

# the wealthologist

# WISDOM

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HOBART WEALTH



CHRIS HOBART | CEO

# THE GOLD STANDARD

The paperclip. It's an unassuming office supply – handy and useful, but definitely not flashy. So, how did it come to serve as a symbol of excellence for our office?

It all started with our first trip to the office supply store when we started to company in 2004.

We needed paperclips. So I headed down the paperclip aisle to peruse the selection, expecting to grab the usual box of ho-hum silver paperclips. But even as my hand reached out for the same ol' box, there they were:

## **Golden paperclips.**

They stood out in a sea of sameness, their gold-plated surfaces reflecting the light much more brightly than their dull silver counterparts. Their function was the same, but they added a little something different to our clipped stacks of papers.

And we wondered: What if we set up our firm to be like those paperclips? What if we strived every day to go above and beyond, to stand out in an industry where others do everything the same? To aim for the gold standard in every interaction?

**Thus, the Golden Paperclip Method was born.** A paperclip is used to bring order and organization to your life. But a golden paperclip also exudes a first-class, high-quality feel, and that's the feeling we want you to have each and every time you talk to our team.

As we head into 2024, my team and I are thinking about new and better ways to serve you, not only over the next 12 months but over the next few years. Every decision we make is rooted in our commitment to provide you with solid financial planning and give you confidence and peace of mind. We'll soon be in touch with what we have in store for the coming year – and we're looking forward to sharing how we'll continue to strive for the gold standard every single day.

*With Gratitude,*

*Chris Hobart*



# the wealthologist

## The Art & Science of Wealthology

Over the past year, we've adopted *The Wealthologist* to describe our array of educational and informational materials. We picked the term because -ologist means "an expert in a particular area of study," and we want to share our expertise in wealth with you!

You've told us how much you appreciate our frequent communications – so we're continuing them into 2024! Throughout the year, we'll send emails, videos and even print mailers to share what's happening in the economy, the markets and the world – and how it all ties together to impact you.

### Here's what you can expect:

the <sup>Weekly</sup> wealthologist

Each Wednesday, you'll get an email with a video update on a timely financial topic from Chris. The email will also include links to relevant, useful and sharable articles related to health and wealth.

the wealthologist  
LIVE

Join us each month online as our experts explain what's happening with the economy and markets – and how these events might impact your portfolio. We also discuss hot financial topics and explore the trends affecting investors.

the wealthologist  
WISDOM

The newsletter comes out three times each year and covers timely topics plus behind-the-scenes updates from our offices, highlighting what we're doing to better serve you.

the wealthologist  
Workshop

Throughout the year, you'll have the opportunity to attend workshops and events covering relevant topics, including: **RETIREMENT TOPICS, COLLEGE COURSES & SPECIAL PLANNING TOPICS**

DO GOOD  
CREW



Receiving a Merit Award  
from Classroom Central  
for our school supply drive

Donut Drop at the new  
Novant Ballantyne  
Medical Center



JACOB WOODRUM, CFA, CFP®

LEAD INVESTMENT STRATEGIST

# THE FEDERAL RESERVE AND MONETARY POLICY

Over the past two years, the Federal Reserve has garnered much attention with its handling of monetary policy. Our weekly market updates typically highlight specific actions taken by the Fed and the implications of those actions. Recently, someone asked why there is so much emphasis on the Fed and their market impact. It was a great question and one that I felt necessary to address.

The Federal Reserve's core responsibilities include setting interest rates, managing the money supply and regulating financial markets.<sup>1</sup> It is arguably the most powerful economic institution in the United States as it is responsible for managing monetary policy and regulating the financial system.

The Fed's management of our currency and interest rates also has a tremendous impact on the global economy. The U.S. dollar is the world's reserve currency, and this has significant global effects as well.

Monetary policy is managed by setting interest rates and influencing the money supply in the economy. Beginning with the 2008 Great Financial Crisis until early 2022, the Fed boosted financial markets by making treasury purchases and keeping interest rates low.

Regardless of whether you feel the Fed should be less or more involved in our economy, the reality is that the Fed wields great power – and this isn't likely to change anytime soon.

Talking about "tightening monetary policy" can be confusing. This technical, financial terminology means interest rates are increasing, which means liquidity is decreasing. In other words, borrowing costs are going up while the amount of liquidity in the financial system is going down.

Our regular readers may remember an analogy we have used in the past by comparing the Fed to the banker in the game of Monopoly. Let's imagine the banker was to change the rules and stop paying players \$200 every time for passing go. The immediate impact of this is less liquidity in the game. The players do not have as much money, and the amount of currency across the board is reduced. Less cash in the game means players aren't able to bid up the prices of assets as much, typically resulting in lower prices for properties like Park Place and Boardwalk.

We have experienced a similar dynamic in the markets with the Fed increasing interest rates. This is still playing out before us but reiterates the Fed's importance in managing monetary policy. Interest rate cuts are very similar to the banker in Monopoly deciding to put more liquidity into the game and resuming the \$200 for passing go. Currently, the market expects interest rate cuts by the middle of 2024. Although this could change, we anticipate this will result in increases in asset prices such as stocks and bonds. Just as the Monopoly banker affects the game, the Fed impacts the markets in a similar fashion.

Portfolio adjustments made during times like these have a tremendous impact on investments over time. Therefore, in the short term we focus more heavily on opportunities and fine-tuning investment strategies rather than on overall performance. As Warren Buffett said, "Games are won by players who focus on the playing field – not by those whose eyes are glued to the scoreboard."<sup>2</sup> We remain committed to the time-tested principles of asset allocation and risk mitigation strategies with the wealth you have entrusted to us.

<sup>1</sup> FederalReserve.gov. "The Fed Explained." <https://www.federalreserve.gov/aboutthefed/the-fed-explained.htm>. Accessed Oct. 24, 2023.

<sup>2</sup> Goodreads. "Warren Buffet – Quotes – Quotable Quote." <https://www.goodreads.com/quotes/1140603-games-are-won-by-players-who-focus-on-the-playing>. Accessed Oct. 24, 2023.

hey!

# HOBART

We love answering your questions about all things money, from retirement savings to how to save on taxes. Do you have a question for us? Send an email to [heyhobart@hobartwealth.com](mailto:heyhobart@hobartwealth.com) with the subject line "Hey Hobart!" And feel free to call out "Hey Hobart!" any time you see Chris around town.

**Q: I often hear experts say, "The economy is booming," or "We're headed toward a recession." But how do analysts actually know what the economy is doing? Do they possess some sort of psychic vision the rest of us don't have?**

**A: Sorry, no otherworldly insights here. Instead, analysts (including our team) dig into various data points, looking for signals about which way the economy is headed. Here are six key data points we use to determine how the economy is doing.**

<sup>1</sup> U.S. Bank. Sept. 7, 2023. "How does consumer spending impact the health of the economy?" <https://www.usbank.com/investing/financial-perspectives/market-news/consumer-spending.html>. Accessed Oct. 24, 2023.

## **1. Gross Domestic Product (GDP).**

Reported quarterly, GDP reflects the monetary value of all goods and services produced within a country during a specific period. It can be positive or negative, indicating whether the economy is growing or shrinking.

## **2. Consumer Price Index (CPI).**

CPI is published monthly by the Bureau of Labor Statistics and is used to gauge inflation. It tracks the prices of some of the most common goods and services purchased by consumers: food, transportation, clothing and medical care.

## **3. Producer Price Index (PPI).**

PPI is also used to measure inflation by analyzing the price changes of products and services across industries in the U.S. It essentially breaks down how much more companies are paying to produce the items they offer for sale over a 12-month period.

## **4. Employment.**

Analysts typically look at three reports to gauge the strength of the jobs market:

- Weekly jobless numbers include people who have filed unemployment claims for the first time.
- The ADP National Employment Report shows how many jobs were added in the private sector in the previous month.
- Monthly BLS Current Employment Statistics includes government jobs added and also shows the unemployment rate.

## **5. Housing.**

Analysts look at two primary reports related to housing: New building permits issued and existing home sales. Together, the two provide a general picture of the housing sector as well as mortgage interest rates and overall consumer confidence. Which brings us to ...

## **6. Consumer Confidence Index (CCI).**

How is the general public feeling about the financial state of things? That's what the CCI seeks to uncover. It has proven surprisingly accurate in projecting consumer spending, which represents nearly 70% of the U.S. economy.<sup>1</sup>

While this data is useful for determining where the economy is headed, there is such a thing as data overload. For investors, leading economic indicators are just one of the components related to investment success.



**COREY SUNSTROM, CFP®**

SENIOR WEALTH ADVISOR  
DIRECTOR OF FINANCIAL PLANNING

# TAX PLANNING STRATEGIES

As one year ends and a new one begins, investors need to review their financial situation to ensure they make informed decisions to optimize their tax situation. For those in retirement, the landscape is different than it was during their working years. Here are essential considerations investors should consider as they embark on year-end tax planning.

## **Required Minimum Distributions (RMDs)**

For those who reached age 72 in 2022 and 73 in 2023, the IRS mandates that you take RMDs from your traditional IRA and retirement accounts each year. Missing this can result in a hefty penalty. It's crucial to either set up automatic distributions or mark your calendar to remember to take these funds before the end of the year.

## **Qualified Charitable Distributions (QCDs)**

If you want to reduce taxable income and are at least 70½, consider making a QCD from your IRA. This allows you to directly transfer up to \$100,000 annually from your IRA to a qualified charity without being regarded as taxable income. Not only does this fulfill philanthropic goals, but it also satisfies your RMD requirement and reduces your taxable income.

## **Asset Location**

Check your non-retirement brokerage accounts for mutual funds. Many mutual fund managers realize capital gains within their fund in the month of December, and it can be an unexpected tax burden when you receive your 1099s the next year. It is especially important to look for these if you are attempting to stay within a certain tax bracket or Medicare income thresholds.

## **Taxable Income Thresholds**

Monitor your taxable income closely, especially if you're near the thresholds for higher Medicare Part B premiums or the Net Investment Income Tax. With careful planning, you can manage your income to avoid exceeding the limits.

## **Roth Conversions**

If you expect your future tax rate to be higher or similar to your current rate, it might be a good time to consider converting a portion of your traditional IRA to a Roth IRA. Though you'll pay taxes now, you'll benefit from tax-free growth and distributions later. Remember, however, that a Roth conversion can increase your taxable income for the year, which might affect the aforementioned thresholds.

## **Evaluate Capital Gains and Losses**

If you've sold investments in a taxable account, review any capital gains or losses and consider selling off underperforming assets to offset gains. Known as "tax-loss harvesting," this strategy can be an effective way to reduce your tax liability.

## **Medical Expenses**

If you've had high medical expenses during the year, check if they might be deductible. After aggregating all the qualifying medical expenses, you can deduct the amount that exceeds 7.5% of your adjusted gross income. Consider bundling elective procedures or purchasing necessary medical equipment before year-end to take advantage of the available deduction.

Although the tax season doesn't "officially" start until late January, year-end tax planning can help maximize your financial benefits and mitigate potential tax liabilities. But don't wait: these strategies must be completed by Dec. 31 to count for this year's taxes.

# GOING BACK UP THE MOUNTAIN



Chris has tackled the mountain—again! For the second year in a row, he completed the 29029 Everesting challenge, which requires a climb of more than 30 miles with 29,029 feet of elevation gain. (It's equal to the height of Mt. Everest.)

Climbing and living an active lifestyle have become a favorite way to spend time for Chris. Not only does it allow him time to get away from everything and think, but he likes how setting a big goal motivates him to be a little bit better every day.

Although he knew more about what to expect this time around, Chris said the second climb was a different kind of challenge. He was determined to push himself harder and a little more outside his comfort zone. He knew that completing multiple challenges would set him apart from those who chose to be a one-and-done.

A few weeks after the big climb, Chris completed a charity hike of 28.3 miles for Make-a-Wish. He thought this one would be easier – but quickly found out he was wrong! Not only was the hike a “tail-kicker,” but he said he didn’t have the right mindset going in.

However, during the hike he had the chance to talk with a Make-A-Wish dad. The dad’s story reminded Chris that he had the opportunity to quit the hike if he wanted – but the Make-A-Wish kids don’t have the option to quit. The conversation totally changed his perspective during the hike. The journey up the mountain is easier with others to support us. **Please consider supporting Make-A-Wish as they help kids who are facing their own uphill climbs. Visit [wish.org](http://wish.org) to donate or learn more about getting involved.**

There’s always gonna be another mountain  
I’m always gonna wanna make it move  
Always gonna be an uphill battle  
Sometimes I’m gonna have to lose  
Ain’t about how fast I get there  
Ain’t about what’s waiting on the other side  
**IT’S THE CLIMB**

-MILEY CYRUS, “THE CLIMB”



## MEET WINSTON HOBART

CHIEF “BARK-ETING” OFFICER

Winston is the Hobart family dog and he has a nose for smart financial moves. As our Chief “Bark-eting” Officer, Winston is an ambassador of goodwill and welcomes all Hobart Wealth visitors with an enthusiastic tail wag.

This miniature dachshund is great at sniffing out good investments. He is bullish on Bully Sticks and enthusiastic about the bedding industry, seizing every opportunity to take long naps on his owner’s pillow.

As the top dog of finance, Winston reminds our clients and team members that it’s good to work hard and play hard. And like the rest of our team, he’s loyal and always happy to serve – especially if it results in a belly rub or extra treats!



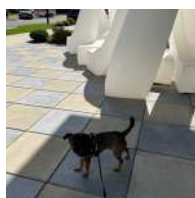
# WHAT THE HW TEAM DOES FOR FUN

We asked our team: What are your favorite hobbies and interests outside of work?  
What do you do for fun – and why does it bring you joy?



**Amy Vitale**  
Receptionist

I find joy in an active lifestyle, whether it's a good workout, catching the thrill of sports or discovering new places and wineries. My heart belongs to my dogs and husband, and I cherish moments of socializing and immersing myself in the world of gaming with my Nintendo Switch. Since childhood, I've had a constant fascination with Japan. The dream is to step foot on Japanese soil very soon.



**Kim Collins**  
Executive Assistant

My favorite hobby is getting outside and exploring Ballantyne. There are so many new parks, a new amphitheater and new restaurants that have popped up in our area. I also enjoy going to festivals and wine tasting at new wineries. The best part of my hobbies is getting to know North Carolina and what it has to offer us.



**Nancy Klug**  
Client Services Specialist

I enjoy being active, preferably outside whenever possible. Whether it's tennis (which I've played since the 4th grade), fitness classes at the Y, or a walk or hike, I try to do something every day. It keeps me fit, both physically and mentally!



**Thomas Hamilton**  
Chief Compliance Officer

My hobbies are music and hydroponic gardening. I've appreciated good music as far back as I can remember. Gardening for a year. I find both activities cathartic.



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Please contact Hobart Private Capital, LLC if there have been any changes in your financial situation or investment objectives, or if you wish to impose any reasonable restrictions on the management of your account or reasonably modify existing restrictions.

You may contact us by phone at **(704) 553-0123** or email at [hello@hobartwealth.com](mailto:hello@hobartwealth.com).

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