KATZ FINANCIAL SERVICES
Retirement, Estate and Insurance Planning Strategies

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2023 – Year In Review

By now, most people have heard of the **Magnificent Seven** stocks which are a group of the most influential companies in the US stock market. These stocks focus on 4 sectors: technology services, electronic technology, retail trade and consumer durables and they operate across the following industries: internet software/services, telecommunications equipment, internet retail, package software, semiconductors, and motor vehicles.

The Magnificent Seven all closed out 2023 with huge returns. All of them easily beating the S&P 500 index individually by between 50% and 240%.

Because of their heavy weightings in the SP 500 Index (29.6%) these 7 stocks were responsible for nearly two-thirds of the index's 24% gains. The remaining 493 companies in the SP 500 which make up 70.40% of its value. Having such a high concentration on just a few stocks have some concerns. We just need to look back at the year-end returns of these major stock positions in 2022:

Company	Ticker	2023 Return	2022 Return
Alphabet	GOOGL	58.30%	-40.00%
Amazon	AMZN	80.90%	-50.30%
Apple	AAPL	48.20%	-27.60%
Meta Platforms	META	194.10%	-64.90%
Microsoft	MSFT	56.80%	-30.00%
NVIDIA	NVDA	238.90%	-50.00%
Tesla	TSLA	101.70%	-65.00%
SP 500		24.30%	-18.10%

Morningstar.com

The mutual funds and ETF's that had several of these companies in their portfolios generated stellar returns. It feels a lot like the late 1990's Dell, Cisco Systems, Intel and Microsoft were deemed The Four Horsemen. I am not saying that the Magnificent Seven is the same as the Four Horsemen but being concentrated in such a few stocks is concerning.

We at KFS took advantage of these stock positions by holding them in Technology Sector XLK, Fidelity MSCI Info. Technology FTEC, Invesco Large Cap Growth QQQ, iShares Core SP 500 US Stock ITOT to name a few.

Along with positions in the above holdings, we also added investments in Diversified Equal Weighted SP 500. An equal weighted index is when all components (stocks) are weighted equally at approximately 0.23% of the holdings.

We also took advantage of the Inverse Yield Curve and continued to purchase 3-4 month US Treasury Notes or Bills.

So here we are again, seems like just yesterday that I was putting together my "Year In Review" letter. Much of the concerns of a year ago, are in some ways still present.

In 2022, we had 7 Federal Rate hikes and in 2023 we had 3, in February, March and May. Fed Chairman Powell has been leaning towards potentially rate decreases in 2024 and that has the markets very happy but nothing is guaranteed.

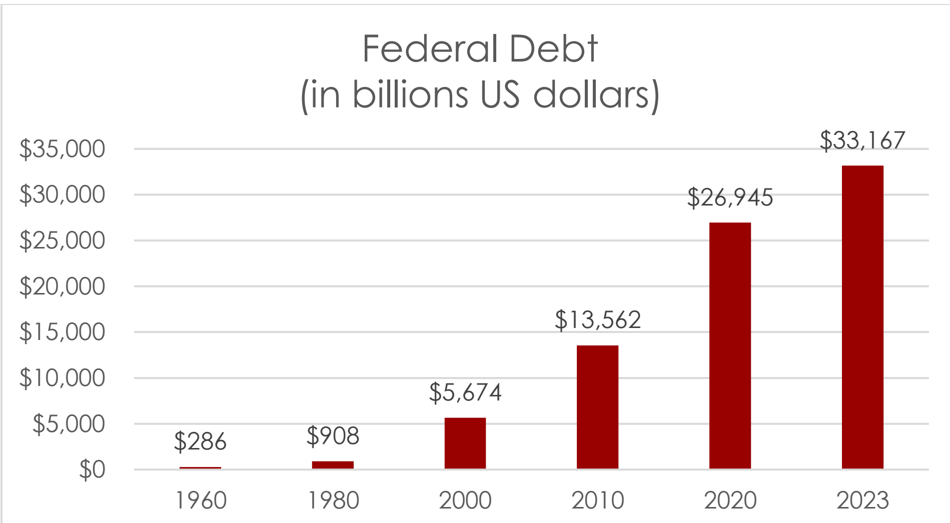
I'd like to touch upon a couple of topics that feel are worth pondering as we enter a new year. Again, these are my thoughts and views and you do not have to agree with them.

What is going on with **Unemployment?** The current unemployment rate as of this writing is 3.70% but does this tell the true story? I believe that the unemployment rate is being understated due to two factors that I am personally seeing in my practice. 1) **Part time workers** whether their choice or because they can't find a job that would pay them what they had been earning in the past are now forced to part time work. Part time workers are treated as employed and 2) **Discouraged workers** who would like a job but are no longer actively looking are not counted as being in the labor force. People who have not looked for work for 4 weeks are not included in the unemployment numbers.

What is going on with the **Federal Deficit**. It has been growing at an amazing rate.

Currently at: **$33,990,127,522,066**

The January 2020 projections had the gross federal debt hitting $34 trillion in fiscal year 2029.



USgovernmentspending.com

How do we pay back this debt? The government has to either spend less or tax more.

Lastly, let's review the Consumer Price Index which is currently at 3.20% and the Inflation Rate. The inflation rate is currently at 3.20% BUT it excludes food, energy, and housing. Wow, did you read that correctly? It excludes food, energy, and housing.

According to Shadowstats.com, who calculates the inflation rate based on the methodology from the 1980's the current inflation rate is 6-8% higher than the official statistics.

As the new year begins, please be on the look out for a series of emails that I will be sending on various topics that will be a valuable resource for you and the ones you love. Some of the topics are:

- 7 Steps to Build a Successful Estate Plan
- 41 Questions to ask Yourself as you age

- 5 Ways to Pass Down Family Memories
- 3 Steps to Bring Generations Together

In closing, both the economy and political environment continue to change and I want you to know that as a fiduciary, we are always acting in your best interest based on your stated goals and objectives. As many of you are entering into your retirement years when you start to require monies from additional sources than salaries, at KFS we are focused on investment vehicles that will help provide you protection, income, and growth.

Cindy, Gregg, and I would like to thank you for being a part of our lives and trusting us with such an important part of yours. We will continue to do all that we can to assist and guide you.

Jeffrey A. Katz

January 5, 2024