4th Quarter 2025 Newsletter
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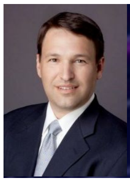
NovaPoint Capital ● 1175 Peachtree Street NE, Suite 1825, Atlanta GA 30361 ● Phone 404-445-7885 ● www.novapointcapital.com



MARKET UPDATE

By JOSEPH SROKA, CFA, CMT

Confidence without Complacency

As tariff concerns faded, equity markets continued to improve in the third quarter. For the quarter, the S&P 500 Index was +8.1%, the Nasdaq 100 Index was +9.0%, and the Dow Jones Industrial Average was +5.7%.

The three top performing S&P 500 sectors during the quarter were Technology, Communication Services, and Consumer Discretionary. The three bottom performing sectors were Consumer Staples, Real Estate, and Materials.

The "Liberation Day" market shock feels long ago, and the worse case tariff scenarios have not materialized. Investor focus has returned to earnings growth. With the third quarter earnings reporting period just getting underway, the S&P 500 Index is expected to see quarterly earnings growth of 8.0% year-over-year and revenue growth of 6.3%. Full-year 2025 earnings are expected to grow 10.9% with revenue growth of 6.1%. When we wrote this newsletter a quarter ago, at the start of the second quarter reporting season, the full-year 2025 outlook for the S&P 500 Index was 9.0% year-over-year earnings growth and 5.0% revenue growth.

The earnings progress does not come in a period of irrational exuberance. There is a healthy degree of skepticism in the market and the economy. We like a market that sees regular pullbacks and enough volatility to keep investors from being complacent. We do not try to market time, but we try to take advantage of regular pullbacks to add to companies we like for long-term appreciation.

The Federal Reserve is going to play an important role for the remainder of the year. The Fed's Federal Open Market Committee reduced the Fed funds rate by 0.25% to a 4.00% to 4.25% target range at its September meeting and signaled two more 0.25% reductions by year-end. While inflation has not yet been neutralized to the Fed's long-term 2.0% desired level, it has not returned to the alarming levels seen in 2022. The labor market has weakened and the Fed's stance on monetary policy has shifted to preserving a healthy labor market. Given potential employment impact from the current U.S. government shutdown, this level of proactivity appears well placed, though the current absence of government data on employment, inflation, and other economic indicators may make this assessment tough to measure until data is flowing again.

We employ a diversified approach across sectors and themes to include several distinct investment 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. While it is tempting to speculate on lower quality stocks when there is a potential monetary policy tailwind, we prefer to identify the companies we feel are benefitting from tangible long-term trends and add to positions when the near-term periods of doubt or panic set in.

	3Q25 Return	2025 YTD
S&P 500 Index	8.1%	14.8%
Dow Jones Industrial Average	5.7%	10.5%
NASDAQ 100	9.0%	18.1%
Russell 2000 (Small Cap Index)	12.4%	10.4%
International Stocks (MSCI ex-US	7.0%	26.6%

	3Q25 Return	2025 YTD
Aggregate Bond Index	2.0%	6.0%
U.S. Dollar Index	0.9%	-9.9%
WTI Crude Oil	-4.2%	-13.0%
Gold	16.8%	47.0%
Real Estate (US REIT Index)	4.8%	4.6%

Sources: S&P Global, FactSet

A Look at 2026 Tax Changes

The IRS recently released the annual inflation adjustments for the 2026 Tax Year.

Standard Deductions

For 2026, the Standard Deduction for Single or Married Filing Separately is $16,100 versus $15,750 for 2025. For Married Filing Jointly and Surviving Spouses it is $32,200 versus $31,500 in 2025. For Heads of Households it is $24,150 versus $23,625 for 2025.

Marginal Tax Rates

For 2026, the top marginal tax rate remains 37% for individual single taxpayers with incomes greater than $640,000 and married couples filing jointly with incomes above $768,700.

The other marginal tax rates are:

	Single	Joint
Rate	Incomes over:	
35%	$ 256,225	$ 512,450
32%	$ 201,775	$ 403,550
24%	$ 105,700	$ 211,400
22%	$ 50,400	$ 100,800
12%	$ 12,400	$ 24,800
	Income under	
10%	$ 12,400	$ 24,800

For 2026, the Alternative Minimum Tax exemption amount for unmarried individuals is $90,100 and begins to phase out at $500,000, and $140,200 for married filing jointly with the exemption beginning to phase out at $1,000,000.

Estate Tax Credits for estates of decedents who die during 2026 have a basic exclusion amount of $15,000,000 versus $13,990,000 in 2025.

The maximum credit allowed for adoptions for tax year 2026 is $17,670 versus $17,280 in 2025. For 2026, the amount of credit that may be refundable is $5,120.

The Employer-Provided Childcare Tax Credit in 2026 is $500,000 versus $150,000 in 2025, and up to $600,000 if the employer is an eligible small business.

Other Items Impacted by Indexing

The maximum for the Earned Income Tax Credit in 2026 is $8,231 for qualifying taxpayers who have three or more qualifying children versus $8,046 in 2025.

The monthly limitation for the qualified transportation fringe benefit and the monthly limitation for qualified parking in 2026 increases to $340 versus $325 in 2025.

Beginning in 2026, the dollar limitation for voluntary employee salary reductions for contributions to health flexible spending plans is $3,400 versus $3,300 in 2025. For cafeteria plans that permit the carryover of unused amounts, the maximum carryover is $680, an increase of $20 from 2025.

For tax year 2026, participants who have self-only coverage in a Medical Savings Account, the plan must have an annual deductible that is not less than $2,900 versus $2,850 in 2025, but not more than $4,400 versus $4,300. For self-only coverage, the maximum out-of-pocket expense amount is $5,850 in 2026 versus $5,700 in 2025. For family coverage, the annual deductible is not less than $5,850 in 2026 versus $5,700 in for 2025, but not more than $8,750 versus $8,550. For family coverage, the out-of-pocket expense limit is $10,700 in 2026 versus $10,500 in 2025.

For tax year 2026, the foreign earned income exclusion in 2026 is $132,900 versus $130,000 in 2025.

Some items such as personal exemptions, itemized deductions, and lifetime learning credits are unaffected by the indexing changes.

If you need help deciphering these tax changes or ways to best take advantage of them, please let us know: [Contact Us]

BUSINESS RETIREMENT PLANS

By ALAN J. CONNER

Top Concerns of Retirement Plan Participants

Based on the 2025 Charles Schwab nationwide survey of 401(k) plan participants, here are the top 10 concerns currently affecting participants:

1. Inflation: The most cited obstacle, with 57% of participants saying it hinders their ability to save for retirement. Using planning and budgeting tools can identify areas to cut spending and redirect savings. Participants should consider increasing retirement plan contributions gradually, even by 1% to 2% annually.

2. Market Volatility: Volatility can be unsettling and is a major factor causing participants to adjust their portfolios, often shifting to more conservative investments. Participants should try to avoid emotional reactions to market swings and stay focused on long-term goals. The longer their time horizon, the lower the impact of near-term volatility.

3. Confidence in Reaching Retirement Goals: Only 34% of respondents feel very likely to achieve their savings goals, down from 43% in 2024. While this is a relative improvement, it is still a high level of doubt. Using retirement calculators to model different scenarios can help focus participants on achievable goals and present a roadmap to get there.

4. Economic Pressures on Spending: Participants are cutting back on purchases (40%) and opting for cheaper products (39%) to maintain retirement contributions. Balancing current needs with longer term needs in retirement can be tricky. Opting to make some near term sacrifices to maintain saving and investing discipline can payoff in retirement.

5. Retirement Age Expectations: The average expected retirement age has increased to 66, reflecting concerns about financial readiness. Planning for a phased retirement or part-time work post-retirement can keep income flowing. Consider maximizing Social Security benefits by delaying claims if possible. Having a realistic lifestyle goal in retirement can also help clarify a realistic retirement age.

6. Amount Needed for Retirement: Participants believe they need $1.6 million saved, down from $1.8 million in 2024, indicating recalibrated expectations. Tracking progress toward that goal, whether $1.6 million or even $1.8 million and making necessary adjustments can increase probability of meeting retirement goals. Taking advantage of employer matches and other benefits can help achieve goals faster.

7. 401(k) Loans and Hardship Withdrawals: While down from last year, 21% still report taking loans or withdrawals, showing ongoing financial strain. Building an emergency fund outside the 401(k) to avoid tapping retirement savings can help preserve the growth of retirement plan assets. Understand the penalties and long-term impact of early withdrawals can help make smart tax and planning decisions.

8. Lack of Confidence in Investment Decisions: Only 27% of respondents feel very confident making 401(k) investment decisions on their own; confidence rises to 51% with professional advice. Attending company sponsored plan education sessions or webinars can also raise confidence in decision making.

9. Reliance on 401(k) for Retirement Income: Participants expect 401(k)s to provide 45% of their retirement income, making it their largest income source. Contributing to IRAs or brokerage accounts to supplement 401(k) savings can create a greater nest egg for retirement.

10. Employer Support and Benefits: 57% of respondents say their employer has taken steps to reduce financial stress, such as increasing pay or 401(k) matches, but many still feel the need for more holistic support. Employers benefit from confident, focused employees. Taking advantage of employer match, wellness, and education programs is a great benefit. Employees should provide feedback to Human Resources about desired benefits such as financial coaching or plan improvements such as a Roth 401(k) option.

Contact Us

At NovaPoint, we work with both plan sponsors and plan participants. Please reach out if we can help with a review to make a plan stronger or navigating within an existing plan: Contact Us

FINANCIAL PLANNING

By MEGHAN HOOVER

Benefits of Financial Planning for Retirees

Financial planning is a comprehensive and custom process of managing your money to achieve financial security and to meet goals. Financial planning aims to optimize wealth accumulation, minimize tax liability, and mitigate risks to protect your assets and achieve your financial goals.

For retirees and those planning to retire soon, working with a financial planner ensures that you have a comprehensive plan that covers all aspects of your financial future, providing peace of mind as you navigate this new stage in life.

Maximize Retirement Income – Establishing a post-retirement financial plan can help retirees optimize their income streams by managing withdrawals from various investments accounts in conjunction with other retirement income streams, such as Social Security, pensions, or part-time retirement wages. A financial planner can create a strategy that minimizes taxes while ensuring a steady cash flow to cover living expenses.

- Manage multiple income sources.
- Withdrawal Strategy.
- Social Security Optimization.

Tax Efficiency – Establishing a plan for smart and informed tax decisions can help reduce your lifetime tax burden and identify opportunities for tax-advantaged strategies.

- Required Minimum Distributions (RMDs).
- Roth IRA Conversions.
- Tax Efficient Withdrawals.
- Tax Loss Harvesting.

Navigating Market Volatility and Adjusting Plans – Retirement is a long journey, and markets will fluctuate. A financial planner helps you stay on track, adjust your portfolio as needed, and avoid emotional decisions that could derail your financial future.

- Portfolio Management.
- Scenario Analysis & Stress Testing.
- Ongoing Plan Adjustments.

Estate and Legacy Planning – A comprehensive financial plan should include an estate plan that ensures a smooth transfer of assets to beneficiaries, minimizing estate taxes and other complications, while aligning with your personal values and goals.

- Creating or Updating Wills and Trusts.
- Healthcare Directives and Powers of Attorney.
- Minimizing Estate Taxes.
- Charitable Giving.

Health and Long-Term Care Planning – Healthcare needs change for individuals and families as we age, and often these costs significantly increase with age. That's why it is essential to plan for health insurance, such as Medicare and supplemental insurance, long-term care (LTC) insurance, and other health-related expenses.

- Medicare and Supplement Health Insurance Plans.
- Long-Term Care (LTC) Insurance.
- Health Savings Accounts (HSAs).

Choosing a trusted fiduciary, someone who prioritizes your needs above their own, can be an important step in providing your financial security and ability to meet financial goals. To get a better idea of the breadth and detail of NovaPoint's financial planning process, check out this Sample Financial Plan for Retirees. Additionally, to read the full detailed article, please visit Financial Planning for Retirees.

At NovaPoint, our investment, wealth management, and tax experts can help advise you on your post-retirement income streams, optimizing Social Security benefits and tax strategies, navigating Medicare, managing health care costs, and estate planning.

Contact Us

Please reach out if we can help: Contact Us

Bacon Chocolate Bark

Ingredients

8 slices of thick-cut bacon, chopped

12 ounces semisweet dark chocolate chips (about 2 cups)

1 tablespoon butter

2 tablespoons maple syrup

1/2 teaspoon sea salt flakes

Instructions:

1. Cook the Bacon: Line a baking sheet with foil or parchment. Lay out the bacon slices and brush lightly with maple syrup. Bake at 400°F for 15–20 minutes, until deep golden and crisp. Transfer to paper towels, let cool, then chop into small pieces (roughly ¼-inch).

2. Melt the Chocolate: In a microwave-safe bowl, heat the chocolate chips and butter in 20–30 second bursts, stirring between each, until smooth. (Alternatively, melt over a double boiler on the stove.)

3. Assemble the Bark: Line a baking sheet with parchment paper. Pour the melted chocolate onto the paper and spread evenly into a thin rectangle (about 9x12 inches). Immediately sprinkle bacon pieces evenly over the chocolate. Add any optional toppings (pretzels, nuts, cayenne, etc.). Finish with a light sprinkle of sea salt flakes.

4. Set the Bark: Chill for 30–45 minutes, until firm. Break into irregular pieces for serving.

Pro Tips:

Smoked bacon (like applewood or hickory) adds a deep, barbecue-style note that works beautifully with dark chocolate.

If you want extra crunch, mix the bacon directly into the melted chocolate before spreading.

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.

Follow our Weekly Market Commentary

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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

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

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

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

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

Meghan Hoover
Investment Associate
mhoover@novapointgroup.com
470-942-5783

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

Chelsea Castanza
Accounting Clerk
ccastanza@novapointgroup.com
678-397-1913

Visit our website: www.novapointcapital.com