

JULY 2026

Q2 MARKET UPDATE

*Welcome to the Kanakaris & Associates
Q2 Newsletter. We appreciate your business.*

MARKET OVERVIEW & Q2 PREDICTIONS

“As we are in the second quarter of 2026, the S&P quarterly predictions are up 60% of the time and I expect the S&P to rise to about 7,725,” said Mark Kanakaris.

Wall Street analysts broadly agree with your bullish outlook for 2026, with major institutions like Goldman Sachs, Morgan Stanley, and Yardeni Research predicting the S&P 500 will close out the year within the 7,600 to 8,250 range, making the 7,725 target a very realistic consensus.

Here are the key factors driving this trajectory in the second half of 2026:

AI Infrastructure: Massive capital spending on AI is expected to account for roughly half of the S&P 500's total earnings growth.

Corporate Earnings: Analysts have been upgrading second-quarter profit estimates across the board—a highly unusual move since expectations usually drop during a quarter, highlighting strong corporate momentum.

Market Rotation: While technology led the charge in the first half of the year, market leadership is broadening into industrials, healthcare, and financials.

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Now or Later

Q2 PREDICTIONS *(continued)*

Historical Data: Historically, the S&P 500 does see gains roughly 60% of the time, and analysts expect this to hold true, though the path higher might be non-linear due to inflation and interest rate concerns.

Despite these positive forecasts, some brokerages caution that the S&P could be on the verge of a modest re-pricing if corporate profits slightly disappoint or if the Federal Reserve alters its outlook.

TAX PREPARATION FOR EXTENSIONS

October 15, 2026

The primary fall tax deadline for the 2025 tax year is **October 15, 2026**, which is the final extended due date for individuals who previously requested a 6-month filing extension. Don't delay your preparation to help you minimize any potential liabilities.

It's important to revisit your asset schedule and review your trusts. These critical elements of your financial and estate plan can help you better navigate the filing and ensure your finances are in optimal shape for the year.

Revisit Your Asset Schedule and Trusts

Trusts are a vital component of effective estate planning, offering not only asset protection but also valuable opportunities for tax savings. If your trust has not been reviewed recently, now is the ideal time to revisit it.

Whether there have been changes in your family dynamics, property acquisitions, or updates in tax laws, reviewing your trust will help you make sure it's aligned with your current needs.

We also recommend revisiting your asset schedule to ensure it reflects any new purchases or changes in your financial situation. This review can help you determine whether any assets should be added or reallocated within your trust, which may assist with tax savings.

A comprehensive review of your assets and trusts will give you peace of mind for the year ahead, ensuring that you take full advantage of any tax-saving opportunities.

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MARK ON THE MARKETS

Weekly Stock Market Updates from Mark Kanakaris

Tune into the **Mark on the Markets** video series diving into the market trends each week.



YouTube: @kanakarisassociates2327

Latest Episode:

www.youtube.com/watch?v=tDcAwq3iy9s

TAX PREPARATION *(continued)*

“Talk is cheap,” said Mark Kanakaris. “We literally do a side-by-side comparison of your past tax filing and your current to show you the difference we can make.” When our clients compare this year’s

tax return to their next year’s “what if” tax return (showing the effect of our planning) it is then easy for them to make an informed, educated decision that saves them money.

ROTH CONVERSION: KNOWING THE BASICS

A Roth conversion is the process of moving funds from a tax-deferred account (like a Traditional IRA or 401k to a post-tax Roth IRA). You pay income taxes on the converted amount now, but your money grows tax-free, and future qualified withdrawals in retirement are completely tax-free.

But first you must have a plan. You need to know your income now and expected income in retirement.

Before we dive into the specifics: please note that there is no reversing of Roth... if you make a mistake, you cannot

When you work with Kanakaris and Associates, there are three value adds:

- No Tax Bracket Change
- No loss of principle
- No out of pocket costs, *if done efficiently*

change it or get it back, you need to use the right tools. Kanakaris will protect your investments.

How it Works

The Tax Bill: The converted amount is treated as ordinary taxable income in the year of the conversion. This added income can potentially bump you into a higher marginal tax bracket.

No Income Limits: Unlike regular Roth IRA contributions, anyone can do a Roth conversion regardless of how much they earn.

The 5-Year Rule: To avoid a 10% early withdrawal penalty on converted funds, you must let the converted money sit in the Roth IRA for at least five years before withdrawing it.

ROTH CONVERSION *(continued)*

Why People Convert

Tax-Free Growth: If you expect to be in a higher tax bracket in the future, paying taxes today at a lower rate saves you money.

No RMDs: Traditional retirement accounts force you to take Required Minimum Distributions (RMDs) starting at age 73. Roth IRAs do not have RMDs, giving you ultimate control over when you withdraw your money.

Why People Convert, Strategies to Consider

Partial Conversions: You don't have to convert your entire balance at once. Many people do "bracket-filling" conversions, transferring smaller chunks over multiple years to stay within a preferred tax bracket.

Optimize Low-Income Years: The best time to convert is often during years with unusually low income—such as the gap between retirement and when you start taking Social Security or RMDs.

Pay Taxes with External Funds: To get the maximum compounding benefit, pay the tax bill using a standard, non-retirement brokerage account or savings. Using retirement funds to pay the tax reduces your overall balance and may trigger early withdrawal penalties.

Common Pitfalls

The Backdoor Roth Trap: If you utilize the "backdoor Roth" strategy but already have pre-tax money in a Traditional, SEP, or SIMPLE IRA, you will be hit with the IRS pro-rata rule. This rule prevents you from only converting your after-tax contributions; instead, the conversion is taxed proportionally to your overall pre-tax IRA balance withdrawal penalties.

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