



MARKET UPDATE

By JOSEPH SROKA, CFA, CMT

Momentum Continues

Stocks continued their resilience in the second quarter. For the quarter, the S&P 500 Index advanced 4.3%, the Nasdaq 100 Index advanced 8.0%, and the Dow Jones Industrial Average declined 1.3%.

The three top performing sectors during the second quarter were Technology, Communication Services, and Utilities. The three bottom performing sectors were Materials, Industrials, and Energy.

Themes driving the market in the second quarter included the proliferation and economic impact of artificial intelligence models (“AI”), the need for greater electricity generation to serve a digital economy, and wariness of how much spending power the U.S. consumer still has available as higher prices have depleted pandemic-era savings.

In his recent semi-annual report to Congress, Fed Chairman Jerome Powell reinforced that the Fed was not yet ready to lower short-term interest rates, but expressed confidence the next move in monetary policy would be for lower rates once the Federal Reserve was confident that inflation was headed sustainably toward 2% annually. The latest Consumer Price Index data shows inflation, while not defeated, is moving in the direction the Fed needs to be confident enough to lower rates later this year.

We are four months away from the U.S. presidential election. Last quarter we remarked that there was speculation that one or both the leading candidates might not be on the ballot by November. That speculation has intensified for President Biden in recent weeks. As we move through the party conventions in July and August, we hope that voters can gain clarity on their options on election day and focus on the issues most important to them. There is always the possibility that market volatility could rise as we move closer to the election, especially if it seems to be a close race for the presidency.

S&P 500 earnings have returned to a period of growth following the negative earnings cycle in the first half of 2023. Full-year 2024 earnings are expected to grow 11.2% on 5.0% revenue growth and full-year 2025 earnings are expected to grow 14.4% on 6.0% revenue growth.

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.

	<u>2Q24 Return</u>	<u>YTD Return</u>		<u>1Q24 Return</u>	<u>YTD Return</u>
S&P 500 Index	4.3%	15.3%	Aggregate Bond Index	0.3%	-0.2%
Dow Jones Industrial Average	-1.3%	4.8%	U.S. Dollar Index	1.3%	4.5%
NASDAQ 100	8.0%	17.5%	WTI Crude Oil	-2.0%	13.8%
Russell 2000 (Small Cap Index)	-3.3%	1.7%	Gold	4.2%	12.6%
International Stocks (MSCI ex-US)	1.3%	6.0%	Real Estate (US REIT Index)	0.0%	-0.4%

Sources: S&P Global, FactSet



ACCOUNTING & TAX

By Larry Dixon, EA

Types of Tax Professionals

Certified Public Accountants (CPAs), Enrolled Agents (EAs), and Registered Tax Preparers are all professionals who can assist with tax-related matters, but they have different qualifications, scopes of practice, and regulatory bodies. Which you should employ depends on what accounting or tax work you need done.

Certified Public Accountants (CPAs)

CPAs must have a bachelor's degree in accounting or a related field, complete additional coursework, and pass the Uniform CPA Examination. Most states also require CPAs to have a certain amount of work experience.

CPAs are licensed and regulated by state boards of accountancy.

CPAs can perform a wide range of accounting services, including tax preparation and planning, auditing, financial reporting, and consulting. They can represent clients before the IRS in audits, appeals, and collections.

Enrolled Agents (EAs)

EAs must pass a three-part Special Enrollment Examination (SEE) covering individual and business tax returns, or they can qualify through experience as a former IRS employee. No specific educational degree is required.

EAs are licensed by the IRS.

EAs specialize in taxation and can represent taxpayers before the IRS in all matters, including audits, collections, and appeals. They are the only federally licensed tax practitioners who specialize in taxation.

Registered Tax Preparers

There are no specific educational requirements for registered tax preparers. They must obtain a Preparer Tax Identification Number (PTIN) from the IRS.

Registered tax preparers are regulated by the IRS to a limited extent.

Registered tax preparers can prepare tax returns for individuals and businesses but have limited representation rights. They can only represent clients whose returns they prepared and signed, and only before certain IRS offices.

I am an Enrolled Agent and can work with clients on all their accounting and tax needs, except for performing a third-party audit, which is not part of our service offerings here at NovaPoint.

If you need help, please let us know: [Contact Us](#)

NovaPoint is Growing!

We are grateful to our clients for the growth we have experienced over the past few years. Top help staff our NovaPoint CFO bookkeeping business we initially hired fractional assistants from a company that staffs military spouses to businesses that need temporary help. Our experience was amazing and we recently hired the two fractional assistants as full-time bookkeepers and operations managers. Samantha Whitford and Mallorie Nordahl joined us as NovaPoint employees in December.

We also welcome Vanessa Walters, a U.S. Army veteran, who joined us in February as a tax preparer and operations manager in the NovaPoint CFO business. Vanessa is the sixth military veteran member of our company.

Rounding out the team, Kylie Scrogin joined NovaPoint in April. She is supporting our marketing and social media efforts, in addition to her role as a bookkeeper.



BUSINESS RETIREMENT PLANS

By ALAN J. CONNER



Annual 401K Plan Reviews

For plan sponsors, conducting an annual review of expenses, fees, and investments in a 401(k) plan is essential to fulfill fiduciary responsibilities, ensure plan effectiveness, and provide participants with optimal retirement savings opportunities.

Plan sponsors have a fiduciary duty to act in the best interests of plan participants. This includes monitoring and controlling plan expenses and fees. An annual review helps ensure that the fees charged by service providers are reasonable and justified based on the services provided. It demonstrates prudence in managing plan assets and reduces the risk of legal liabilities.

Regularly reviewing expenses, fees, and investments allows plan sponsors to evaluate the overall effectiveness of the 401(k) plan. They can assess whether the investment options offered are performing well relative to benchmarks and participant expectations. Adjustments can be made to the investment lineup if certain funds consistently underperform or if there is a demand for additional investment choices.

The primary goal of a 401(k) plan is to help participants achieve retirement readiness. By reviewing expenses, fees, and investments annually, plan sponsors can enhance participant outcomes. They can identify cost-effective investment options that maximize returns net of fees, thereby increasing retirement savings for participants over time.

An annual review ensures that the plan remains compliant

with regulatory requirements, such as fee disclosure rules under ERISA (Employee Retirement Income Security Act). It promotes transparency in plan operations, fostering trust among participants and demonstrating the sponsor's commitment to providing a well-managed retirement savings vehicle.

Lastly, markets, regulations, and participant needs evolve over time. Regular reviews enable plan sponsors to stay informed about industry trends, regulatory changes, and best practices in retirement plan management. They can implement enhancements to the plan structure and investment options that better serve the interests of participants and align with their long-term financial goals.

In conclusion, conducting an annual review of expenses, fees, and investments in a 401(k) plan is not just a regulatory requirement; it is a proactive measure that benefits both plan sponsors and participants. It ensures fiduciary compliance, enhances plan effectiveness, improves participant outcomes, promotes transparency, and supports continuous improvement in retirement savings strategies

Contact Us

We can review 401k plans to help the plan sponsors fulfill their fiduciary obligations.

Please reach out 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](#).



Bacon French Toast Rollups

Ingredients

8 slices of bread
8 slices of cooked bacon
2 large eggs
1/4 cup milk
1/2 teaspoon vanilla extract
1/4 teaspoon ground cinnamon
Butter or oil for cooking
Maple syrup or powdered sugar for serving

Instructions:

Prepare the bread by trimming the crusts off each slice of bread. Flatten each slice of bread with a rolling pin to make it easier to roll.

Place one slice of cooked bacon on the edge of each flattened bread slice. Roll the bread slice up tightly around the bacon.

In a shallow dish, whisk together the eggs, milk, vanilla extract, and 1/4 teaspoon of ground cinnamon.

In a separate dish, mix the granulated sugar and 1 teaspoon of ground cinnamon.

Dip each bread roll-up in the egg mixture, ensuring all sides are well-coated. Roll each dipped bread roll-up in the cinnamon-sugar mixture to coat evenly.

Heat a non-stick skillet or griddle over medium heat and add a bit of butter or oil. Place the roll-ups seam side down in

the skillet. Cook until all sides are golden brown and the egg is cooked through, about 2-3 minutes per side.

Serve the bacon French toast roll-ups warm with maple syrup or a dusting of powdered sugar. And extra bacon if you'd like!



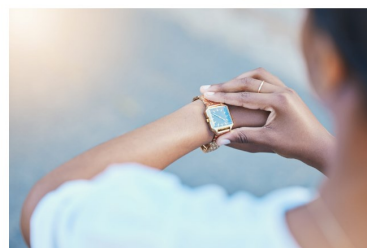
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If you'd like to receive the blog each week via email, please subscribe here: [SUBSCRIBE](#)

Checking In

July 8, 2024



Stocks advanced to start the third quarter. For the week, the S&P 500 index was +2.0%, the Dow was +0.7%, and the NASDAQ was +3.0%. Within the S&P 500 index, the Consumer Discretionary, Technology, and Communication Services sectors led, while the Energy, Health Care, and Industrial sectors lagged. The 10-year U.S. Treasury note yield decreased to 4.27% at Friday's close versus 4.37% the previous week.

The June Employment Situation Report showed 206,000 net new jobs created versus an expectation of 170,000. The May report was revised down to 218,000 jobs from 272,000 previously. The June unemployment rate increased to 4.7% from 4.0% in May. The report gave investors confidence the Federal Reserve may be able to start lowering short-term interest rates this year. Based on CME Fed funds futures, the probability of a September rate cut is currently 73.9%. Futures also imply a second rate cut by year end, contrary to the Fed's current projections.



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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