Condor Capital

WEALTH MANAGEMENT

Condor Capital Reviews 3rd Quarter 2023

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

Domestic equities fell after three consecutive quarters of gains. Energy was the top sector. Despite a weaker quarter, technology stocks have still posted a particularly strong 2023 thus far.

International equities were broadly negative as well, with China showing notable signs of weakness.

Fixed income markets posted generally negative returns as yields rose sharply in the third quarter and the 10-year Treasury yield approached a 16-year high.

October 2023

Domestic equities declined in the third quarter of 2023, with the S&P 500 Index falling by 3.27% despite still performing well year-to-date. The main drivers of the quarter's negative performance were rising interest rates, a strong dollar, and weakness in China, which weighed on the outlook for global growth and trade. With inflation running persistently above its 2% target, the Federal Reserve signaled that further rate hikes may be required. Energy was the best-performing sector last quarter and the only one that increased month-over-month as the sector benefited from higher oil prices. Financials also held up relatively well, with the MSCI USA Financials Index returning -0.86%. The real estate sector was hit hard, as higher rates hurt income-oriented sectors. Technology, up over 32% year-to-date, and consumer discretionary, up over 25%, continue to lead the way for the year.

International equities generally fared slightly worse than their domestic counterparts, as the MSCI EAFE Index fell by 4.04% in Q3. Excluding currency movements, Japan notably outperformed as the nation benefitted from corporate governance reforms and its post-Covid reopening. The Bank of Japan kept interest rates unchanged but signaled that it could gradually let rates rise, which would be a notable change from the decades-long situation of cheap money. China was a drag on emerging markets, as its economy continues to face issues with weak demand and high unemployment. The U.S. dollar appreciated against most major currencies, reflecting the relative strength of the U.S. economy and the expectations of tighter monetary policy.

Fixed income markets were mostly negative, as bond prices fell and yields rose in response to sticky inflation and a hawkish-sounding Fed. The rise in yields was rather sharp in the quarter, as 10-year U.S. Treasury bond yields jumped by over 0.7% and hit a 16-year high. The Bloomberg U.S. Aggregate Bond Index declined by 3.2% in Q3, and corporate bonds generally outperformed government bonds. International and emerging market debt performed worse than domestic bonds, as higher U.S. interest rates and a stronger dollar reduced the relative attractiveness of foreign bonds.

Outlook

Moving forward, investors will be keenly observing economic indicators to gauge their influence on central bank policies and market dynamics. A large part of the weakness in the third quarter was due to investors' fears that rates would remain higher for longer. While markets were pricing in an 87% chance of rate cuts by June 2024 in July, that probability now down to just 50%. Inflation is at the forefront of these concerns and will be pivotal in determining the Fed's next steps.

While oil prices rose sharply in the third quarter due to OPEC's production cuts, so-called core CPI, which excludes energy and food, increased by its slowest rate in nearly two years in August. Meanwhile, in the broader economy, there are emerging signs that the Fed's tightening measures are achieving their desired impact. Excess savings have begun to dry up and delinquencies on credit cards, which were previously at historical lows, have reverted to pre-pandemic levels. Higher mortgage rates have slowed an otherwise hot housing market. Slowdowns in venture capital fundraising and tech startups are further evidence that the Fed's rate hikes are having the intended cooling effect on at least some areas of the economy. Even with oil high, overall CPI is now expected to fall below 3% by the first quarter of 2024, moving the Fed closer to its 2% long-run target.

At the same time, consumer spending, a primary driver of the U.S. economy, has persisted despite some more selective behavior in specific areas. Additionally, the labor market remains extremely strong despite targeted strikes in some industries. A persistently low unemployment rate, significant job openings, and wages finally growing at a rate to keep pace with inflation all indicate that the American consumer continues to have legs. Notably, analysts are projecting corporate earnings growth of 12.2% and revenue growth of 5.6% in 2024. Quarterly GDP estimates remain positive over the next six quarters and have actually increased. Even as some of this positive economic data causes the Fed to sustain higher rates for longer, the slow but steady decline in inflation amid this generally positive economic picture gives us hope that a soft landing can still be achieved.

In the realm of technology, the AI sector has shifted from a period dominated by excessive optimism to one marked by realistic expectations. A multitude of AI companies, despite their lofty promises of high returns, have grappled with meeting the ambitious expectations set for them. This shift could be exacerbated by technical and ethical limitations, regulatory interventions, and a market gradually saturating with AI solutions. We view some cooling in this high-tech sector of the market and broadening of the market into other sectors as healthy.

On the international front, China's economic stability raises concerns, particularly in relation to its property sector, demand, and high unemployment. Although the Chinese government has always been intent on stimulating the economy to keep up appearances during downturns, it may be increasingly challenging to counterbalance weak investments, subdued consumption, and insolvent property developers.

Over the coming quarters, we anticipate that inflation, expectations for future monetary policy direction, and those impacts on yields may continue to guide the market. Economic readings will continue to be in close focus, and the ever-important holiday shopping season is approaching. Here at Condor, we are not calling for any sort of severe recession, a view that the market more broadly appears to be coming around to. However, we are not yet out of the good-news-is-bad-news cycle, where positive data may be received less positively than one might expect (because investors expect it will keep rates higher for longer), and weaker data may actually be viewed positively (since it may lead the Fed to ease sooner). While the short-term path forward can be unpredictable in this type of environment, as always, we urge investors to take a longer view. In the meantime, we will continue to capitalize on attractive yields in safer areas of the market and would view any market pullbacks as opportunities to benefit in positions we believe in for the longer term.

See disclaimer on final page

In the event you need to resolve a dispute with your insurance company, what steps should you take?

Handling a Dispute with Your Insurance Company

From time to time, you may need to resolve a dispute with your insurance company. Disagreements often arise about the amount due on a bill, the amount the company paid on a claim, or the nonpayment of a claim. Here are some steps that can help you resolve a dispute efficiently and agreeably.

Know Your Rights

The insurance industry is highly regulated. Your state has laws that dictate what insurance companies can and cannot do when it comes to collecting bills, settling claims, and other matters. The law may be called the Unfair Insurance Practices Act, the Unfair Claims Settlement Practices Act, or something similar. To learn about the laws in your state, call your state insurance department or check its website. Most states have the following regulations in place:

- An insurance company cannot misrepresent your policy. In other words, the company cannot knowingly tell you that the policy means something that it doesn't actually mean. In addition, the company cannot change the policy without informing you in writing ahead of time.
- The company cannot withhold payment on a claim against one part of your policy in order to force an issue on a claim against another part of your policy. For example, your insurer cannot withhold payment on a claim against the collision portion of your auto policy to force you to settle on the liability portion.
- Companies must acknowledge and process claims promptly. In some states, companies have to acknowledge within 15 days that they received notice of a claim. After receiving the claim, they must investigate, process, and settle it quickly.
- Companies cannot ask you for unnecessary forms in an effort to delay an investigation or payment of a claim.
- Companies cannot make it a practice to appeal most court awards that favor their policyholders. Companies are allowed to appeal decisions they truly believe are unfair, but they cannot use the appeal process to force their policyholders to settle for less than they are due.
- A company has to have a good reason to deny or delay a claim and must explain the reason to the policyholder. In most cases, lack of coverage or nonpayment of premiums is the reason for a denied claim. Or, the company could be misinformed about the details or circumstances of the claim.

Use Your Insurance Agent or Broker

If you have an insurance agent or broker, he or she can be a valuable resource in resolving disagreements amicably. Your agent or broker has an established relationship with the insurance company and knows where to go for help. An agent or broker can usually resolve the problem over the phone right from his or her office. Give him or her your policy number, copies of disputed bills, canceled checks, any written correspondence, and records of any phone conversations. If you don't have an insurance agent or broker, discuss the problem with a customer service representative from the company.

Write a Letter

If you've had no luck resolving the problem through your agent or broker or by calling the company, write a letter to the appropriate manager at the company. For example, letters regarding disputed bills should be addressed to the accounting or finance manager. If possible, obtain the manager's name before writing the letter. Your letter should clearly state the problem and what you think would be a fair resolution. Include information about phone conversations you had with customer service representatives, such as the dates of the calls and the names of the people you spoke with. Your letter should also include your policy number and your daytime telephone number. Finally, include copies of written correspondence, bills, canceled checks, or bank statements.

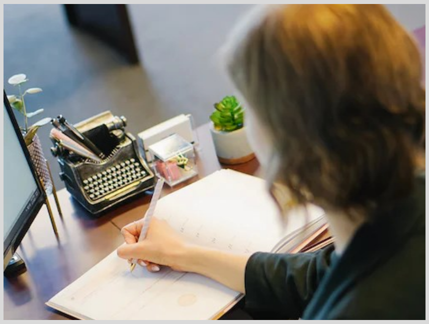
Get a Third Party Involved

Complaints rarely come to this point, but if your company still hasn't resolved the problem to your satisfaction, there are a number of options you can pursue. Calling your state's insurance department is one such option--there are state insurance regulators who investigate policyholder complaints. In fact, if the state finds that the company is violating any state laws or regulations, the state could fine or otherwise reprimand the company. You might also consider contacting your state's consumer protection division or the Better Business Bureau. Another option is to seek an out-of-court settlement through arbitration or mediation. There are independent organizations that will provide this service when you have a dispute with your insurer.

Take Legal Action

As a last resort, you can take the insurance company to court. If the amount in question is below a certain threshold (this amount varies by state), small claims court may be an option for you. You do not need an attorney in small claims court.

If the amount is too big for small-claims court, you can hire an attorney. It is in the insurance company's best interest to settle disputes quickly,



You may be able to deduct all or part of the LTCI premiums you pay for yourself, your spouse, or a dependent, but only if your policy meets the IRS criteria for a qualified policy.

especially if they involve expensive litigation. Chances are good that once you hire an attorney and he or she contacts the insurance company, the dispute will be settled out of court.

If you educate yourself, have all the information at your fingertips, stay organized, and be persistent, you should be able to resolve your problem quickly.

Tax Tips: Long-Term Care Insurance

Your chances of requiring some sort of long-term care increase as you age, and long-term care insurance (LTCI) can help you cover your long-term care expenses. Although tax issues are probably not foremost in your mind when you buy LTCI, it still pays to consider them. In particular, you should explore whether your premiums will be deductible and your benefits taxable.

You May Be Eligible For an Income Tax Deduction

You may be able to deduct all or part of the LTCI premiums you pay for yourself, your spouse, or a dependent, but only if your policy meets the IRS criteria for a qualified policy. If you bought the policy before January 1, 1997, and it met the requirements of the state where it was issued, it is automatically considered a qualified policy. If you bought the policy later, it must satisfy several requirements to be considered qualified.

First of all, the policy must provide coverage only for qualified long-term care services. These include necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, and rehabilitative services, as well as maintenance or personal care services that are required by a chronically ill individual in connection with a plan of care prescribed by a licensed healthcare practitioner. Also, your policy must satisfy the following conditions:

- It must be guaranteed renewable, meaning that you can renew your policy as needed without undergoing additional medical exams
- It must not have a cash surrender value or any provision that allows you to cash in, pledge, assign, or borrow against the policy, or receive anything more than a refund of premiums paid if you cancel the policy
- It must provide that any refunds and dividends (other than refunds upon termination of the policy) can be used only to reduce future premiums or increase future benefits
- It must not pay for (or reimburse) expenses that are reimbursable under Medicare, unless Medicare is a secondary payer, or unless the policy pays a specified amount per day regardless of actual expenses
- It must meet certain consumer protection requirements set out in the Internal Revenue Code

The Amount of Your Deduction Depends on a Few Factors

If your LTCI policy meets the conditions listed above, or if it was issued before January 1, 1997, at least part of your premium may be tax deductible as a medical expense. To qualify for a medical expense deduction, your unreimbursed medical expenses (including LTCI premiums) must exceed the applicable percentage of your adjusted gross income. Also, you must itemize your deductions.

The maximum amount of LTCI premiums that you can deduct in a year depends on your age at the end of the year. In 2023, deduction limits (which are indexed each year for inflation) are as follows:

Age	Limit on deduction
40 or younger	$480
41 to 50	$890
51 to 60	$1,790
61 to 70	$4,770
71 or older	$5,960

Watch Out — Your Long-Term Care Insurance Benefits May Be Taxable

A qualified LTCI contract is treated as an accident and health insurance contract, and the benefits are typically treated as tax-free. However, if your contract pays a set dollar amount per day (per diem), the tax-free treatment is subject to a certain limit, indexed annually for inflation. Benefits over and above this limit are generally considered taxable income.

Under this limit, the amount of your LTCI benefits that is excluded from taxation in a given period is figured by subtracting any reimbursement received (through insurance or otherwise) for the cost of qualified long-term care services during the period from the larger of the following amounts:

- The actual cost of qualified long-term care services during the period
- The dollar limit for the period ($420 per day for any period in 2023)

It's a different story if you have a nonqualified LTCI policy, though. Such benefits may be subject to income tax.

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

4 Steps to Protecting a Child with Disabilities

Raising a child is expensive and can cost about a quarter of a million dollars, excluding college. For a child with special needs, that cost can more than double. If you're the parent of a child with special needs, it's vital to ensure your child will continue to be provided for after you're gone. It can be difficult to contemplate, but with patience, love, and perseverance, a long-term strategy may be attainable.[1,2]

Envisioning a Life After You

Just as every child with special needs is unique, so too are the challenges families face when preparing for the long term. Think about your child's potential needs. Will they require daily custodial care? Ongoing medical treatments? Will your child live alone or in a group home? Can family members assume some of the care? Answers to these and other questions can help form the vision of what may need to be done to plan for your child's care.

Preparing Your Estate

Without proper preparation, your child's lifetime needs can quickly outstrip your funds. One resource is government benefits, such as Supplemental Security Income (SSI) and Medicaid, which your child may qualify for depending on their situation. Because such government programs have low-asset thresholds for qualification, you may want to consider whether to make property transfers to your child with special needs.

You should also make sure you have an up-to-date will that reflects your wishes. Consider creating a special needs trust, the assets of which can be structured to fund your child's care without disqualifying them from government assistance. Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional who is familiar with the rules and regulations.

Involve the Family

All affected family members should be involved in the decision-making process. If at all possible, it's best to have a unified front of surviving family members to care for your child after you've passed on.

Identify a Caregiver

In order for a caregiver to make financial and healthcare decisions after your child reaches adulthood, the caregiver must be appointed as a guardian. This can take time, so start setting this in motion as soon as you are able.

To do this, you can write a "Letter of Intent" to the caregiver and family to express your wishes along with information about your child's care. This isn't a legal document, but it may help communicate your desires. Store this letter in a safe place alongside your will.

Outlining an approach for a child with special needs can be complicated, but you don't have to do it alone. Working with loved ones and qualified professionals can help you navigate the various facets of this challenge. If we can help, please don't hesitate to reach out.

1. Investopedia.com, January 9, 2022
2. AmericanAdvocacyGroup.com, May 3, 2022