

INVESTMENT UPDATE

INSIDE THIS ISSUE

PAGE 1 & 2
1st Quarter 2025 Market Commentary

PAGE 2
Long-Term Perspective

PAGE 3
Alphabet Soup of Estate Planning

PAGE 4
Upcoming Events

1ST QUARTER 2025 MARKET COMMENTARY

MICHAEL HALL, CFP®, DIRECTOR, SALTMARSH FINANCIAL ADVISORS

"BE QUICK TO TURN BULLISH, BUT TAKE YOUR TIME TURNING BEARISH. THE MARKET IS UP 70% OF THE TIME."
- LARRY WILLIAMS

When I began my career in 2002 at a major wire house, a senior colleague in a corner office shared a piece of insight that closely aligns with the quote above: markets are positive approximately two-thirds of the time. A brief analysis supports this notion—since 1929, the S&P 500 has delivered positive returns in 682 out of 1,152 months, equating to 59.1% of the time. Even more compelling, when we broaden the scope to include all U.S. equities and assess annual returns rather than monthly fluctuations, the data reveals that U.S. equities have been positive 74% of the time. These historical patterns underscore the importance of maintaining a long-term investment perspective rather than attempting to time the market (Exhibit 1).

Bond yields with maturities of <1 year have remained fairly stable, and yields on maturities >1 year have declined with the most pronounced declines in the 2-10 year maturities (Exhibit 3). This is good news for bond investors who held intermediate term maturities in the first quarter of 2025 as they saw their bond prices increase for the first time in several years.

EXHIBIT 1

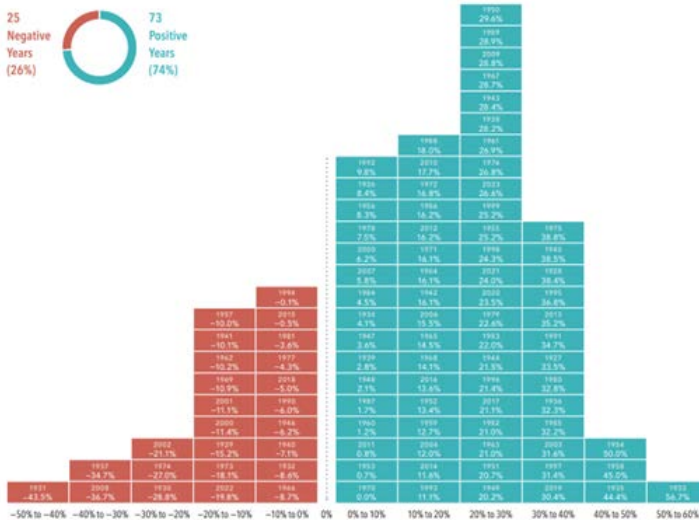


EXHIBIT 2

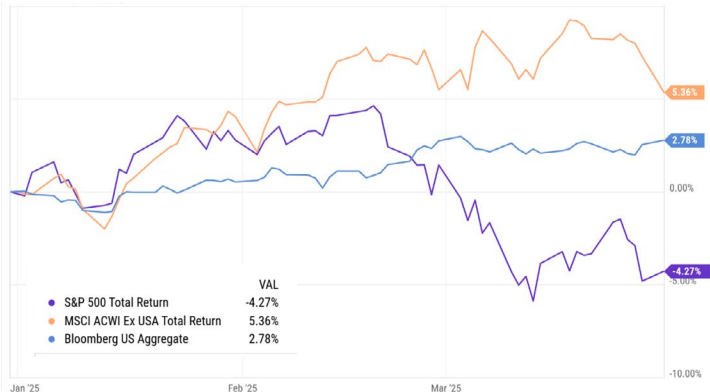
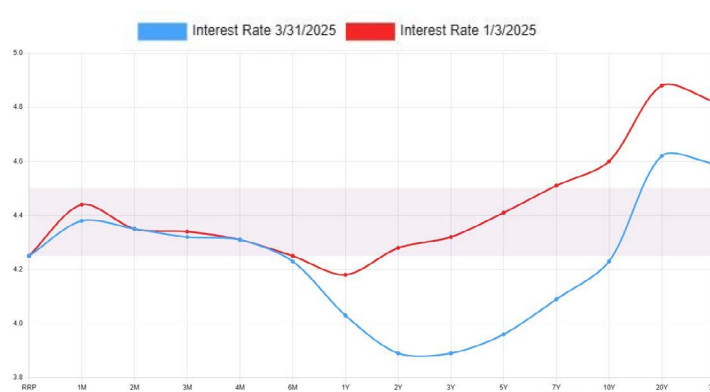


EXHIBIT 3



For the first quarter of 2025 the S&P 500 is down -4.27%. And, while negative, Large Cap stocks are still outperforming Small-Caps (iShares Russell 2000) which are down -9.48% YTD. But the bright spots since January are the bond index which is up 2.78% and foreign stocks which are up an impressive 5.36% (Exhibit 2).

EXHIBIT 4

	VAL	ANN
Energy Select Sector SPDR Fund Total Return	10.32%	52.35%
Financial Select Sector SPDR Fund Total Return	4.41%	20.29%
Technology Select Sector SPDR Fund Total Return	-8.03%	-30.14%
Health Care Select Sector SPDR Fund Total Return	5.62%	26.38%
Consumer Discretionary Select Sector SPDR Fund Total Return	-9.17%	-33.79%
Consumer Staples Select Sector SPDR Fund Total Return	2.18%	9.66%
Industrial Select Sector SPDR Fund Total Return	1.70%	7.50%
Utilities Select Sector SPDR Fund Total Return	3.03%	13.62%
Real Estate Select Sector SPDR Fund Total Return	2.76%	12.36%
Communication Services Select Sector SPDR Fund Total Return	2.65%	11.88%
Materials Select Sector SPDR Fund Total Return	3.50%	15.90%



Using indexes to paint a picture of equity market results may be using too broad a brush as there are substantial differences in sector performance. You can see in the chart below that Technology and Consumer Discretionary are responsible for the bulk of losses in the S&P 500 year-to-date. Taken together with the yield curve this is a classic rotation to more defensive positions (Exhibit 4). Another key trend to note is that while US Large Cap Growth stocks have dominated in recent years, that trend has changed recently, and value stocks are leading so far in 2025 as seen in the chart below (Exhibit 5).

We believe that factor based value investing provides excellent risk-adjusted returns. And in the current environment, this approach is proving once again to be effective at limiting volatility. As US Large-Cap stocks outgrew their target allocations in the past few years, we have reduced exposures and allocated those proceeds to asset classes and sectors that have lagged. Formerly lagging defensive sectors and asset classes that were purchased at lower prices are now coming back in favor and the prices are showing resilience in the face of economic and geopolitical uncertainty.

At Saltmarsh Financial Advisors we focus on the long-term outcomes for clients. We manage portfolios using broad asset allocations including fixed income and real estate along with equities. This way we control the impacts of market volatility on our client's portfolios and ensure that clients do not become overexposed to any one asset class. Our methodology of asset management, while it may not

EXHIBIT 5



appear to be terribly sexy, is based on Nobel prize winning research and is highly effective at managing risk and improving the consistency in returns over longer periods of time.

While no one has a crystal ball into future market performance, we recommend that investors maintain a well-diversified portfolio across both equity and fixed-income assets. Regular rebalancing, coupled with a disciplined, long-term approach, can help preserve both portfolio stability and peace of mind. Partnering with your financial advisor ensures that your investment strategy remains aligned with your risk tolerance and long-term financial objectives. Let us know if you would like to know more about Saltmarsh Financial Advisors' approach to portfolio management.

LONG-TERM PERSPECTIVE

In this graph we can see that U.S. stock markets provide substantial growth over longer periods of time. It is an excellent example of the adage "Investment success is about time in the markets, not timing the markets."

We expect that there will be periods of volatility in stocks and we position our portfolios in such a way that the diversification limits the impacts of this volatility.

Long-Term Perspective 1990-Present (log scale)



ALPHABET SOUP OF ESTATE PLANNING

JULIE EDWARDS, CPA, SUPERVISOR TAX & ACCOUNTING AND DAVID USLAN, CPA, TAX SHAREHOLDER

Estate planning is filled with an abundance of acronyms and terms that can be quite perplexing at first glance, but with a bit of guidance and explanation, they can become much more manageable. Understanding these acronyms is crucial for navigating the intricacies of estate planning as well as making well-informed decisions. Since the process can be quite complex, it's helpful to have all the definitions in one accessible place.

CLT: Charitable Lead Trust, allows individuals to support charitable organizations. The trust makes regular payments to one or more charities for a designated period. After the charitable term ends, the remaining assets in the trust are transferred to non-charitable beneficiaries, such as family members.

CRT: Charitable Remainder Trust, allows individuals to donate assets to a charity while providing income for themselves or other beneficiaries. The trust provides regular income payments to one or more non-charitable beneficiaries for a specified period or for their lifetimes.

CRUMMEY POWERS: Named after **Clifford Crummey**, who first used this technique in the 1960's, allows beneficiaries to have a temporary right to withdraw contributions to a trust. This right to withdraw is what makes the contributions eligible for the annual gift tax exclusion.

DECANTING: The process of transferring assets from one trust to another, typically a new trust with different terms. This is done to modify the trust's provisions without having to go through a formal modification process or court proceedings. By **decanting**, trustees can take advantage of new tax laws and strategies that may not have been available when the original trust was created.

DAF: Donor-Advised Fund, is a 501(c)(3) organization where individuals can "bunch" their contributions in one year to receive an immediate tax deduction. They then maintain the ability to advise where those funds are distributed at a later time.

DPOA: Durable Power of Attorney, is a legal document that allows individuals to appoint someone primarily to manage their financial and legal affairs if an individual becomes incapacitated. A DPOA can also be used to manage real estate matters, business operations, and personal care.

DSUE: Deceased Spousal Unused Exclusion, is the amount of the unused portion of a deceased spouse's estate tax exemption that is transferred to the surviving spouse under portability. To claim the DSUE, an estate tax return (Form 706) must be filed by the deceased spouse's estate within five years of their death but should be filed as soon as possible.

GRAT: Grantor Retained Annuity Trust, allows a grantor to transfer assets to a trust while retaining the right to receive fixed annuity payments for a specified term, typically 2 to 10 years. After the term ends, any remaining assets in the trust pass to the designated beneficiaries.

GRIT: Grantor Retained Income Trust, allows a grantor to transfer assets into a trust while retaining the right to receive income from those assets for a specified term. After the income retention period ends, the trust assets that remain are passed to the designated beneficiaries.

GRUT: Grantor Retained Unitrust, allows a grantor to transfer assets into a trust while retaining the right to receive annual payments based on a fixed percentage of the trust's revalued assets each year. Similar to a GRIT, after the income retention period ends, the trust assets that remain are passed to the designated beneficiaries.

HEMS: Health, Education, Maintenance, and Support, are guidelines used by trustees to determine how and when to distribute funds to beneficiaries. Trusts may allow a trustee to distribute money to beneficiaries for their health, education, maintenance, or support.

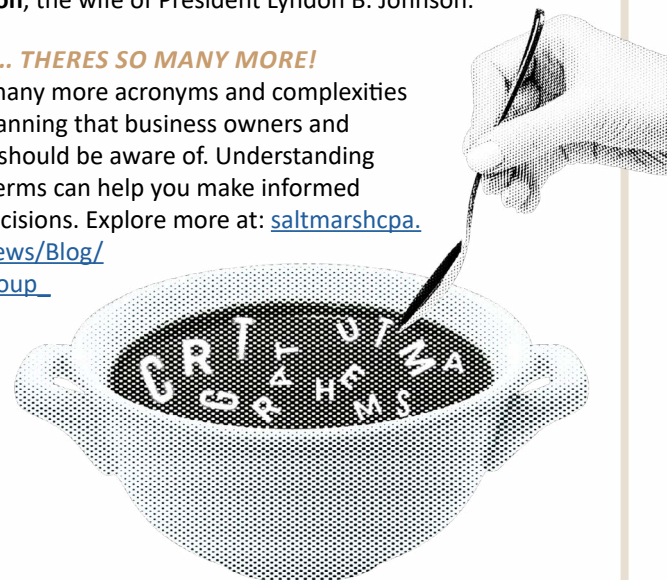
IDGT: Intentionally Defective Grantor Trust, is a type of irrevocable trust used to minimize estate taxes while allowing the grantor to retain certain tax responsibilities. The assets transferred to the IDGT are removed from the grantor's estate. However, the grantor remains responsible for paying income taxes on the trust's income. This "defect" in the trusts' structure is intentional and allows the trust assets to grow tax-free for the beneficiaries.

ILIT: Irrevocable Life Insurance Trust, is specifically designed to hold and manage life insurance policies. With proper structuring, contributions to the ILIT to pay premiums can utilize the annual gift exclusion.

LADY BIRD DEED: An enhanced life estate deed that allows for property owners to retain control during their lifetime, while naming beneficiaries to inherit the property upon their death. This is a particularly useful tool for avoiding probate and is authorized in several states, including Florida. It is named after **Lady Bird Johnson**, the wife of President Lyndon B. Johnson.

BUT WAIT... THERES SO MANY MORE!

There are many more acronyms and complexities in estate planning that business owners and individuals should be aware of. Understanding these key terms can help you make informed financial decisions. Explore more at: saltmarshcpa.com/cpa-news/Blog/alphabet_soup_of_estate_planning.



Saltmarsh

Financial Advisors, LLC

AN AFFILIATE OF SALTMARSH, CLEVELAND & GUND

Saltmarsh Financial Advisors

investmentinfo@saltmarshfa.com

(800) 477-7458

PENSACOLA

900 North 12th Ave
Pensacola, FL 32501
(850) 435-8300

TAMPA

201 N. Franklin St., Ste 1625
Tampa, FL 33602
(813) 287-1111

ESTATE PLANNING ESSENTIALS SECURING YOUR LEGACY & PROTECTING YOUR FUTURE

Estate planning is more than just drafting a will—it's about ensuring your loved ones are cared for, your assets are protected, and your legacy is preserved. Join us in Pensacola or Tampa for an insightful evening where our financial experts will walk you through the key components of a solid estate plan, from wills and trusts to tax strategies and avoiding common pitfalls.

Whether you're just starting or looking to refine your current plan, this session will equip you with the knowledge and tools to make informed decisions. What you'll learn:

- Take control of your asset distribution and minimize future uncertainties.
- Avoid common costly mistakes that could impact your family and financial goals.
- Leverage tax-efficient strategies to maximize your estate's value.
- Collaborate effectively with your financial advisor, attorneys, and CPA.

RSVP & LEARN MORE

[SALTMARSHFA.COM/ESTATEPLANNINGESSENTIALS](https://saltmarshfa.com/estateplanningessentials)

PENSACOLA TUESDAY, JUNE 3

5:30 - 7:30 pm

Saltmarsh Office
900 N. 12th Ave., Pensacola, FL

TAMPA THURSDAY, JUNE 5

5:30 - 7:30 pm

University Club of Tampa
201 N. Franklin St., 38th Floor, Tampa, FL

Christina Doss, AAMS®
Managing Director

christina.doss@saltmarshfa.com

Michael C. Hall, CFP®
Director

michael.hall@saltmarshfa.com

Chris Stennett, CFP®
Senior Financial Advisor

chris.stennett@saltmarshfa.com

Mark Hemby, CFA, CFP®
Senior Financial Advisor

mark.hemby@saltmarshfa.com