INVESTMENT UPDATE

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

3rd Quarter 2021

2021 REQUIRED MINIMUM DISTRIBUTIONS DUE BY DECEMBER 31ST, 2021

As a reminder, individuals who are required to take a distribution from their IRA and/or Inherited IRA in 2021 must do so by December 31st, 2021. You may recall that these required minimum distributions (RMDs) were waived in 2020 due to the passage of the CARES Act.

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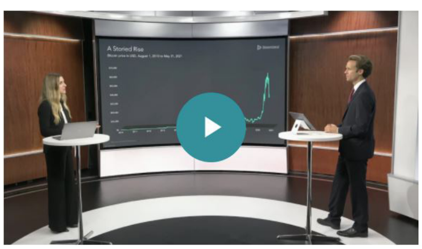
"BEST OF THE BEST" FINANCIAL PLANNING FIRMS

We are honored to be recognized by the *Tampa Bay Times* as a "Best of the Best" Best Financial Planner in Tampa Bay! We are also excited for Saltmarsh, Cleaveland & Gund, who was also named "Best of the Best" Best Accounting/Tax Service!

CRYPTO: CURRENCY OR INVESTMENT?

A PERSPECTIVES VIDEO FROM DIMENSIONAL FUND ADVISORS



In this video (from June 22, 2021) moderated by Regional Director Courtney Scott, Philipp Meyer-Brauns, PhD, Head of Investment Solutions Analytics and Vice President at Dimensional, discusses the volatility associated with bitcoin and evaluates whether the cryptocurrency has an expected return, can mitigate investment uncertainty, or could be used to meet short-term liquidity needs. He also analyzes the role bitcoin could play in investment portfolios.

We recognize that many of our clients have heard about bitcoin as a new investment option, but know very little about it. While many of the stories our clients hear revolve around the enormous growth within this space, there are a few reasons why we are not currently incorporating it within their portfolio. This video highlights how we evaluate all investment options within a portfolio and use that framework to explain the challenges of incorporating bitcoin into a portfolio. Visit the "Featured Content" section of our website (www.saltmarshfa.com) to watch the video.

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'EVERYTHING SCREAMS INFLATION.' HOW TO INTERPRET THE HEADLINES

BY WESTON WELLINGTON, VICE PRESIDENT
DIMENSIONAL FUND ADVISORS | JULY 29, 2021

KEY TAKEAWAYS

- After last year's economic shocks, we shouldn't be surprised to see prices rebounding.
- But the potential for inflation is one among many factors investors take into account when agreeing on a price at which to trade.
- A look at headlines from the past 50 years shows the difficulty of timing markets around inflation expectations. Investors may be better served sticking to a long-term plan.

How quickly things change. Two years ago, the *New York Times* reported, "Federal Reserve officials are increasingly worried that inflation is too low and could leave the central bank with less room to maneuver in an economic downturn."[1] More recently, a *Wall Street Journal* article presented a sharply different view, with a headline that likely touched a raw nerve among investors: "Everything Screams Inflation." The author, a veteran financial columnist, observed, "We could be at a generational turning point for finance. Politics, economics, international relations, demography and labor are all shifting to supporting inflation."[2]

Is inflation headed higher? In the short term, it has already moved that way. With many firms now reporting strong demand for goods and services following the swift collapse in business activity last year, prices are rising—sometimes substantially. Is this a negative? It depends on where one sits in the economic food chain. Airlines are once again enjoying fully booked flights, and many restaurants are struggling to hire cooks and waiters. We should not be surprised that airfares and steak dinners cost more than they did a year ago. Or that stock prices for JetBlue Airways and The Cheesecake Factory surged over 150% from their lows in the spring of 2020.[3]

Do such price increases signal a coming wave of broad and persistent inflation or just a temporary snapback following the unusually sharp economic downturn in 2020? We simply don't know. But future inflation is just one of many factors that investors take into account. The market's job is to take positive information, such as exciting new products, substantial sales gains, and dividend increases, and balance it against negative information, like falling profits, wars, and natural disasters, to arrive at a price every day that both buyers and sellers deem fair.

Let us assume for the moment that rising inflation persists into the future. Some investors might want to hedge against higher inflation, while others might see it as a market-timing signal and make changes to their investment portfolios. But for the market timers to do so successfully, they would need a trading rule that directs exactly when and how to revise the portfolio—"I'll know it when I see it" is not a strategy. A trading rule based on inflation estimates, however, is just a market-timing strategy dressed in different clothes. A successful effort requires two correct predictions: when to revise the portfolio and when to change it back.

It's not enough to be negative on the outlook for stocks or bonds in the face of disconcerting information regarding inflation (or anything else). Current prices already reflect such concerns. To justify switching a portfolio, one needs to be even more negative than the average investor. And then outsmart the crowd once again when the time appears right to switch back. Rinse and repeat.

The evidence of success in pursuing such timing strategies—by individuals and professionals alike—is conspicuous by its absence.

To illustrate the problem, imagine it's New Year's Day 1979. The broad US stock market[4] produced a positive return in 1978 but failed to keep pace with inflation for the second year in a row. Your crystal ball informs

Exhibit 1
Looking Up
Cumulative return, January 1979–December 1980

Dimensional US Small Cap Index	90.85%
S&P 500[5]	56.80%
CRSP 1-10 Index	62.86%
US Consumer Price Index	27.47%
One-Month US Treasury Bills	22.78%
Long-Term Government Bonds	–5.13%

Exhibit 2
Fears Through the Years

Publish Date	Commentary[7]	S&P 500 Index Annualized Returns (%) Since Start of Publishing Month			
		1 YR	3 YR	5 YR	10 YR
1970 May 17 *New York Times*	*"Behind the pervasive bearishness was the same litany of problems that has depressed the markets for almost a year and a half—concern over inflation, tight money, the uncertain economic picture, social unrest, wariness over the war in Indochina and other international tensions."* Thomas E. Mullaney, "Inflation Spurs Growing Gloom in the Markets"	32.23	13.01	5.05	7.04
1973 June 18 *Time*	*"The economy's inflationary temperature has climbed to its highest point in two decades. The situation has helped create near chaos in stock and dollar-exchange markets."* "Nixon's Other Crisis: The Shrinking Dollar," *Time*	–13.79	2.60	2.85	9.58
1983 August 4 *New York Times*	*"Interest rates will rise as an inevitable consequence of the monetary explosion we've experienced over the past year."* Milton Friedman, 1976 Nobel laureate, quoted in "Which Way Interest Rates?"	–2.92	18.29	15.28	14.73
1992 September *Bankruptcy 1995*	*"In 1995, the USA, as we know it today, will cease to exist. … We'll get a taste of both hyperinflation and panic."* Harold E. Figgie Jr. and Gerald Swanson, PhD, *Bankruptcy 1995* (Boston: Little, Brown & Co.)	15.21	13.85	19.77	10.39
1996 February *Worth*	*"Thus, in the 1990s we have worldwide low production capacity, worldwide growth in demand, worldwide low inventories, and a worldwide surge in liquidity. To anyone trained in global economic patterns, this mixture can have only one outcome."* Jim Rogers, "The Specter of Inflation"	26.34	28.55	11.75	8.99
2003 January 20 *Barron's*	*"Curiously, however, one reads almost nothing about what may be the biggest bubble of them all—the huge ballooning of total debt in the U.S."* Jonathan R. Laing, "The Debt Bomb"	28.69	14.39	12.83	7.10
2013 March 31 *New York Times*	*"Eight decades of borrowing, spending and money-printing by the government have bankrupted America."* David A. Stockman, director of the (US) Office of Management and Budget (1981–1985), "Sundown in America"	25.37	10.75	14.73	—
2018 April 1 *Fortune*	*"Government deficits are on the verge of swamping the economy."* Shawn Tully, "Deep in Debt"	9.50	16.78	—	—
2019 March 21 *Wall Street Journal*	*"The most dangerous domestic problem facing America's federal government is the rapid growth of its budget deficit and national debt."* Martin Feldstein, chairman of the (US) Council of Economic Advisers (1982–1984), "The Debt Crisis is Coming Soon"	8.19	—	—	—

you that the next two years will see back-to-back double-digit inflation for the first time since World War I.

What would you do? You have painful memories of 1974, when the inflation-adjusted total return for US stocks was –35.05%, among the five worst returns in data going back to 1926.

We suspect many investors would sell stocks in anticipation of significantly lower security prices over the subsequent two years. The result? Most likely a failure to capture above average returns from both the equity and size dimensions, as shown in Exhibit 1.

Some of the recent concern regarding inflation appears linked to substantial increases in government spending and the US debt load. Determining the appropriate level of each is a contentious public policy issue, and we don't wish to minimize its importance. But the news items in Exhibit 2 suggest these concerns are not new, and the expected consequences of these issues are likely already reflected in current prices.

The future is always uncertain. But as economist Frank Knight observed 100 years ago, willingness to bear uncertainty is the key reason investors have the opportunity for profit.[6] Investors will always have something to worry about, and the possibility of unwelcome or unexpected events should be addressed by the portfolio's initial design rather than by a hasty response to stressful headlines in the future. As recent research from Dimensional highlights, simply staying invested can help investors outpace inflation over the long term.

1. Jeanna Smialek, "Fed Officials Sound Alarm Over Stubbornly Weak Inflation," New York Times, May 17, 2019. 2. James Mackintosh, "Everything Screams Inflation," Wall Street Journal, May 5, 2021. 3. Sourced using Bloomberg security returns. Low for Cheesecake Factory was April 2, 2020, and low for JetBlue was March 23, 2020. 4. As measured by the CRSP 1-10 index. 5. S&P data © S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. 6. Frank H. Knight, Risk, Uncertainty and Profit (Boston and New York: Houghton Mifflin Co., 1921). 7. Headlines are sourced from various publicly available news outlets and are provided for context, not to explain the market's behavior. This material is in relation to the US market and contains analysis specific to the US. 8. Jeanna Smialek, "Fed Officials Sound Alarm Over Stubbornly Weak Inflation," New York Times, May 17, 2019. 9. James Mackintosh, "Everything Screams Inflation," Wall Street Journal, May 5, 2021. 10. Sourced using Bloomberg security returns. Low for Cheesecake Factory was April 2, 2020, and low for JetBlue was March 23, 2020. 11. As measured by the CRSP 1-10 index. 12. S&P data © S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. 13. Frank H. Knight, Risk, Uncertainty and Profit (Boston and New York: Houghton Mifflin Co., 1921). 14. Headlines are sourced from various publicly available news outlets and are provided for context, not to explain the market's behavior. This material is in relation to the US market and contains analysis specific to the US.

DIGITAL ASSETS AND 21ST CENTURY ESTATE PLANNING

BY CHRIS STENNETT, CFP®
SALTMARSH FINANCIAL ADVISORS | OCT. 4, 2021

Today, more than ever, our daily routines are intertwined with a digital world that didn't exist that long ago. Collectively, we wake up and check our phones. "For missed calls", you ask? No, for every reason except actual phone calls. Maybe you want to look at last night's photos, or check your emails, or check out your crypto wallet or just check-in on social media. Whatever the reason, your phone has become the gateway to your life. Welcome to the 21st century! But what happens to your digital life when you're no longer physically alive? The answer has a lot to do with the preparations you've made before you pass.

YOU HAVE MORE DIGITAL ASSETS THAN YOU THINK

A digital asset is any digital file or dataset that has meaningful value or use to you or to others. 20 years ago, that would have been audio or video files, spreadsheets or documents, and an email address. 10 years ago, that included personal photos and videos uploaded to the cloud, websites and social media accounts. Five years ago, that was your frequent flyer miles, online banking and investment accounts. Today, it would include cryptocurrency wallets, digital art collections and non-fungible tokens. The list keeps growing.

WHAT'S THE PROBLEM?

These are items of value, that upon your passing, might not actually be passed on to your heirs. There are two main reasons for this: First, your heirs might not have any knowledge of their existence. Digital assets, by their very nature, don't leave a paper trail. So, unless you've kept meticulous physical records of your digital acquisitions, there's very little information available for your executor to uncover their existence. Second, even if known, executors generally can't demand access to your digital accounts unless there is specific authority granted to them in your will or living trust. Even then, there are Terms of Service with each provider that may ultimately limit what can be done by the executor.

WHAT CAN YOU DO?

First, start by taking an inventory of your digital life and create a physical document that you can store for safekeeping. At Saltmarsh, we've created an Asset Inventory worksheet including digital assets that we are sharing with our clients, but a simple online search can yield similar worksheets. Be sure to include information about where to access the accounts, usernames, passwords and estimated values. Ensure you have a secure place to store this information such as a bank safety deposit box or a home safe, and communicate the location with a spouse, trusted family member and/or executor. Since many accounts require two-factor authentication, make sure your executors' devices are also listed on your account profile to allow them access in the future. If your executor is not your spouse or if you do not want your executor to have access to these accounts while you're alive, then make sure you don't share your username and password with them until your passing. How? We recommend that you draft a letter of instruction detailing the log-in information and your intentions with each account (what to keep, what to delete, what to transfer to heirs) and store that safely with your other Estate Planning Documents. Finally, update the document regularly, as passwords and balances tend to change over time.

THE GOAL

Ultimately, the goal is to ease the burden and stress for our loved ones or executor and enable a smooth transition and preservation of digitally stored wealth and memories for the next generation. So, ask yourself "If I die tomorrow, what would I want to happen with these assets?" If the answer is anything other than "Nothing", then start your Asset Inventory worksheet today and take the appropriate steps to help your heirs preserve your digital legacy.

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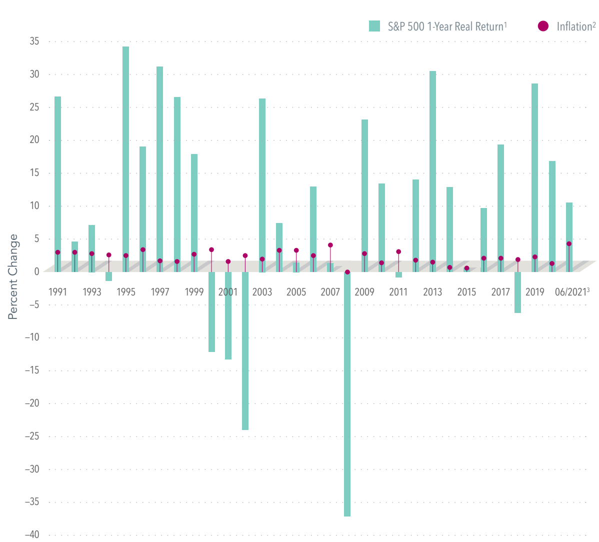
WILL INFLATION HURT STOCK RETURNS? NOT NECESSARILY.

FROM DIMENSIONAL FUND ADVISORS

STOCKS VS. INFLATION



1. Real returns illustrate the effect of inflation on an investment return and are calculated using the following method: [(1 + nominal return of index over time period) / (1 + inflation rate)] − 1. S&P data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. 2. Based on non-seasonally adjusted 12-month percentage change in Consumer Price Index for All Urban Consumers (CPI-U). Source: US Bureau of Labor Statistics. 3. Year-to-date return for 2021 through June 30.

History shows that stocks tend to outpace inflation over time—a valuable reminder for investors concerned that today's rising prices will make it harder to reach their long-term financial goals.

- Investors may wonder whether stock returns will suffer if inflation keeps rising. Here's some good news: Inflation isn't necessarily bad news for stocks.
- A look at equity performance in the past three decades does not show any reliable connection between periods of high (or low) inflation and US stock returns.
- Since 1991, one-year returns on stocks have fluctuated widely. Yet the weakest returns can occur when inflation is low, and 23 of the past 30 years saw positive returns even after adjusting for the impact of inflation. That was the case in the first six months of 2021 too.
- Over the period charted, the S&P 500 posted an average annualized return of 8.5% after adjusting for inflation. The annualized inflation-adjusted return on US stocks is 7.3% when going all the way back to 1926.