



## MARKET UPDATE

By JOSEPH SROKA, CFA, CMT

### Bulls and Ballots

Stocks continued their resilience in the third quarter. For the quarter, the S&P 500 Index advanced 5.9%, the Nasdaq 100 Index advanced 2.1%, and the Dow Jones Industrial Average advanced 8.7%.

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

For as much as Artificial Intelligence (“AI”) dominated market interest in the first half of the year, how to power AI became a major theme in the third quarter. The utility sector led the S&P 500 Index with a 19.4% return during the quarter. One of the themes pushing interest in the sector was the proliferation of data centers and the need to power them. Additional need for power generation has sparked interest for gas turbines and both large and small scale nuclear power as solutions.

The Federal Reserve made the first reduction to the fed funds rate with a 0.50% decrease at its September meeting. This is the first of many planned reductions over the next 24-months. The Fed has indicated it currently plans to reduce the fed funds rate by an additional 0.50% by year-end and up to another 1.00% in 2025. The Fed has been, and will likely continue to be, data dependent in its policy decisions. With interest rates declining, inflation grinding toward the Fed’s 2%

annualized target, and unemployment at a healthy 4.1%, it looks like the Fed may succeed in its quest to lower inflation without pushing the economy into a recession.

We are less than a month away from the U.S. presidential election. Most polls and predictive betting markets currently have the election as a toss-up. This uncertainty can create volatility in the investment markets as investors’ concerns over the potential election outcomes can make them risk adverse in the short-term. History tells us once the election is finalized, that uncertainty goes away and markets can look forward to stabilization.

The third quarter earnings reporting season has just started. Earnings for the S&P 500 Index for the quarter are expected to grow 4.2% year-over-year, with revenue growth of 4.8%. Full-year 2024 earnings are expected to grow 9.8%, with revenue growth of 4.7%. Full-year 2025 earnings are expected to grow 14.9%, with revenue growth of 5.9%.

Our investment strategies are well-diversified across sectors to include strategies focused on Dividend Growth stocks, Real Estate Investment Trusts (REIT), Power-Utility-Grid stocks, and Growth stocks. We favor high-quality stocks across all our strategies.

|                                   | <u>3Q24 Return</u> | <u>YTD Return</u> |                             | <u>3Q24 Return</u> | <u>YTD Return</u> |
|-----------------------------------|--------------------|-------------------|-----------------------------|--------------------|-------------------|
| S&P 500 Index                     | 5.9%               | 22.1%             | Aggregate Bond Index        | 4.8%               | 4.6%              |
| Dow Jones Industrial Average      | 8.7%               | 13.9%             | U.S. Dollar Index           | -4.8%              | -0.5%             |
| NASDAQ 100                        | 2.1%               | 20.0%             | WTI Crude Oil               | -16.4%             | -4.9%             |
| Russell 2000 (Small Cap Index)    | 9.3%               | 11.2%             | Gold                        | 13.3%              | 27.6%             |
| International Stocks (MSCI ex-US) | 8.2%               | 14.7%             | Real Estate (US REIT Index) | 16.1%              | 15.7%             |

Sources: S&P Global, FactSet





# ACCOUNTING & TAX

By Larry Dixon, EA

## Tax Benefits of a Donor-Advised Fund

A Donor-Advised Fund (DAF) is a charitable giving vehicle that offers significant tax benefits to donors while allowing them to support charitable organizations of their choice over time. DAFs are becoming increasingly popular due to their flexibility, simplicity, and potential for tax savings. Here’s an overview of the tax benefits associated with using a Donor-Advised Fund:

### Immediate Tax Deduction

One of the most attractive features of a DAF is the immediate tax deduction donors receive when they contribute to the fund. Donors can deduct the fair market value of the assets they donate, subject to IRS limits, in the year the contribution is made. This is beneficial for individuals looking to offset a particularly high-income year or reduce their tax liability before year-end. Cash contributions are typically deductible up to 60% of adjusted gross income (AGI), while non-cash assets, like appreciated securities, are deductible up to 30% of AGI.

### Avoidance of Capital Gains Tax

By donating appreciated assets, such as stocks, bonds, or real estate, donors can avoid capital gains tax on those assets. When these assets are donated directly to a DAF, the donor does not have to pay taxes on the capital gains, and the full fair market value of the asset is eligible for a tax deduction. This strategy maximizes the amount available for charitable purposes, as opposed to selling the assets first, which would result in capital

gains tax before making the donation.

### Tax-Free Growth

Once assets are in the DAF, they can be invested and grow tax-free. This means that any appreciation, dividends, or interest earned on investments within the fund are not subject to capital gains or income taxes. This tax-free growth can significantly increase the amount available for future charitable grants, enabling donors to make a larger impact over time.

### Flexibility in Grant Timing

A DAF allows donors to receive an immediate tax deduction while providing the flexibility to decide when and where to allocate funds to charities. Donors can take their time researching organizations or wait for the most impactful moment to make a grant, all while the assets in the DAF grow tax-free. This flexibility is especially useful for those who want to make strategic charitable contributions over the years while still benefiting from a tax deduction upfront.

In summary, Donor-Advised Funds offer multiple tax benefits, including immediate deductions, avoidance of capital gains taxes, tax-free growth, and flexible grant timing. These advantages make DAFs an efficient and impactful way for donors to manage their charitable giving while optimizing tax benefits.

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

## Welcome to our new Team Members

Two new team members have joined us at NovaPoint during the quarter.

Amber Ludemann joined us in early September. She is an experienced accountant and bookkeeper. She will be working with our clients at NovaPoint CFO and our Client and Financial Operations Manager.

Jessica “Jex” Roach joined us at the end of September. She is an Investment Association working primarily on financial planning for NovaPoint Capital clients. Jex is a U.S. Marine Corps veteran.

We are excited by the talent and experience Amber and Jex bring to the NovaPoint team.



A banner image featuring a close-up of a calculator keypad with buttons for division, addition, the number 6, and subtraction. In the background, there are documents and a pen. On the right side of the banner is a portrait of Alan J. Conner, a man in a suit and tie.

# BUSINESS RETIREMENT PLANS

By ALAN J. CONNER



## Tips for Roth IRA Conversions

A Roth IRA conversion is a strategic financial move where you convert funds from a traditional IRA or 401(k) to a Roth IRA. This process can provide tax-free growth and withdrawals in retirement, but it requires careful planning. Here are some key tips for successfully executing a Roth conversion:

### 1. Consider Your Current and Future Tax Bracket

One of the most crucial factors in deciding whether to pursue a Roth conversion is your current and projected future tax bracket. The goal is to convert during a period when your tax rate is lower than or equal to what it will be when you retire. For example, if you expect to be in a higher tax bracket later due to Social Security, pensions, or required minimum distributions (RMDs), converting while in a lower bracket can help minimize taxes paid on the conversion.

### 2. Convert in Smaller Increments

Instead of converting your entire traditional IRA balance at once, consider spreading the conversion over multiple years. This approach helps manage the tax impact, as converting too much at once could push you into a higher tax bracket. By converting smaller amounts each year, you can take advantage of lower tax brackets and potentially reduce your overall tax liability.

### 3. Time Conversions During Low-Income Years

Choosing a year when your income is unusually low, such as during a sabbatical, job transition, or early retirement years before RMDs begin, can be a strategic time for a Roth conversion. During these years, your tax bracket may be lower, making it an ideal time to convert and pay taxes at a reduced rate.

### 4. Prepare for the Tax Bill

When converting to a Roth IRA, taxes are due on the amount converted as if it were regular income. It's important to have enough funds set aside outside of your IRA to cover this tax bill. Using funds from the converted IRA itself to pay taxes is generally not advised, as it reduces the amount of money growing tax-free in the Roth account and could incur penalties if you're under age 59½.

### 5. Be Aware of the Pro-Rata Rule

If you have both pre-tax and after-tax contributions in your traditional IRA, the IRS applies the pro-rata rule during conversion. This rule means that each conversion consists of a proportional mix of taxable and non-taxable amounts. Planning carefully and possibly rolling pre-tax IRA funds into an employer plan, if available, can help minimize the taxable portion of your conversion.

### 6. Monitor Changes in Tax Laws

Tax laws are subject to change, so staying informed is vital. Future changes in tax rates, deductions, or IRA conversion rules may affect the benefits of a Roth conversion. Regularly reviewing your financial plan and consulting with a tax advisor can help you adapt your strategy to any new tax legislation.

### Contact Us

We can help you plan Roth IRA conversions to help minimize taxes and optimize the amounts to transfer. 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](#).





## Orzo with Caramelized Butternut Squash and Bacon

### Ingredients

1 cup orzo pasta  
6 slices of bacon, chopped  
1 small butternut squash, peeled and cubed  
1 small onion, chopped  
2 cloves garlic, minced  
2 tablespoons olive oil  
1 tablespoon butter  
1 teaspoon fresh thyme  
Salt and pepper  
1/3 cup grated Parmesan cheese

### Instructions:

Cook the orzo until al dente. Drain, rinse with cold water, and set aside.

In a large skillet, cook the chopped ba-

con over medium heat until crispy. Remove and set it aside on a paper towel to drain, leaving the bacon fat in the pan.

Add the olive oil and butter to the skillet with the bacon fat. Once hot, add the butternut squash. Cook over medium heat for about 10 minutes, stirring occasionally, until the squash is golden and caramelized on the outside and tender on the inside.

Add the onion and cook for an additional 5 minutes, until soft and translucent.

Stir in the garlic and thyme, cooking for 1 more minute until fragrant. Season with salt and pepper to taste.

Add the cooked orzo and crispy bacon to the skillet with the squash mixture.

Toss everything together, ensuring the orzo is well coated and everything is evenly mixed.

Remove from heat and garnish with freshly chopped parsley and additional Parmesan if desired.



## 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 subscribe here: [SUBSCRIBE](#)

## Health Insurance Options

If you are an independent contractor or small business owner and need health insurance for you and your employees, you may be eligible to be part of a group rather than purchasing insurance off the exchange.

We can work with you to determine your eligibility and identify a plan that works for you with features such as high deductibles, a health savings account, dental and vision, and other features. All plans are through national carriers with extensive networks.

Let us know if you would like to discuss a potential solution that works for you: [Contact Us](#)

## NovaPoint Team Roster

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

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

Frederick Wright, CFA  
Managing Director  
fwright@novapointgroup.com  
404-920-8574

Larry Dixon, EA  
Tax Managing Director  
ldixon@novapointgroup.com  
404-445-8334

Samantha Whitford  
Operations & Accounting Manager  
swhitford@novapointgroup.com  
404-507-6224

Brett Stroney  
Managing Director  
bstroney@novapointgroup.com  
440-221-5265

Amber Ludemann  
Client & Financial Operations Manager  
aludemann@novapointgroup.com  
404-282-3674

Mallorie Nordahl  
Accounting Clerk  
mnordahl@novapointgroup.com  
404-534-4580

Jessica "Jex" Roach  
Investment Associate  
jroach@novapointgroup.com  
470-972-5783

Kylie Scrogin  
Marketing Manager & Accounting Clerk  
kscrogin@novapointgroup.com  
404-816.6357

Visit our website: [www.novapointcapital.com](http://www.novapointcapital.com)



Copyright NovaPoint Capital LLC, 2024