SALTMARSH FINANCIAL ADVISORS, LLC

3rd Quarter 2022

INVESTMENT UPDATE

PIERCE BROSCIOUS EARNS CFP® DESIGNATION

We are excited to announce that Pierce Broscious has officially been certified as a Certified Financial Planner™. Pierce's diligence has paid off as he has completed and passed the seven-course curriculum and final exam to earn the CFP® marks! Pierce is an Associate Financial Advisor for Saltmarsh Financial Advisors, LLC, and works closely with the advisory team to provide wealth management guidance and advice to our financial advisory clients. His duties include the preparation and delivery of client investment proposals, quarterly reviews and financial plans along with the creation and maintenance of client files. Pierce also holds his Series 65 license.

"I'm beyond excited to have passed the rigorous education and examination requirements to become a Certified Financial Planner professional. This certification aligns with the holistic, personalized approach that our firm takes when providing advice to clients, as well as our commitment to putting clients' best interests first as their fiduciary. In fact, throughout the seven-courses, I found that my experience here at Saltmarsh reinforced many of the concepts and material covered. Not only do CFP professionals focus on investment and retirement planning decisions, but they also incorporate tax, estate, and insurance considerations when providing advice. I look forward to practicing these concepts and applying the knowledge I learned throughout my certification process to benefit clients of Saltmarsh Financial Advisors." - Pierce Broscious, CFP®

INSIDE THIS ISSUE

TAMARAC CLIENT PORTAL VIDEO

Our Client Portal Tutorial video is now available! Watch this 2-minute video on our website to learn how to navigate your client portal and access important information and documents related to your investment portfolio: www.saltmarshcpa.com/cpa-news/blog/saltmarsh_financial_advisors_client_portal_tutorial.asp

- UPCOMING WEBINARS -

FOUNDATIONS OF FINANCIAL STABILITY

Wednesday, Oct. 12 @ 10:00 AM CST/11:00 AM EST

Join us on National Savings Day for a high-level overview of initial financial objectives. Our speakers, **Pierce Broscious, CFP®** and **Sarah Horne**, will share tips on managing money and financial risks, preparing for the future and investing so that financial stability isn't an unattainable dream. This webinar is perfect for college students, recent graduates and young professionals! Learn more and register: www.saltmarshcpa.com/seminars/#itm_241

QUARTERLY MARKET REVIEW: 3RD QUARTER 2022

Tuesday, Oct. 25 @ 11:30 AM CST/12:30 PM EST

Join Senior Saltmarsh Financial Advisor, **Chris Stennett, CFP®**, and guest **Chad Burns, CIMA®**, from Dimensional Fund Advisors for a Quarterly Market Review to discuss recent market events and implications to investors and address top-of-mind client questions from the 3rd quarter of 2022. Learn more and register: www.saltmarshcpa.com/seminars/#itm_240

MIDTERM ELECTIONS—WHAT DO THEY MEAN FOR MARKETS?

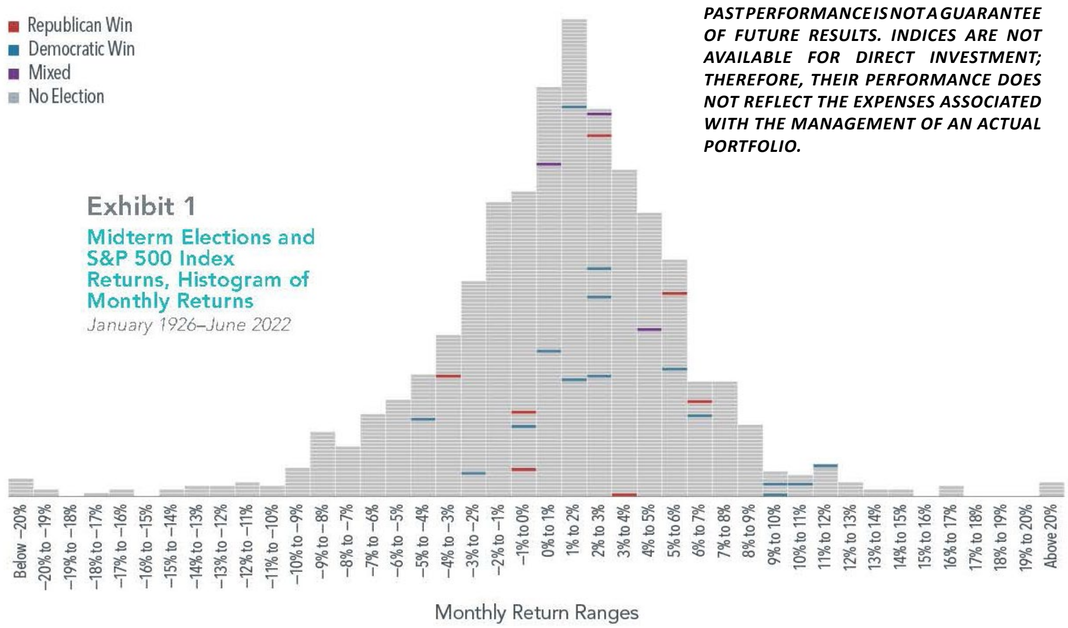
BY PERSPECTIVES, DIMENSIONAL FUND ADVISORS | SEPT 16, 2022

It's almost Election Day in the US once again. For those who need a brief civics refresher, every two years the full US House of Representatives and one-third of the Senate are up for reelection. While the outcomes of the elections are uncertain, one thing we can count on is that plenty of opinions and prognostications will be floated in the days to come. In financial circles, this will almost assuredly include any potential for perceived impact on markets. But should long-term investors focus on midterm elections?

MARKETS WORK

We would caution investors against making short-term changes to a long-term plan to try to profit or avoid losses from changes in the political winds. For context, it is helpful to think of markets as a powerful information-processing machine. The combined impact of millions of investors placing billions of dollars' worth of trades each day results in market prices that incorporate the aggregate expectations of those investors. This makes outguessing market prices consistently very difficult.[1] While surprises can and do happen in elections, the surprises don't always lead to clear-cut outcomes for investors.

The 2016 presidential election serves as a recent example of this. There were a variety of opinions about how the election would impact markets, but many articles at the time posited that stocks would fall if Trump were elected.[2] The day following President Trump's win, however, the S&P 500 Index closed 1.1% higher. So even if an investor would have correctly predicted the election outcome (which was not apparent in pre-election polling), there is no guarantee that they would have predicted the correct directional move, especially given the narrative at the time.



But what about congressional elections? For the upcoming midterms, market strategists and news outlets are still likely to offer opinions on who will win and what impact it will have on markets. However, data for the stock market going back to 1926 shows that returns in months when midterm elections took place did not tend to be that different from returns in any other month.

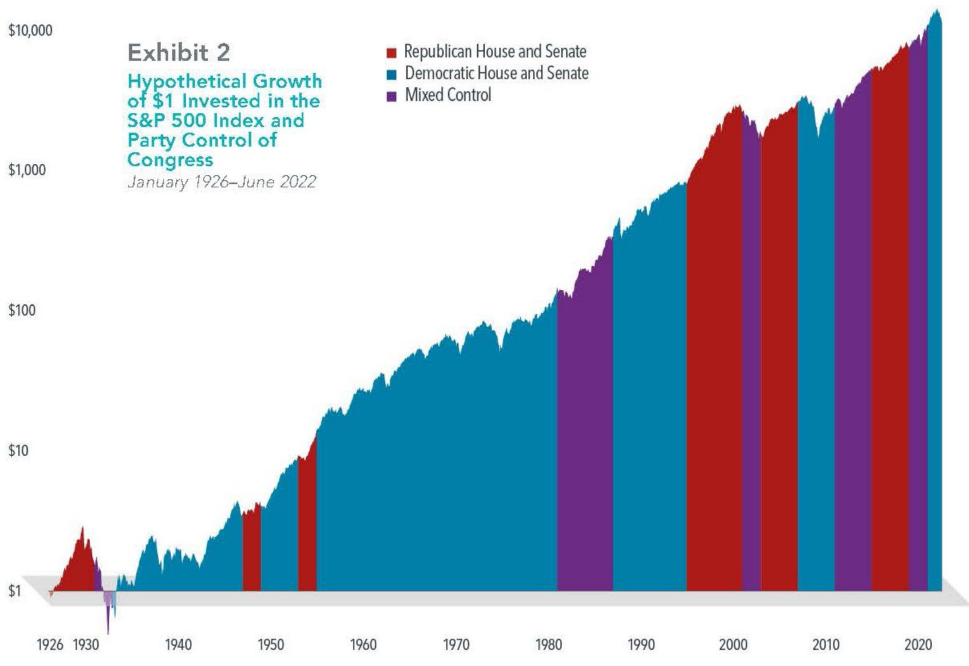


Exhibit 1 shows the frequency of monthly returns (expressed in 1% increments) for the S&P 500 Index from January 1926–June 2022. Each horizontal dash represents one month, and each vertical bar shows the cumulative number of months for which returns were within a given 1% range (e.g., the tallest bar shows all months where returns were between 1% and 2%). The blue and red horizontal lines represent months during which a midterm election was held, with red meaning Republicans won or maintained majorities in both chambers of Congress, and blue representing the same for Democrats. Striped boxes indicate mixed control, where one party controls the House of Representatives, and the other controls

the Senate, while gray boxes represent non-election months. This graphic illustrates that election month returns were well within the typical range of returns, regardless of which party won the election. Results similarly appeared random when looking at all Congressional elections (midterm and presidential) and for annual returns (both the year of the election and the year after).

IN IT FOR THE LONG HAUL

While it can be easy to get distracted by month-to-month or even one-year returns, what really matters for long-term investors is how their wealth grows over longer periods of time. **Exhibit 2** shows the hypothetical growth of wealth for an investor who put $1 in the S&P 500 Index in January 1926. Again, the chart lays out party control of Congress over time. And again, both parties have periods of significant growth and significant declines during their time of majority rule. However, there does not appear to be a pattern of stronger returns when any specific party is in control of Congress, or when there is mixed control for that matter. Markets have historically continued to provide returns over the long run irrespective of (and perhaps for those who are tired of hearing political ads, even in spite of) which party is in power at any given time.

Equity markets can help investors grow their assets, and we believe investing is a long-term endeavor. Trying to make investment decisions based on the outcome of elections is unlikely to result in reliable excess returns for investors. At best, any positive outcome based on such a strategy will likely be the result of random luck. At worst, it can lead to costly mistakes. Accordingly, there is a strong case for investors to rely on patience and portfolio structure, rather than trying to outguess the market, to pursue investment returns.

1. *This is known as the efficient market theory, which postulates that market prices reflect the knowledge and expectations of all investors and that any new development is instantaneously priced into a security.*
2. *Examples include: "A Trump win would sink stocks. What about Clinton?" CNN Money, 10/4/16, "What do financial markets think of the 2016 election?" Brookings Institution, 10/21/16, "What Happens to the Markets if Donald Trump Wins?" New York Times, 10/31/16.*

THE DIFFERENCE BETWEEN A FORECAST, A WISH, AND A WORRY

BY DAVID BOOTH, EXECUTIVE CHAIRMAN & FOUNDER, DIMENSIONAL FUND ADVISORS | AUG 2, 2022

When I was growing up, our local newspaper, the Kansas City Star, was full of news and had one page for opinion. After decades of cable news and nonstop digital postings, I see more opinions these days than news. That's not a bad thing. But when it comes to investing, it's crucial to remember the difference between news and opinion, and how they are sometimes used to forecast the future.

Any time the government releases new data on unemployment or inflation or interest rate changes, people start claiming they can forecast the future. That's not necessarily a bad thing either. But most of what I hear people say isn't what I would call "forecasting."

Forecasting is when you have a high degree of confidence in an outcome based on wellproven models. The weather forecast for a few days from now is a lot better than anything I read in the Kansas City Star about investing. The weather forecast is pretty darn accurate. I'd sure call that kind of forecast the right use of the word. That's different from someone issuing a "forecast" for when the Dow will hit a certain number. Or when inflation will reach a certain level. Or which five stocks will rise the most over the next year.

So when people say they forecast that something will be at this level at that time, I don't call that a forecast. That's a wish. And when people forecast that something will go down at a certain time? That's a worry.

Do you really want to invest your hard-earned savings the money you'll need for your kids' college or your own retirement—based on someone's hunch or wish?

The good news is you can have a good experience without having to do any forecasting —I believe you just need to be a long-term investor with a truly diversified portfolio.

DO YOU REALLY WANT TO INVEST YOUR HARD-EARNED SAVINGS—THE MONEY YOU'LL NEED FOR YOUR KIDS' COLLEGE OR YOUR OWN RETIREMENT—BASED ON SOMEONE'S HUNCH OR WISH?

Over the last 100 years or so, the average return of the market has been about 10% a year.[1] I won't call it a forecast, but my best guess is that over the next 100 years the average annual return will be about 10%. Of course, there may be large fluctuations, just like we have experienced for the last 100 years (and like we have experienced in the last six months).

Instead of forecasting, focus on the power of what I think has been behind the stock returns of the last 100 years: human ingenuity. Millions of people at thousands of companies working to improve their product, enhance their service, and lower their costs —and all adapting in real time to a changing world. We witnessed the power of human ingenuity over the course of the pandemic. I'm seeing it again as companies adjust to deal with inflation.

The world has changed in so many ways since I was a kid reading the Kansas City Star. I still occasionally read it on my phone now. (It makes me chuckle when I imagine trying to explain to my grandparents that I read the newspaper on the phone.) While I expect the world to keep changing—I'm not forecasting when or how—I am confident that human ingenuity will be a constant. Whether in good times or bad, that's reason to be optimistic.

1. *In US dollars. S&P 500 Index annual returns 1926–2021. S&P data © 2022 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Indices are not available for direct investment, therefore their performance does not reflect the expenses associated with the management of an actual portfolio.*

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STUDENT LOAN DEBT CANCELATION

BY CHRIS STENNETT, CFP® | SEPT. 26, 2022

On August 24, 2022, President Joe Biden announced his administration's plan to reduce student loan debt for millions of Americans. The plan consists of three parts: Targeted debt repayment relief, improving the loan system for current and future borrowers and reducing the cost of college by holding schools accountable for rate hikes. While all three parts are relevant, I am going to focus on targeted debt repayment relief – or said more clearly: Student Loan Debt Cancelation.

Read the entire article: www.saltmarshcpa.com/cpa-news/blog/student_loan_debt_cancelation.asp

BONDS 101: WHAT ARE BONDS?

BY MARK HEMBY, CFA | JULY 19, 2022

In the past six months, there have been many discussions about the bond market. The classic portfolio is made up of 60% equities and 40% fixed income and cash, and for the first time in decades, stocks and bonds are both down at the same time. Why is that?

First, let's get into what bonds are, how they work and why they are an important part of an investment portfolio. Bonds are debt obligations of governments or companies. So, why wouldn't a government or corporation just go to a bank and ask for a loan? Banks have a limit to how much they can loan to any individual borrower. The bond market fills this gap. It is made up of investors globally and is able to fund the demand for large borrowers like corporations and governments.

Read the entire article: www.saltmarshcpa.com/cpa-news/blog/_bonds_101.asp

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