Condor Capital

WEALTH MANAGEMENT

Condor Capital Reviews 1st Quarter 2024

Condor Capital
1973 Washington Valley Rd
Martinsville, NJ 08836
(p) 732-356-7323
(f) 732-356-5875
info@condorcapital.com

Domestic equities rose by 10.55% in the first quarter of 2024. The domestic economy remains strong, though inflation is still running hot as well.

International equities lagged the U.S., and developed markets outperformed emerging markets. Japan outperformed significantly, while China's struggles continued.

Fixed income markets were generally flat to down as rate cut expectations decreased over the course of the quarter. High yield generally outperformed.

April 2024

The S&P 500 Index rose by 10.55% in the first quarter of 2024, finishing the period at all-time highs and closing the day at records on roughly 40% of the trading days in the quarter, as per Goldman Sachs. The so-called Magnificent Seven stocks once again outperformed the broader market, though the performance of those seven individual stocks did have more dispersion than in prior quarters. Small and mid-cap indices, while lagging in Q1, have still outperformed large caps over the past five months, reflecting a longer-term positive trend. Economic activity remained robust, and predictions for U.S. GDP growth and consumer spending exceeded initial forecasts. Although the Federal Reserve is still forecasting more accommodative monetary policy by the end of 2024, persistent inflation has led to some question over the pace and timing of rate cuts. The Fed is monitoring stronger-than-expected economic growth and job market resilience as well. As a result, market expectations shifted over the quarter from up to six rate cuts this year to just three, with the first cut now expected to be delayed until at least June.

International equities continued their late 2023 momentum from the global risk asset rally but lagged U.S. equity markets in the first quarter of 2024. The MSCI EAFE Index posted a 5.94% gain in the first quarter, while the MSCI Emerging Markets Index returned 2.41%. China's economic woes continued to start the year and these persistent issues have weighed on international markets, particularly E.M. Japan was one of the best performing equity markets in the world in the first quarter, as the Topix gained 18.04%. Overall though, most international economies lagged behind the U.S. and continued domestic economic strength resulted in a stronger U.S. Dollar. The dollar's rise against most foreign currencies marks a reversal of the downward trend in the final quarter of 2023, but is in line with the currency's broader strengthening since the pandemic.

In fixed income markets, the first quarter was a somewhat difficult period due to a combination of factors, most notably the potential delay in rate cuts. While lower rates would boost bond prices due to the inverse relationship between price and yield if the Fed were to cut rates, investors are coming to grips with the idea that the central bank's fight against inflation may not be over just yet. As a result, yields generally rose, with the front end of the U.S. Treasury curve remaining elevated and the longer end of the curve seeing a notable increase. The 10-year Treasury yield rose from 3.89% at year-end to 4.20% at the quarter's finish. The three-year Treasury yield rose most, increasing by about 0.40% over the course of the first quarter. The Bloomberg U.S. Aggregate Bond Index posted a slightly negative return in the quarter, and high yield credit outperformed for both corporate and municipal bonds.

<u>Outlook</u>

Looking ahead, investors will be closely monitoring economic indicators to assess their impact on central bank policies and the resulting shifts in market dynamics. The persistence of inflation, continued strength of the U.S. economy, and resilience of the labor market has resulted in the market repricing 2024 interest rate policy expectations, from roughly six 25-basis-point cuts to start the year down to three cuts now. The interest rate cuts are also expected to be pushed back to either the end of the second quarter or into the third quarter. However, significant amounts of uncertainty remain around this forecast, and a Federal Reserve that has vowed to remain data-dependent could change course again in the coming months. Still, a 'soft landing' remains a significant possibility, and the market seems unperturbed by the potential for delays in the rate cut path.

Inflation readings, particularly the closely-watched Consumer Price Index (CPI), will have a large impact on markets moving forward. Any hot inflation prints, meaning CPI reports where inflation exceeds market expectations, will likely be a negative for the market. Alternatively, if inflation were to fall more rapidly than expected, markets would likely react positively given the implications for more accommodative Fed policy. Here at Condor, we anticipate that inflation may be on the more persistent side, and want to remain pragmatic by not pricing in too many rate cuts this year.

China, which has been struggling with a relatively poor economy, is seeing promising signs of a rebound. The government's supply-side economic stimulus measures have brought their growth projections back on track, a welcome sign for the world's second-largest economy. The resurgence in China could provide a headwind to the global battle against inflation, however, as government projects drive up demand for commodities and could create a new leg of price pressures.

One of the reasons for the market's resilience thus far has been the outsized influence of a few tech names, the Magnificent Seven. Generally, a broader market is healthier, so the ability of other stocks to take up

See disclaimer on final page

leadership and drive the next leg of growth would be welcome. Energy and financials have started the year out very strong, and industrials and materials stocks have posted good performance as well. Even within the Mag Seven, we have begun to see some dispersion this year, with Tesla and Apple down notably year-to-date.

Moving forward, Condor will continue to focus on the long-term needs of our clients and prioritize quality. We will continue to seek opportunities as they present themselves, whether trimming from equity at market highs, rotating out of high yield bonds when spreads are exceptionally tight, or buying a dip in a position we have conviction in when the market becomes overly pessimistic.

Healthcare Costs in Retirement

In a 2023 survey, 37% of all workers reported they were either “not too” or “not at all” confident that they would have enough money to pay for their medical expenses in retirement. Regardless of your confidence, however, being aware of potential healthcare costs during retirement may allow you to understand what you can pay for and what you can’t.[1]

Healthcare Breakdown

- A retired household faces three types of healthcare expenses.
- The premiums for Medicare Part B (which covers physician and outpatient services) and Part D (which covers drug-related expenses). Typically, Part B and Part D are taken out of a person’s Social Security check before it is mailed, so the premium cost is often overlooked by retirement-minded individuals.
- Copayments related to Medicare-covered services that are not paid by Medicare Supplement Insurance plans (also known as “Medigap”) or other health insurance.
- Costs associated with dental care, eyeglasses, and hearing aids – which are typically not covered by Medicare or other insurance programs.

It All Adds Up

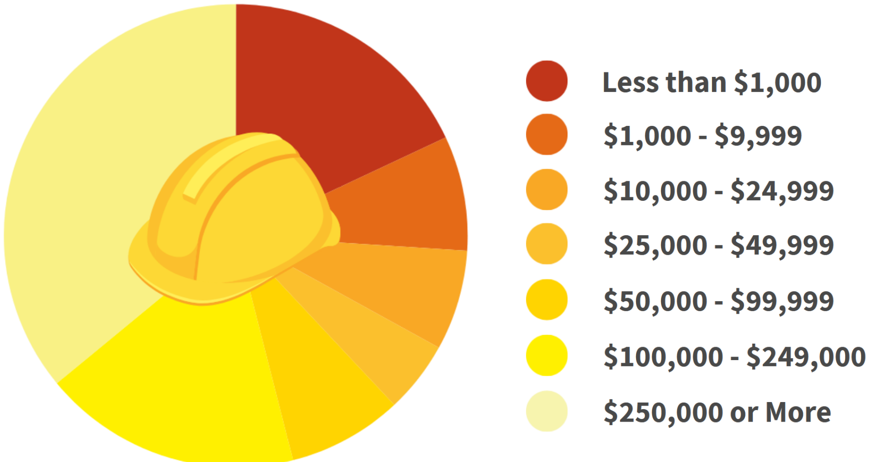
According to one study, the average 65-year-old couple can expect to need $315,000 saved to cover healthcare expenses in retirement.[2]

Should you expect to pay this amount? Possibly. Seeing the results of one study may help you make some critical decisions when creating a strategy for retirement. Without a solid approach, healthcare expenses may add up quickly and alter your retirement spending.

Prepared for the Future?

Workers were asked how much they have saved and invested for retirement – excluding their residence and defined benefit plans.

Without a solid approach, healthcare expenses may add up quickly and potentially alter your spending.



Source: EBRI.org, 2023

1. EBRI.org, 2023
2. Investopedia.com, October 23, 2023

When you take the time to learn more about how it works, you may be able to put the tax code to work for you.

How to Make the Tax Code Work for You

By May 15, 2023, over 142 million taxpayers had dutifully filed their federal income tax returns. And they all made decisions about deductions and credits – whether or not they realized it.[1]

When you take the time to learn more about how it works, you may be able to put the tax code to work for you. A good place to start is with two important tax concepts: credits and deductions.

Keep in mind that the information in this material is not intended as tax or legal advice. It may not be used for the purpose of avoiding any federal tax penalties.

Please consult legal or tax professionals for specific information regarding your individual situation.

Credits

As tax credits are usually subtracted, dollar for dollar, from the actual tax liability, they potentially have greater leverage in reducing your tax burden than deductions. Tax credits typically have phase-out limits, so consider consulting a legal or tax professional for specific information regarding your individual situation.

Here are a few tax credits that you may be eligible for:

The Child Tax Credit is a federal tax credit for families with dependent children under age 17. The maximum credit is $2,000 per qualifying child, depending on your income level.[2]

The American Opportunity Credit provides a tax credit of up to $2,500 per eligible student for tuition costs for four years of post-high-school education.[3]

Those who have to pay someone to care for a child (under 13) or other dependent may be able to claim a tax credit for those qualifying expenses. The Child and Dependent Care Credit provides up to $4,000 for one qualifying individual or up to $8,000 for two or more qualifying individuals.[4]

Deductions

Deductions are subtracted from your income before your taxes are calculated, and thus, may reduce the amount of money on which you are taxed, and by extension, your eventual tax liability. Like tax credits, deductions typically have phase-out limits, so consider consulting a legal or tax professional for specific information regarding your individual situation.

Here are a few examples of deductions.

- Under certain limitations, contributions made to qualifying charitable organizations are deductible. In addition to cash contributions, you can potentially deduct the fair market value of any property you donate. And you may be able to write off out-of-pocket costs incurred while doing work for a charity.[5]
- If certain qualifications are met, you may be able to deduct the mortgage interest you pay on a loan secured for your primary or secondary residence.[6]
- Amounts set aside for retirement through a qualified retirement plan, such as an Individual Retirement Account, may be deducted. The contribution limit is $7,000, and if you are age 50 or older, the limit is $8,000.[7]
- In most circumstances, once you reach age 73, you must begin taking required minimum distributions from a Traditional Individual Retirement Account (IRA) or qualified retirement plan. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.
- You may be able to deduct the amount of your medical and dental expenses that exceed 7.5% percent of your adjusted gross income.[8]

Understanding credits and deductions is a critical building block to making the tax code work for you. But remember, the information in this article is not intended as tax or legal advice. And it may not be used for the purpose of avoiding any federal tax penalties.

1. IRS.gov, 2024
2. Investopedia.com, November 25, 2023
3. IRS.gov, 2024
4. IRS.gov, 2024
5. Investopedia.com, September 21, 2023
6. Investopedia.com, December 21, 2023
7. Investopedia.com, January 10, 2024
8. IRS.gov, 2024

Condor Capital
1973 Washington Valley Rd
Martinsville, NJ 08836
(p) 732-356-7323
(f) 732-356-5875
info@condorcapital.com

Starting a Roth IRA for a Teen

Want to give your child or grandchild a financial head start? A Roth IRA might be a choice to consider. Read on to learn more about how doing this may benefit both of you.

Rules for setting up a Roth IRA. If your teen has an earned income, you may be able to set up a Roth IRA for them. For example, if your 15-year -old has earned $7,000 at a summer job, you can set up an account for them up to $7,000 (the maximum annual Roth IRA contribution). The amount cannot exceed the teen's income. Keep in mind that money that you contribute to the Roth IRA can count as a gift within your $18,000 yearly gift tax exclusion ($36,000 for a married couple).[1]

Looking ahead to the future. If money is withdrawn from a Roth IRA before age 59½, a 10% federal tax penalty may apply. There is, however, a notable exception. Up to $10,000 of investment earnings can be taken out of a Roth IRA at any time if the money is used to buy a first home. In this instance, the IRS may waive the early withdrawal penalty. Should your teenager become a parent someday, a portion of those Roth IRA assets might also be utilized to pay college tuition costs for themself or their child.[2,3]

This article is for informational purposes only. It's not a replacement for real-life advice, so make sure to consult your financial advisor and tax professional before modifying any Roth IRA strategy. Tax-free and penalty-free withdrawals also can be taken under circumstances other than first-home purchases, such as the owner's death. The original Roth IRA owner is not required to take minimum annual withdrawals. To qualify for the tax-free and penalty-free withdrawal of earnings, the teenager must meet a five-year holding requirement and occur after age 59½.

Greater earning potential, thanks to the magic of compound interest. Setting up a Roth IRA for a teenager is a great way to introduce them to basic financial concepts, such as compound interest. Giving your teen a hands-on learning experience may help them understand the value of saving for the future. You may also be facilitating the development of your children's or grandchildren's financial habits.

There are a few things to consider when setting up a custodial Roth IRA. Setting up a Roth IRA for a minor is often referred to as a custodial IRA. Until the child is able to take it over, you act as the custodian of the account. Individual state laws determine when the minor child is able to take over management of the Roth IRA for themselves.

A financial advisor and tax professional can provide guidance that may help ensure that you and your minor child are following all federal and state regulations.

1. Investopedia.com, January 28, 2024
2. IRS.gov, 2024
3. IRS.gov, 2024