

# Your Clients' Top Questions, Answered

# FAQs

- Is the Federal Reserve done raising rates?
- Is the stock market rally over?
- Will there be a recession in 2024?
- Is the U.S. consumer healthy?
- Is the national debt a concern?
- How will the 2024 election impact the markets?
- Is now a good time to sell my business?



# Is the Federal Reserve Done Raising Rates?

- The Fed has made progress in fighting inflation
- We believe the final rate hike was on 7/26
- Fed Fund Futures pricing in 3 rate cuts for 2024
- On average eight months from last hike to first cut
- Stocks and bonds have historically done well one year after the last rate hike

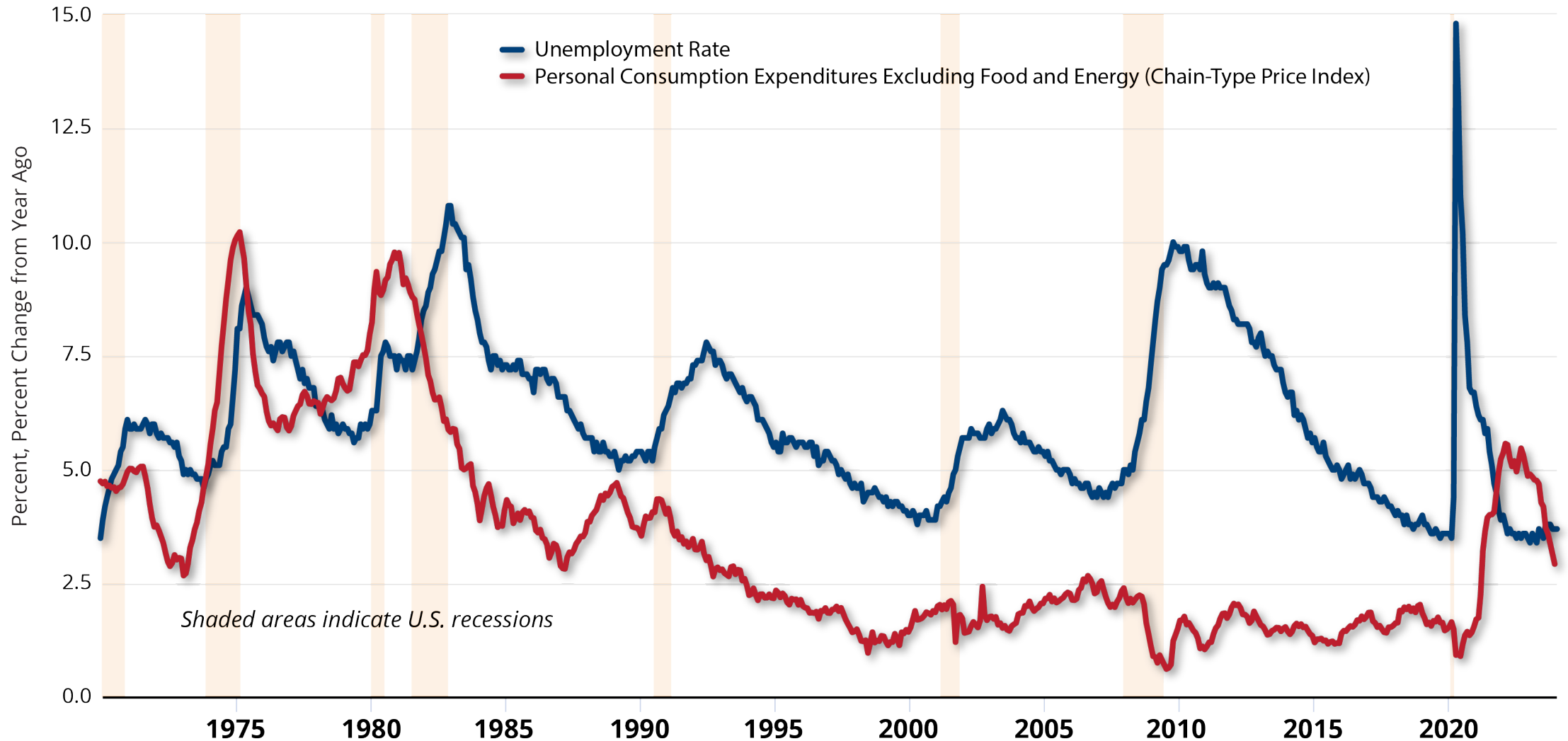


# The Fed's Dual Mandate: Full Employment and Price Stability

Unemployment Rate

Personal Consumption Expenditures Excluding Food and Energy (Chain-Type Price Index)

1/1/1970 to 02/29/2024



Shaded areas indicate U.S. recessions

For illustrative purposes only. Past performance is not indicative of future results.

Source: FRED Board of Governors of the Federal Reserve System

Source: fred.stlouisfed.org

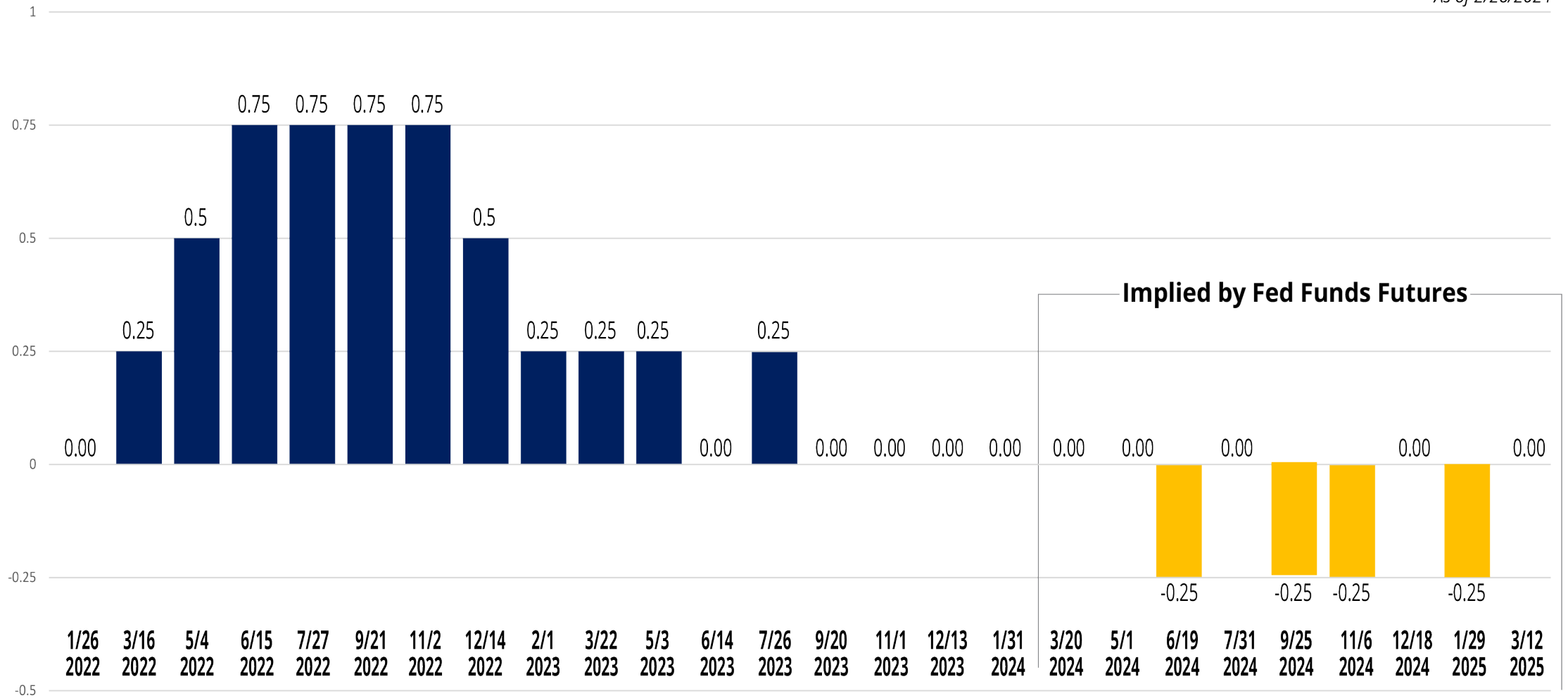




# The Fed Is Most Likely Done

## Fed Rate Hikes: Actual and Implied by Fed Funds Futures

As of 2/26/2024



Source: Clark Capital, fred.stlouisfed.org, CME FedWatch Tool

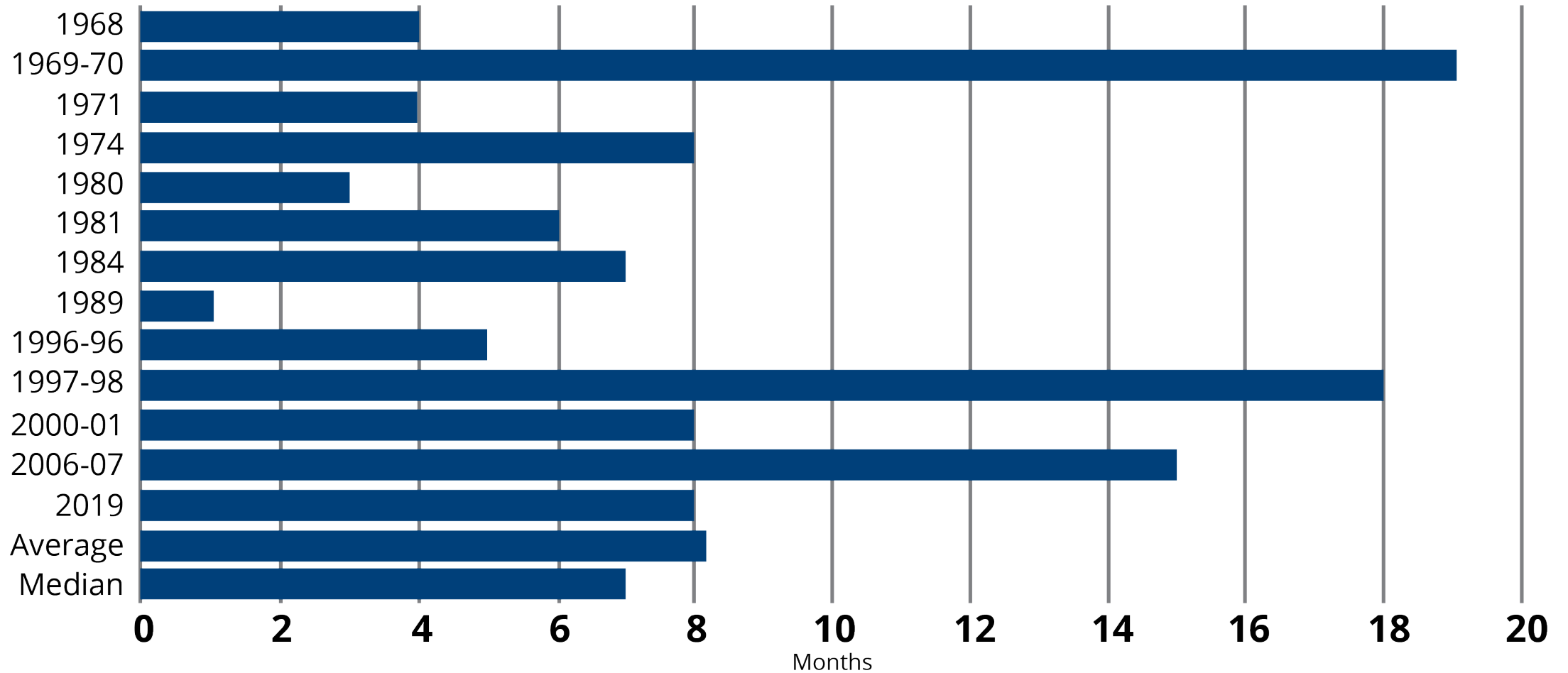
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Source: Clark Capital, FRED Board of Governors of the Federal Reserve System, CME FedWatch Tool



# How Soon Until the Fed Cut Rates?

## Fed: Length of Time from Last Hike to First Rate Cut



Sources: Board of Governors of the Fed (from FRED), Steven Anastasiou



For illustrative purposes only. Past performance is not indicative of future results.

Source: FRED Board of Governors of the Federal Reserve System, Steven Anastasiou

# Asset Returns One Year After Final Fed Hike

Returns One Year After Final Fed Hike

Asset	Avg.	Highest	Lowest	Data Since
<b>Equity (US) = S&amp;P 500</b>	<b>14%</b>	<b>40%</b>	<b>-11%</b>	<b>Jul-54</b>
<b>Sector</b>				
Materials	20%	26%	9%	Sep-89
Pharmaceuticals	19%	52%	-8%	Jul-54
Staples	15%	44%	-7%	Jul-54
Real Estate	13%	40%	-8%	Dec-71
Utilities	13%	25%	-7%	Jul-54
Financials	13%	43%	-16%	Jul-54
Discretionary	12%	44%	-7%	Jul-54
Technology	12%	66%	-47%	Jul-54
Industrials	10%	44%	-25%	Jul-54
Telecommunications	10%	34%	-27%	Jul-54
Energy	8%	31%	-15%	Jul-54
<b>Style</b>				
Free Cash Flow	30%	38%	24%	Dec-91
Small Cap Value	22%	58%	-17%	Jul-54
Value	21%	46%	-14%	Jul-54
Large Cap Value	20%	38%	-11%	Jul-54
Small Cap	20%	82%	-33%	Jul-54
Small Cap Growth	18%	81%	-33%	Jul-54
S&P 500 High Dividend	18%	20%	16%	Jan-91
Growth	15%	63%	-25%	Jul-54
Large Cap	14%	40%	-12%	Jul-54
Large Cap Growth	13%	47%	-17%	Jul-54
60/40	12%	29%	-7%	Aug-54

Returns One Year After Final Fed Hike

Asset	Avg.	Highest	Lowest	Data Since
<b>Equity (US) = S&amp;P 500</b>	<b>13%</b>	<b>27%</b>	<b>-15%</b>	<b>Dec-87</b>
Emerging Markets	13%	67%	-22%	Jul-54
EAFE	13%	34%	-17%	Dec-69
Emerging Markets ex-China	12%	41%	-22%	Dec-98
<b>Bonds = 10Y US Treasury Note</b>	<b>10%</b>	<b>29%</b>	<b>0%</b>	<b>Jul-54</b>
EM Debt	20%	42%	10%	Dec-91
Fallen Angels	14%	22%	7%	Dec-96
IG Corporate	11%	31%	-4%	Jul-54
US 30 Year	10%	33%	-6%	Jul-54
Municipal Bonds	10%	15%	5%	Dec-88
HY Corporate	9%	17%	-4%	Aug-86
Treasury Bills	6%	14%	2%	Ju-54
<b>Commodities = Broad Comm. Index</b>	<b>-2%</b>	<b>13%</b>	<b>-15%</b>	<b>Jul-54</b>
Fuel	8%	31%	-15%	Jul-54
STI Oil	3%	35%	-10%	Jul-54
Gold	0%	18%	-32%	Jul-54
Copper	-3%	25%	-21%	Jul-54

For illustrative purposes only. Past performance is not indicative of future results.

Source: BofA Research Investment Committee, Global Financial Data, Bloomberg. Data based on 13 hiking cycles back to July 1954.



# 10yr Treasury Yields After Last Fed Hike

## US10Y Bond Yield Move Around Last Fed Hike

US 10Y Bond Yield Moves (bps)										
	Aug 84	Sep 87	Feb 89	Feb 95	Mar 97	May 90	Jun 06	Dec 18	Average	Median
-12m	100	214	118	192	52	80	122	29	113	109
-11m	97	200	87	138	23	50	92	10	87	89
-10m	100	201	61	72	11	76	103	-12	76	74
-9m	97	232	17	62	-13	46	90	-10	65	54
-8m	79	216	49	54	-8	53	63	-16	61	53
-7m	96	207	28	34	1	36	72	-30	55	35
-6m	69	218	4	55	7	47	84	-14	59	51
-5m	7	175	42	49	23	12	68	-8	46	32
-4m	-14	82	57	6	63	-26	64	-11	28	31
-3m	-86	76	30	-24	42	-12	39	-31	4	9
-2m	-113	100	34	-27	14	18	14	-44	0	14
-1m	-76	51	44	-16	37	57	14	-31	10	26
Fed Last Hike										
1m	-13	29	4	-44	18	-45	-20	3	-9	-5
2m	-66	-41	-23	-46	-2	-33	-42	-12	-33	-37
3m	-125	-33	-76	-60	-32	-59	-57	-14	-57	-58
4m	-127	-50	-114	-146	-58	-58	-52	-20	-78	-58
5m	-116	-102	-135	-146	-38	-69	-67	-36	-89	-86
6m	-100	-101	-120	-119	-64	-76	-49	-73	-88	-88
7m	-81	-63	-117	-143	-78	-124	-30	-70	-88	-80
8m	-144	-37	-151	-148	-91	-119	-63	-115	-108	-117
9m	-200	-22	-159	-168	-102	-132	-55	-97	-117	-117
10m	-224	-52	-156	-195	-108	-165	-50	-100	-131	-132
11m	-229	-31	-101	-209	-115	-117	-31	-97	-116	-108
12m	-246	-29	-84	-206	-112	-96	-17	-83	-109	-91

For illustrative purposes only. Past performance is not indicative of future results.

Source: Bloomberg Finance L.P., JP Morgan



# Is The Stock Market Rally Over?

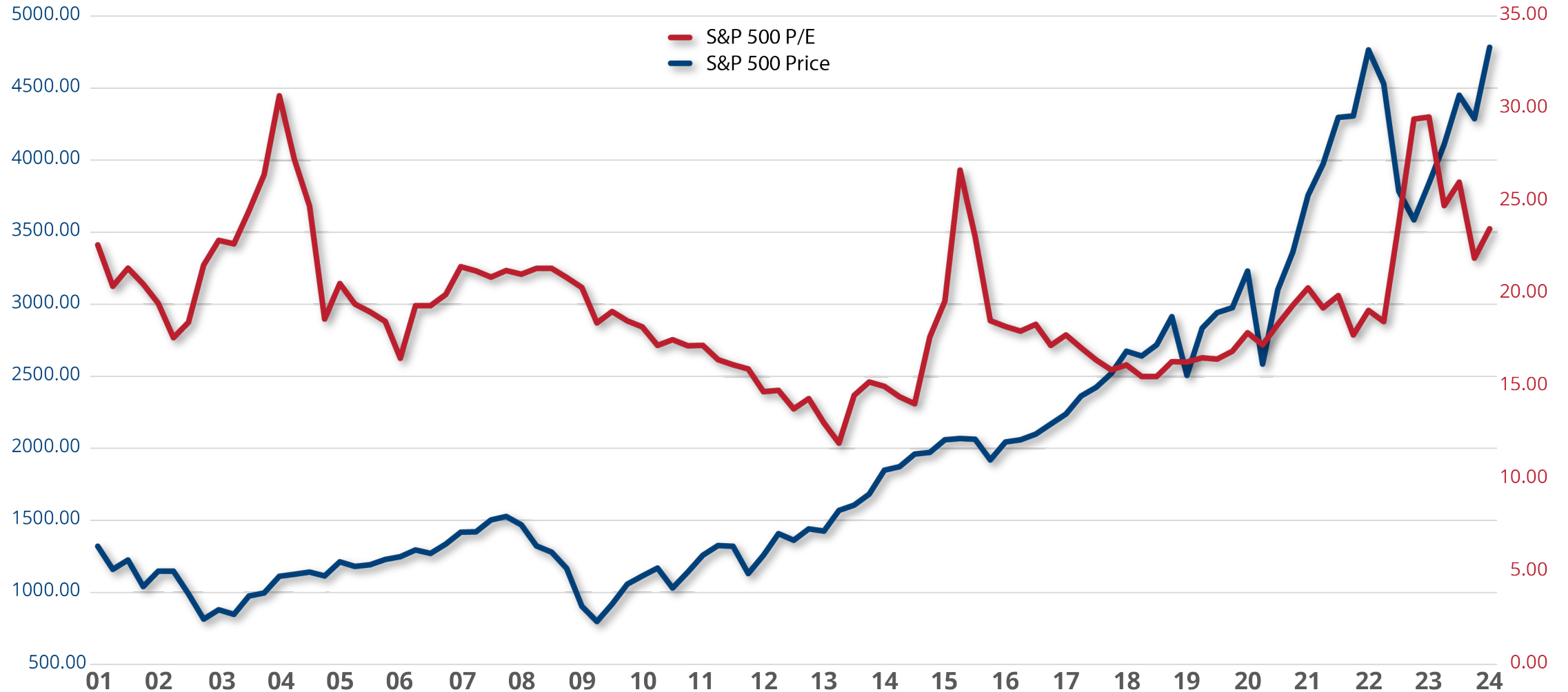
- Earnings are at an all-time high and are expected to continue growing
- S&P 500 still trading around fair value
- Mag 7 skewing valuations higher but have strong earnings growth
- We believe Large Value, SMID, and International look cheaper



# The S&P 500 Is Trading in Fair Value Range

## S&P 500 Price vs S&P 500 P/E Ratios

3/31/2000 to 12/31/2023



Source: S&P Global

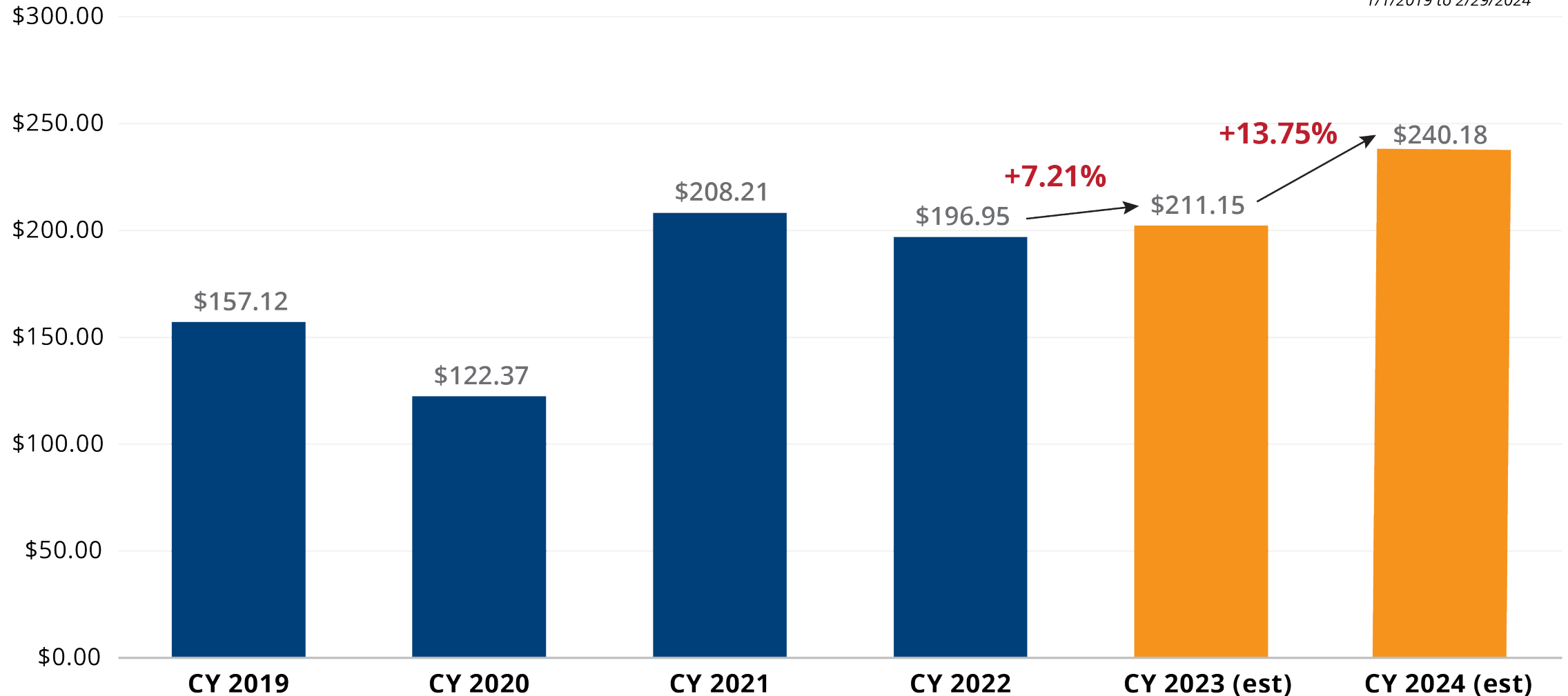
For illustrative purposes only. Past performance is not indicative of future results.



# S&P 500 Operating Earnings Are Expected to Grow

## S&P 500 Calendar Year Operating EPS Actuals & Estimates

1/1/2019 to 2/29/2024



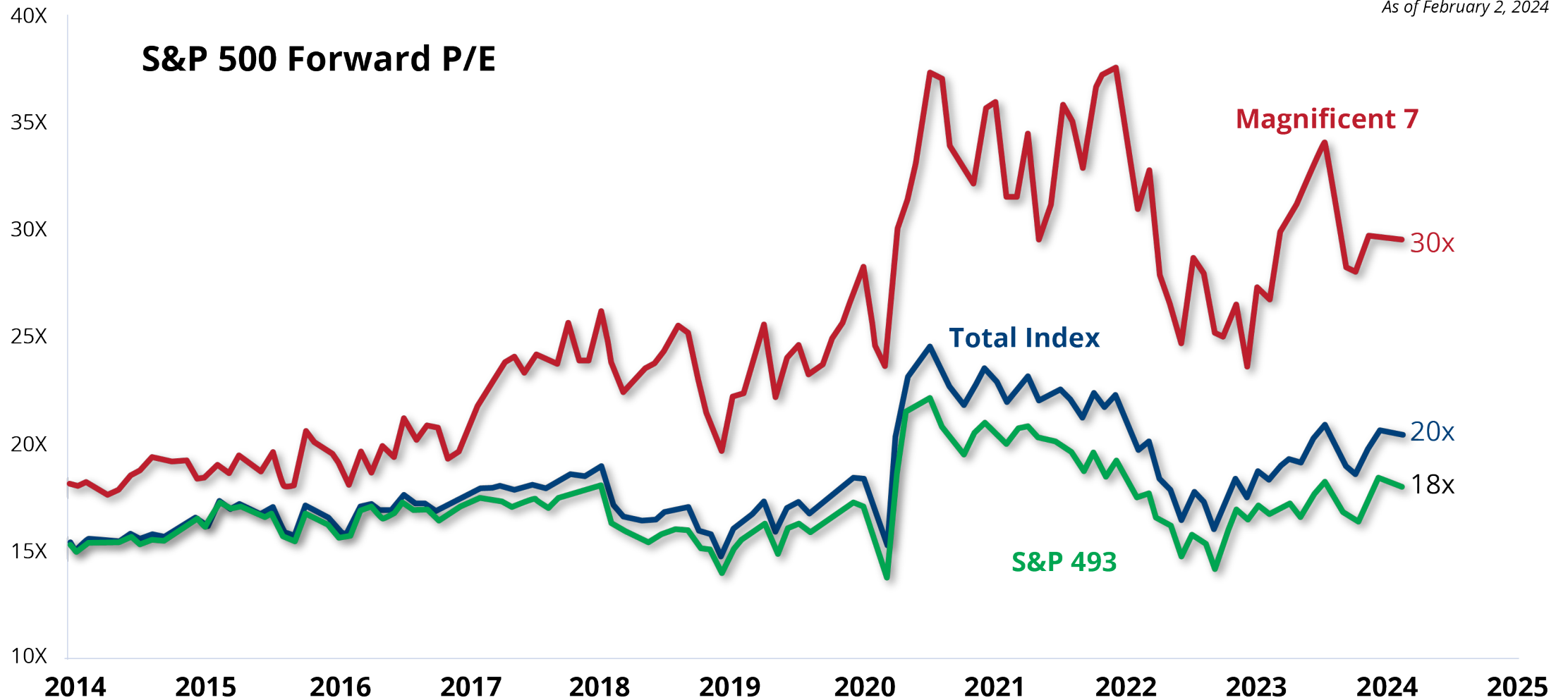
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Source: S&P Global

# “Magnificent Seven” Skewing Valuations Higher

The Magnificent 7 Trades at P/E of 30x vs. 18x for the S&P 493

As of February 2, 2024



Note: Magnificent 7 = Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla.

For illustrative purposes only. Past performance is not indicative of future results.

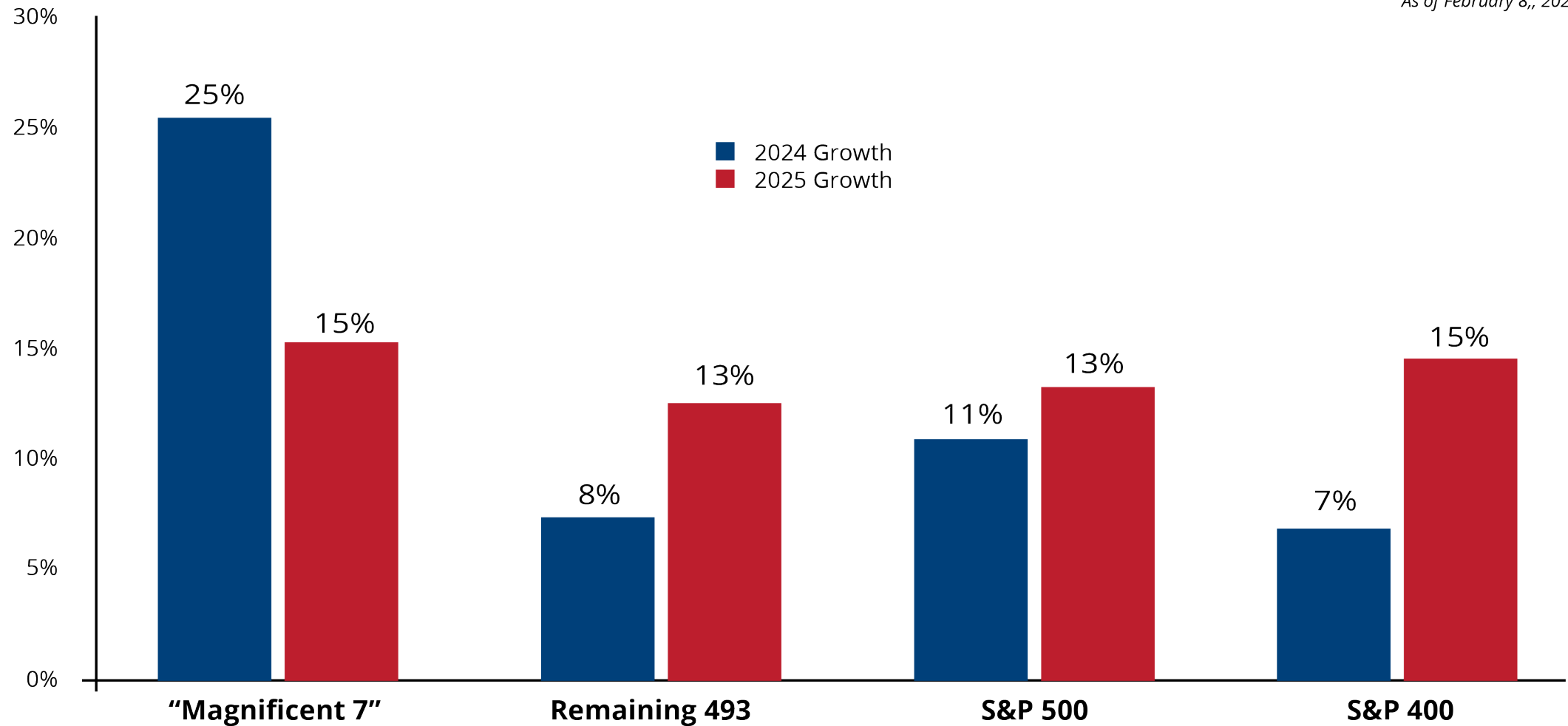
Source: Goldman Sachs Global Investment Research

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# Mag 7 Earnings Growth Outpacing the Rest of S&P 500

## Consensus Expectations for YoY Earnings Per Share Growth

As of February 8,, 2024



Note: Magnificent 7 = Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla.

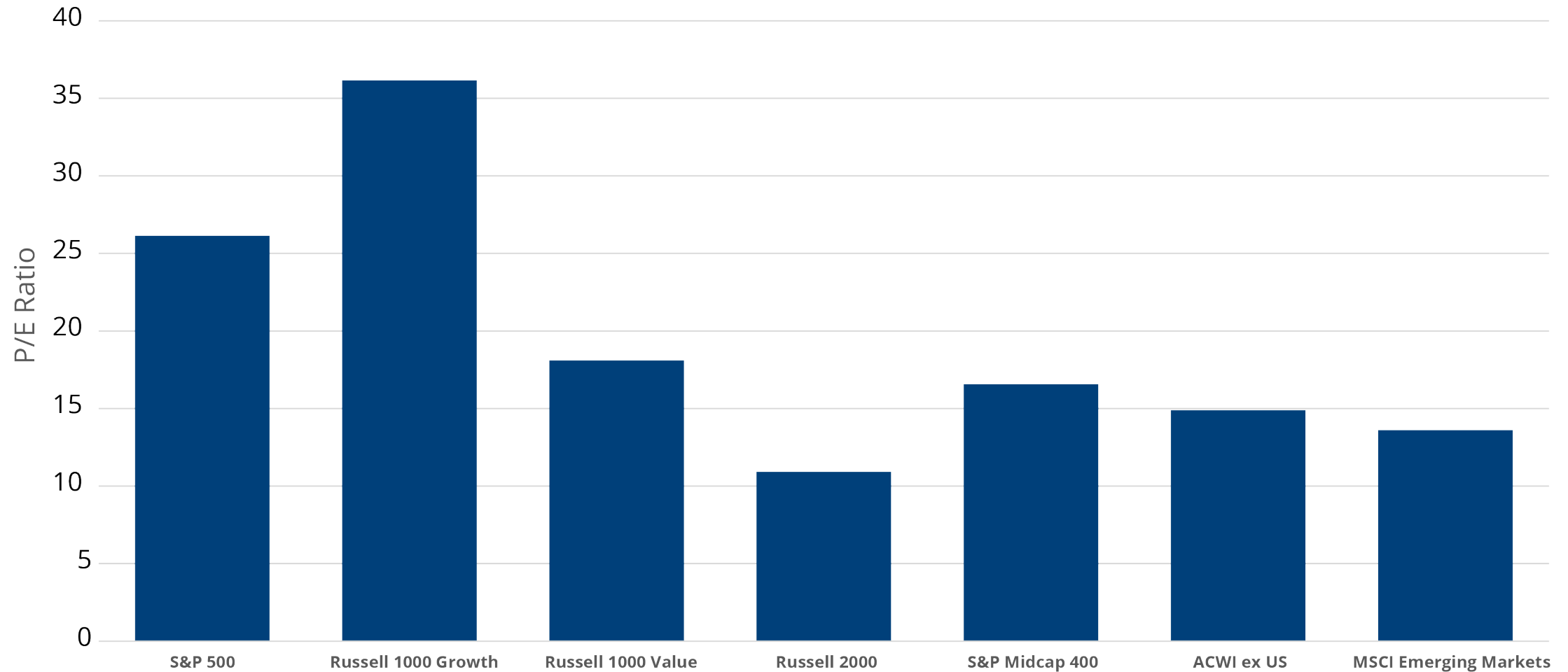
For illustrative purposes only. Past performance is not indicative of future results.

Source: FactSet

# Large Value, SMID, and International Look Cheaper

## Index P/E Ratios

As of 2/29/2024



Source: S&P Dow Jones Indices



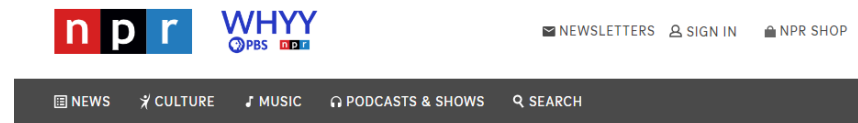
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## Will There Be a Recession in 2024?

- GDP growth better than expected in 2023
- Labor market strong and consumers are resilient
- Some storm clouds on the horizon
- We believe a slowdown is possible in 2024
- We believe the odds of avoiding a recession in 2024 are better than 50/50



# 2023: The Most Anticipated Recession That Never Happened



ECONOMY

## A recession might be coming. Here's what it could look like

JANUARY 24, 2023 · 5:01 AM ET

By Rafael Nam, Greg Rosalsky



## 'The worst is yet to come': IMF says 2023 will 'feel like a recession'

More than a third of the global economy will contract in 2023, as the three largest economies - the US, the EU, and China—will continue to stall, the International Monetary Fund's analyses of global economic developments says.

By Sarah Taaffe-Maguire, business reporter

Tuesday 11 October 2022 16:31, UK

NEWS > STOCKS

## Morgan Stanley's Mike Wilson says US stocks could crash another 20% as the risks of a recession rise

Harry Robertson Jun 21, 2022, 11:20 AM EDT



A trader works on the floor of the New York Stock Exchange Andrew Burton/Getty Images

FORBES > MONEY

## Will There Be A Recession In 2023— And How Long Will It Last?

Q.ai - Powering a Personal Wealth Movement Former Contributor Making wealth creation easy, accessible and transparent.

Jan 20, 2023, 08:00am EST

Listen to article 7 minutes



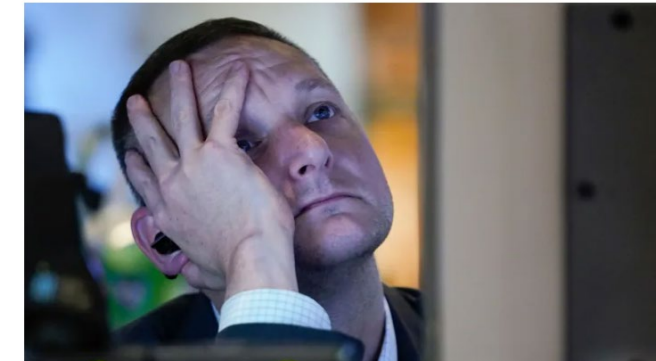
AFP VIA GETTY IMAGES

Business · Analysis

## If you thought 2022 was bad, wait until you see what 2023 has in store for the economy

Recession, persistent inflation and rising unemployment all forecast for the new year

Peter Armstrong · CBC News · Posted: Jan 02, 2023 4:00 AM EST | Last Updated: January 2



Traders work on the floor at the New York Stock Exchange in this June 2022 file photo. It's a hard time to look for good news in the 2023 economic outlook. (Seth Wenig/The Associated Press)

MARKETS Published February 6, 2023 11:38am EST

## Bank of America 'still forecasting' 2023 recession: Fed action 'not enough,' exec warns

Bank of America Global Research maintains prediction of recession in 2023



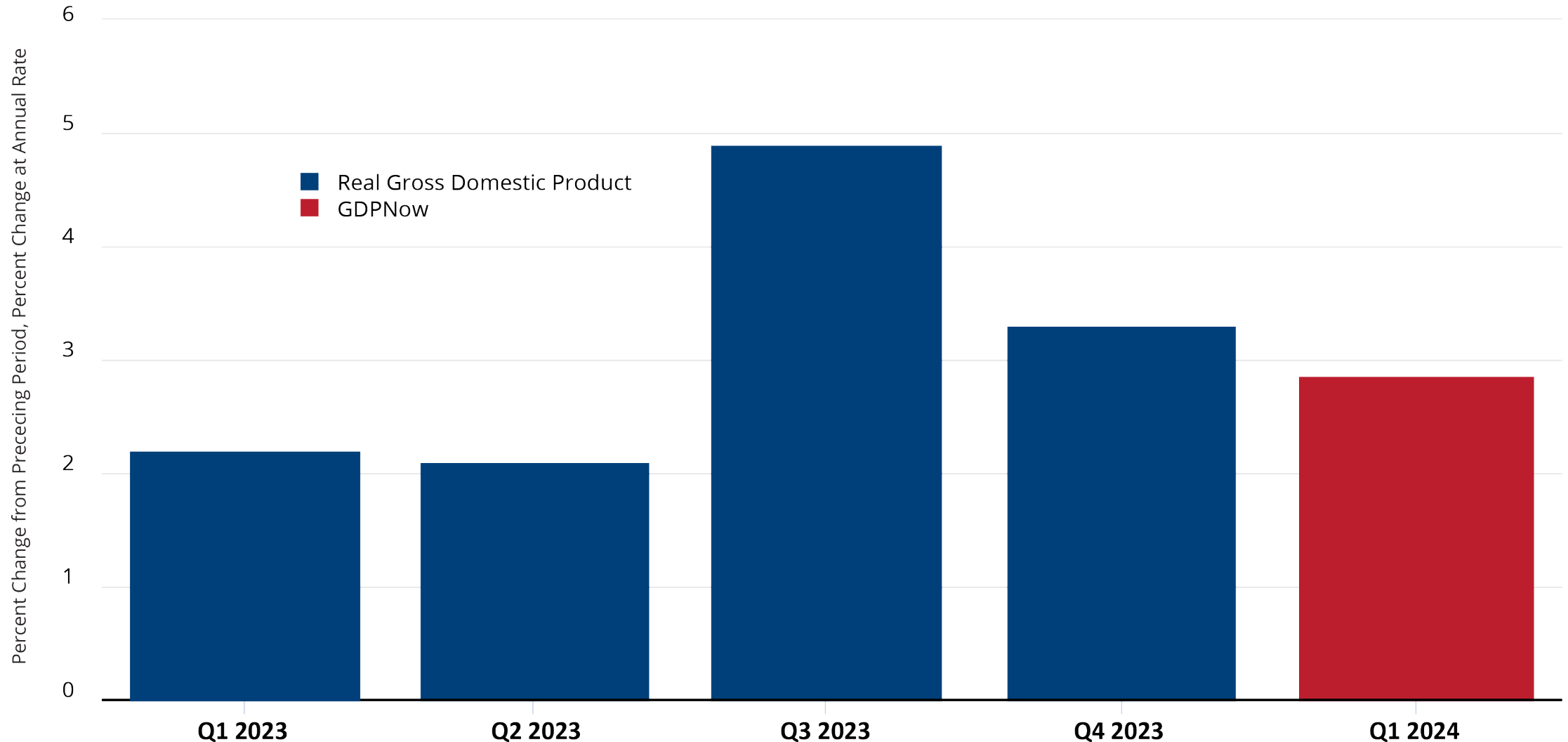
For illustrative purposes. Past performance is not indicative of future results.

Source: NPR, Business Insider, Forbes, CBC News, Sky News, FoxBusiness



# Growth Has Been Better Than Expected in 2023

## Real Gross Domestic Product vs. GDPNow



For illustrative purposes. Past performance is not indicative of future results.

Source: FRED Board of Governors of the Federal Reserve System

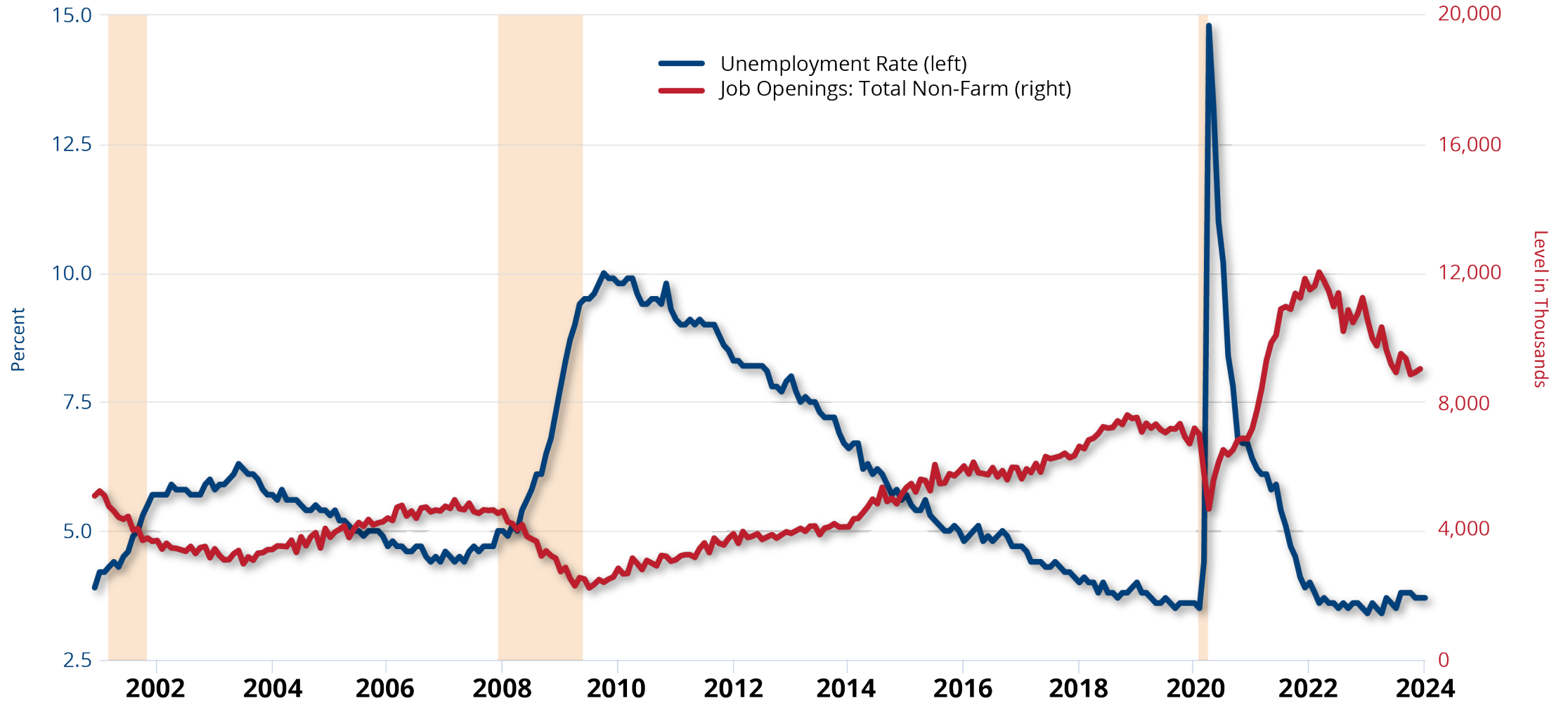
Sources: BEA; Atlanta Fed; fred.stlouisfed.org



# Low Unemployment and Plenty of Job Openings

## Job Openings vs Unemployment Rate

07/01/2018 to 01/31/2024



Source: fred.stlouisfed.org

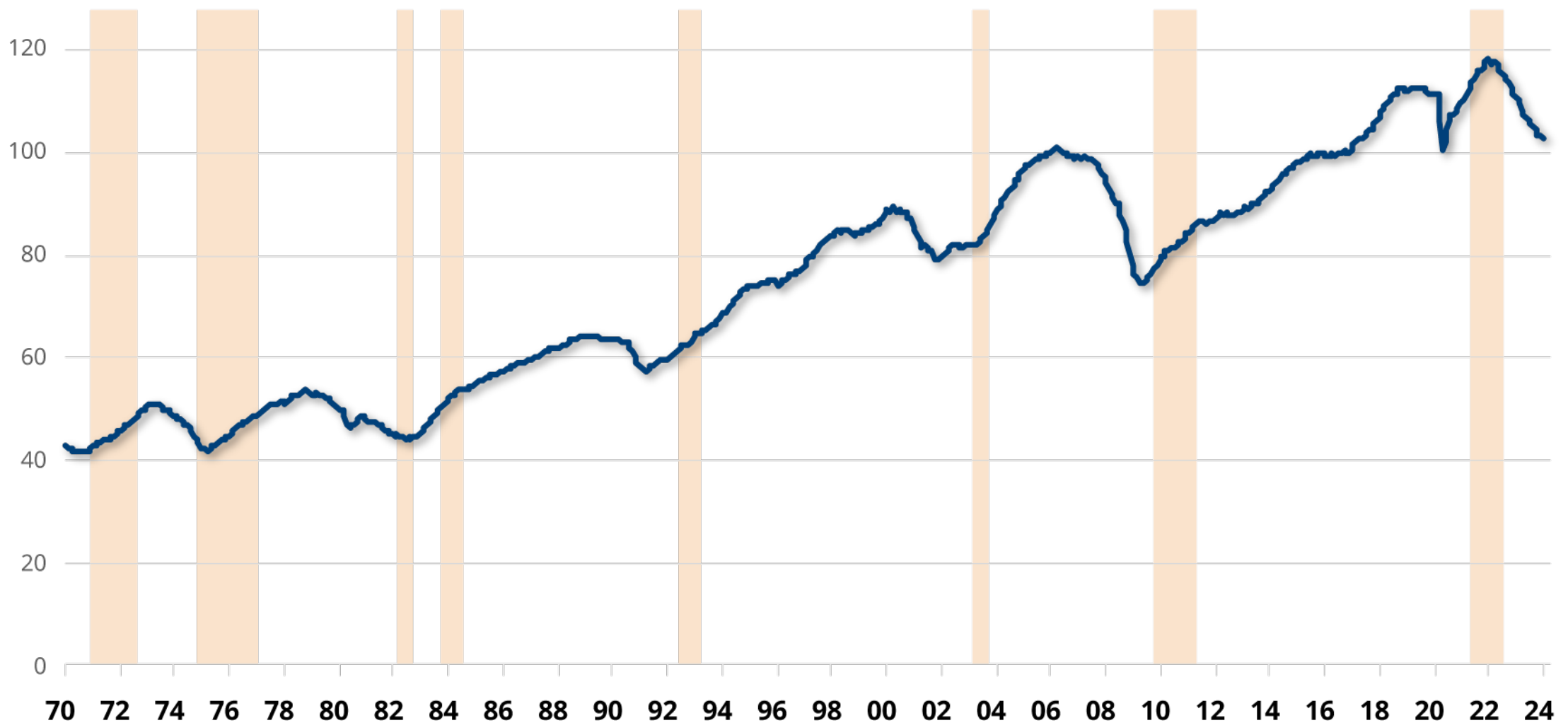
For illustrative purposes only. Past performance is not indicative of future results.



# Some Storm Clouds on the Horizon

## Leading Economic Indicators

12/31/1969 to 1/31/2024



For illustrative purposes only. Past performance is not indicative of future results.

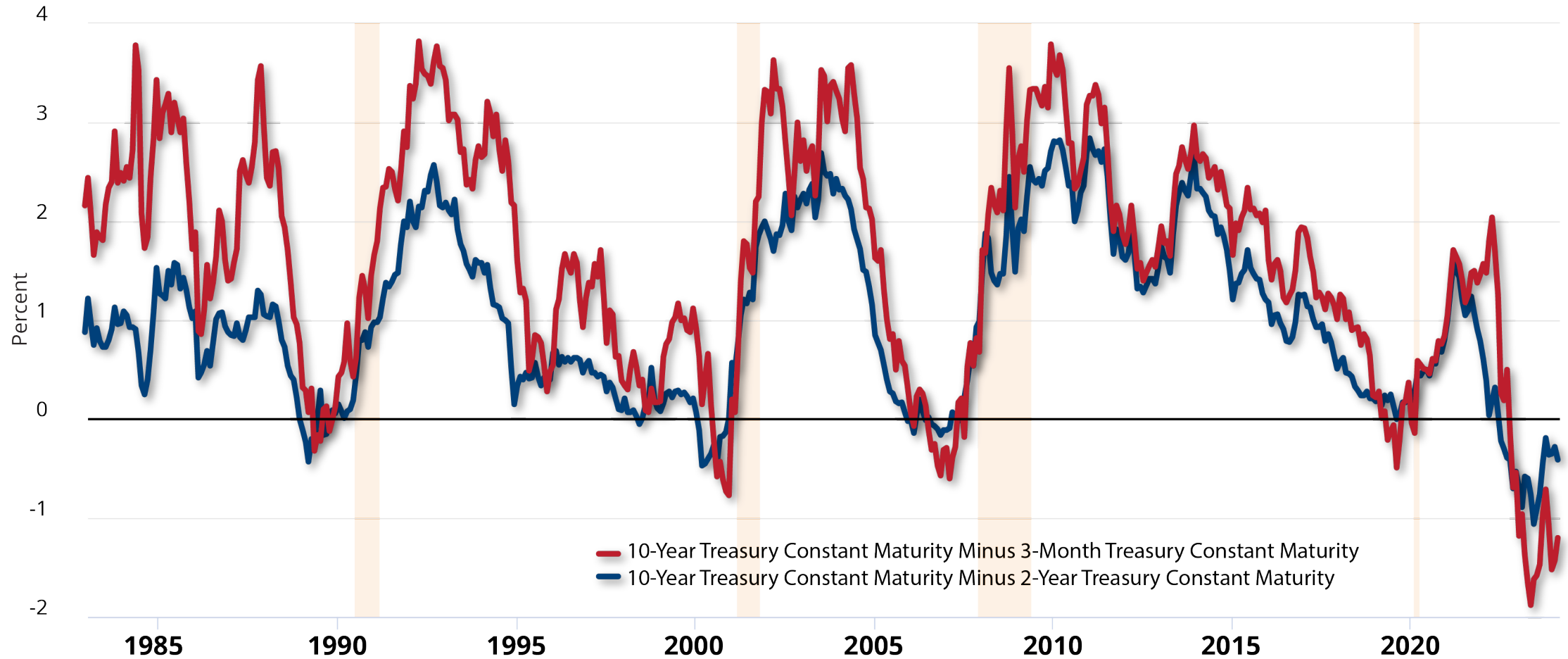
Source: Bloomberg



# The Yield Curve Remains Inverted

10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity  
10-Year Treasury Constant Maturity Minus 3-Month Treasury Constant Maturity

01/01/1983 to 1/31/2024



Source: fred.stlouisfed.org

For illustrative purposes only. Past performance is not indicative of future results.



# What Happens When the Yield Curve Normalizes?

Inversion Period	Deepest Point of Inversion			Yield Curve Normalizes (Reaches 100bps or peak spread)			Change in Yield from Depth of Inversion to Normalization		
	Date	2 yr Treasury	10 yr Treasury	Date	2 yr Treasury	10 yr Treasury	2 yr Treasury	10 yr Treasury	Number of Days
8/18/1978 to 5/2/1980	3/20/1980	15.03	12.62	5/23/1980	8.73	9.85	-630bps	-277bps	64
9/12/1980 to 10/26/1981	5/21/1981	15.75	14.05	11/24/1981	12.15	13.13	-360bps	-92bps	187
1/20/1982 to 7/19/1982	2/18/1982	14.99	14.28	1/6/1983	9.39	10.39	-560bps	-389bps	322
12/13/1988 to 3/20/1990	3/30/1989	9.79	9.34	1/8/1991	7.15	8.16	-264bps	-118bps	649
6/9/1998 to 7/28/1998	6/25/1998	5.53	5.46	10/13/1998	4.13	4.73	-140bps	-73bps	110
2/2/2000 to 12/29/2000	4/7/2000	6.38	5.86	4/20/2001	4.26	5.29	-212bps	-57bps	378
6/8/2006 to 6/7/2007	11/16/2006	4.85	4.66	11/12/2007	2.99	4.00	-186bps	-66bps	361
8/27/2019 to 9/4/2019	8/24/2019	1.53	1.49	1/29/2021	0.11	1.11	-142bps	-38bps	524
	<b>Average</b>	<b>9.23</b>	<b>8.47</b>	<b>Average</b>	<b>6.11</b>	<b>7.08</b>	<b>-312bps</b>	<b>-139bps</b>	<b>324</b>
<b>Current</b>									
<b>7/6/2022</b>	<b>7/3/2023</b>	<b>4.94</b>	<b>3.86</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>

For illustrative purposes. Past performance is not indicative of future results. Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses, or sales charges.



# Timing NBER Recession Declarations

Recession Start Declared	S&P 500	Recession End Declared	S&P 500	Missed Return
06/08/2020	3232	07/19/2021	4258	31.74%
12/01/2008	816	09/20/2010	1143	40.00%
11/26/2001	1157	07/17/2003	982	-15.18%
04/25/1991	379	12/22/1992	440	16.10%
01/06/1982	119	07/08/1983	168	40.59%
06/03/1980	111	07/08/1981	128	16.12%
			<b>Average</b>	<b>21.56%</b>

For illustrative purposes. Past performance is not indicative of future results.





## Is the U.S. Consumer healthy?

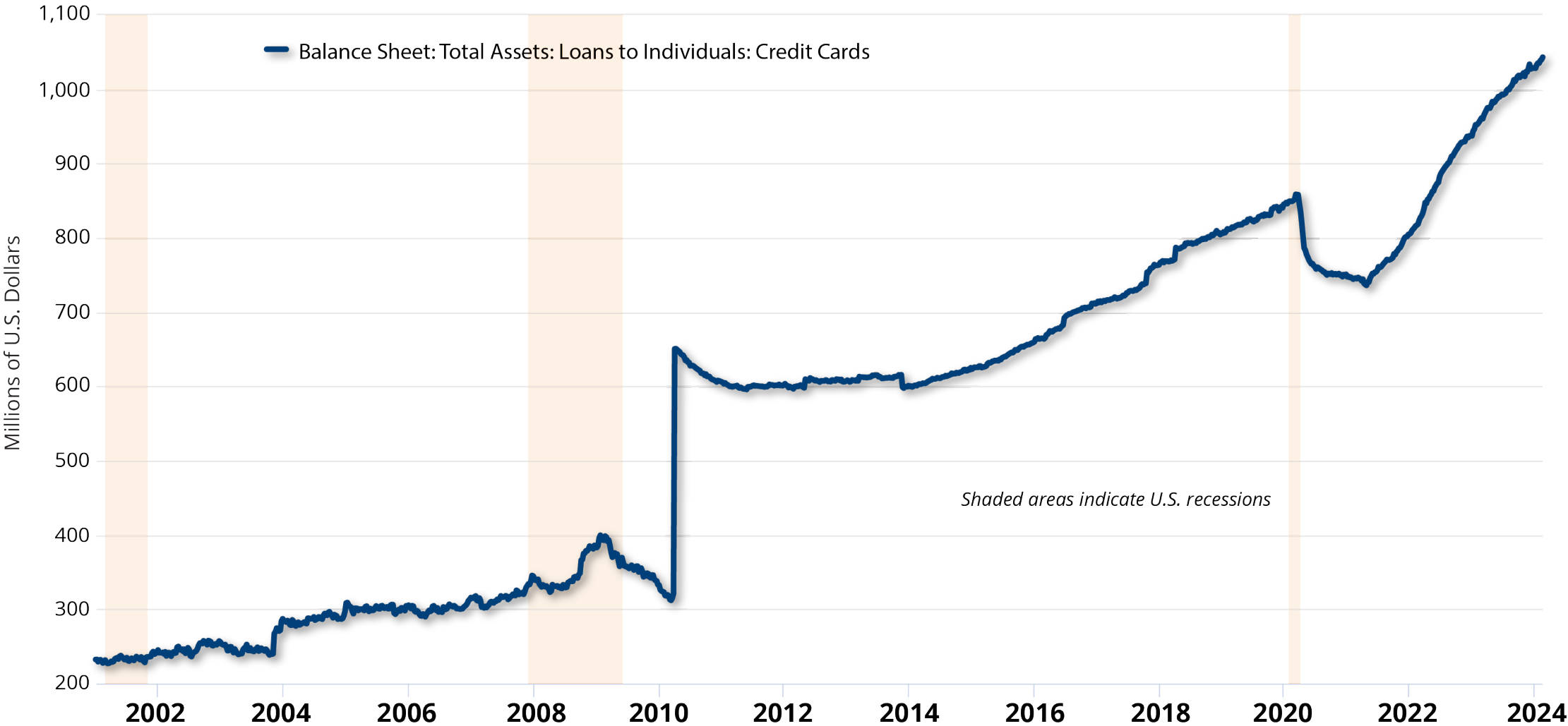
- Credit card debt exceeds one trillion
- Average credit card balance is ~\$6000
- Most people are paying off balances or making more than min payments
- Delinquency and charge-off rates are low
- Household wealth is rising again
- Consumers have equity in their homes



# Credit Card Balances Exceed One Trillion...

## Balance Sheet: Total Assets: Loans to Individuals: Credit Cards

01/01/2001 to 02/14/2024



Shaded areas indicate U.S. recessions

Source: fred.stlouisfed.org



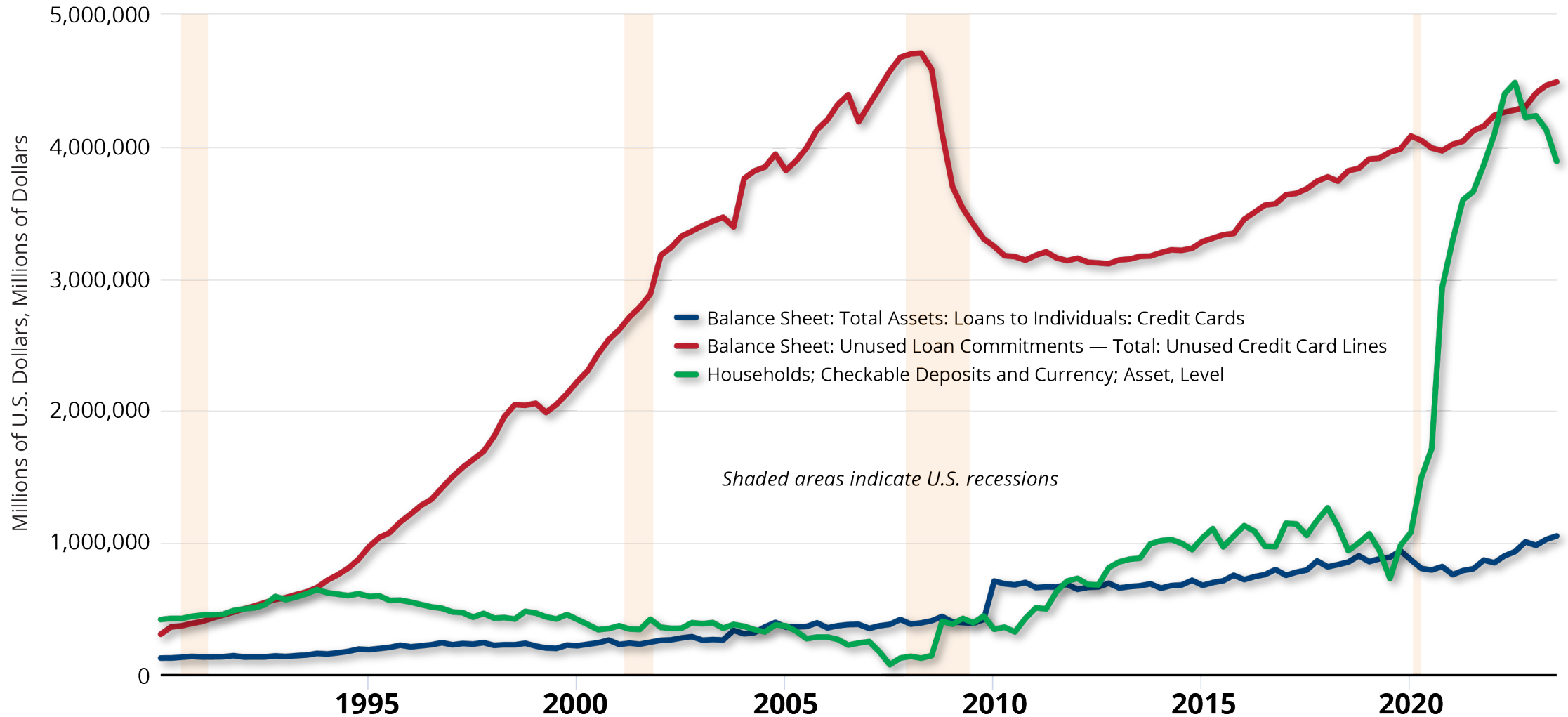
For illustrative purposes. Past performance is not indicative of future results.

Source: FRED Board of Governors of the Federal Reserve System

# ...but Consumers Are Not Maxing Out Their Cards and Have Savings

## Credit Card Balance Sheets, Household Checkable Deposits

01/01/1990 to 09/30/2023



Source: fred.stlouisfed.org

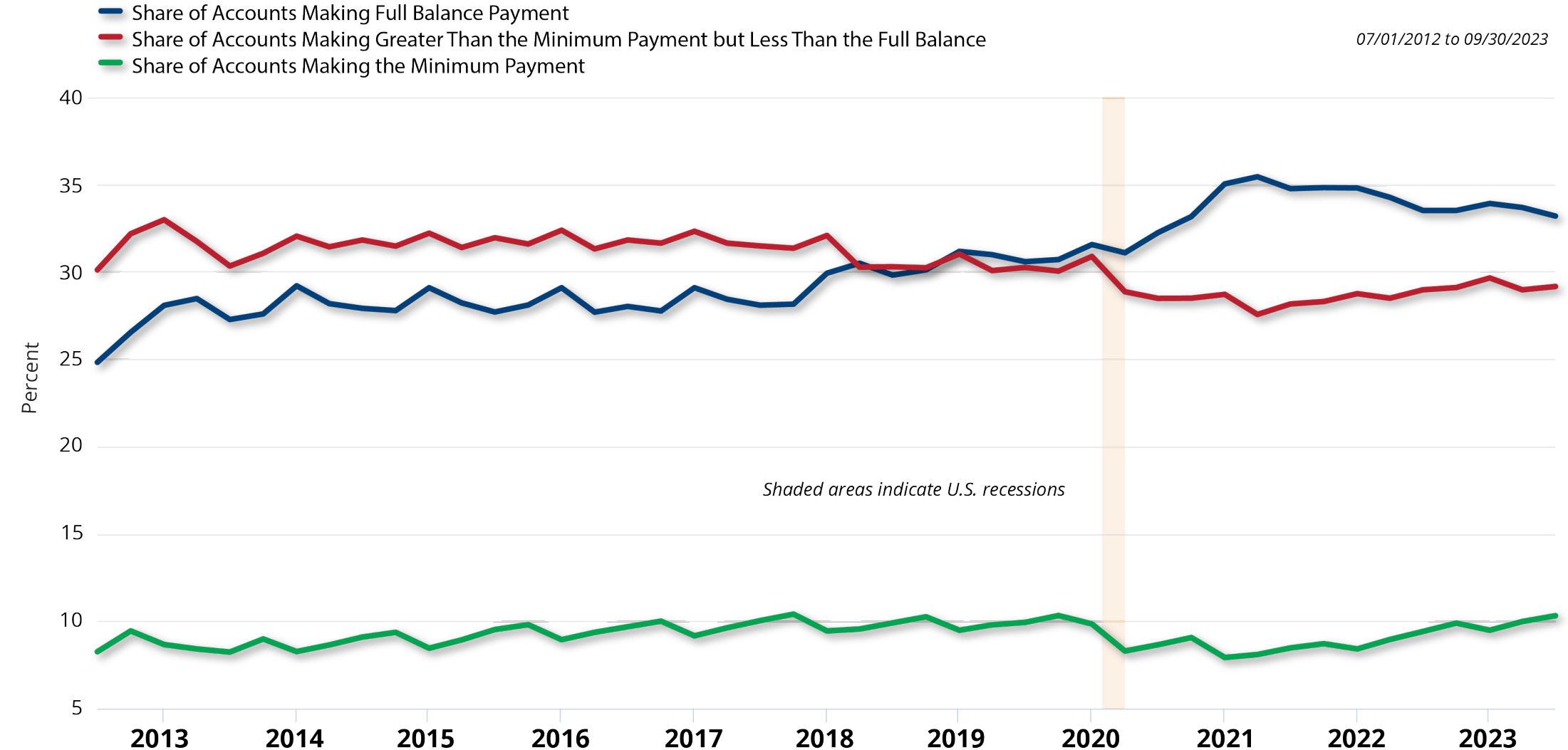
For illustrative purposes. Past performance is not indicative of future results.

Source: FRED Board of Governors of the Federal Reserve System



# Two Thirds of Consumers Are Making More Than Min Payments or Paying the Full Balance on Their Credit Cards

## Large Bank Consumer Credit Card Balances



Source: Federal Reserve Bank of Philadelphia, fred.stlouisfed.org

For illustrative purposes. Past performance is not indicative of future results.

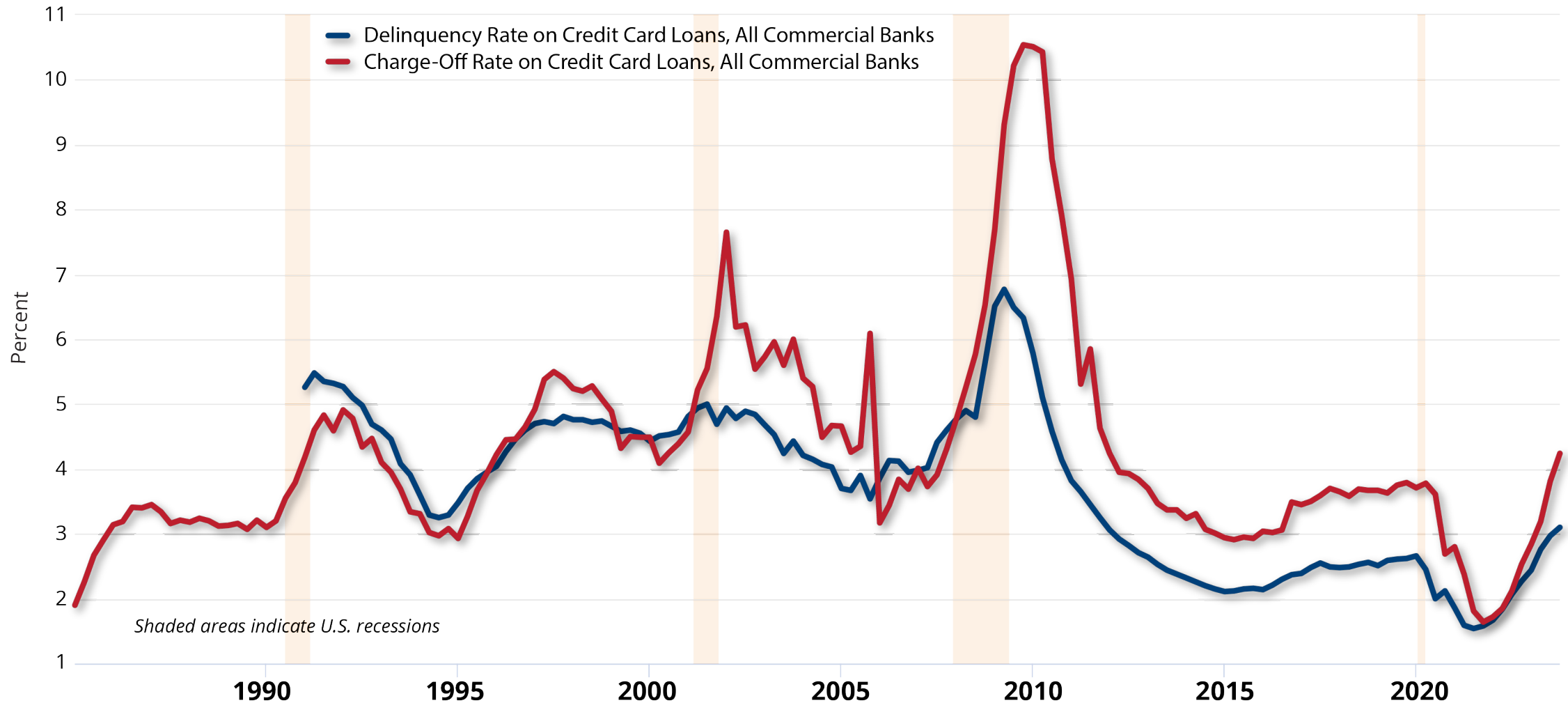
Source: FRED Board of Governors of the Federal Reserve System



# Delinquency/Charge-Off Rates Returning to Pre-pandemic Levels

Delinquency Rate on Credit Card Loans, All Commercial Banks  
Charge-Off Rate on Credit Card Loans, All Commercial Banks

01/01/1985 to 12/31/2023



For illustrative purposes. Past performance is not indicative of future results.

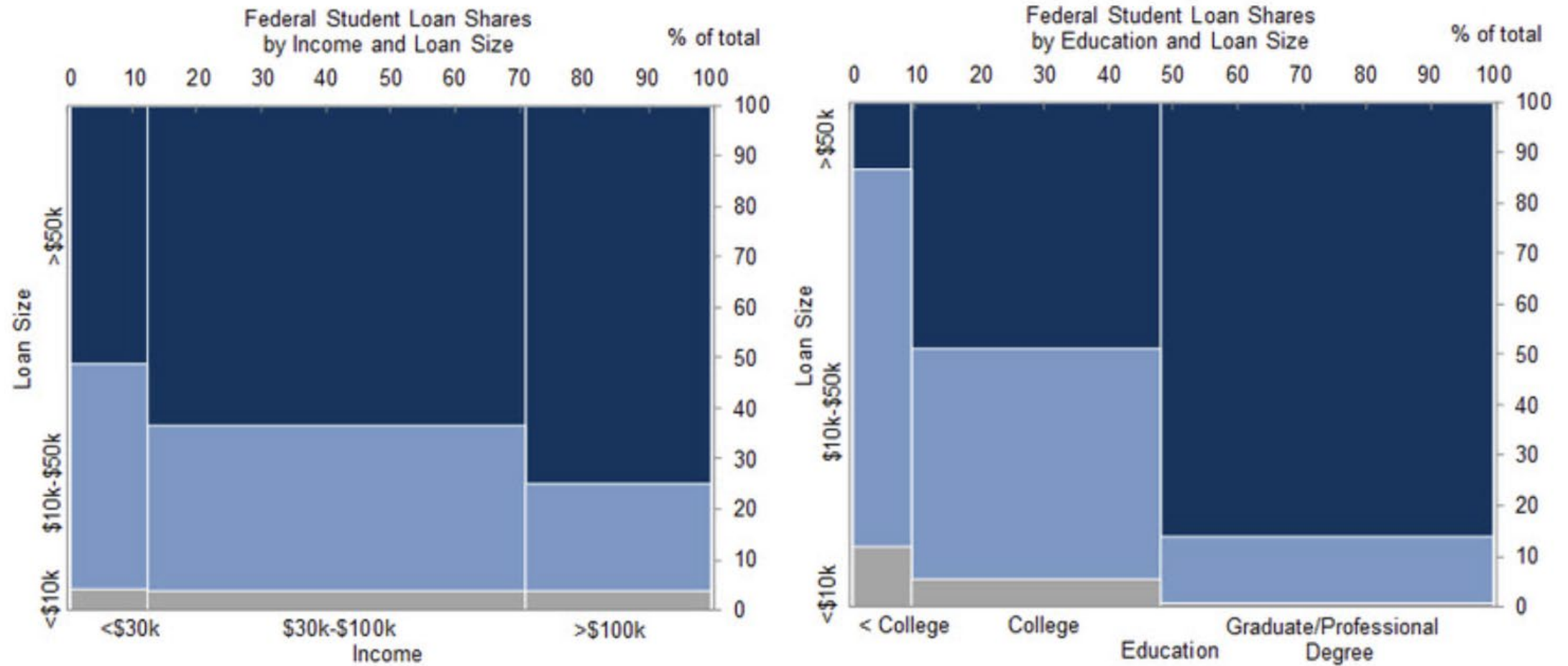
Source: FRED Board of Governors of the Federal Reserve System

Source: Fred.stlouisfed.org



# Student Debt by Income and Degree

**Exhibit 2: Most Student Debt is Held by Middle- and Upper-Income Households With a Graduate or Professional Degree**



Source: Federal Reserve Board

For illustrative purposes. Past performance is not indicative of future results.

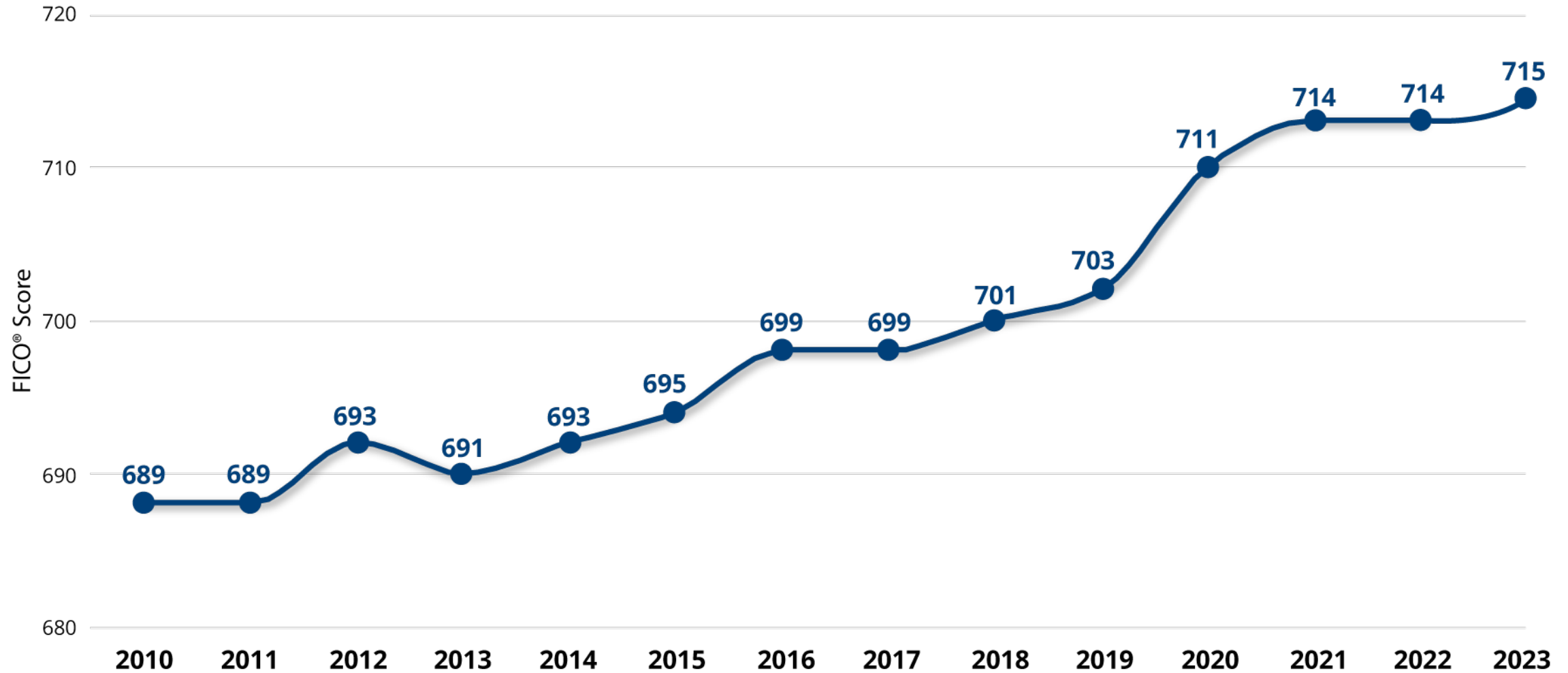
Source: Federal Reserve Board



# Average Credit Scores in the US Have Been Increasing

Average FICO® Score in the U.S. is 715

As of 9/30/2023



Source: Experian.com

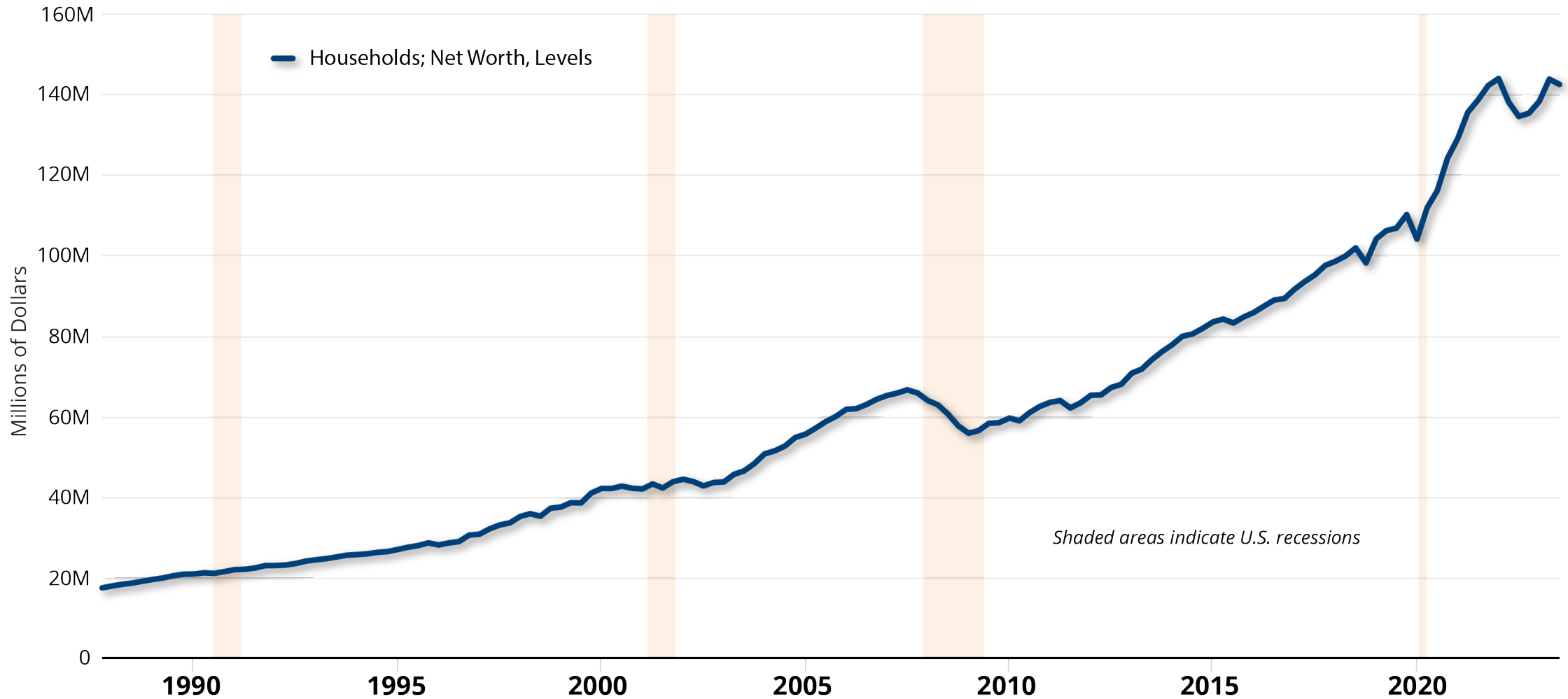
For illustrative purposes. Past performance is not indicative of future results.

Source: Experian.com

# Household Net Worth Is on the Rise Again

## Households; Net Worth, Levels

10/01/1987 to 09/30/2023



Shaded areas indicate U.S. recessions

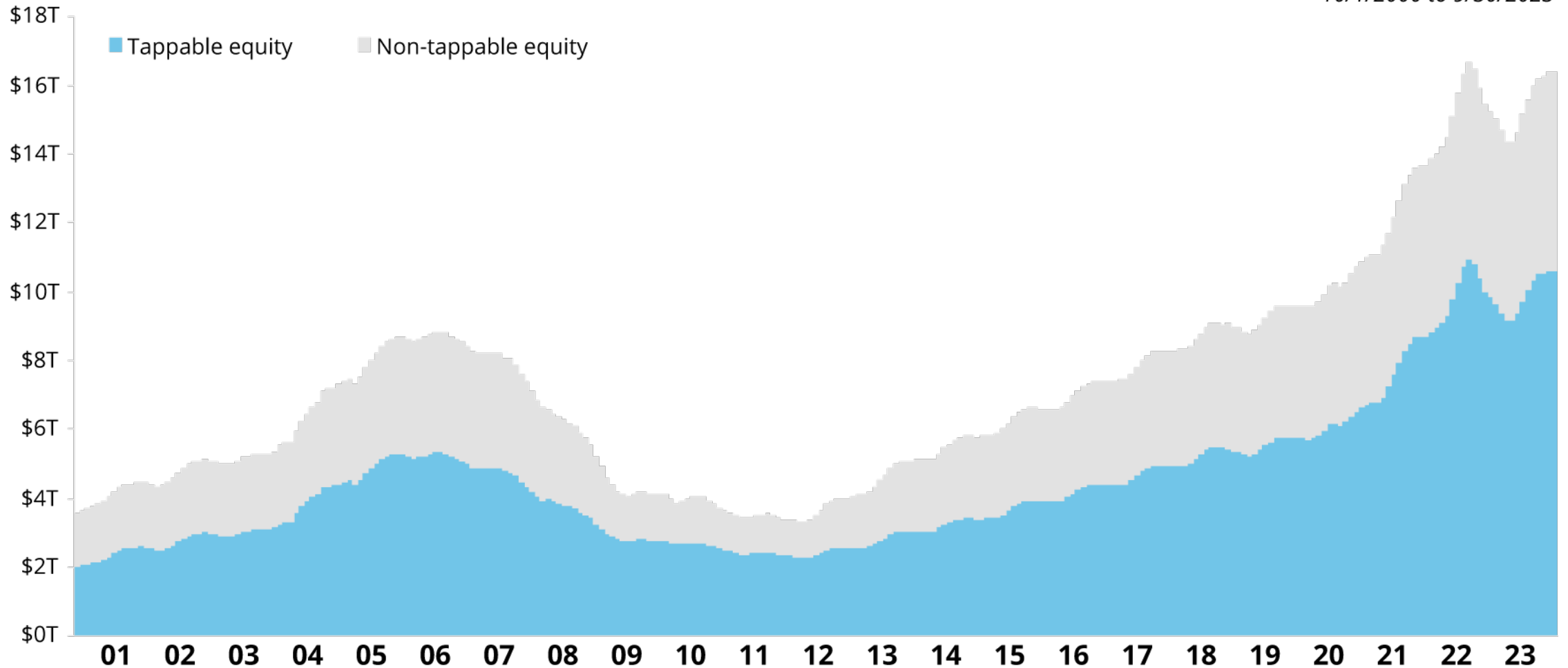
For illustrative purposes. Past performance is not indicative of future results.

Source: Fred.stlouisfed.org

# Consumers Have Plenty of Equity in Their Homes

## Homeowner equity on mortgaged residential properties

10/1/2000 to 9/30/2023



Source: ICE, McDash +Property

Tappable equity is equity that could be withdrawn while still maintaining an 80% or lower loan-to-value ratio

For illustrative purposes. Past performance is not indicative of future results.



## Is the National Debt a Concern?

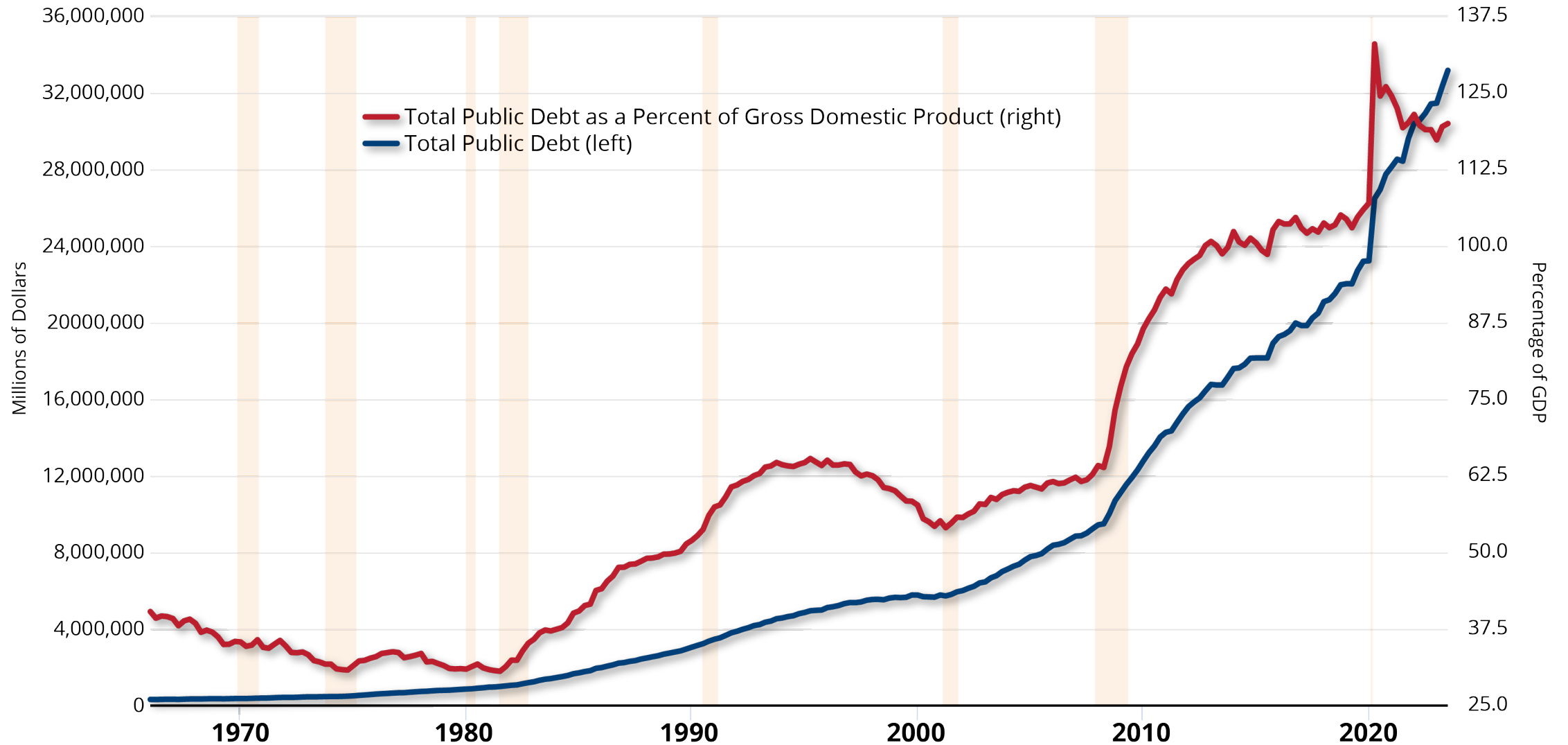
- National debt reached \$34 trillion
- Debt to GDP ratio down from pandemic peak
- Low debt to GDP doesn't always equal prosperity
- Interest on the debt is \$1 trillion a year
- Interest payments as a percent of GDP are lower than the 1980s and 1990s
- Federal deficit/GDP is improving post pandemic



# Level of Debt and Debt to GDP

## Federal Debt

01/01/1966 to 09/30/2023



For illustrative purposes. Past performance is not indicative of future results.

Source: FRED Board of Governors of the Federal Reserve System

Source: [FRED.stlouisfed.org](https://fred.stlouisfed.org)



# Debt to GDP Across the World

## General Government Debt, % of GDP

Total stock of debt liabilities issued by the general government as a share of

Japan 261%	United Kingdom 101%	Finland 75%	Philippines 58%	Ethiopia 46%	Switzerland 39%	United Arab Emirates 30%
Greece 177%	Egypt 89%	Slovenia 70%	Australia 56%	Ireland 45%	Nigeria 38%	Denmark 30%
Venezuela 158%	Cyprus 87%	Iceland 69%	Panama 55%	Czech Republic 42%	Chile 38%	Bosnia and Herzegovina 30%
Italy 144%	Brazil 85%	Croatia 68%	Korea, Republic of 54%	Georgia 42%	Vietnam 37%	Taiwan Province of China 27%
United States 121%	India 83%	Germany 67%	Thailand 54%	Tanzania 42%	Cambodia 37%	Luxembourg 24%
Portugal 116%	Ukraine 82%	Malaysia 66%	Serbia 54%	Latvia 42%	Uzbekistan 34%	Kazakhstan 23%
Spain 112%	Austria 78%	Costa Rica 64%	Poland 50%	Indonesia 40%	Bulgaria 33%	Russian Federation 20%
France 112%	El Salvador 77%	Colombia 64%	Netherlands 49%	Belarus 40%	Sweden 32%	Estonia 17%
Canada 107%	China, People's Republic of 77%	Israel 61%	Romania 47%	Norway 40%	Peru 31%	Congo, Dem. Rep. 15%
Belgium 105%	Hungary 76%	Slovak Republic 59%	Honduras 47%	Lithuania 40%	Türkiye, Republic of 31%	Turkmenistan 5%

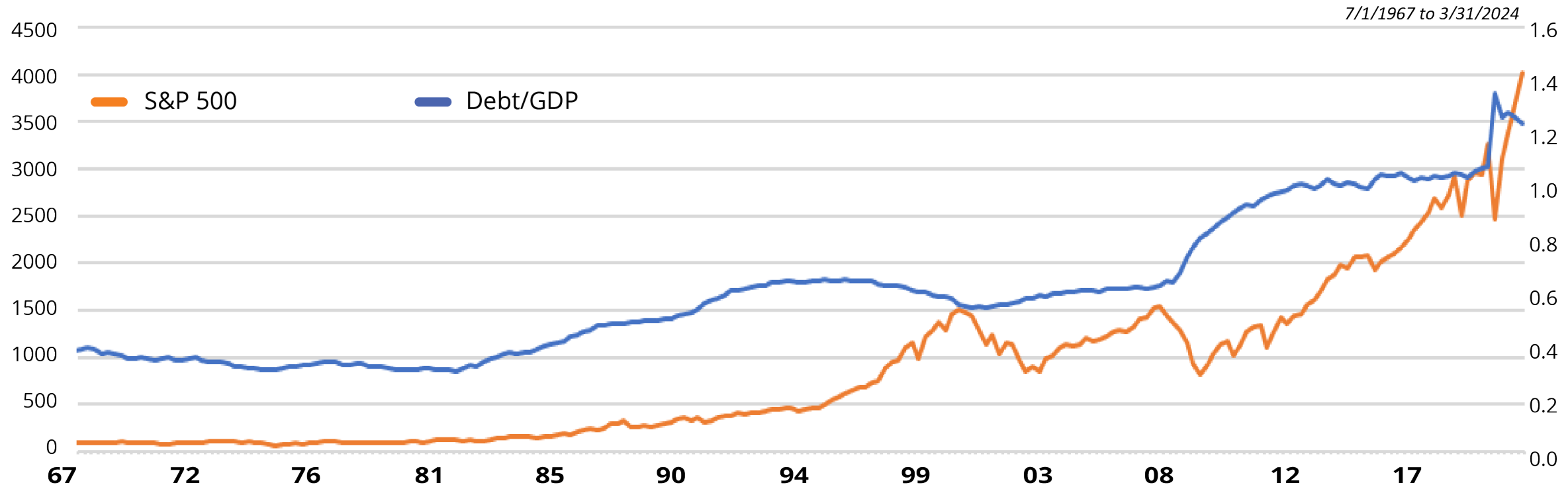
Source: IMF Global Debt Database (Sept 2023)



For illustrative purposes. Past performance is not indicative of future results.

# Govt Debt Matters.....

## U.S. Government Debt & Stocks



Source: fred.stlouisfed.org, Factset, Clark Capital

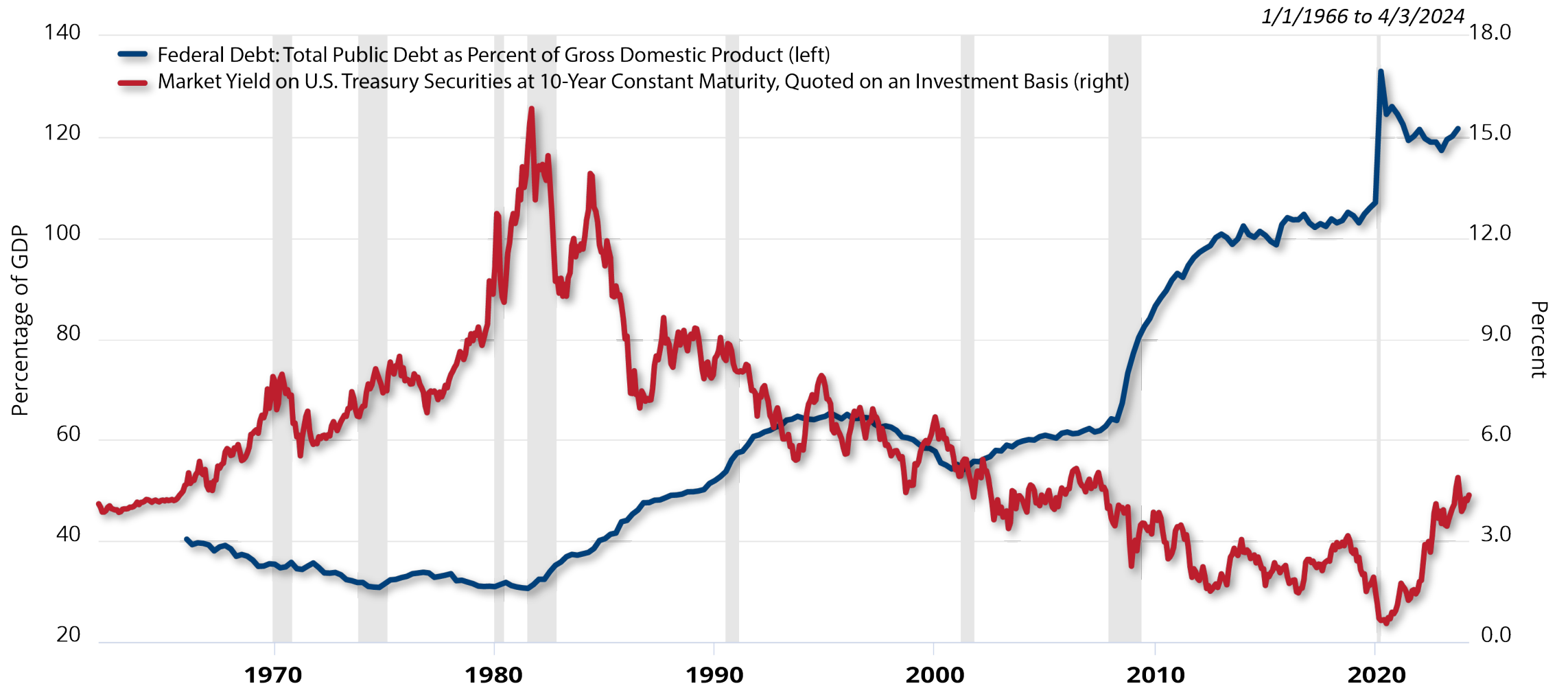
For illustrative purposes only. Past performance is not indicative of future results.

Source: fred.stlouisfed.org, Factset, Clark Capital



# But Maybe Not the Way You Think

## Federal Debt vs Market Yield



Source: fred.stlouisfed.org

For illustrative purposes only. Past performance is not indicative of future results.

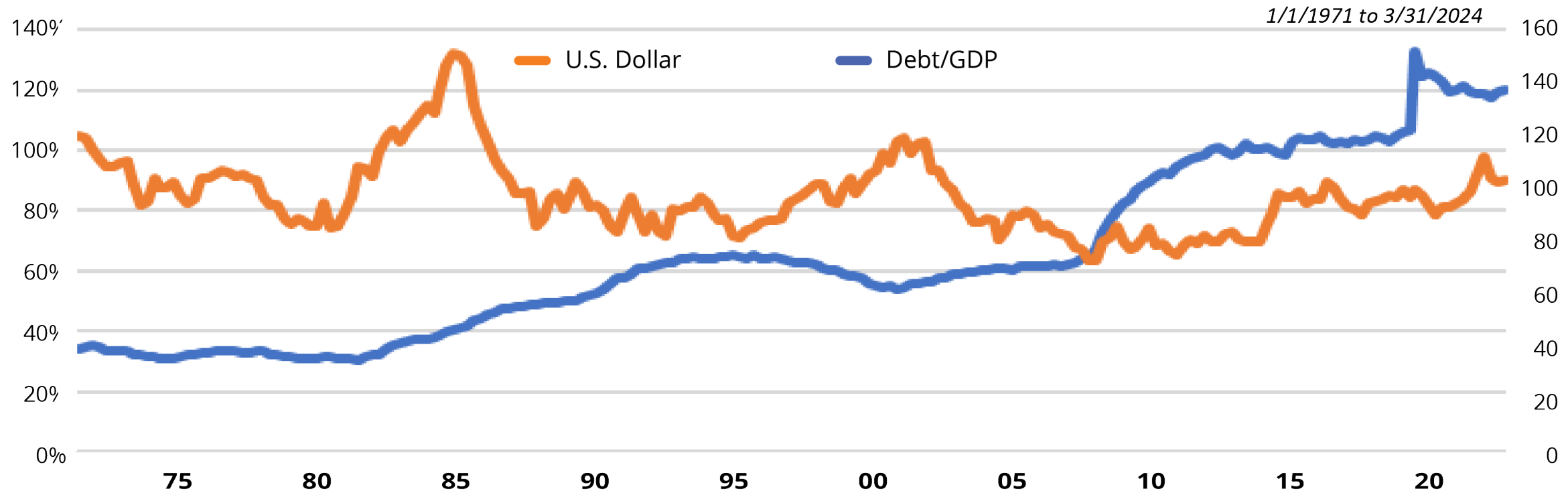
Source: fred.stlouisfed.org





# Still the Cleanest Shirt in the Dirty Laundry Pile

## U.S. Debt & U.S. Dollar



Source:fred.stloisfed.org, Y Charts, Clark Capital



For illustrative purposes. Past performance is not indicative of future results.

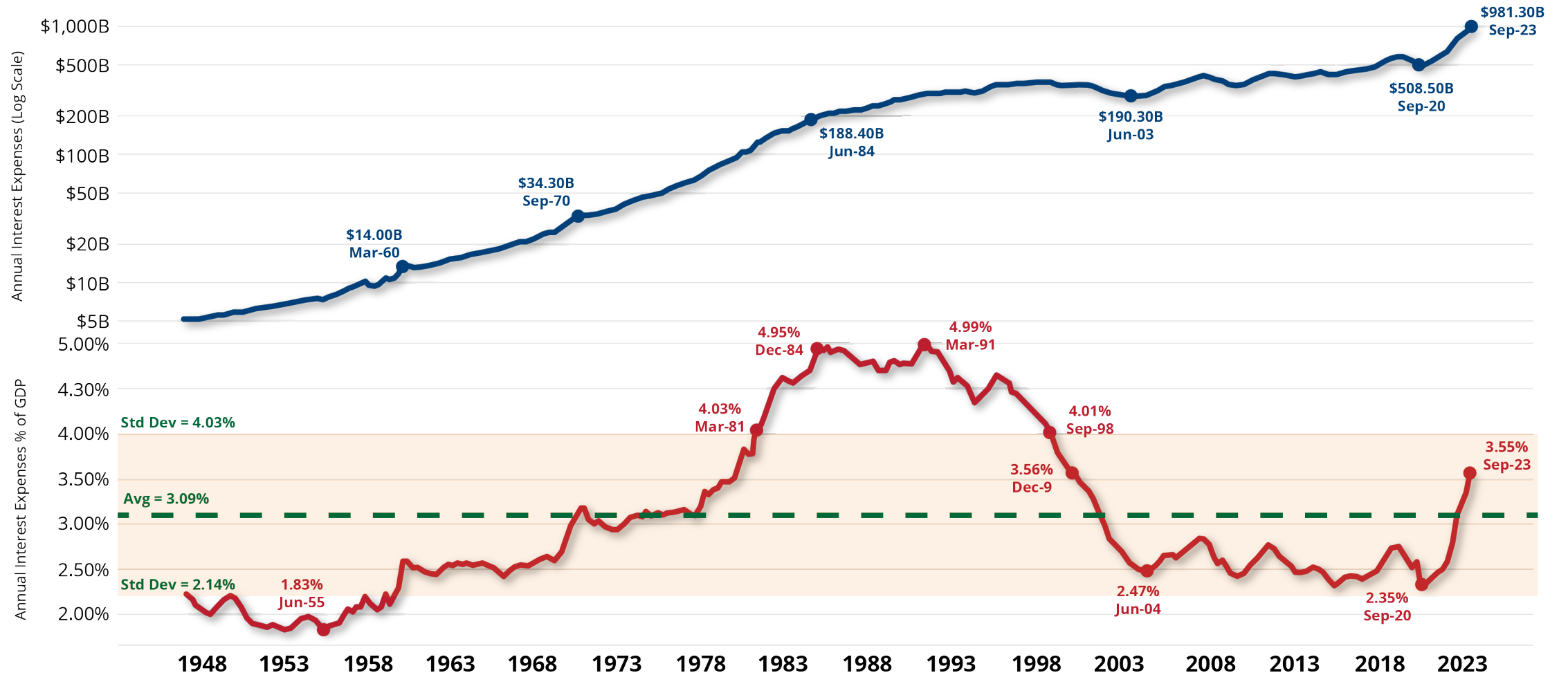
Source:fred.stloisfed.org, Y Charts, Clark Capital

# Interest Payments/GDP Lower Now Than the 80s and 90s

## How Much Interest Does the U.S. Treasury Pay on Its Debt in a Year?

Nominal Dollars and as Percentage GDP

01/01/1948 to 09/30/2023



Source: U.S. Treasury, BEA, Bianco Research

For illustrative purposes. Past performance is not indicative of future results.

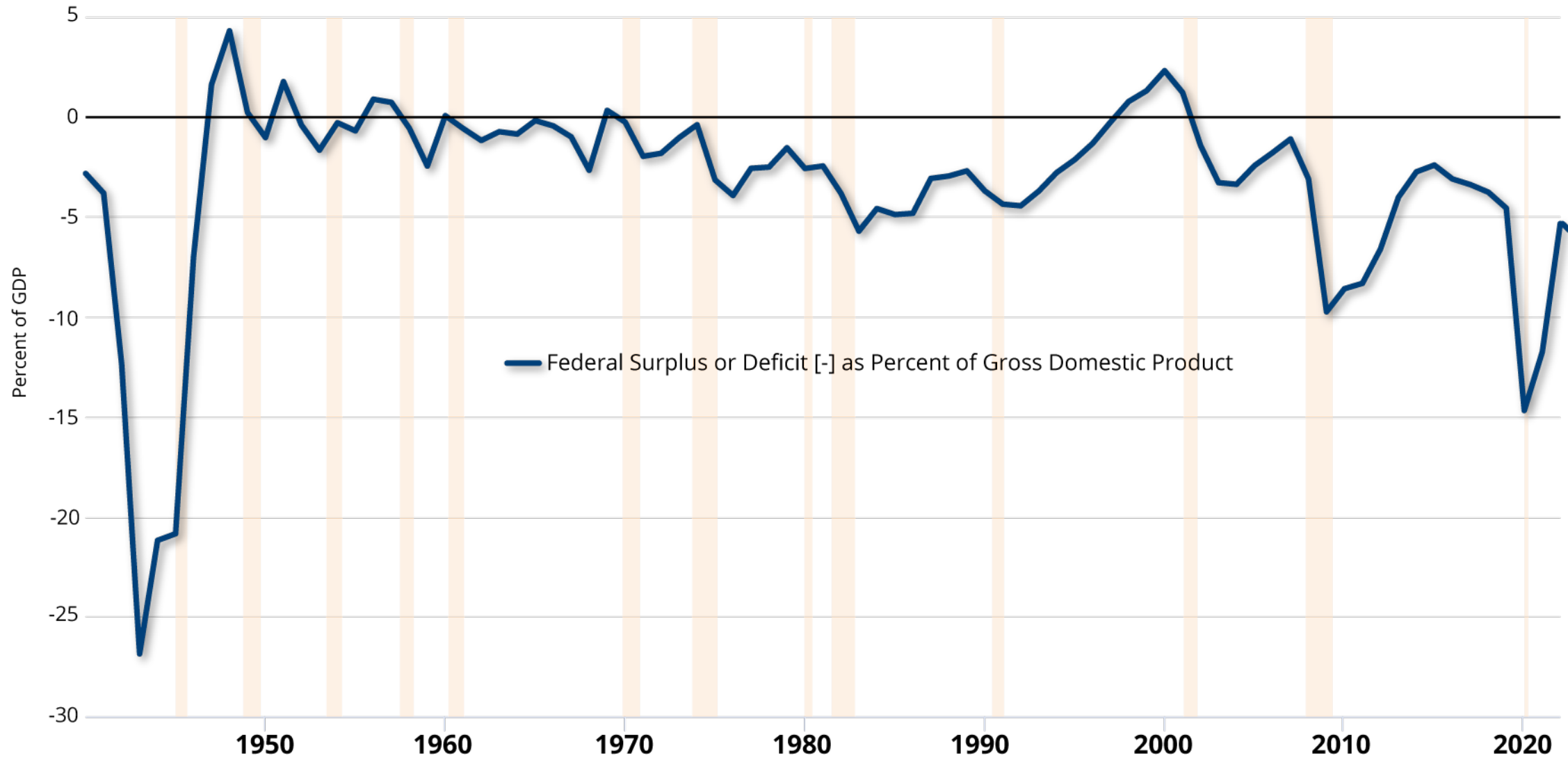
Source: U.S. Treasury, BEA, Bianco Research



# Federal Deficit/GDP Improving Post Pandemic

## Federal Surplus or Deficit as Percent of Gross Domestic Product

01/01/1940 to 1/1/2023



Federal Surplus or Deficit [-] as Percent of Gross Domestic Product

Source: FRED.stlouisfed.org

For illustrative purposes. Past performance is not indicative of future results.

Source: FRED Board of Governors of the Federal Reserve System

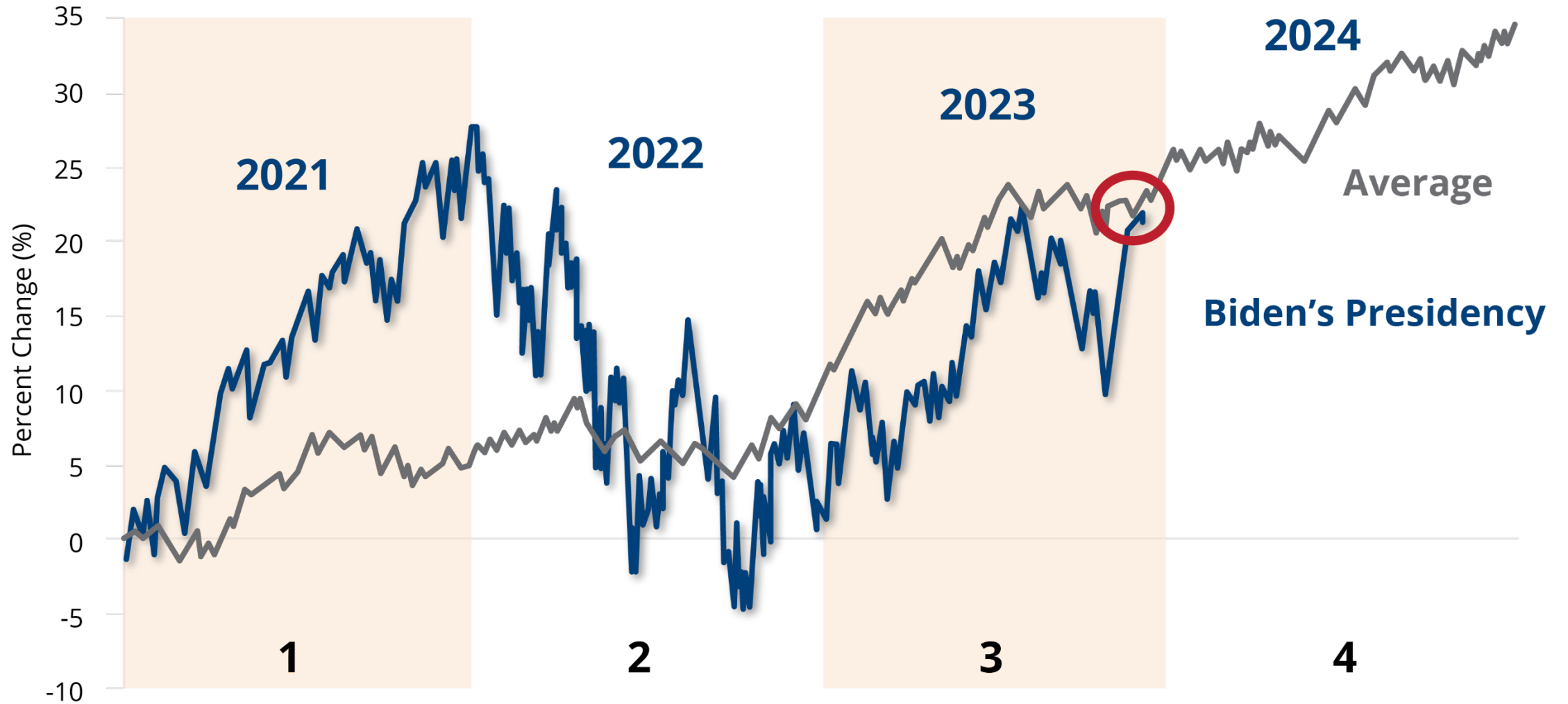


# How Will the 2024 Election Impact the Markets?



# Current Presidential Cycle

## S&P500 Four-Year Presidential Cycle 1928 — 2023



Source: Bespoke

For illustrative purposes. Past performance is not indicative of future results. Neither past actual, projections, nor other forward looking statements regarding future financial performance of markets are only predictions and actual events or results may differ materially.

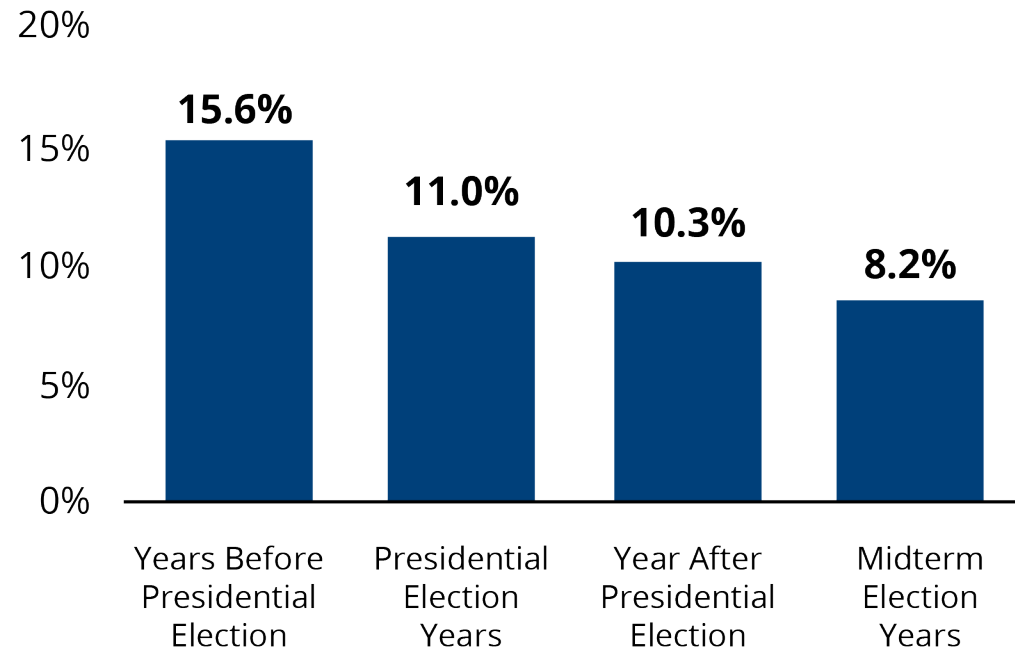




# Presidential Election Years 1928-2020

## S&P 500 +11 in Presidential Election Years (in line with average)

Average S&P 500 Total Returns by year, 1928-2020



Source: Bloomberg, BofA

Excluding 2008, average for Presidential Election Years" is 13.1% (still second highest)

## The S&P 500 had positive returns in 83% of election years

S&P 500 Total Returns in Presidential Election Years

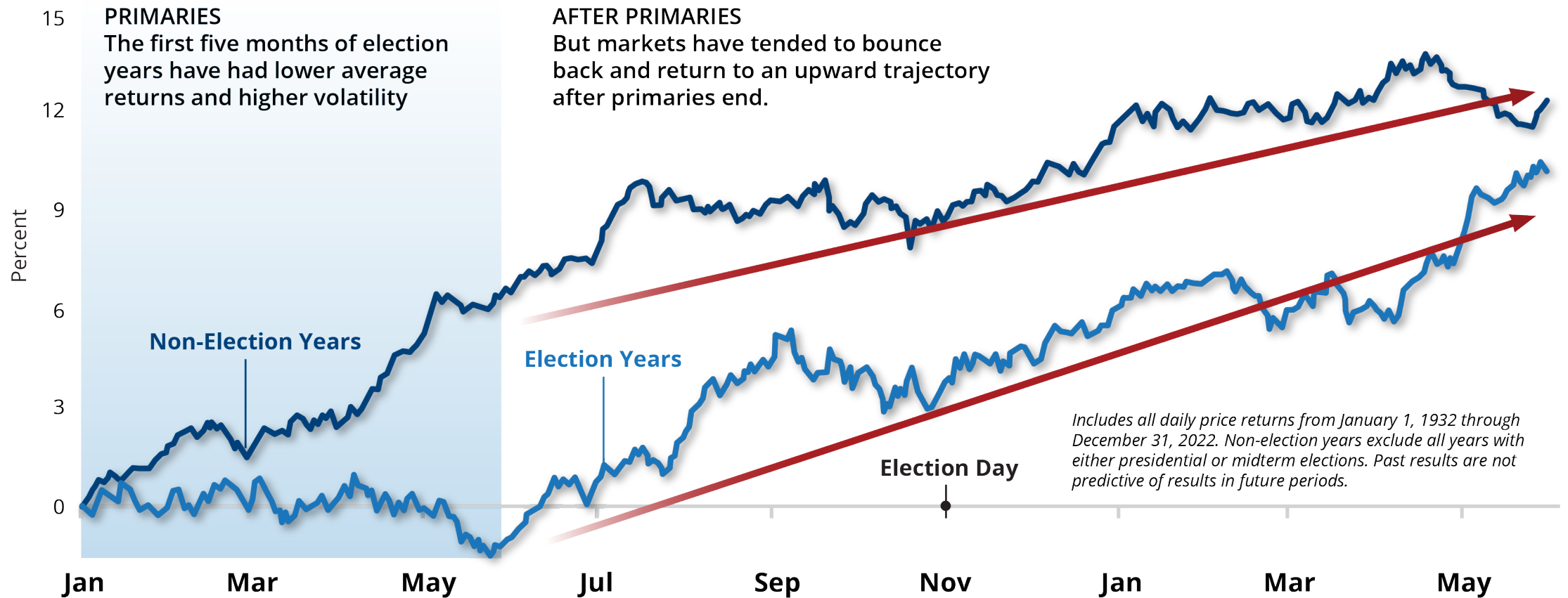
Election Year	Total Return	Election Year	Total Return
1928	38%	1976	24%
1932	-15%	1980	33%
1936	34%	1984	6%
1940	-10%	1988	17%
1944	20%	1992	8%
1948	5%	1996	23%
1952	18%	2000	-9%
1956	6%	2004	11%
1960	0%	2008	-27%
1964	16%	2012	16%
1968	11%	2016	12%
1972	19%	2020	18%

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# Primary Season Tends To Be Volatile

## S&P 500 Index Average Cumulative Returns Since 1932

01/01/1932 to 12/31/2022



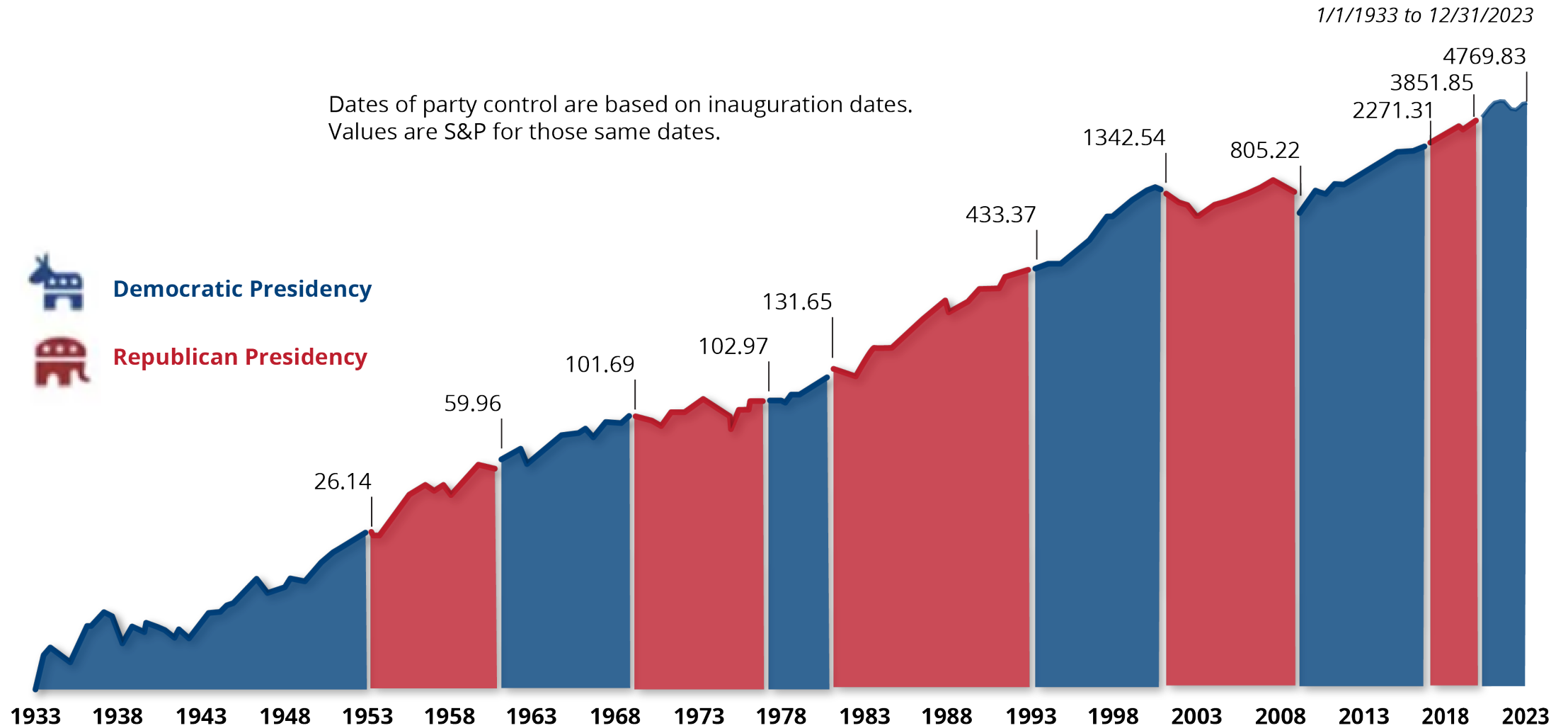
Includes all daily price returns from January 1, 1932 through December 31, 2022. Non-election years exclude all years with either presidential or midterm elections. Past results are not predictive of results in future periods.

Sources: Capital Group, RIMES, Standard & Poor's

For illustrative purposes. Past performance is not indicative of future results. Neither past actual, projections, nor other forward looking statements regarding future financial performance of markets are only predictions and actual events or results may differ materially.

# Over Time Stocks Have Gone Up...Despite Washington!

## S&P 500 Index Performance



For illustrative purposes. Past performance is not indicative of future results. Neither past actual, projections, nor other forward looking statements regarding future financial performance of markets are only predictions and actual events or results may differ materially.

Source: Morningstar, Standard & Poor's, Financialsamurai.com



## Is Now a Good Time to Sell My Business?

- Valuations are good and taxes aren't likely to go lower
- Identify the right buyers
- Structure the deal the right way
- Do appropriate estate planning
- Partner with someone who understands your business and your goals



# Business Owners: An opportunity

33M

Small businesses in the United States<sup>1</sup>

\$10T

Value of business assets that is expected to change ownership over the next decade<sup>2</sup>

80%

Percentage of business owners who do not have written plans to transfer ownership of their business<sup>3</sup>

12M

Number of businesses that will change hands in the next 10-15 years<sup>2</sup>

80%-90%

Percentage of business owners who have their financial wealth locked up in their business<sup>4</sup>

\$1.2M

Average AUM of a new business owner *before* business sale<sup>5</sup>

<sup>1</sup> Source: "The State of Small Business Now," U.S. Chamber of Commerce, 2023

<sup>2</sup> Source: "The Current Rise in Small Businesses Being Sold Over the Next 10-15 Years," SCORE, December 2022

<sup>3</sup> Source: "Exploring Exit Planning Trends from the 2022 Business Owner Survey," Business Planning Institute, January 2023

<sup>4</sup> Source: "The biggest mistakes owners make when selling their business," CNBC, December 2020

<sup>5</sup> Source: BizEquity.com



## Prospecting

# How to Open the Conversation

When opening the conversation, advisors should ask questions that help articulate how they can help create value around what business owners have worked so hard to achieve.

Clark Capital does not provide tax or legal advice. There are important tax and legal considerations when selling a business. Please consult a tax and legal professional prior to selling a business.

Have you thought about how long you plan to remain actively involved in your business?

Have you considered your exit plan from the business?

How much do you think your business is worth today?

Have you taken steps to ensure that your business is structured properly for sale?

If you were to sell your business, what do you envision your future to look like?



Optimizing the sale

# Pre-sale Considerations

The biggest challenge with a business sale is failure to plan. The earlier you can begin working with a business owner client ahead of the sale, the better.

Things to consider before helping your client sell a business:

- 1 Treat the idea of a sale with care. Most of the owner's value is likely in their business and selling is a personal and often emotional process.
- 2 Get started as early as possible. Ideally, beginning planning two to five years ahead of the sale can help maximize the results.
- 3 Ensure that the client has a strong team of professional advisors, including a CPA, M&A attorney, and estate planning attorney.
- 4 Educate the client about different types of potential buyers in the marketplace, such as sales to private equity, sales to strategic buyers, and employee or management buyouts.



Optimizing the sale

# Pre-sale Considerations

(continued)

- 5 Be mindful of the tax implications and ensure the business is structured to avoid unnecessary tax liabilities.
- 6 Discuss any estate planning or gifting considerations they may have or want to put into place.
- 7 Partner with a trusted provider for a current and reliable valuation of the business. Help the client gather the necessary information to ensure accuracy.
- 8 Identify any potential obstacles or roadblocks to a successful sale, such as partial owners, family members, financial issues, or credit problems.





# At Clark Capital, we understand your business.

As a 100% employee-owned firm, we partner with financial advisors like you to help ensure the success of business owners with personalized solutions, experience you can trust, and exceptional service.

Q&A



# Disclosure

The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. There is no guarantee of the future performance of any Clark Capital investment portfolio. Material presented has been derived from sources considered to be reliable, but the accuracy and completeness cannot be guaranteed. Nothing herein should be construed as a solicitation, recommendation or an offer to buy, sell or hold any sectors or securities, other investments or to adopt any investment strategy or strategies. For educational use only. This information is not intended to serve as investment advice. This material is not intended to be relied upon as a forecast or research. The investment or strategy discussed may not be suitable for all investors. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Past performance does not guarantee future results.

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Investing involves risk, including loss of principal.

Fixed incomes securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in market value or an investment), credit, prepayment, call (some bonds allow the issuer to call a bond for redemption before it matures), extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase) and inflation risk (rising prices will lower the purchasing power of the investment at maturity).

Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

Foreign securities are more volatile, harder to price and less liquid than U.S. securities. They are subject to different accounting and regulatory standards and political and economic risks. These risks are enhanced in emerging market countries.

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# Benchmark Descriptions

References to market or composite indices, benchmarks or other measures of relative market performance over a specified period of time (each, an “index”) are provided for your information only. Reference to an index does not imply that the portfolio will achieve returns, volatility or other results similar to that index. The composition of the index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change. Investors cannot invest directly in an index.

The 2-Year Treasury Rate is the yield received for investing in a US government issued treasury security that has a maturity of two years. The 2-year treasury yield is included on the shorter end of the yield curve and is important when looking at the overall US economy.

The 10-year Treasury yield is closely watched as an indicator of broader investor confidence. Because Treasury bills, notes, and bonds carry the full backing of the U.S. government, they are viewed as one of the safest investments.

A leading indicator is a measurable set of data that may help to forecast future economic activity. Leading economic indicators can be used to predict changes in the economy before the economy begins to shift in a particular direction. They have the potential to be useful for businesses, investors, and policy makers.

Index returns include the reinvestment of income and dividends. The returns for these unmanaged indexes do not include any transaction costs, management fees or other costs. It is not possible to make an investment directly in any index.

The volatility (beta) of an account may be greater or less than its respective benchmark.

Gross domestic product (GDP) is the monetary value of all finished goods and services made within a country during a specific period. GDP provides an economic snapshot of a country, used to estimate the size of an economy and growth rate.

The Dow Jones Industrial Average is the most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the Wall Street Journal (which is published by Dow Jones & Company), a practice that dates back to the beginning of the century. The Dow is computed using a price-weighted indexing system, rather than the more common market cap-weighted indexing system.

The S&P 500 measures the performance of the 500 leading companies in leading industries of the U.S. economy, capturing 75% of U.S. equities.

The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 2000 Index measures the performance of the 2000 smallest U.S. companies based on total market capitalization in the Russell 3000, which represents approximately 10% of Russell 3000 total market capitalization.

The S&P MidCap 400 provides investors with a benchmark for mid-sized companies. The index covers over 7% of the U.S. equity market, and seeks to remain an accurate measure of mid-sized companies, reflecting the risk and return characteristics of the broader mid-cap universe on an ongoing basis.

The MSCI ACWI stands for All Country World Index. A market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is maintained by Morgan Stanley Capital International and is comprised of stocks from both developed and emerging markets.

The MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market. With 638 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US.

