2nd Quarter 2023 Newsletter
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NovaPoint CAPITAL LLC

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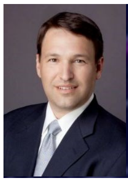

MARKET UPDATE

By JOSEPH SROKA, CFA, CMT

End of the Tunnel

After a dismal 2022, investors flocked back to some high growth stocks in the first quarter. The NASDAQ led the major equity averages for the quarter and growth stocks outperformed value stocks by a wide margin.

The optimism comes with corporate earnings growth forecasted to be minimal for the year. Full-year 2023 earnings for the S&P 500 Index are currently forecast to grow a modest 1.1% year-over-year. The equity market is a discounting mechanism and investors may be looking forward to getting past the landing, whether hard or soft, once the Fed is done with the current monetary policy cycle.

In an effort to curb rising rates of inflation, the Fed has been raising short-term interest rates since early 2022. They are likely approaching the end of the current tightening cycle as the cumulative impact of rising rates is starting to take its toll. Inflation has likely peaked even if it has not receded to the Fed's 2% annualized target. Additionally, employment shows signs of slowing and corporate layoff announcements have been well publicized. This should eventually lead to the slack in the labor market that would reduce wage inflation which has been one of the missing pieces in the puzzle in reducing overall inflationary pressures. A signal the Fed has completed its task in stemming inflation would be seen as a positive, even if it is at the expense of a period of slow growth or a mild recession.

Part of the high inflation situation was caused by consumers, flush with cash and pent up demand from COVID-era lockdowns, increasing spending on goods and services. This has since reversed as high prices and potential employment uncertainty has caused consumers to pullback. Even if we aren't in a declared recession, changes in consumer behavior due to the threat of a recession can be sufficient to help reduce aggregate demand and normalize prices.

One overhang that keeps creeping forward on the calendar is the current stand-off over the debt ceiling. By June, the government is likely to require an increase in the current debt ceiling so it can continue borrowing money. The House Speaker has recently introduced a bill to raise the debt ceiling by $1.5 trillion, but it comes with strings attached for lower spending of $4.5 trillion over ten years to include some of President Biden's planned spending areas such as green energy incentives, student loan relief, and the budget increase for the IRS. With both sides seemingly far apart, a resolution may lag until there is a sense of urgency.

Getting past these monetary and fiscal policy obstacles would likely remove some investor concerns in the market.

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.

	1Q23 Return		1Q23 Return
S&P 500 Index	7.5%	Aggregate Bond Index	2.9%
Dow Jones Industrial Average	0.9%	U.S. Dollar Index	-1.0%
NASDAQ 100	20.8%	WTI Crude Oil	-5.7%
Russell 2000 (Small Cap Index)	2.7%	Gold	7.9%
International Stocks (MSCI ex-US)	6.9%	Real Estate (US REIT Index)	1.6%

Sources: S&P Global, Thomson Reuters

Forgot to File Your Taxes?

If you still have not filed your taxes, you are not alone. Many people put off this task until the last minute, and sometimes even beyond the deadline. Filing your taxes is a legal requirement and failing to do so can result in penalties and other consequences. If you still haven't filed your taxes, here's what you need to do:

Check the deadlines and penalties: The business deadline was March 15th and the personal deadline this year was April 18th. While you can file a request for a 6 month extension of time to file, that must be done by the filing deadline. If you missed the filing/extension deadline, you will be subject to late filing penalties, and interest on taxes owed.

Gather your documents: Before you can file your taxes, you'll need to gather all the necessary documents, such as your W-2 or 1099 forms, receipts for deductions, and any other relevant documents. You may also need to gather documentation related to any life changes you've experienced, such as a new job, marriage, or the birth of a child.

File your taxes: Once you have all the necessary documents it's time to file your taxes. Do not use the excuse that you do not have the funds to pay any amount owed. You can easily set up a payment plan.

Pay any taxes owed: If you owe taxes, you'll need to pay them by the deadline to avoid penalties and interest charges. If you can't afford to pay the full amount, you may be able to set up a payment plan with the IRS. You will still pay interest on the amount owed, but the penalties will typically be frozen, as will any collection activities. If you have filed an extension, this is an extension of time to file, not time to pay. You will be charged interest for taxes owed after the filing deadline date.

Follow up: After you've filed your taxes, make sure to follow up and confirm that your return was received and processed. You can check the status of your return online at www.irs.gov

Avoid future problems: Keep relevant documents organized throughout the year. If you are self-employed, make sure to keep track of all income and expenses and file quarterly estimated taxes. If you have un-filed returns, get help. What many don't realize is that if you don't file a tax return, the IRS will prepare one for you based on the information provided. The difference is they will not look for tax deductions to reduce your bill.

Get professional help: If you're still having trouble or have questions, consider getting professional help. A tax preparer or accountant can help you navigate the process and ensure that you're filing your taxes correctly. A professional can also review your previous returns and your current sources of income to determine any changes that can be made to reduce your tax liability in the future.

Let us know if we can help: Contact Us

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 20%.

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 unable 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.

It Starts with Education

Even with some slack emerging in the labor market, it is still difficult to recruit high quality employees. This makes retention of good employees as important as ever.

Education is the first step in designing a retirement plan. This involves both the education of the employer as to what types of plans are available and the cost v. benefit of each plan, and education for the employee to know how best to utilize the plan provided for their optimal chance at retirement success.

Employer Education

Types of plans available – Deciding what type of business retirement plan to establish can vary based on the type of business and what the business owner is trying to accomplish. Plans include employer funded, employee funded, and both employer and employee funded variations. There are also pre-tax and post-tax options. Each type of plan comes with its own set of rules, cost structure, funding requirements, and fiduciary obligations.

Administrative costs – Typically, the more features a plan has the higher the administrative cost, but that is not always the case. There are multiple plan providers that will provide both the employer and employee with low costs, multiple funding options, and ease of access with a very reasonable cost profile. Employers should review these costs at least every two years to be sure they have the lowest plan costs possible.

Funding obligations – How a plan is funded can have a significant impact on the cash flow of a small business. Work with the provider to determine what the best plan features and options are for you. You don't want to commit to a high funding amount if you are not getting the benefits you are seeking from the plan, (i.e., employee satisfaction, retention, recruiting etc.)

Fiduciary obligations – This is where many employers slip up. Make sure you are not assuming liabilities you are not aware of, and make sure you have a partner to take on the administrative, Investment Advisory and Investment Management roles. This will make your job easier and provide a greater level of service to your employees thus increasing the likelihood of their retirement success and you reaching your objectives for putting the plan in place.

Employee Education

Terms of the plan (including expenses) – The terms and expenses of any retirement plan should be distributed annually. This will let employees know what the full cost of participating in the plan. Investment selections can impact overall costs so it is important to factor this into investment selection. Employers should strive to have the lowest possible costs for the investment options and overall plan as part of their fiduciary duty. Unnecessary expenses the lower overall investment returns.

Contributions and tax implications – Optimally a mix of both pre-tax and post-tax (Roth that will grow tax-free) options can benefit most plan participants. Depending on personal income and tax levels each offer different benefits. These contribution selections can impact take-home-pay. A Roth contribution will reduce take-home pay paycheck dollar for dollar, while a pre-tax contribution will reduce it by about 80 cents on the dollar as these funds are not subject to state and federal income taxes. The choice is a balance of taxes now versus taxes later during retirement.

Personal risk and investment options – Each employee should educate themselves on understanding their personal risk tolerance. Some people are willing to take great amounts of risk when the markets are going up and run for the hills when the market turns south. Selecting investment at the appropriate risk level can allow an employee to stay invested in good times and bad and ultimately meet their retirement goals with less disruption.

Most plan providers have information available to educate both employers and employee on the plan's features, benefits, rules, and risks. If you don't have a plan, or don't have an adviser, we can fill that role.

Please reach out of we can help: Contact Us

Pasta with Mushrooms and Prosciutto

Ingredients

1/4 cup olive oil

6 thin slices of prosciutto

1 pound of mixed mushrooms, sliced

2 medium shallots

1 teaspoon thyme leaves

Salt and pepper

1 cup chicken stock

12 ounces of pasta (I used fettuccine)

1/3 cup of heavy cream

2 tablespoons butter

Instructions:

1. Heat ¼ cup oil in a pot over medium heat. Arrange prosciutto in a single layer in pot and cook until crisp, about 5 minutes. Transfer to paper towels to drain.

2. Cook mushrooms in same pot until browned and tender, 5 to 8 minutes. Reduce heat to medium-low. Add shallots and 1 teaspoon thyme, season with salt and pepper. Cook until shallots are translucent and soft, about 2 minutes. Add chicken stock and reduce heat to low. Bring to a simmer and cook until only a thin layer of stock coats bottom of pot, 5 to 7 minutes.

3. Cook pasta until al dente.

4. Transfer pasta to pot with mushrooms and add 1 cup pasta cooking liquid. Crumble half of prosciutto into pot. Bring to a simmer. Cook until pasta is al dente and liquid is slightly thickened, about 2 minutes. Add cream and cook, tossing, until pasta is coated, about 1 minute. Remove from heat, add butter, and toss to combine. Taste and season with salt if needed.

5. Divide pasta among bowls. Top with more thyme and crumble remaining prosciutto over. Season with pepper.

Courtesy: *bon appetit*

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 each week via email, please send a request to info@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.

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