



MARKET UPDATE

By JOSEPH SROKA, CFA, CMT

Broadening Participation

Stocks rebounded in the second quarter as geopolitical fear subsided. For the first quarter, the S&P 500 Index was +15.2%, the Nasdaq 100 Index was +27.7%, and the Dow Jones Industrial Average was +13.4%. This was the best quarter for the S&P 500 Index since the second quarter of 2020 when the market rebounded from the pandemic selloff.

The three top performing sectors during the quarter were Technology, Industrials, and Consumer Discretionary. The three bottom performing sectors were Energy, Utilities, and Consumer Staples.

The rebound was not narrow, as market breadth increased. At the end of the second quarter, 63% of companies in the S&P 500 Index were trading above their 200-day moving average. This is a sign of healthy participation across multiple sectors rather than the narrow participation we have seen in the recent past that coined phrases like the “Magnificent Seven”, referring to a small number of mega-cap technology stocks carrying the market.

Kevin Warsh, the new Federal Reserve Chairman has made fighting inflation his top goal. The final sentence of his first Federal Open Market Committee meeting statement was “The Committee will deliver on price stability.”

Since assuming his position on May 22nd, gasoline prices have fallen 17%, so market forces may do some of his work for him, but the Federal Reserve indicated a policy path that would include a 0.25% increase in the Federal funds rate by year-end to help curb inflationary forces. We could see this at the September meeting, and then the Fed may step aside and see how the mid-term elections play out.

As we move later in the summer and into fall, focus is likely to shift to the midterm elections. Despite current geopolitical focus on tariffs and the Iran conflict, the midterm campaign discussions are likely to focus on domestic issues to include housing affordability, inflation, and job growth.

The second quarter earnings reporting season is just getting underway. Quarterly earnings for the S&P 500 Index are expected to grow 23.3% year-over-year with revenue growth of 12.2%. Full-year 2026 earnings are expected to grow 24.1% with revenue growth of 10.8%.

We employ a diversified approach across sectors and themes 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>Second Quarter</u>	<u>YTD Return</u>		<u>Second Quarter</u>	<u>YTD Return</u>
S&P 500 Index	15.2%	10.2%	Aggregate Bond Index	0.8%	0.8%
Dow Jones Industrial Average	13.4%	9.8%	U.S. Dollar Index	1.2%	2.9%
NASDAQ 100	27.7%	20.3%	WTI Crude Oil	-31.4%	21.0%
Russell 2000 (Small Cap Index)	21.5%	22.6%	Gold	-14.2%	-7.1%
International Stocks (MSCI ex-US)	14.7%	14.0%	Real Estate (US REIT Index)	12.4%	17.8%

Sources: S&P Global, FactSet





ACCOUNTING & TAX

By LARRY DIXON, EA

Mid-Year Tax Checkup: Time is Still on Your Side

With the second half of the year underway, now is an ideal time for investors to conduct a mid-year tax review. While many people think about taxes one time a year, reducing your tax liability is best done early. Taking a proactive approach today will save you dollars tomorrow.

Review Expected Income

Begin by reviewing your expected income for the year. Changes such as retirement, a business sale, stock option exercises, bonus compensation, or large investment gains can push you into a higher tax bracket. Understanding where you stand today allows you to adjust withholding, estimated tax payments, or other planning strategies before year-end.

Review Investments

Your investment portfolio should also receive a tax checkup. If you've realized capital gains this year, you may be able to offset some of those gains by harvesting losses in other positions. While taxes should never be the sole reason to buy or sell an investment, thoughtful tax-loss harvesting can improve after-tax returns over time. Remember to avoid violating the IRS wash-sale rules when repositioning your portfolio.

Tax Smart Retirement Planning

Retirement planning remains another important oppor-

tunity. Make sure you're on pace to maximize contributions to employer-sponsored retirement plans and IRAs, if eligible. Depending on your income and long-term objectives, a Roth conversion may also deserve consideration, particularly during years when taxable income is temporarily lower than expected.

Charitable Giving

Charitable giving strategies can provide meaningful tax benefits as well. Donating appreciated securities instead of cash may allow you to avoid capital gains taxes while supporting organizations you care about. Investors age 70½ and older should also determine whether a Qualified Charitable Distribution from an IRA fits into their overall retirement income plan.

Be Proactive

The best tax planning is proactive—not reactive. By reviewing your financial picture in the middle of the year, you still have time to make adjustments that could lower your tax bill and strengthen your long-term financial plan.

We Can Help

If you need help reviewing your mid-year progress, please let us know: [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](#)





BUSINESS RETIREMENT PLANS

By ALAN J. CONNER



SECURE 2.0: The Super Catch-Up and Mandatory Roth Catch-Up

SECURE 2.0

The SECURE 2.0 Act of 2022 is a major U.S. retirement reform law enacted in December 2022 as part of the federal omnibus spending bill. Most provisions took effect in 2023, with additional changes phased in during 2024, 2025, and later years. The goal of SECURE 2.0 is to modernize the U.S. retirement system by making it easier to save, harder to fall behind, and more flexible to use retirement accounts throughout a person's working life and retirement.

Super Catch-Up

SECURE 2.0 created an enhanced catch-up contribution for employees who are age 60, 61, 62, or 63 during the calendar year.

For 2026, the regular 401(k)/403(b)/457 employee contribution limit is \$24,500. The standard age-50 catch-up is an additional \$8,000. The Super Catch-Up for ages 60 to 63 is an additional \$11,250. That's a total of \$35,750 as the employee contribution, before the employer match.

Mandatory Roth Catch-Up for High Earners

Beginning with tax years starting January 1, 2026, employees age 50+ whose prior-year FICA wages from that employer exceeded \$150,000 (indexed for inflation) must make all catch-up contributions as Roth (after-tax) rather than pre-tax.

This Roth contribution only applies only to the catch-up portion, the extra \$8,000 or \$11,250. The first \$24,500 of elective deferrals may still be made pre-tax or Roth, depending on plan options. The rule is determined employer by employer, based on prior-year W-2 Social Security (FICA) wages. Employees earning at or below the threshold can continue making catch-up contributions on either a pre-tax or Roth basis, if the plan permits.

Plan Sponsor Requirements

You are not required to offer the super catch-up. However, if you offer it for any plan in your controlled group, all

plans in the controlled group must offer it. You can't offer it selectively.

If any participant earned >\$150K in prior-year FICA wages, their catch-up contributions must be designated Roth. This means your plan must have a Roth feature or those high earners simply lose their catch-up eligibility entirely. Your recordkeeper and payroll system must be able to identify affected participants and route contributions correctly. You need to coordinate with payroll to flag prior-year FICA wages.

Plans offering the super catch-up must amend their plan documents by December 31, 2026. The IRS is allowing "good faith" compliance during 2026, but stricter enforcement begins January 1, 2027.

For SIMPLE IRA plans, the super catch-up and the standard 10% SIMPLE plan catch-up increase cannot be stacked. You offer the higher of the two, not both.

Action checklist for plan sponsors

1. Decide whether to offer the super catch-up and document that decision.
2. Confirm your plan has a Roth feature (essential for compliance).
3. Work with your recordkeeper and payroll provider to implement FICA wage tracking and routing logic.
4. Amend the plan document before year-end.
5. Communicate the changes clearly to participants — particularly those approaching 60.

Although the statutory requirement begins in 2026, the IRS final regulations allow plans to use a reasonable, good-faith implementation for taxable years beginning before 2027, giving plan sponsors some administrative flexibility while they update payroll and recordkeeping systems. The underlying Roth requirement itself is not delayed for affected participants.

Contact Us

Please reach out if we can help: [Contact Us](#)





FINANCIAL PLANNING

By MEGHAN HOOVER



The Hidden Cost of Waiting

When we think of costly financial mistakes, we often picture dramatic events—buying at the market peak, choosing the wrong investment, or selling during a market downturn. In reality, some of the most expensive mistakes happen quietly through indecision, competing priorities, or simply putting important decisions off.

Almost everyone has a financial task they've been meaning to get around to. It might be increasing retirement contributions after receiving a raise, reviewing beneficiary designations, updating estate documents, investing excess cash that's been sitting on the sidelines, considering a Roth conversion during a favorable tax year, or learning about Medicare before enrollment deadlines arrive. While delaying these decisions may not create an immediate crisis, over five, ten, or twenty years, the cumulative effect can be substantial.

The challenge is that waiting has a cost, even if it's one we don't immediately recognize. Financial planning isn't only about avoiding costly mistakes; it's also about recognizing opportunities before they quietly disappear. Increasing retirement savings by just 1% may not noticeably affect your budget today. But over decades, those additional contributions have more time to benefit from investment growth and compounding. Small changes made consistently often produce meaningful results that far exceed what most people expect.

Tax planning opportunities often happen in specific time windows, such as low-income years, before retirement, before required minimum distributions

(RMDs) begin, or before changes in tax laws alter planning opportunities. Once the window closes, the opportunity may not return. Likewise, delaying a financial plan review can allow small issues to grow into larger ones. Regular reviews can uncover opportunities to adjust savings, rebalance investments, improve tax efficiency, or update estate planning while there is still time to act.

Investment portfolios naturally change as markets fluctuate. At the same time, your financial goals and tolerance for risk may evolve. Without periodic reviews and rebalancing, your portfolio can gradually drift away from the allocation that was originally designed to help you achieve your goals.

Estate planning documents and beneficiary forms should be reviewed periodically as life events occur, such as marriages, births, deaths, out-of-state moves, or changes in financial accounts and assets. Even if your intentions haven't changed, outdated documents may no longer reflect your current wishes.

Lasting financial success rarely comes from one perfect decision. Instead, it comes from making thoughtful decisions consistently over time while considering how each one fits into your overall financial picture. Often, the greatest cost isn't making the wrong decision—it's waiting too long to make a good one. Your biggest financial improvement could come from simply making the decision you've been putting off.

Contact Us

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Grilled Peach, Burrata & Bacon Salad

Ingredients

Salad:

- 2 ripe but firm peaches, halved and pitted
- 8 oz burrata cheese
- 8 slices thick-cut bacon
- 5 oz baby arugula
- 1/3 cup toasted pecan halves, chopped
- 8–10 fresh basil leaves, torn
- Freshly ground black pepper

Dressing:

- 3 tbsp extra-virgin olive oil
- 1 tbsp fresh lemon juice
- 1 tsp Dijon mustard
- 1 tsp honey
- 1/4 tsp kosher salt
- Several grinds black pepper

Finish:

- Balsamic glaze
- Hot honey

1. Cook the bacon until crispy, then crumble into small pieces.
2. Place the pecans in a dry skillet over medium heat for 3–5 minutes, stirring frequently, until fragrant.
3. Brush the cut sides of the peaches with olive oil and lightly season with kosher salt. Grill for 2–3 minutes, cut side down, until grill marks appear. Flip and grill another 1 minute.
4. Wisk together dressing ingredients.
5. Assemble the salad by spreading the arugula on a large serving platter. Lightly toss it with about half of the dressing. Arrange the grilled peach slices over the greens. Tear the burrata into several large pieces and distribute. Scatter the bacon over the top, sprinkle on the toasted pecans, and add the torn basil leaves.
6. Finish with the remaining dressing, balsamic glaze, and hot honey.



Follow our Weekly Market Commentary

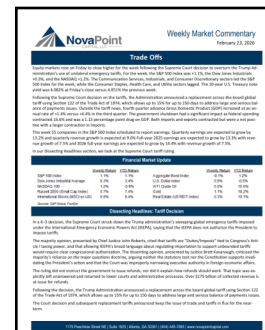
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You can find it on the News dropdown menu or at

<https://novapointcapital.com/blog/>

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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

Trish Coffield, EA

Tax Specialist

tcoffield@novapointgroup.com

470-443-0287

Visit our website: www.novapointcapital.com

