

## End of a Bear Market Rally?

In our 4th quarter 2022 newsletter, we suggested that the bear market that started in January 2022 had reached an important bottom. We remain convinced that the stock market hit an important low last October. However, the market rarely turns right around and goes straight back up. While the S&P 500 index is up 16.9% the first half of the year, we have concerns going forward.

**The generals have been leading, but the troops aren't following.** A recent article in The Motley Fool notes that seven large stocks contributed 73% of the index's first-half year gains. Dubbed the Magnificent Seven — Apple, Amazon, Alphabet, Meta (formerly Facebook), Microsoft, Nvidia and Tesla — they have been fueled by Artificial Intelligence mania. Long term, these seven companies will continue to change the world, but near term they appear significantly overvalued. Think of the dotcom bubble in the late 1990s, the real estate bubble of 2008-09, and recently Bitcoin. Excluding the Magnificent Seven, the other 493 stocks in the S&P 500 are up an average of 4.6% in the first half of the year.

**Earnings are declining.** Net income for S&P 500 companies fell 2.9% in the first quarter. According to Barrons magazine second-quarter early financial reports, the consensus has S&P 500 earnings falling 9% from a year ago, on flat revenue. This will mark the third straight quarter in which the index has reported a decrease in earnings.

**The market appears overvalued.** Apart from the pandemic-skewed years of 2020-21, higher stock prices and lower earnings have driven the Price to Earnings ratio to the higher end of the past 20 years.

**Higher interest rates are likely to slow the economy further.** Higher rates are having their intended effect, slowing inflation, while so far not causing the much-predicted economic recession. As the last of the pandemic stimulus money winds down, we believe these higher borrowing rates will take their toll on economic growth.

**Expanded government borrowing.** The budget gap from October 2022 through June 2023 was nearly \$1.4 trillion, a 170% increase from the same period a year ago. As more investor money is used to fund government bonds, less money is available to invest in the market.

### What this means to you

By definition, our investment approach is always long term in nature. Our more cautious approach this year has hurt near-term performance. We don't expect the market to crash, but we do believe we will see a significant slowing in the market in the not-too-distant future. We are reducing overall risk, increasing bond holdings, and reducing exposure to the stock market.

*Reminder to RSVP*

## Client Appreciation Day at the Races

Churchill Downs Turf Club  
**September 21, 2023**  
5:00 p.m.

RSVP by September 11  
[www.legacyfia.com/event-rsvp](http://www.legacyfia.com/event-rsvp)  
or (502) 873-0521



## We've moved!

We are excited to welcome clients to our new offices in St. Matthews, at  
100 Mallard Creek Road, Suite 402.





Legacy Financial  
INDEPENDENT ADVISORS  
The McCrea - Bollinger Group

## 529 plans aren't just for college

*Saving for education is easier than ever*

by Bryan McCrea

A 529 plan is a tax-advantaged savings plan designed to help pay for education expenses. Originally limited to postsecondary education expenses, 529s were recently expanded to allow tax-free withdrawals to be used for K-12 education, apprenticeship programs, to pay down student loans and even fund a Roth IRA.

We also advise on the use of UTMA (Uniform Transfers to Minors Act) accounts. UTMA accounts have more investment options and often have lower fees than a 529 plan, but they typically cost more in taxes if the funds are used for education expenses. Earnings in a 529 plan grow free from federal income taxes, and do not trigger federal income taxes when withdrawn for qualified higher education expenses, up to \$10,000 (per child lifetime maximum) to pay down student loans, or to pay tuition for eligible primary and secondary schools. The first \$1,250 in earnings in a UTMA are tax free, the next \$1,250 are taxed at the minor's rate and anything over \$2,500 in earnings will be taxed at the parent's rate – for most accounts this means little to no taxes most years.

### The value of working with your advisor at Legacy Financial

We can hold both 529 plans and UTMAs here in your account. This means we can keep a closer eye on these accounts and will be able to adjust the investments more quickly to changing market conditions or when the needs of the beneficiary change. If you're ready to invest in a child's education, but need help figuring out which type of funding to set up, how to invest, where the tax advantages lie, or any other planning question, call or email us at (502) 873-0521 or [mccrea-bollinger@legacyfia.com](mailto:mccrea-bollinger@legacyfia.com).

## What your Advisory Fee covers

### *Planning and investment services included*

As a Registered Investment Advisor, we act as a fiduciary on your behalf. To reduce the inherent conflict of interest, we no longer charge commissions. Our Advisory Fee, noted as "Expenses" on your statement, is a simple quarterly fee based on your account size. Included in the Advisory Fee is an entire set of Financial Planning and Investment Management services.

#### Financial Planning

- Retirement decisions & timing
- IRA, pension & rollover planning
- Tax management strategies
- Education funding
- Generational wealth transfer
- Trust strategies
- Estate & gifting strategies
- Family security & insurance
- Certified Financial Planner®

As managers of your investments, we structure a portfolio based on your risk tolerance, investment objectives, and the timing of major life events. The same investments we recommend to you we own ourselves, and constantly monitor, using diversification strategies based on ever-changing market conditions. Your portfolio performance is always available online and on your statements.

We are dedicated to helping you filter the noise of what's going on in the market. In this newsletter and our monthly e-newsletter, we explain current economic conditions and let you know what this means to you and your portfolio. **These personalized services are how we provide peace of mind for your financial future.**

#### Investment Management

- Proprietary portfolio management
- Personalized risk management
- Diversification strategies
- Strategic asset allocation
- Performance reporting
- Economic & market analysis

Legacy Financial  
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