Investment Update

Saltmarsh Financial Advisors, LLC
AN AFFILIATE OF SALTMARSH, CLEAVELAND & GUND

4th Quarter 2017

Happy Holidays from Saltmarsh!

Wishing you and your family a joyful holiday season and a prosperous new year from your friends at Saltmarsh Financial Advisors.

Equifax Data Breach: What Does This Mean For You?

The recent data breach of Equifax has created worry and panic among consumers. Keep in mind that sites utilized to check if you were impacted by the breach can often make you vulnerable to phishing sites, so use caution when researching online. To learn more about the Equifax data breach, how it happened, and what you can do, visit the blog: saltmarshcpa.com/cpa-news/blog/.

Inside This Issue

Financial Advisors Sponsors Ballet Pensacola's *Mixtape*

We had the privilege of sponsoring Ballet Pensacola's ***Mixtape.*** The performance showcased a mix of modern movements with contemporary music, which made for a fun-filled evening.

We are proud to partner with organizations like Ballet Pensacola that enrich our local community.

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Fiduciary vs Suitability:

Which is Driving the Investment Advice You Receive?

BY: Christina Doss, AAMS

In the financial services industry there are two primary parties who can offer investment advice- **Registered Investment Advisors (RIA)** or **investment brokers.** The investment advice you receive from these parties may be similar, but a key difference exists between RIAs and brokers. The difference lies in the two competing standards each party is bound to uphold.

These two regulatory standards are the **Fiduciary Standard** and the **Suitability Standard.** A licensed Fiduciary, such as an RIA, has a legal obligation to act in the clients' best interest. Conversely, brokers and insurance agents (who frequently use pseudonyms such as financial representative or consultant, registered representative, client or wealth advisor) are held to a lesser measure called the Suitability Standard, which simply requires the broker to sell investments they believe are suitable for their clients, not necessarily what is best for the client.

To add an additional layer of confusion for investors, in a hotly debated ruling by the Department of Labor (DOL), as of June 9, 2017 investment brokers were expected to provide fiduciary level advice and act in the best interest of their client-but only when advising on retirement accounts. Client assets held with brokers outside of retirement accounts will still be regulated under the lesser suitability standard. But, on August 9, 2017 the DOL filed a Notice of Administrative Action extending the final deadline for compliance and implementation of the fiduciary rule to July 1, 2019.

With more than 25 years of experience in the financial services industry including senior leadership roles with two of the nation's largest financial institutions, Christina Doss is intimately familiar with the two competing standards.

"Production goals and compensation structures inherently create conflicts of interest within the brokerage and banking structure. Some brokers and agents now wear two hats and depending upon which account they are advising on, retirement or non-retirement, they may not be acting in the client's best interest. And, unfortunately, the rules governing suitability standards leaves extensive room for interpretation for both the broker and their firm. I advise investors to ask questions and understand how your broker or advisor is compensated on all the products and services they offer to sell you as those investments will ultimately impact your financial well-being. Be mindful that what is BEST for the broker may have higher costs for the investor which can result in lower returns."

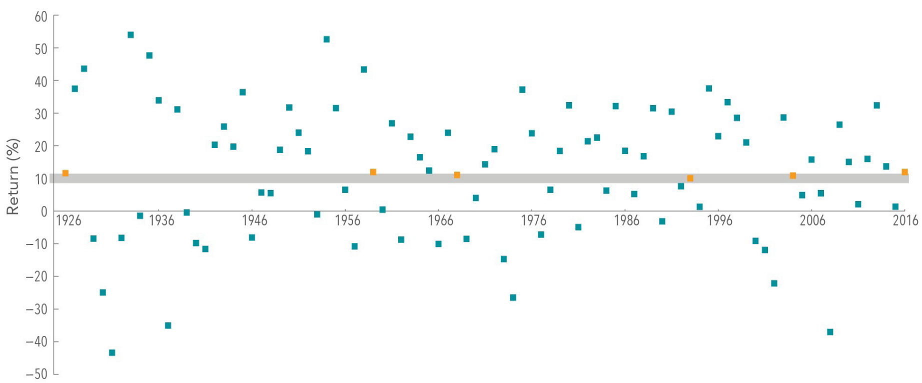
As Registered Investment Advisors, Saltmarsh Financial Advisors is governed by the Fiduciary Standard across all client accounts. Similar to the Hippocratic Oath for physicians, this Standard places us under both a legal and moral obligation to put our clients' best interest and financial well-being ahead of our own. We do not sell products or receive compensation from the mutual funds we recommend. If you have any questions about your current investments or the investment options available to you, contact us.

Christina Doss is the managing director for Saltmarsh Financial Advisors, LLC. She is responsible for client wealth management and financial planning and has more than 25 years of experience working in the financial services and wealth management industry.

The Uncommon Average

BY: David Booth

Exhibit 1. **S&P 500 Index Returns: 1926 - 2016**



The US stock market has delivered an average annual return of around 10% since 1926.[1] But short-term results may vary, and in any given period stock returns can be positive, negative, or flat. When setting expectations, it's helpful to see the range of outcomes experienced by investors historically. For example, how often have the stock market's annual returns actually aligned with its long-term average?

Exhibit 1 above shows calendar year returns for the S&P 500 Index since 1926. The shaded band marks the historical average of 10%, plus or minus 2 percentage points. The S&P 500 had a return within this range in only six of the past 91 calendar years. In most years the index's return was outside of the range, often above or below by a wide margin, with no obvious pattern. For investors, this data highlights the importance of looking beyond average returns and being aware of the range of potential outcomes.

TUNING IN TO DIFFERENT FREQUENCIES

Despite the year-to-year uncertainty, investors can potentially increase their chances of having a positive outcome by maintaining a long-term focus. **Exhibit 2** documents the historical frequency of positive returns over rolling periods of one, five, 10, and 15 years in the US market. The data shows that, while positive performance is never assured, investors' odds improve over longer time horizons.

CONCLUSION

While some investors might find it easy to stay the course in years with above average returns, periods of disappointing results may test an investor's faith in equity markets. Being aware of the range of potential outcomes can help investors remain disciplined, which in the long term can increase the odds of a successful investment experience. What can help investors endure the ups and downs? While there is no silver bullet, having an understanding of how markets work and trusting market prices are good starting points. An asset allocation that aligns with personal risk tolerances and investment goals is also valuable. Financial advisors can play a critical role in helping investors sort through these and other issues as well as keeping them focused on their long-term goals.

Exhibit 2. **Frequency of Positive Returns in the S&P 500 Index**
Overlapping Periods: 1926 - 2016

1. As measured by the S&P 500 Index from 1926 - 2016.

Source: Dimensional Fund Advisors LP. There is no guarantee investment strategies will be successful. Investing involves risks including possible loss of principal. Diversification does not eliminate the risk of market loss. All expressions of opinion are subject to change. This article is distributed for informational purposes, and it is not to be construed as an offer, solicitation, recommendation, or endorsement of any particular security, products, or services. **Exhibit 1:** In US dollars. The S&P data are provided by Standard & Poor's Index Services Group. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Index returns do not reflect the cost associated with an actual investment. **Exhibit 2:** From January 1926–December 2016 there are 913 overlapping 15-year periods, 973 overlapping 10-year periods, 1,033 overlapping 5-year periods, and 1,081 overlapping 1-year periods. The first period starts in January 1926, the second period starts in February 1926, the third in March 1926, and so on. In US dollars. The S&P data are provided by Standard & Poor's Index Services Group. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not an indication of future results.

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SALTMARSH FINANCIAL ADVISORS PROUDLY PRESENTS

IMPLICATIONS OF INVESTOR BEHAVIOR

Christian Newton will explore the foundations of behavioral psychology and explain why behavioral finance and market efficiency are compatible notions. Academic research offers a well-documented lesson in the pitfalls of emotional investing. Christian will describe several cognitive biases and explain how yielding to them can result in poor investment outcomes. Join us as we learn how common investment mistakes may be prevented with the appropriate guidance and investment philosophy.

Destin

Meet & Greet Cocktail Reception

Wednesday, January 24
5:00 - 6:30 p.m.
Regatta Bay Club

Pensacola

Meet & Greet Breakfast

Friday, January 26
8:00 - 9:30 a.m.
Pensacola Yacht Club

If you are interested in attending, please RSVP by January 15 to Jayme Gabes at jayme.gabes@saltmarshcpa.com or (850) 435-8300.