

FEBRUARY 2024

FINANCIAL GUIDANCE BUILT FOR LIFE ON YOUR TERMS

Market Update

BY DERRICK LEWIS

While some of you are actively watching the polls to see who will be the 47th President of the United States, the financial markets are looking at the two worlds as independent of one another. While the election results are important, I argue the path of interest rates will determine the results for the market this year. The market tends to trend upward in election years no matter who takes the office. In fact, most election years are positive, some 73% of the time.

In taking it a step further, the fourth-year returns are the second best of the president's four-year term, with the third year being the best. There have been 24 elections since the S&P Index began in 1928 and 20 out of 24 have provided positive results.

The point I'm trying to make is that seeing the big picture can help us stay focused on our long-term investment goals during election years. As for as the path of interest rates, and whether the federal reserve will pivot from rising rates to cutting interest rates in 2024, that is a big deal. As my finance professor said, "interest rates are the cost of money." If the cost of money goes down then I cannot see how that would not help the global economy and, in turn, the financial markets. The moral of the story is that I plan to turn my tv off until mid-November and keep my eyes fixated on the direction of the ten-year Treasury and Fed Fund Rates- this has so much more impact on my immediate future. As always, thank you for being a part of the Capitas family. I am grateful that I have clients who trust my guidance and advice. Here's to a prosperous and Happy New Year!

Upcoming Market Holidays

Good Friday: Friday,
March 29th

Memorial Day:
Monday, May 27th

Juneteenth National
Independence Day:
Wednesday, June 19th

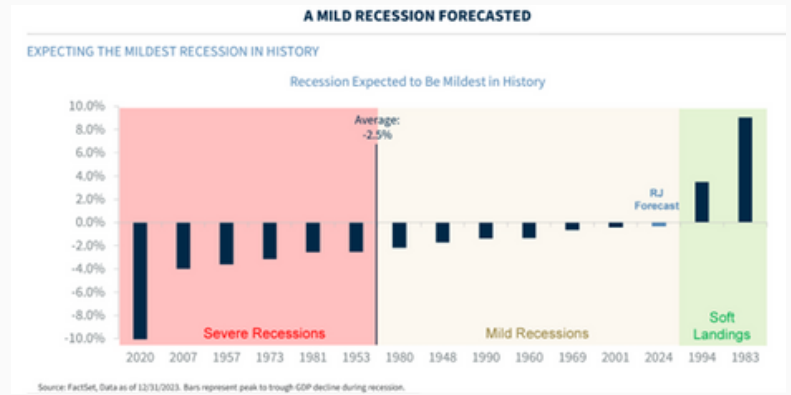
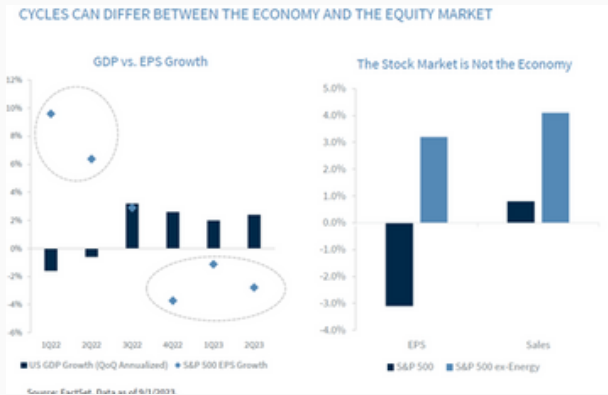
Independence Day:
Thursday, July 4th

FINANCIAL PLANNING

BY TYLER THOMPSON

As we have now put a bow on 2023, the year stands as a great testament of how sticking to your financial plan during a bear market can benefit you. While we don't predict only smooth sailing ahead and acknowledge the potential for heightened volatility that comes with election years, the market has demonstrated resilience by bouncing back from the lows of 2022 and is now teetering on breaking into new all-time highs.

It's crucial to recognize that the stock market doesn't always mirror the broader economy:



Despite lingering recession concerns, current forecasts suggest that any downturn in the economy could be the mildest in history.

Business Owners Should Prepare for Opportunities

While we've helped a handful of clients exit their business this past year, it is in spite of the decline in the M&A market during the first half of this year. However, we do not expect this to be the case moving forward as "dry powder" for Private Equity (PE) companies hit a record high in the middle of the year*. This, along with major recession fears waning, tells us that we should expect a ramp up in small and medium sized businesses being approached by PE's with attractive offers, similar to the pent up demand we saw after 2020 which led to a record year in transactions in 2021.

We're advising our business owner clients to prepare and have their house in order now, even if they don't feel like their business is ready or big enough to sell. Most of the transactions we have seen and been a part of over the last 3 years have been from unexpected owners accepting out of the blue offers from PE's. Here are a couple key questions to ask yourself:

- Financial Due Diligence: Are your financials in good order and ready to present an attractive proposition to potential buyers.
- Valuation Assessment: When was the last time you had a business valuation completed? Understanding your business's value is crucial for sudden decision-making.
- Management Team Readiness: Do you have the right management team in place for a smooth exit, minimizing the need for a prolonged earn-out period.
- Personal Readiness: Are you personally ready to sell? Will you be able to maintain your current lifestyle. Or on the other hand, do you believe that you could exponentially grow your company to be "best in class"? If it's the latter, what is your strategy for growth?

If you don't have a good feeling with your answers to the questions above, please reach out. We specialize in exit planning and can help you take the most advantage of what we see as a great M&A transaction period that is quickly approaching.

Wishing you a prosperous and fulfilling 2024!