



Another Year... Another “Volatile” Market?

The first six years of this decade have been a whirlwind. It began with the lowest unemployment rate in history, low inflation, and record-low interest rates. Then came the global pandemic, sending stocks plunging, oil prices to all-time lows, and unemployment to its highest level since the Great Depression. In subsequent years, inflation surged to a 50-year high, interest rates spiked, mortgage rates jumped from 3% to 8%, Russia invaded Ukraine, and oil prices blasted above \$120 a barrel. Last year, the U.S. imposed its highest tariff rates since the 1930s, and the government shut down. Through all of this, the S&P 500 endured four pullbacks of 15% or more, and despite that, the market has more than doubled since 2020.

This year has certainly offered the potential for more volatility. After the bombing of Iran, oil prices spiked more than 50% in the first quarter, raising fears of renewed inflation. Yet by quarter-end, after the S&P 500 briefly fell about 8% from its highs, the market had stabilized near where it began the year. The bond market has also remained steady, with interest rates showing little reaction.

We believe higher oil prices have created a one-time, near-term bump in inflation. As oil prices level off, we expect broader inflation trends to continue to moderate.

However, we anticipate oil prices will remain elevated for the foreseeable future, weighing on economic growth and possibly slowing earnings growth in the months ahead.

The good news is on the earnings front. Despite GDP growth slowing in the 4th quarter, earnings grew a robust 12%. FactSet, a leading financial data analytics company, expects first-quarter earnings growth to exceed 15%. Given this acceleration, we no longer view equity valuations as substantially overvalued, despite recent market fluctuations. From a long-term perspective, we continue to view the market as slightly overvalued.

Going forward, we remain in a mildly defensive stance. We believe that last year the market began to rotate toward undervalued areas. International equities continue to appear attractive from a valuation standpoint, and within the U.S. market, we are seeing a gradual shift toward more traditional cyclical sectors — particularly industrials, energy, and materials — even as AI continues to dominate headlines.

We will continue to seek opportunities in segments we view as undervalued and positioned to benefit as this rotation progresses. Despite lingering near-term risks, the reality is that volatility is, and always has been, an inherent feature of investing in the stock market.

What We Know, What We Think

	What We Know	What We Think
STOCK MARKET	Oil prices are up over 50% since December and have reached multi-year highs.	In the first quarter, the stock market was down nearly 5%. It appears, for the time being, that the market has taken the oil "shock" in stride.
THE ECONOMY	GDP growth slowed in the fourth quarter as the economy only grew 0.5%, down from the tepid 2.0% growth in the third quarter.	If the recent increase in oil prices continues, it could exert downward pressure on overall economic growth as consumers face reduced purchasing power.
INTEREST RATES	In the first quarter, the interest rate on the 10-year Treasury bond yield rose from 4.2% to 4.3%. Short-term interest remained flat.	The bond market remained stable throughout the first quarter. Despite higher oil prices, interest rates moved very little, indicating that markets do not expect a meaningful rise in inflation.

Capital Gains Explained: Taxes, Timing, and Your Real Return

by Bryan McCrea

Investing isn't just about picking the right assets; it's also about understanding how your profits are taxed. The way the government treats investment gains can significantly affect your overall return. That's why it is important to understand how capital gains are taxed.

The U.S. tax system separates capital gains into two categories: short-term and long-term. Short-term capital gains apply to assets held for one year or less before being sold. These gains are taxed at the same rates as ordinary income, which means they follow the standard federal income tax brackets (ranging from 10% up to 37%, depending on your total income).

Long-term capital gains, on the other hand, apply to assets held for more than one year. These are taxed at preferential rates, which are generally lower than ordinary

income tax rates. Typically, long-term capital gains are taxed at 0%, 15%, or 20%, depending on your taxable income and filing status. Lower-income taxpayers may pay no tax at all on long-term gains, while higher-income individuals pay the top 20% rate.

While your team at Legacy is aware of the tax implications of your investments and actively seeks to minimize them, tax implications are not the driving factor for every investment decision. What matters most is your total return after taxes – the actual money you keep. A strategy that saves on taxes but earns less overall may not serve you as well as a strategy that generates stronger gains, even if it comes with a higher tax bill. Your advisor will work with you to ensure your financial plan balances these considerations to achieve your goals.

Four Reasons Why You Should Send Us Your 2025 Tax Return

by TC Falkner, CFP®

As tax season ends, we ask you to send us your tax returns. Here's why:

- **Knowing your overall financial picture includes an active approach to your taxes.** Looking at last year's return, we can better determine the potential impact of future financial decisions. Asset location, tax efficiency, municipal bonds, harvesting gains/losses, and withdrawal sequencing all depend on the individual tax situation. The more we know, the more we can potentially help you.
- **We can confirm previous planning opportunities.** Whenever we recommend tax planning changes to your financial plan, we want to be sure that they are done successfully. This could be for Roth conversions, charitable contributions, IRA distributions, or any other strategy we talked about.
- **We can identify new tax planning opportunities.** The return often reveals what questions should be asked next. Sometimes the most valuable part is not the numbers themselves, but the conversations they create. Why is taxable income zero? Why did the taxes jump this year? For instance, we might find that your raise last year bumped you into the next tax bracket. Looking ahead to the year, we might recommend lowering your taxable income by increasing your contributions to a Traditional 401(k).

- **Tax returns help us better coordinate with you and your accountant.** Taxes can get complicated quickly. Having all the tax return information gives us the proper information to communicate with you and/or your accountant. When the advisor and CPA can work from the same information instead of making assumptions or duplicating work, it usually leads to better conversations and fewer surprises.

Send your tax return securely through the Vault, our online platform for uploading, storing, and sharing valuable documents. You can reach your individual client vault at <https://legacyfia.com/client-vault>.



Legacy Financial INDEPENDENT ADVISORS		
Bruce McCrea	bmccrea@legacyfia.com	502.873.0522
Bryan McCrea	mccreabs@legacyfia.com	502.873.0523
Chris McCrea, CFP®	cmccrea@legacyfia.com	502.873.0524
TC Falkner, CFP®	tfalkner@legacyfia.com	502.873.0526
Sheree Bollinger	sbollinger@legacyfia.com	502.873.0527

This material is confidential and has been prepared solely for the information of the intended recipient and may not be reproduced, distributed, or used for any other purpose or shared with anyone in any form or format. This has been prepared for you by Legacy Financial Independent Advisors, LLC ("Legacy"), an SEC registered investment advisor. Information within this report may have been provided by third-parties and, while Legacy believes this information to be accurate, Legacy has not independently verified such information. Reference to registration with the Securities and Exchange Commission ("SEC") does not imply that the SEC has endorsed or approved the qualifications of the firm or its respective representatives to provide any advisory services described on the report or that the Firm has attained a level of skill or training. The targets herein reflect analysis regarding potential outcomes, are presented solely for informational purposes and are not guarantees of future performance. Investments in securities are not FDIC insured, are not bank guaranteed and may lose value. Before investing, consider your investment objectives and Legacy charges and expenses. Legacy advisory services are designed to assist clients in achieving discrete financial goals. They are not intended to provide financial planning with respect to every aspect of a client's financial situation, they do not incorporate investments that clients hold elsewhere, and they do not provide tax advice. Past performance does not guarantee future results, and the likelihood of investment outcomes are hypothetical in nature. Nothing in this presentation constitutes an offer, solicitation of an offer, or advice to buy or sell securities in jurisdictions where Legacy is not registered.

Legacy Financial Independent Advisors, with securities carried by and orders executed through Raymond James, member NYSE/FINRA/SIPC.