

INVESTMENT UPDATE

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2023 YEAR-END TAX PLANNING HIGHLIGHTS

While we're all getting back in the groove after the holiday season, we encourage you not to overlook year-end tax planning and to identify opportunities for reducing, deferring or accelerating tax obligations. To help you get started, below is Saltmarsh's 2023 Tax Planning Highlights Guide that offers strategies and tips to help mitigate risk and set you up for 2024: www.saltmarshcpa.com/cms/file/22040DDMUL-90606.pdf

2023 YEAR IN REVIEW

BY CHRIS STENNETT, CFP®, SENIOR FINANCIAL ADVISOR, SALTMARSH FINANCIAL ADVISORS | JAN 5, 2024

As investors rung in the New Year of 2023, there was a lot to be apprehensive about. Inflation was still high as the Fed was aggressively raising rates, leading to a historically bad year for combined stock and bond investors.¹ Though 2022 had ended with a late-year rally, almost every economist gave some probability that the US was headed for a recession in 2023. It seems the markets did not get the memo. The S&P 500 (large companies) finished up 24%, The Russell 2000 (small companies) was up 15%, and the Nasdaq 100 (technology companies) finished up 43% on the year. Leading the charge were 7 household names affectionately known as...

THE MAGNIFICENT SEVEN

Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla finished up a combined 111% on the year; thus they were dubbed "the Magnificent Seven." These seven companies lead in performance and now represent 30% of the total S&P 500. International stocks also saw a strong year. The MSCI EAFE (International Developed) finished up almost 19% while the MSCI Emerging Markets Index grew by over 10%.

US BOND MARKETS AND THE 60/40

The US bond market had a very interesting year in 2023. For starters, yields on 2-year treasuries exceeded yields on 10-year treasuries throughout the year, causing an "inverted" yield curve.² Investors saw yields fluctuate widely through the year but finish essentially where they started. Meanwhile, The Fed continued to raise interest rates through July's FOMC meeting, as inflation cooled. Both factors were forecast to create significant challenges for investors already reeling from the poor performance of 2022.

SVB AND SBF

While much of what investors experienced in 2023 was positive, there were some concerning events that deserve mention. In March, investor concerns over a bank run began to set in. Silicon Valley Bank was the most notable institution to be impacted, as regulators stepped in to remove management and control deposit outflows.³ In November, Sam Bankman-Fried, CEO of FTX and co-founder of Alameda Research, was convicted of stealing billions from investors in one of the biggest financial frauds in American history.⁴

STAY DISCIPLINED

One of the biggest takeaways from 2023 is the importance of thinking long-term. At Saltmarsh, investment decisions aren't driven by predictions about where the market will go. Instead, we build portfolios tailored to each client's tolerance for investment risk and time-centered needs. We work with our clients to explain the impact current events have on their portfolios and help them make sound financial decisions. In 2022, we thanked our clients for staying the course in the face of turbulent markets. In 2023, many of our clients thanked us for helping them stay committed to their investment strategy.

1. www.saltmarshcpa.com/cpa-news/Blog/2022_a_year_to_forget.asp

2. www.saltmarshcpa.com/cpa-news/blog/yield_curve_inversion.asp

3. www.saltmarshcpa.com/cpa-news/blog/silicon_valley_bank_collapse_explained.asp

4. www.cnn.com/2023/11/02/sam-bankman-fried-found-guilty-on-all-seven-criminal-fraud-counts.html

THE POWER OF COMPOUNDING — IN HEALTH AND WEALTH

BY DAVID BOOTH, FOUNDER & CHAIRMAN, DIMENSIONAL FUND ADVISORS | OCT 18, 2023

Compounding is one of the most powerful forces in the world. Just ask Albert Einstein, who's said to have called it the "eighth wonder." The seemingly small decisions we make every day gain power over time. That's why it's important to take the long view and come up with a plan—in both wellness and investing—that creates momentum in the direction of our goals. Don't squander the power of time when you can recruit it to work in your favor.

Most of us understand that little things add up. Nowhere is this more evident than in our exercise and nutrition habits. Trading just 10% of your calories from meat for calories derived mostly from plants can extend your lifespan.¹ And don't feel like a failure if you can't reach 10,000 steps per day. Another study shows that 4,000 are enough to reduce the risk of dying from any cause.² The bottom line? What we do today really matters in the future.

No one expects to get stronger by lifting weights just one day per month. But when it comes to investing, there are folks who think the occasional big win is their ticket to success. This is simply not true. Just as your muscles benefit from the incremental increase in strength that comes from consistent training, so too do your investments benefit from a long-term time horizon. Because when it comes to investing, compounding means more than little amounts just adding up. The potential exponential growth provided by compound returns proves that time is literally money.

Let's say two people decide to make a one-time investment of \$10,000 with an average annualized return of 9%. One is 30 years old, and the other is 40. When they reach age 75, the investor who started at 30 will have \$483,000, while the one who started at 40 will have \$204,000. Those extra 10 years invested in the market turn out to be worth more than \$200,000, even though the initial investment was the same. And keep in mind that the extra return only comes if you stick to your plan and stay invested in the market.

DON'T SETTLE FOR THE STATUS QUO WHEN YOU CAN DO JUST A LITTLE BIT BETTER—BECAUSE A LITTLE BIT BECOMES A LOT OVER TIME.

Now let's factor in the importance of how you choose to invest your money. Different strategies have different objectives. An index fund, for example, seeks to track the returns of a specific index, whereas a flexible, factor-based approach seeks to outperform its benchmark. Just a 1% increase in returns makes an enormous difference. We just looked at compound returns resulting from a 9% annualized return. What about investing the same amount of money for the same amount of time, but at a rate of 10%? Instead of ending up with \$483,000, the investor who started at 30 ends up with \$729,000. Yes, you read that right. So make investment decisions very carefully. Don't settle for the status quo when you can do just a little bit better—because a little bit becomes a lot over time.

In one of the year's best-selling books, *Outlive: The Science and Art of Longevity*, physician Peter Attia writes that "Sometimes doing nothing is the riskiest choice of all." He's talking about being proactive about your health, but the same is true in investing, where we talk about "opportunity cost." Every minute your money isn't invested in the market is one in which it can't compound.

Economics is the science of making choices. Considering how many choices human beings are required to make every day, we're all economists.

With advances in medical science, many of us are living longer, healthier lives than ever before. This means it's more important than ever to invest for the long term. Because with good habits, even if you didn't start investing at age 20, you may get those 10 extra years of compound interest after all.

1. Katerina S. Stylianou, Victor L. Fulgoni III, and Olivier Jolliet, "Small Targeted Dietary Changes Can Yield Substantial Gains for Human Health and the Environment," *Nature Food* (August 2021): 616–627.
2. Maciej Banach, Joanna Lewek, et al. "The Association Between Daily Step Count and All-Cause and Cardiovascular Mortality: A Meta-Analysis," *European Journal of Preventive Cardiology* (August 9, 2023).

SPEAKER SPOTLIGHT!

CHRISTINA DOSS @

ALLTOGETHER: WOMEN'S EVENT

Tuesday, January 23rd
Echo Life Church | Pensacola, FL
Register: lnkd.in/eQ22Xqbc

The AlltogetHer event is for women to connect with other influential women in the Greater Pensacola community. This event features open, conversations led by influenceHERS. These influenceHERS are local, established professional women with vast experience in a variety of fields, including our very own, **Christina Doss, AAMS®!**

Christina will be hosting group sessions on professional and personal goal setting.



FIDUCIARY vs. SUITABILITY STANDARDS: A PERSONAL REFLECTION

BY MARK HEMBY, CFA®, SENIOR FINANCIAL ADVISOR, SALTMARSH FINANCIAL ADVISORS | DEC 28, 2023

I've been in the financial industry for nearly 20 years and have worked for many different firms. In those roles, I had different types of clients. When I came to Saltmarsh over three years ago, most of my prior experience was servicing large institutional clients. Now that I've been here a few years, I can reflect on my career and my various experiences. The most prominent difference between my role at Saltmarsh and roles at other firms is my current fiduciary responsibility versus my previous suitability duty.

First, some background. Saltmarsh Financial Advisors is a Registered Investment Advisor (RIA) under the Securities and Exchange Commission (SEC). Our **fiduciary duty** to clients is an important distinction as an RIA. All RIAs are held to a fiduciary standard, which is the highest standard of care recognized by the law. This means that we are required to act in the best interests of our clients at all times and to prioritize their clients' interests above our own. The fiduciary duty encompasses a duty of loyalty and a duty of care.

There are some important implications to this duty. In addition to requiring RIAs to provide advice in the best interest of the client, RIAs must also disclose any potential conflicts of interest and avoid transactions where personal interests could conflict with the interests of the client.

During different times during my career, I've worked for broker-dealers. I believe there is nothing wrong with working for a broker-dealer or getting advice from broker-dealers. However, it is important to understand the difference in their legal duty. Broker-

dealers are held to a **suitability standard**, which means that they must make recommendations that are suitable for their clients based on the client's financial objectives, risk tolerance, and other relevant factors. Unlike the fiduciary duty, the suitability standard does not necessarily require the broker-dealer to act in the client's best interest.

While the recommendations must be suitable, they may not be the best option for the client. The suitability standard primarily focuses on the appropriateness of the investment recommendation given the client's circumstances.

It's worth noting that the regulatory landscape has been evolving, and there have been efforts to raise the standard of care for all financial professionals. The SEC introduced Regulation Best Interest (Reg BI) to enhance the standards for broker-dealers, requiring them to act in the best interest of the client when making recommendations.

Despite these changes, there's still a distinction between the fiduciary duty of RIAs and the suitability standard of broker-dealers, and clients should be aware of the standard to which their financial professional is held.

The most important factor in choosing any advisor, whether they work for an RIA or a BD, is trust. Both types of advisors can and do serve their clients well. But you must always evaluate the individuals you work with and be convinced that they are trustworthy.

SALTMARSH WELCOMES RM&N TO THE FIRM!

Saltmarsh, Cleaveland & Gund is excited to announce Ruggiero, Martinez & Norton (RM&N) have joined Saltmarsh effective January 1, 2024.

The entire team of RM&N professionals will join Saltmarsh in Orlando and continue to serve clients from their Winter Park office. Formed in 1989, the RM&N team brings decades of dedicated service to the Central Florida community, providing tax, accounting and estate planning services to businesses and individuals.

Join us in welcoming our new team members to the Saltmarsh Family!



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ANNOUNCEMENTS & UPCOMING EVENTS!

SEMI-ANNUAL MARKET REVIEW

Tuesday, January 30th | Virtual Webinar

Join us and guests from Dimensional Fund Advisors to discuss recent economic and market events and implications to investors and address top-of-mind client questions.

Register: www.saltmarshcpa.com/seminars/#itm_265

NIGHT AT THE BALLPARK

Tuesday, April 23rd | Pensacola, FL

It's almost time for our annual Night at the Ballpark! You and a guest are invited to a night of fun in appreciation of our investment management clients as the Pensacola Blue Wahoos take on the Biloxi Shuckers.

Invite coming soon!

SCARY STORIES: IMPOSTER FRAUD

Webinar on Demand!

In 2022, 2.4 million consumers reported losing money to fraud – totaling nearly \$8.8 billion in lost wealth. The most prevalent fraud report was imposter fraud, where fraudsters impersonate a loved one or institution to obtain a victim's money or information, and what's scary is that imposter fraud can happen to anyone.

We encourage you to watch and share this webinar on imposter fraud from Saltmarsh's Technology Risk Consulting Senior Manager, Jason Keith, CIA, CISA, and Associate Financial Advisor, Pierce Broschius, CFP®. This webinar will shed light on the impact of imposter fraud and reveal best practices for protecting your financial well-being.

Watch: www.youtube.com/watch?v=snPIGVozE8M



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