INVESTMENT UPDATE

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

CHRIS STENNETT, CFP® PROMOTED TO SENIOR FINANCIAL ADVISOR

Join us in congratulating Chris Stennett, CFP®, on his recent promotion to senior financial advisor! Chris has been a key member of our investment advisory group since joining the firm in 2018. He has over a decade of experience as a wealth manager working with high net worth individuals as well as teachers, federal and state employees, retired Armed Forces and private-sector employees. He was nominated for the Trusted Advisor Award and was also nominated and recieved the "Key Communicator" award this year. Chris strives to 'Be a Lifelong Learner' every day.

CLIENT PORTAL ACCESSIBILITY

For ease of access, we updated our Saltmarsh FA website on the **top right-hand corner** to include the client portal and Schwab login!

TAX LEGISLATION UPDATE: BUILD BACK BETTER

We continue to monitor the ongoing debate in Washington regarding the President's Build Back Better (BBB) agenda. The passing of the BBB bill could have significant tax consequences for our clients. As you may know, Senator Joe Manchin, from West Virginia, indicated prior to the Holiday break that he would not vote for the BBB bill. Therefore, the BBB bill, in its present form, is essentially on hold indefinitely. There is still a possibility that the size of the BBB bill could be reduced and/or broken up into separate pieces. **If anything changes, Saltmarsh will inform our clients as soon as possible.**

2021 YEAR-END TAX PLANNING HIGHLIGHTS

As another taxing (no pun intended) year comes to an end, business owners and individuals are seeking opportunities to maximize their savings through year-end tax planning. Below is our Year-End Tax Planning Webinar Series and our 2021 Tax Planning Highlights for both individuals and businesses.

Our **guides** offer strategies and tips to help mitigate risk and to help you get started on the right foot: saltmarshcpa.com/cpa-resources

Our **webinar series** goes further in depth about the best tax planning tips, strategies and methods to use: saltmarshcpa.com/yearendtax

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Christina Doss, AAMS®
Managing Director
christina.doss@saltmarshfa.com
(800) 477-7458

Chris Stennett, CFP®
Senior Financial Advisor
chris.stennett@saltmarshfa.com
(800) 477-7458

Mark Hemby, CFA®
Financial Advisor
mark.hemby@saltmarshfa.com
(800) 477-7458

2021 : A YEAR TO REMEMBER

BY CHRIS STENNETT, CFP® AND MARK HEMBY, CFA®
SALTMARSH FINANCIAL ADVISORS | JANUARY 5, 2022

We hope you and your families enjoyed the holiday season and are excited for this new year. Managing your investments is a responsibility we don't take lightly, and we want to continue to help you make sound financial decisions for many years to come. Part of our responsibility is to keep you informed as to what's going on in the financial markets. 2021 was filled with some noteworthy moments, yet these moments did very little to negatively impact the US stock markets. The S&P 500 finished up 26.9% and the Nasdaq 100 was up 21.4%, while Dow Jones Industrial finished up 18.7%, MSCI World X-US (International) was up 12.62% and the Dow US Select Real Estate Trust (REIT) finished up a stellar 46%. Diversified investors who stayed the course and didn't let headlines drive their decision-making, benefited the most this year. Let's look back at some of the notable headline moments of 2021.

THE PANDEMIC CONTINUES

Vaccines were made available to different sectors of the population as the year began. Then halfway through the year, we were introduced to the Delta variant. Directly on the heels of Delta, we were hit with another variant, Omicron. Yet the markets remained resilient, with almost no volatility throughout the year.

Of course, these variants also brought about some serious supply chain issues. We saw a backlog of shipping containers held away from ports as local crews scrambled to unload and reload vessels. Prices on input goods fluctuated wildly. Timber prices soared then crashed. Oil crashed then soared. Copper and steel had double-digit growth, while gold and silver saw declines for the year. We've started to see some of these supply chain issues get resolved, but with COVID-19 still present, there's potential for future setbacks.

INFLATION

Another big headline for the year was the rising costs we've seen across the spectrum of goods we buy. In 2021, the U.S. economy experienced the worst inflation in nearly 40 years. Stimulus from the Federal Government along with monetary support in the form of bond-buying by the Federal Reserve helped contribute to over 7% inflation. The pandemic also exasperated supply chain problems resulting in shortages in many areas of the economy.

Inflation was not equal in all sectors. Home prices are still at all-time highs across the country. This has been fueled by the pandemic and employer flexibility allowing its employees to work from home. As homes began to hit the market, most received multiple offers, many over the asking price. Will home prices return to pre-pandemic levels? It depends on if you see this as a 'Demand Bubble' or a 'Supply Bust'.

Houses weren't the only things affected. For most people, this wasn't a good year to buy a car. New cars were limited in availability due to stress placed on the global supply chain to provide the parts needed to make the vehicles operable. We all recall seeing a parking lot full of pick-up trucks awaiting semiconductors from overseas before they could be sent to dealerships. Even when the vehicles did arrive, buyers had very little room to negotiate and were often forced to compromise on the color or trim package. The used car market wasn't any better as a series of unforeseen events drove used car prices through the roof. During the early days of the pandemic, many rental car businesses sold large portions of their fleets to remain in business as American travel lessened. Once the demand for rental cars started to rise, the rental companies had to go buy their cars back, creating a spike in demand.

One positive that has come from inflation is that many people seeking higher pay are finding it. The cost of labor has dramatically increased with labor shortages across all industries and more flexibility has also been given as a result of COVID-19-related work-from-anywhere policies.

FIXED INCOME MARKETS

Fixed income investments struggled over the course of the year as optimism about the end of the pandemic increased. However, the mid-year scare with Delta and Omicron limited the damage. The benchmark 10-year Treasury started 2021 with a yield of 0.95% which increased to 1.74% in late spring. Concerns over the new variants pushed yields back to as low as 1.16% but finished the year at 1.50%. The Fed is expected to increase the benchmark Fed Funds rate three times in 2022.

NEW OPPORTUNITIES ABOUND

2021 popularized two new terms to investors: SPACs and Bitcoin. SPACs, or Special Purpose Acquisition Companies, helped introduce almost 400 new companies into the public sector, potentially fueling future job growth and innovation. It was a great year if you were trying to take your business public, as there were so many avenues available to raise funding. While there's no way to know the future of these new companies, there is optimism in the fact that they were able to come to market at the height of a pandemic.

Bitcoin, the original cryptocurrency, also became widely popular during the year and began to establish itself as a mainstream investment option for investors looking for something new. An entirely new type of investment is available now, and while still in its infancy, it offers some great opportunities to diversify wealth and fuel new technologies.

Ultimately, 2021 was a fantastic year for stock investors who stayed the course. While daily headlines brought about tremendous uncertainty, the stock markets never flinched. US markets have finished positive 12 out of the last 13 years, with the lone exception being 2018's negative 4.5% return. While we have no idea what 2022's markets will do, we are still tremendously optimistic about their long-term potential to build wealth and lessen the impact of inflation.

WHY I'LL ALWAYS BE OPTIMISTIC ABOUT THE MARKET

BY DAVID BOOTH, EXECUTIVE CHAIRMAN AND FOUNDER
DIMENSIONAL FUND ADVISORS | DECEMBER 14, 2021

It's hard to believe we're approaching the end of the second year of this global pandemic. Despite the pain and loss endured by so many all over the world, I hope some positive changes have come from the shock we've all been forced to experience. As we look forward to 2022, despite continued uncertainty, I'm feeling a sense of educated optimism that's stronger than ever before. Why? Because over the past two years, my beliefs have been tested more than ever. And they've held up.

At the start of 2020, before we knew the extent of the global pandemic we were headed toward, I reminded investors that the market has no memory and encouraged them to avoid making forecasts and timing markets based on predictions of the future.

A few months later, I thought that human ingenuity would lead our way through the crisis. It has. I didn't know when a vaccine would be available or who would make it, but I never doubted the power of so many great minds focusing on one huge problem.

When we were in the midst of March 2020 and the S&P 500 was down 20%, it was scary.[1] I wrote then that we can't control crises, but we can control our response to them. Those who could stay in the market were rewarded. Over the next 12 months, the S&P went up 56%.[2]

When you're entrusted with investors' hard-earned money, as we are at Dimensional, it's gratifying to see that the choices you make can lead to good outcomes.

So now we find ourselves at the doorstep of 2022, and we've just seen the S&P 500 hit record highs—again. But not all investors perceive this as good news. Record highs make many people nervous, because they think that what goes up must come down. When markets are working as they should, reaching record highs with some frequency is exactly the outcome we would expect. That makes intuitive sense, because if stocks didn't have a positive expected return, no one would invest in them.

This brings me to why I'm always optimistic about the power of markets, and why I always bet with them rather than against them: Markets represent people coming together. We can't predict the nature or timing of a crisis, but we can bank on human ingenuity finding a path through it. Markets are forward-looking and reflect this optimism—an optimism that I believe is innate to humanity. And your optimism only increases when you begin to understand how markets work.

How we deal with uncertainty is the central challenge of human existence. We are defined by the choices we make, but we never have all the information we want. So what do we do?

It pays to have a philosophy to guide our choices, in investing, and in life. In conversations with investors over the years, I've explained my philosophy about markets in different ways, but what all these descriptions have in common is choosing to side with human ingenuity rather than against it. Betting against the market is exhausting, and we believe that it doesn't pay.

So at the end of every year, we look back and forward. What do we think the next year will bring? I don't know. No one does. Think about it: No one does. After these last two years, this lesson should be obvious to all of us.

But for the past 50 years, I have held a long-term faith in the power of markets. When they go up or down, I see them simply responding to new information. The market always wants buyers and sellers to make a deal. Transactions only happen if people agree on a price that seems fair to both sides.

In 2022, new challenges await. New businesses will grow. Old ones will adapt. Some will fail, while others flourish. Rather than having to guess what will happen to whom and when, I choose a different path. I invest in the market. It is a unique human invention. From it flows our modern life. Most of us live in a world where we go to the store or pick up our phones and see choices I could not have imagined as a boy. So, of course, I am optimistic.

And, of course, there is more work to be done. The problems we face as humans are daunting. That has always been true. I was born at the end of World War II and before a vaccine for polio. I wake up every morning believing the market will go up a little but prepared for if it drops. And you should too. Markets will go up and down, but you should expect them to be positive, and that is what history has also shown. If you can hold this in your heart, you can be optimistic and resilient, you can manage the central challenge of human existence. It's hard to do. But it's worth it.

1. S&P data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. Decrease of 19.6% was from Jan. 1, 2020–March 31, 2020. Increase of 56.35% was from March 31, 2020–March 31, 2021. 2. Past performance is no guarantee of future results.

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AN AFFILIATE OF SALTMARSH, CLEAVELAND & GUND

Saltmarsh Financial Advisors

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

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

Destin:
34990 Emerald Coast Parkway, Ste 372
Destin, Florida 32541
Phone: (850) 243-6713

Email:
christina.doss@saltmarshfa.com
george.peaden@saltmarshfa.com
chris.stennett@saltmarshfa.com
mark.hemby@saltmarshfa.com
brett.snyder@saltmarshfa.com
pierce.broscious@saltmarshfa.com

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