INVESTMENT UPDATE

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

1st Quarter 2020

New Client Portal

As your trusted advisor, we continually look for ways to enhance your investment experience. We are excited to announce the rollout of our new client portal in March 2020! This new portal provides quick and secure access to accounts, quarterly reports, and performance information.

Please reference our Portal Welcome Letter for more information, and be sure to check your inbox during the week of March 16th, for an activation email from noreply@envestnet.com.

Inside This Issue

Join us for a Night at the Ballpark in Pensacola!

Baseball season is right around the corner which means it is time for Saltmarsh Financial Advisors' annual Night at the Ballpark! Additional details and RSVP information can be found on the back.

Key Takeaways from January Saltmarsh & DFA Client Events

We'd like to thank those who had a chance to join us in January for our "Investments & Taxes" event series. We hit the road with a panel of financial planning, tax, estate and investment professionals from Saltmarsh, Cleaveland & Gund, and Dimensional Fund Advisors to shed light on how a 'one team' approach to planning for the future provides peace of mind and benefits your bottom line. Here are some key takeaways:

- Everyone's Estate Plan, regardless of wealth, should include a Will, especially individuals with minor children. Through a Will you can name an executor of your estate and a guardian for minor children. In addition, a Will allows for the distribution of property according to your wishes. Dying intestate (absence of a Will), results in the state distributing your assets and can potentially result in additional legal and probate expenses.

- Some recent tax law changes which will impact Financial Planning include the passing of the SECURE Act – Setting Every Community up for Retirement Enhancement Act, which was finalized in December 2019 and implemented January 1st of this year. Notable changes include the new Required Minimum Distribution (RMD) age. For individuals who turned 70 ½ after December 31, 2019, your new RMD age is 72, which allows for an additional 1 ½ years of tax deferred growth on your retirement funds.
- The SECURE Act repealed the so-called "stretch IRA" which allowed a non-spouse beneficiary to draw from the inherited IRA based on their life expectancy, potentially spreading the payments out over many decades. Under the SECURE Act, most non-spouse beneficiaries will now be required to distribute the entire balance within 10 years of the death of the accountholder. There are exceptions, including disabled or chronically ill heirs and minor children. Surviving spouses are still eligible to withdraw inherited IRA assets over their life expectancy. It is advisable to consult with your CPA or Financial Advisor if you have been impacted by recent tax law changes.
- Every investment decision is also a tax decision. The ability to coordinate the relationship between your Financial Advisor and CPA provides unparalleled benefits and allows investors to create sound and economically intelligent financial plans.

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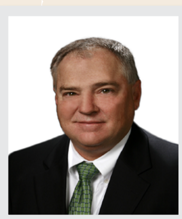

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The Coronavirus & Market Declines

From the Dimensional Fund Advisors Blog, February 27, 2020

The world is watching with concern the spread of the new coronavirus. The uncertainty is being felt around the globe, and it is unsettling on a human level as well as from the perspective of how markets respond.

At Dimensional, it is a fundamental principle that markets are designed to handle uncertainty, processing information in real-time as it becomes available. We see this happening when markets decline sharply, as they have recently, as well as when they rise. Such declines can be distressing to any investor, but they are also a demonstration that the market is functioning as we would expect.

Market declines can occur when investors are forced to reassess expectations for the future. The expansion of the outbreak is causing worry among governments, companies, and individuals about the impact on the global economy. Apple announced earlier this month that it expected revenue to take a hit from problems making and selling products in China[1]. Australia's prime minister has said the virus will likely become a global pandemic[2], and other officials there warned of a serious blow to the country's economy[3]. Airlines are preparing for the toll it will take on travel[4]. And these are just a few examples of how the impact of the coronavirus is being assessed.

The market is clearly responding to new information as it becomes known, but the market is pricing in unknowns, too. As risk increases during a time of heightened uncertainty, so do the returns investors demand for bearing that risk, which pushes prices lower. Our investing approach is based on the principle that prices are set to deliver positive future expected returns for holding risky assets.

We can't tell you when things will turn or by how much, but our expectation is that bearing today's risk will be compensated with positive expected returns. That's been a lesson of past health crises, such as the Ebola and swine-flu outbreaks earlier this century, and of market disruptions, such as the global financial crisis of 2008–2009. Additionally, history has shown no reliable way to identify a market peak or bottom. These beliefs argue against making market moves based on fear or speculation, even as difficult and traumatic events transpire.

Dimensional also stands behind the important role financial professionals play in helping investors develop a long-term plan they can stick with in a variety of conditions. Financial professionals are trained to consider a wide range of possible outcomes, both good and bad, when helping an investor establish an asset allocation and plan. Those preparations include the possibility, even the inevitability, of a downturn. Amid the anxiety that accompanies developments surrounding the coronavirus, decades of financial science and long-term investing principles remain a strong guide.

1. Apple, February 17 press release. https://www.apple.com/newsroom/2020/02/investor-update-on-quarterly-guidance/

2. Ben Doherty and Katharine Murphy, "Australia Declares Coronavirus Will Become a Pandemic as It Extends China Travel Ban," The Guardian, February 27, 2020. https://www.theguardian.com/world/2020/feb/27/australia-declares-coronavirus-will-become-apandemic-as-it-extends-china-travel-ban

3. Ben Butler, "Coronavirus Threatens Australian Economy Reeling from Drought and Fires," The Guardian, February 5, 2020. https:// www.theguardian.com/business/2020/feb/05/coronavirus-threatens-australian-economy-reeling-from-drought-and-fires; Ed Johnson, "Australia Says Economy to Take 'Significant' Hit from Virus," Bloomberg, February 5, 2020. https://www.bloomberg.com/news/articles/2020-02-05/australia-says-economy-to-take-significant-hit-from-virus

4. Alistair MacDonald and William Boston, "Global Airlines Brace for Coronavirus Impact," The Wall Street Journal, February 26, 2020. https://www.wsj.com/articles/germanys-lufthansa-makes-cuts-as-it-braces-for-coronavirus-impact-11582712819

The Market Has No Memory

From the Dimensional Fund Advisors Blog, by David Booth, January 3,2020

Dimensional Founder David Booth discusses the lessons from 2019 that investors can apply to 2020.

I have worked in finance for over 50 years, and it seems that every January the same thing happens. Lots of folks look back at last year's performance to draw conclusions they can use to predict what markets will do in the year to come. I don't make predictions, but I do think it's worth answering this question: What are the lessons from 2019 that we can apply to 2020?

Let's go back to where we were this time last year. The words running across CNBC's home page were, "US stocks post worst year in a decade as the S&P 500 falls more than 6% in 2018." *The Wall Street Journal* summarized the state of market affairs with this headline: "U.S. Indexes Close with Worst Yearly Losses Since 2008." Amidst gloomy predictions for 2019, I posted a video on the limitations of forecasting.

Things felt ominous. We started the year with a lot of anxious people. Some decided to get out of the market and wait for prices to go down. They thought that after 11 years, the bull market was finally on its way out. They decided to time the market.

We all know what happened. Global equity markets finished the year up more than 25%,[1] and fixed income gained more than 8%.[2]

Missing out on big growth has as much impact on a portfolio as losing that amount. How long does it take to make that kind of loss back? And how is someone who got out supposed to know when to get back in?

The lesson from 2019 is: The market has no memory. Don't time the market in 2020. Don't try to figure out when to get in and when to get out—you'd have to be right twice. Instead, figure out how much of your portfolio you're comfortable investing in equities over the long-term so you can capture the ups and ride out the downs. A trusted professional can help you make this determination, as well as prepare you to stay invested during times of uncertainty.

Not enough "experts" subscribe to this point of view. They're still trying to predict the future. You've probably heard the saying, "The definition of insanity is doing the same thing over and over again and expecting a different result." I've been seeing people make this same mistake for 50 years.

We'll never know when the best time to get into the market is because we can't predict the future. And if you think about it, that makes sense. If the market's doing its job, prices ought to be set at a level where you experience anxiety. It's unrealistic to think the market would ever offer an obvious time to "get in." If it did, there would be no risk and no reward.

So what should you do in 2020? Keep in mind 2019's most important lesson (which is the same lesson from every year before): Stay a long-term investor in a broadly diversified portfolio. Reduce your anxiety by accepting the market's inevitable ups and downs. Make sure the people advising you align with your perspective. Stop trying to time the markets, and you'll find you have more time to do the stuff you love to do.

[1]Source: MSCI World Index.
[2]Source: Bloomberg Barclays Global Aggregate Bond Index.

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Tuesday, May 12th
6:00 - 8:30 pm
Pensacola Bayfront Stadium, Coors Light Deck
Ballpark buffet opens @ 6:00 PM | Game begins @ 6:35 PM

Please RSVP by May 1st
to Nancy Patton at nancy.patton@saltmarshcpa.com or (850) 435-8300.