



# HENDERSON HUTTER GROUP

## QUARTERLY NEWSLETTER



Summer is just around the corner, bringing with it longer days, warmer weather, and, of course, the perfect excuse to dive into some captivating reads. Reading has always been a prioritized pastime of mine - it's a way to unwind, expand my horizons, feed my curiosity, and spark new ideas.



I used to switch back and forth between reading for pleasure books and reading work related pieces, but within the last year I've started reading two books at once. I find that my mood, my focus, and even my location impact which book I'm motivated to pick up. When I'm wiped from a long day, I just want to get in bed and read the latest Joe Pickett novel, but on a Saturday afternoon when the week has finally quieted down, I may dig into the latest Harvard Business Review book on managing time.

In a world filled with constant noise and distractions, carving out time for reading is more important than ever. It offers the obvious benefit of disconnecting from our screens, but it also motivates me to dig deeper on topics that I want to learn more about. In line with that, our team has made "book reports" a permanent fixture of our semi-annual business planning sessions. Typically, 3-5 team members read a work-related book then share their findings with the team. It's been a neat way of expanding our collective knowledge without everyone reading every page. While we have hit our fair share of "boring" industry materials, you might be surprised to see some of the titles we have covered over the years...

- *The Checklist Manifesto* by Atul Gawande
- *Atomic Habits* by James Clear
- *It's OK that You're Not OK* by Megan Devine
- *The Four Agreements* by Don Miguel Ruiz

So, if you decide to join me in picking up a book (or two!) this summer, share what grabs your attention. Whether you are seeking thrills, enlightenment, or simply a moment of respite, there's a book waiting for you. Happy reading!



### COMMUNITY ENGAGEMENT

Last month, the team spent an afternoon with the [Friends of Lafitte Greenway](#), cleaning graffiti and preparing the park for murals by local artists.

## SOCIAL SECURITY AND ITS UNCERTAIN FUTURE

As an election year rolls in, questions about Social Security's financial health will likely surface in debates - however, it's important to clarify that Social Security is not going bankrupt. The system operates on a pay-as-you-go basis, with today's workers funding benefits through payroll taxes. Currently, for every person drawing Social Security, there are 2.7 workers paying into the system, which could create a long-term mismatch in funding. Over decades, Social Security accrued reserves from surplus taxes. But since 2021, it's been dipping into these reserves to cover costs. When these funds deplete, likely in about ten years or so, benefits could reduce by 23%, affecting future retirees, potentially leaving them with \$17,400 less for the average dual-income couple by 2033.

To address this, Congress faces tough choices: increase taxes, reduce benefits

(especially for high earners), or raise the retirement age. Each option has drawbacks and could face resistance. Raising the retirement age, for instance, could disproportionately affect low-income or physically demanding job holders.

The last significant reform was in 1983, which gradually raised the retirement age and increased payroll taxes. While there are no easy answers, a mix of solutions is probable; early action is important to allow for gradual implementation and give pre-retirees time to adapt. For those currently receiving Social Security benefits, or close to turning on benefits, any changes in the system would likely not affect their benefits directly. Social Security reforms typically focus on adjustments for future retirees, such as changes to the retirement age, benefit reduction formulas, or tax hikes.



HENDERSON HUTTER GROUP  
WEALTH PLANNING ADVISORS

# KUNGL

IN THE INVESTMENT JUNGLE

Our team is excited as summer quickly approaches. From a market perspective, the summer months are usually the more “boring” months – June and July have historically shown below-average levels of volatility and trading volumes. On the regulatory front, we’d like to share an update from the SEC. They have recently overhauled the settlement process for trading activity, reducing it by one day. This means that the process of raising cash to receiving cash now take two business days rather than three. This is a welcome, yet long overdue, improvement.

The US economy is growing, while inflation demonstrates that the last mile often takes the longest. In April, the Bureau of Labor Statistics reported inflation at 3.4% over the last 12 months, with auto insurance contributing over 0.60%. What’s the deal here? It’s been a challenging 4+ years for the auto industry. During the pandemic, chip shortages lowered new car production. Replacement parts were also hard to source, making repairs more expensive and time-consuming. This led to greater demand for rental cars, increasing their prices, and therefore higher claims to insurance companies. Insurers began passing on these increases in the form of higher premiums. The good news is that both new car production and the auto parts supply chain are healing. We suspect that we are close to a peak in auto insurance rates, which should ultimately help lower the headline inflation number. While shelter-related inflation remains stubborn, progress elsewhere suggests that the Fed could reasonably cut rates one to two times this year. Currently, market participants expect the first cut to occur between September and November.

While the financial media loves to speculate on when, where, and how many rate cuts the Fed will conduct this year, there are other developments to consider. The Federal Reserve holds about \$7 trillion in bonds on their balance sheet, composed of treasuries and mortgage-backed securities. Each month, some of these bonds mature, meaning the Fed

receives cash proceeds from the Treasury Department. Starting in 2022, they chose not to reinvest the cash collected from the Treasury. Beginning in June, they will use a portion of the proceeds from maturing bonds to purchase new bonds in the open market. Most likely, we won’t even notice, but it should insulate the bond market from unexpected negative surprises. A well-behaved bond market is important for the stock market.

Looking at the first quarter earnings season, we notice a few trends—some good, some not so good. Beginning with the less favorable aspects: only 60% of companies are exceeding their revenue expectations, compared to an average of around 64% over the last 10 years, according to FactSet research. This suggests consumers are becoming more selective with their spending. On the brighter side, 78% of companies are beating earnings expectations, which is above the 10-year average of 74%. Companies are doing more with less and finding creative ways to reduce costs in a decelerating yet growing economy.

Positive earnings trends are visible not only in the tech sector but across the board: including utilities, real estate, and financials. Additionally, secular themes such as infrastructure projects, semiconductor manufacturing, and energy realignment create highly attractive risk/reward opportunities in select segments of the market.

Overall, we’re encouraged by regulatory improvements and constructive market trends. Let’s not forget that consumers tend to spend more during the warm months, which is good for the economy. So let us worry about the latest inflation reports and an unpredictable election cycle—while you go enjoy the summer.



**Patrick Kungl, CFA**  
Portfolio Strategist



In January of this year, HHG welcomed two new teammates! We saw the (highly anticipated) return of Alli Eis in a new role specially suited to her unique skillset as our *Manager of Special Projects*.

We also created a role for Tiffani Birdon-Culpepper who serves as our *Tax Planning Associate*. As she comes up to speed, we look forward to improving and enhancing our current tax planning services for you as a client of HHG.



**ALLI**



**TIFFANI**

Oakland, CA

**HOMETOWN**

Monroe, LA

Moving 30k lbs. of recycled plastic with a forklift.

**WEIRDEST THING DONE FOR A JOB**

Composing songs about telling time and vowel sounds.

Pagoda Cafe

**FAVORITE RESTAURANT**

Acme Oyster House

Finding opportunities to celebrate special moments clients share with us.

**BEST PART OF YOUR ROLE**

Gaining knowledge and the opportunities for personal development.

Oaklands A’s  
(while they’re still in Oakland)

**SPORTS TEAM**

Black & Gold to the S\_\_\_\_\_ B\_\_\_\_\_!

Hiking in Provence, France

**GREATEST VACATION EVER**

Ochos Rios, Jamaica

Iced coffee – black.

**COFFEE OR TEA**

Coffee, and give it to me straight!

Burritos!

**CAN’T LIVE WITHOUT...**

My headphones. Music is a huge part of my life.

## SUMMER FRIDAYS

Miss Lee’s email? Our office will be closing at 3:00pm on Fridays during the summer so that our team can enjoy a little extra time away from the office.

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