index)	0.2%	20.1%

Sources: S&P Global, Thomson Reuters / YTD Returns through 9/30/2021

That Time of Year

"Thinking well to be wise: planning well, wiser: doing well, wisest and best of all." -Malcolm Forbes

It's that time of year again! Football is back, the weather is cooling, and the holidays are approaching. It is also a great time to look ahead and start planning for 2022. This is especially true of factors that could change as the calendar turns.

We evaluate year-end planning in several categories. The first is goals-based and revolves around lifestyle, employment, and income. Do you anticipate any changes to your income or lifestyle in 2022, such as job change, retirement, or moving? Are there any other factors that might effect your funding needs, time horizon, or investment goals?

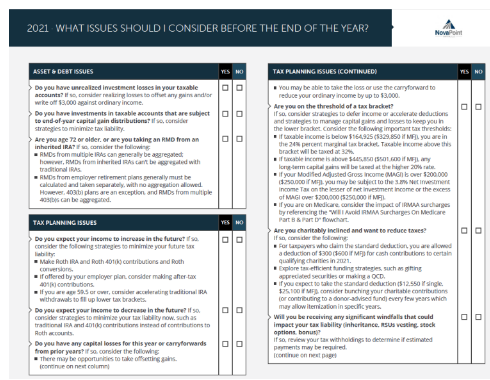
The next category revolves around the calendar. What needs to be done before the New Year? One obvious example is tax planning. Evaluating current and next year income can inform whether it makes sense to execute planning techniques such as a Roth conversion or backdoor Roth contribution.

Additionally, the outcome of tax legislation could have an impact. President Biden's tax plan would raise income tax for those earning over $400,000 from 37% to 39.6%. Another proposal increases the long-term capital gains rate for those earning over $1 million from the current rate of 20% to as high as the ordinary income tax rate of 39.6%, although consensus suggests this is likely to settle at closer to 30%. It is worth monitoring the progress of legislation, then planning and acting based on developments. It may be beneficial to accelerate long-term capital gains or defer appreciated stock gifts depending on which tax changes pass, if any.

Informed by the first two planning categories, the last category is portfolio management. It may be beneficial to rebalance or re-allocate investment portfolios based on life circumstances and financial considerations such as taxes.

Stay the Course, but Know your Course First.

Contact us for a complimentary year-end planning checklist:



2021 · WHAT ISSUES SHOULD I CONSIDER BEFORE THE END OF THE YEAR?

NovaPoint

ASSET & DEBT ISSUES	YES	NO
Do you have unrealized investment losses in your taxable accounts? If so, consider realizing losses to offset any gains and/or write off $3,000 against ordinary income.	☐	☐
Do you have investments in taxable accounts that are subject to end-of-year capital gain distributions? If so, consider strategies to minimize tax liability.	☐	☐
Are you age 72 or older, or are you taking an RMD from an inherited IRA? If so, consider the following: ■ RMDs from multiple IRAs can generally be aggregated; however, RMDs from inherited IRAs can't be aggregated with traditional IRAs. ■ RMDs from employer retirement plans generally must be calculated and taken separately, with no aggregation allowed. However, 403(b) plans are an exception, and RMDs from multiple 403(b)s can be aggregated.	☐	☐

TAX PLANNING ISSUES	YES	NO
Do you expect your income to increase in the future? If so, consider the following strategies to minimize your future tax liability: ■ Make Roth IRA and Roth 401(k) contributions and Roth conversions. ■ If offered by your employer plan, consider making after-tax 401(k) contributions. ■ If you are age 59.5 or over, consider accelerating traditional IRA withdrawals to fill up lower tax brackets.	☐	☐
Do you expect your income to decrease in the future? If so, consider strategies to minimize your tax liability now, such as traditional IRA and 401(k) contributions instead of contributions to Roth accounts.	☐	☐
Do you have any capital losses for this year or carryforwards from prior years? If so, consider the following: ■ There may be opportunities to take offsetting gains. (continue on next column)	☐	☐

TAX PLANNING ISSUES (CONTINUED)	YES	NO
■ You may be able to take the loss or use the carryforward to reduce your ordinary income by up to $3,000.		
Are you on the threshold of a tax bracket? If so, consider strategies to defer income or accelerate deductions and strategies to manage capital gains and losses to keep you in the lower bracket. Consider the following important tax thresholds: ■ If taxable income is below $164,925 ($329,850 if MFJ), you are in the 24% percent marginal tax bracket. Taxable income above this bracket will be taxed at 32%. ■ If taxable income is above $445,850 ($501,600 if MFJ), any long-term capital gains will be taxed at the higher 20% rate. ■ If your Modified Adjusted Gross Income (MAGI) is over $200,000 ($250,000 if MFJ), you may be subject to the 3.8% Net Investment Income Tax on the lesser of net investment income or the excess of MAGI over $200,000 ($250,000 if MFJ). ■ If you are on Medicare, consider the impact of IRMAA surcharges by referencing the "Will I Avoid IRMAA Surcharges On Medicare Part B & Part D" flowchart.	☐	☐
Are you charitably inclined and want to reduce taxes? If so, consider the following: ■ For taxpayers who claim the standard deduction, you are allowed a deduction of $300 ($600 if MFJ) for cash contributions to certain qualifying charities in 2021. ■ Explore tax-efficient funding strategies, such as gifting appreciated securities or making a QCD. ■ If you expect to take the standard deduction ($12,550 if single, $25,100 if MFJ), consider bunching your charitable contributions (or contributing to a donor-advised fund) every few years which may allow itemization in specific years.	☐	☐
Will you be receiving any significant windfalls that could impact your tax liability (inheritance, RSUs vesting, stock options, bonus)? If so, review your tax withholdings to determine if estimated payments may be required. (continue on next page)	☐	☐

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 self-described Moderate investor may feel uncomfortable if their portfolio fell 5% while another may not feel uncomfortable until their portfolio falls more than 15%.

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 are left wondering why they are not able to achieve the returns they are targeting.

We work with clients to identify the level of 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].

Retirement Planning to-do list for 2021

With just a few months left in 2021, now is the time to make those final contributions to reduce your taxes for this year and maximize after-tax savings for the years ahead.

Maximize your 401k Contribution

You still have time to make sure you have maximized your 401k contributions. Check your most recent statement or log on to your plan custodian to make sure you are on track, otherwise, increase your contribution rate to make sure you hit the $19,500 (plus $6,500 catch up if you are over 50 year old).

Backdoor Roth and Mega Backdoor Roth Legislation

There is currently legislation pending in Washington that could bring an end to the practice of converting after-tax contributions to Roth accounts. If this legislation passes, any after tax contributions to IRA or 401k accounts will need to be converted by December 31, 2021. This adds an additional layer of urgency if this is an integral part of your retirement planning. While we do not know whether this will come to pass, given the fact that Washington is so closely divided and we have additional budget and debt negotiations in December, this could be on the negotiating table.

If you would like to take advantage of a making a Backdoor Roth contribution, now is the time to make the contribution. If you have not done this in the past, please reach out and we can walk you through the process.

Plan Sponsors

Plan sponsors should consider a year-end plan review to look at:

<u>Plan Goals and Objectives</u> – While the purpose of a plan is to help employees save for retirement, some other goals include tax advantages for plan sponsors along with the ability to recruit and retain employees. Make sure the features of your plan are such that you can accomplish your specific goals and objectives.

<u>Plan Design</u> – Plan design should take into consideration the goals and objectives of the plan, but also any features that may be requested by employees. These might include loan provisions, Roth contributions, and even a brokerage account option. While there are typically additional costs related to including various features, we can help you strike the best balance to build the plan that works for you and your employees.

<u>Retirement Plan Committee and Training</u> – As the sponsor of a plan, you are a fiduciary, and as such, you have obligations to both the plan and the participants. Make certain that on at least an annual basis, you have a committee that meets to review the plan thoroughly. You will also want to make sure that the members of the committee are trained to know what questions to ask and what to look for. If this is not something you have in place, let us know and we can help.

<u>Terminated Participants</u> – Depending on the size of your plan, removing terminated employees who have less than $5,000 in the plan could reduce the scope of your annual plan audit, or even eliminate the need all together.

Regardless of the size of your plan, or the number of participants, our goal is to help you make sure you have the right plan for your business. Call us to set up a time to either help structure a plan for you, or review your existing plan.

Welcome Tim Benbow

Tim Benbow has joined the firm as a Managing Director and Portfolio Manager. With over 15 years of experience in the investment industry, Tim brings to NovaPoint a wide breadth of industry knowledge and experience. Tim is a Certified Financial Planner (CFP) and can add this valuable service to clients.

Bacon S'mores

Try this simple treat at your next tailgating party or sitting by the fire pit

Ingredients (per serving)

- 2 graham crackers
- 2 pieces milk chocolate bars
- 1 piece cooked bacon
- 1 marshmallow

Directions

Cook bacon to desired wellness.

Toast marshmallow over fire.

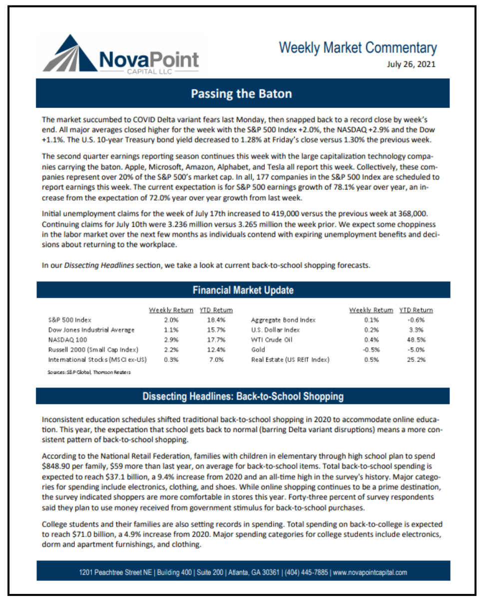
Assemble according to preference. We like the bacon between the chocolate and marshmallow

Courtesy of Add a Pinch

Follow our Weekly Blog Posts

Each Monday, we publish a report on the NovaPoint website blog highlighting important financial and investment issues for the week. You can find the blog on the website on the News dropdown menu or at https://novapointcapital.com/blog/

If you'd like to receive the blog by email each week, please contact Jeff Wright at jwright@novapointcapital.com



NovaPoint CAPITAL LLC

Weekly Market Commentary

July 26, 2021

Passing the Baton

The market succumbed to COVID Delta variant fears last Monday, then snapped back to a record close by week's end. All major averages closed higher for the week with the S&P 500 Index +2.0%, the NASDAQ +2.9% and the Dow +1.1%. The U.S. 10-year Treasury bond yield decreased to 1.28% at Friday's close versus 1.30% the previous week.

The second quarter earnings reporting season continues this week with the large capitalization technology companies carrying the baton. Apple, Microsoft, Amazon, Alphabet, and Tesla all report this week. Collectively, these companies represent over 20% of the S&P 500's market cap. In all, 177 companies in the S&P 500 Index are scheduled to report earnings this week. The current expectation is for S&P 500 earnings growth of 78.1% year over year, an increase from the expectation of 72.0% year over year growth from last week.

Initial unemployment claims for the week of July 17th increased to 419,000 versus the previous week at 368,000. Continuing claims for July 10th were 3.236 million versus 3.265 million the week prior. We expect some choppiness in the labor market over the next few months as individuals contend with expiring unemployment benefits and decisions about returning to the workplace.

In our *Dissecting Headlines* section, we take a look at current back-to-school shopping forecasts.

Financial Market Update

	Weekly Return	YTD Return		Weekly Return	YTD Return
S&P 500 Index	2.0%	18.4%	Aggregate Bond Index	0.1%	-0.6%
Dow Jones Industrial Average	1.1%	15.7%	U.S. Dollar Index	0.2%	3.3%
NASDAQ 100	2.9%	17.7%	WTI Crude Oil	0.4%	48.5%
Russell 2000 (Small Cap Index)	2.2%	12.4%	Gold	-0.5%	-5.0%
International Stocks (MSCI ex-US)	0.3%	7.0%	Real Estate (US REIT Index)	0.5%	25.2%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Back-to-School Shopping

Inconsistent education schedules shifted traditional back-to-school shopping in 2020 to accommodate online education. This year, the expectation that school gets back to normal (barring Delta variant disruptions) means a more consistent pattern of back-to-school shopping.

According to the National Retail Federation, families with children in elementary through high school plan to spend $848.90 per family, $59 more than last year, on average for back-to-school items. Total back-to-school spending is expected to reach $37.1 billion, a 9.4% increase from 2020 and an all-time high in the survey's history. Major categories for spending include electronics, clothing, and shoes. While online shopping continues to be a prime destination, the survey indicated shoppers are more comfortable in stores this year. Forty-three percent of survey respondents said they plan to use money received from government stimulus for back-to-school purchases.

College students and their families are also setting records in spending. Total spending on back-to-college is expected to reach $71.0 billion, a 4.9% increase from 2020. Major spending categories for college students include electronics, dorm and apartment furnishings, and clothing.

1201 Peachtree Street NE | Building 400 | Suite 200 | Atlanta, GA 30361 | (404) 445-7885 | www.novapointcapital.com

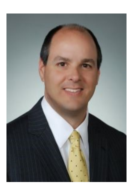
NovaPoint CAPITAL LLC

Visit our website: www.novapointcapital.com

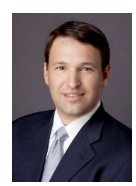
NovaPoint Capital is an investment management and advisory firm. We manage investment portfolios for individuals, family offices, businesses and their retirement plans, nonprofit organizations, and institutions.

Our Team

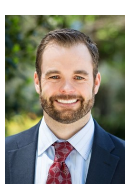
Alan J. Conner
President
aconner@novapointcapital.com
404-596-8935



Joseph Sroka, CFA, CMT
Chief Investment Officer
jsroka@novapointcapital.com
404-941-8910



Jeffery V. Wright, CFA
Managing Director
Portfolio Manager
jwright@novapointcapital.com
404-445-8334



Frederick Wright, CFA
Managing Director
Portfolio Manager
fwright@novapointcapital.com
404-920-8574

Timothy J. Benbow, CFP
Managing Director
Portfolio Manager
tbenbow@novapointcapital.com
678-427-1285