

# INVESTMENT UPDATE

**Saltmarsh**

Financial Advisors, LLC

AN AFFILIATE OF SALTMARSH, CLEAVELAND & GUND

3<sup>rd</sup> Quarter 2018

## Saltmarsh Financial Advisors Named Finalist in Pensacola News

### Journal's Annual Best of the Bay Awards



Thank you so much for voting in the 2018 *Pensacola News Journal's* Best of the Bay Awards for 2018. It is with your help that we were named a finalist for the "Best Financial Planning/ Advisor" category. We look forward to continuing to serve you and help you achieve success.

## Join Us in Welcoming Amanda Arganbright to Our Team



We are excited to welcome Amanda Arganbright to our Saltmarsh Financial Advisors team as an administrative assistant. Her areas of focus include new client on-boarding and assembling reports and proposals.

She has several years of communications, client relations and office management experience. Amanda previously worked at her alma mater UNC Charlotte coordinating events and special projects.

## Saltmarsh Becomes Independent Member of BDO Alliance USA



We are pleased to announce that Saltmarsh, Cleaveland & Gund has joined the BDO Alliance USA, a nationwide association of independently-owned local and regional accounting, consulting and service firms that share the same passion as us for client service. This does not change our relationship with you. We will remain an independent and locally-owned firm. This alliance simply gives us additional resources to better serve you.

By supplementing our existing services, the BDO Alliance USA brings us the necessary tools to serve you with greater flexibility, efficiency and timeliness. Our mission of, "Achieving Success by Contributing to the Success of Others" guides everything we do, and we look forward to better helping you reach your goals today and in the future.

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# The Tao of Wealth Management

By: Jim Parker, Vice President of DFA Australia Limited

***The path to success in many areas of life is paved with continual hard work, intense activity, and a day-to-day focus on results. However, for many investors who adopt this approach to managing their wealth, that can be turned upside down.***

The Chinese philosophy of Taoism has a phrase for this: "wei wu-wei." In English, this translates as "do without doing." It means that in some areas of life, such as investing, greater activity does not necessarily translate into better results.

In Taoism, students are taught to let go of things they cannot control. To use an analogy, when you plant a tree, you choose a sunny spot with good soil and water. Apart from regular pruning, you let the tree grow.

This doesn't mean that we should always do nothing. In fact, insights from financial science suggest you should direct your investment efforts to the things you can control. These include taking account of your own preferences and sensitivities when choosing investment strategies, diversifying your allocation to moderate the ups and downs, being mindful of the impact of fees, and exercising discipline when emotions threaten to blow you off course.

Successful investing requires taking actions that can have a positive impact on the outcome. For instance, to maintain their desired asset allocation, investors should regularly rebalance their portfolio by reallocating money away from strongly performing assets.

But rebalancing is a disciplined, premeditated activity based on each person's circumstances. It contrasts with the "busyness" of reflexively following investment trends and chasing past returns promoted through financial media.

Look at the person who fitfully watches business TV or who sits up at night researching stock tips. That sort

of activity is likely counter-productive and can add cost without any associated benefit. With investing, constantly tinkering with an allocation does not perfectly correlate with success.

Now, while that makes sense, many people struggle to apply those principles because the media tends to look at investing through a different lens, focusing on today's news, which is already priced in, or on speculating about tomorrow. Guesswork can surely be interesting. But is it relevant to your long-term plan? Probably not.

People caught up in the day-to-day may constantly switch money managers based on past performance, or attempt tactical changes in their allocation, or respond in a knee-jerk way to news events that turn out to be noise.

Again, the assumption underlying these approaches is that if you put more effort into the external factors and adjust your position constantly, you will get better results. Unfortunately, people may end up earning poorer long-term returns from trading too much, chasing past performers, or attempting to time the market.

Ultimately, that's just another reminder of the potential benefits available to disciplined investors who stay focused on what they can control.

As the ancient Chinese proverb says: "By letting it go, it all gets done. The world is won by those who let it go. But when you try and try, the world is beyond the winning."

# The Future of Investing: MAN VS. MACHINE

BY: Chris Stennett, CFP®

When I first heard the term “Robo-Advising,” I was a senior in college, getting ready to enter the field of financial advising. The name alone was enough to make me worry that I had chosen the wrong profession. I hadn’t even made my first student loan payment, yet my future career was about to be replaced by machines! If that wasn’t bad enough, the 2008 mortgage crisis had just occurred. Ten years later, financial advisors haven’t been replaced by machines, and it’s important to understand why.

## WHAT IS ROBO-ADVISING?

I want to make sure we’re all on the same page. Robo-advising is defined as: “Digital platforms that provide automated, algorithm-driven investment services with little to no human supervision.” Translation: A computer makes all the investment decisions in a person’s portfolio. How?

First, an investor completes an online questionnaire to give insight to their financial situation and goals. Then, the robo-advisor uses that data to create an investment strategy. On-going investment decisions are made solely by the robo-advisor. In the end, the investor has a managed investment account, without having to hire a human financial advisor.

## WHAT ARE THE ADVANTAGES?

There are some notable advantages to this approach. First, it’s low cost. Based on an online survey of the 10 largest robo-advisors (by Assets Under Management), the annual cost ranges between 0.2% - 0.5% of assets invested. It’s not uncommon for a human advisor to charge more than twice that amount.

Second, they’re available to any investor, with low to no account minimums. Most human advisors have a minimum investment amount, which limits access for new investors. Third, Robos are efficient. All trades are

made by the robo-advisor, rather than through dialogue with a human financial advisor.

## AND THE DISADVANTAGES?

So, why haven’t human advisors been replaced? Well, there can be some significant disadvantages to a robo-only approach. Last year, I met one of my clients after her spouse passed away. During our meeting a lot of tears were shed as we reflected on her husband’s life. Her husband oversaw the finances including investments and monthly bills.

Now, after 30 years of marriage, she’s in charge of all the financial decisions. She felt completely unprepared to make those decisions and was looking for guidance and education on how she can manage the new responsibilities. Robo-Advising is not designed to deal with crisis or extraordinary situations.

Another shortfall of robo-advisors is their inability to incorporate the other areas of financial advice that make human advisors so beneficial, such as estate planning, trust fund administration, and complicated tax management.

Imagine being a business owner and getting hit with a major tax bill because your robo-advisor was unable to meet with your CPA and design a plan relative to your needs. It’s not possible for a short online questionnaire to properly diagnose every challenge an individual may have.

## COMMUNICATION IS KEY

One last thought to consider is how you, as the investor, prefer to communicate. Human advisors are just that, human. You can call them directly, meet them face-to-face, and get transparent information with a certain level of accountability.

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## The Future of Investing (*Continued*)

Computers on the other hand... just think about the last time you called your cable company and struggled to get past the Robo-switchboard. Imagine that being how you interact with your financial advisor!

Ultimately, decision making for the robo-advisor boils down to a mathematical equation. Human advisors may charge more, but they also offer more. It's important that as an investor, you understand what your options are. Once you've identified your needs, and you know your options, you'll know which approach is best for you.

Saltmarsh Financial Advisors believes in the value

of human connections. We maintain that the most appropriate and comprehensive way to help our clients is to develop a relationship and open dialogue between advisor and client. We offer low-cost, tax efficient investments and provide complex financial and tax planning services to assist our clients in achieving their goals.

#### QUESTIONS?

Email me at [chris.stennett@saltmarshfa.com](mailto:chris.stennett@saltmarshfa.com) if you have any questions, or contact a member of the Saltmarsh Financial Advisors team by visiting [saltmarshfa.com](http://saltmarshfa.com).

#### About the Author | Chris Stennett, CFP®

Chris serves individuals and organizations as a comprehensive financial planner and coordinator of investment activities. His areas of expertise include investment management, income planning, tax and estate planning, incapacity protection, and liability management. Chris has over a decade of experience as a wealth manager working with state, federal and private employees including his experience as a dedicated financial planner with multiple Fortune 100 financial services firms.