SALTMARSH FINANCIAL ADVISORS, LLC

2nd Quarter 2024

# INVESTMENT UPDATE

**INSIDE THIS ISSUE**



## FATHER'S DAY: MONEY LESSONS LEARNED FROM DAD

**BY PIERCE BROSCIOUS, CFP®, ASSOCIATE FINANCIAL ADVISOR, SALTMARSH FINANCIAL ADVISORS | JUNE 12, 2024**

Fathers play an important role in teaching us many things when we are children. A few common lessons include how to hold a flashlight steady, how to arrive at the airport early, and that "it's not the heat that gets you, it's the humidity." Another common topic fathers teach us about is money. This is an area I learned a lot about from my dad. Having spent most of his career as a regional business developer for Firehouse Subs, he helped franchisees succeed by guiding them on smart money and business decisions. The money lessons I learned while sitting in his office as a kid inspired me to pursue a career in finance. For this Father's Day, I'd like to share some of these lessons and how they can be applied in practical terms.

### *LESSON 1: "ENJOY" YOUR MONEY AFTER YOU EARN IT.*

This would usually be my dad's response when I mentioned the newest video game I wanted to buy, with money I didn't have. What he meant by this was avoid using debt, specifically credit card debt, to pay for the "wants" that haven't been included in a monthly budget.[1] Rather than use debt, it's better to leverage a monthly budget first to determine how much money is left over after paying for the "needs" each month. Then you can determine if it's enough to pay for the "want". If it's an expensive purchase that requires multiple months of saving, use Lesson 2 as a roadmap to build toward the amount needed.

### *LESSON 2: BUILD AN EMERGENCY FUND & NEVER LOOK BACK.*

My dad would say, "Once you've built a solid savings account, everything becomes easier." Here, he means things get easier both financially and psychologically. Having money available in an emergency can relieve stress and prevent the need to take on debt. What "solid" means is different for everyone. From a financial planning perspective, this number is generally around 3-6 months of living expenses. A great way to build an emergency fund is to treat it like paying a bill each month. Designate a feasible amount and automate the transfers from checking to savings. Also, consider choosing a high-yield savings account to reduce the impact of inflation.

### *LESSON 3: TAKE ADVANTAGE OF COMPOUND GROWTH.*

Or as my dad put it, "You need to make money on the money your money makes." Compound growth occurs when you re-invest the earnings of an investment. This is different than simple interest, where your money earns a specified rate on a specified amount. Here are a couple of quick examples to illustrate the difference:

***Simple Interest: Coupon-Paying Bond***

- Investment Amount: $100,000
- Interest Rate: 5% annual ($5,000 fixed per year)
- # Years: 20
- Total interest earned: $100,000
- Final Balance after 20 years: $200,000

***Compound Interest: Diversified Stock & Bond Portfolio***

- Investment Amount: $100,000
- Rate of Return: 5% annual
- At the end of each year, the interest you earn is reinvested in your portfolio:
  - Year 1: $100,000 x 5% = $5,000 --- add this to your total
  - Year 2: $105,000 x 5% = $5,250 --- add this to your total and so on
- Final Balance after 20 years: $265,330 ($65,330 more than simple interest!)
- For long-term goals, compounding can help you reach your goals faster

### *CONCLUSION*

I'm thankful to have learned these lessons from my dad. I'm also aware that not everyone was taught these lessons as a kid. My hope in writing this article is that it will be shared to help others who haven't yet been taught. As an associate financial advisor, my job is to assist others in reaching their goals by helping them make good financial decisions, not unlike how my dad helped his franchisees. If you or someone you know may benefit from speaking with an advisor, please reach out to us.

1. www.saltmarshcpa.com/cpa-news/blog/how_to_build_a_budget_to_boost_your_savings.asp

# 2ND QUARTER MARKET COMMENTARY

BY CHRIS STENNETT, CFP®, SENIOR FINANCIAL ADVISOR, SALTMARSH FINANCIAL ADVISORS | JUNE 13, 2024

April brought showers to start the 2nd quarter as US Stocks declined by more than 5%. The decline was short-lived, however, as May brought more than flowers. The S&P 500 gained 4.28% during the quarter and is up 15.29% year-to-date. While the Russell 3000 gained 3.29% during the quarter, 13.56% year-to-date. On the international front, Emerging Markets outpaced International Developed countries with a strong Q2 return of 5.38% and YTD return of 8.34%. The Federal Reserve held two FOMC Meetings during the quarter and continued to hold rates above 5.25% as inflation continues to be stickier than expected. As a result, Treasury yields remain inverted, however spreads have narrowed since last year from 1.88% to 1.09%. Overall, the bull market has continued into Q2 with portfolios across the board experiencing modest additional gains adding to strong Q1 returns.


# WHAT IS DOLLAR COST AVERAGING?

BY MARK HEMBY, CFA, CFP®, SENIOR FINANCIAL ADVISOR, SALTMARSH FINANCIAL ADVISORS | MAY 29, 2024

The S&P 500 hit a new all-time high 22 times during the first quarter of 2024. Since 1957, the index has reached a new high every 14.3 days. These higher prices are great for investors in the market, but present a hurdle for investors on the sidelines. Let's look at how investors should approach this hurdle to get their funds invested for the future.

There are 2 recommended approaches an investor can take when deciding how to invest idle cash: lump-sum investing and Dollar Cost Averaging (DCA). Lump-sum investing is straightforward. The investor makes a single-day transaction to buy all the investments at current market prices. Financial advisors often prefer this strategy because markets historically go up 60% of the time. Waiting to buy is likely to result in a higher purchase price in the future versus buying today. Also, even if an investor bought at higher prices today versus the future, the difference is often negated by the fact that lump-sum has been invested longer, generating dividends which can be reinvested and compound future growth. While lump-sum investing is the preferred strategy, some investors find it difficult to adopt this approach. For them, we often recommend Dollar Cost Averaging.

### *WHAT IS DCA?*

Dollar Cost Averaging is a strategy of investing a fixed amount at regular intervals. Someone wanting to invest $500,000 might structure a 12-month buy-in, with each $41,667 purchase occurring at the beginning of each month. By consistently purchasing the same dollar amount, one acquires more shares when prices are low and fewer when prices are high. Many who regularly contribute to a retirement plan like a 401(k) are doing this without even knowing it.

### *WHY WOULD YOU USE DCA?*

If an investor is unwilling to use the lump-sum approach, it is likely because they fear the market is going to go down in the near-term. Ideally, we would dissuade this individual from engaging in market timing since it's impossible to know when the market will drop. But with no strategy to buy back into the market, the investor will likely sit on the sidelines until prices drop enough to entice them to buy. This "Buy-the-Dip" approach can be catastrophic to a financial plan if the dip doesn't materialize. For example, in 2009, as the market was on the road to recovery after the Great Financial Crisis, many investors remained in cash and were convinced a second downturn was imminent. Unfortunately for these investors, markets did not "dip" until 2018, leaving over 9 years of missed returns at an annual return of over 15% per year with the S&P 500 index . Studies have reinforced the value of DCA, comparing DCA to Buy-the-Dip by assuming that an investor has the ability to foresee every market bottom and purchase exactly then. Even with omniscient timing, the Buy-the-Dip approach underperformed DCA 70% of the time. DCA offers an alternative to buying the dip by giving an investor a structure to put their capital to use and minimize the risks of market volatility by distributing investments across various price points.

Dollar Cost Averaging emerges as a prudent strategy, offering investors a methodical approach to navigate market fluctuations while potentially yielding favorable returns over time. While it is not always the best approach for investing idle cash, it is a great option as it provides a framework for investing decisions and offers some peace of mind that you're buying in at fair prices. If you would like to discuss this strategy in more detail, reach out to one of our advisors at Saltmarsh Financial Advisors.

# WHAT GOES UP MIGHT NOT COME DOWN

**BY WES CRILL, PHD, SENIOR INVESTMENT DIRECTOR & VICE PRESIDENT, DIMENSIONAL FUND ADVISORS | MAY 31, 2024**

US stock market indices hit all-time highs in recent weeks, leading some investors to wonder whether now is a good time to be in stocks—or do record levels portend an upcoming tumble? The historical data should help allay such concerns.

New highs for stocks are not exactly uncommon. Since 1926, the US market has ended the week on a new high in 933 out of 5,099 weeks, slightly more than one out of every six. Periodic record setting should be expected for an asset class with high historical average returns! Interestingly, the average return for weeks following these new highs was 0.26% —very close to the average return of 0.22% across all weeks.

Many of us can be guilty of waiting for the other shoe to drop whenever something has gone well. Fortunately, we don't have to view markets that way. As long as investors demand positive returns in exchange for holding stocks, a new market high doesn't mean the market is going to snap back. It may mean things are about to jump forward.

# NIGHT @ THE BALLPARK!


**Client appreciation night at the Pensacola Blue Wahoos on April 23, 2024!**

# GOLD HASN'T BEEN EFFECTIVE AT TRACKING INFLATION

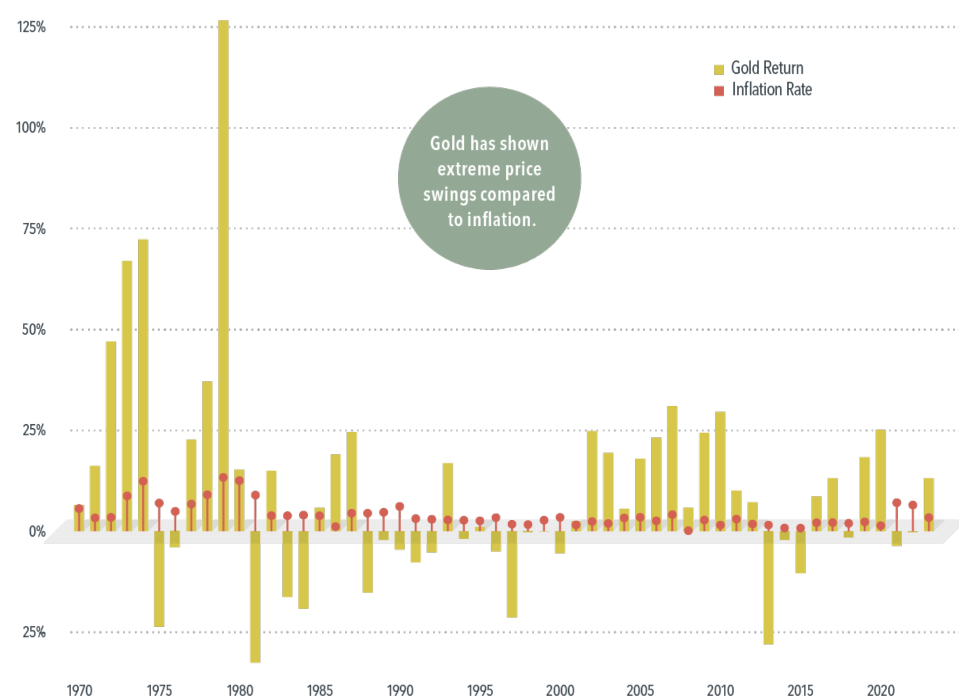
**BY DIMENSIONAL FUND ADVISORS | MAY 21, 2024**

Gold is sometimes touted as a tool for protecting wealth from rising prices. But history shows the challenges of using gold to offset the impact of inflation. Since 1970, gold has often experienced large price swings relative to annual inflation, as **Exhibit 1** shows. An effective inflation-hedging tool should have return volatility that is more on par with changes in consumer prices.

It's reasonable to be concerned about rising consumer prices, but investors who want to closely track inflation may find gold to be the wrong tool for the job. Using Treasury Inflation-Protected Securities (TIPS), whose values adjust with annual inflation, may be a more reliable approach.

*EXHIBIT 1*

**Annual US Inflation Rate vs. Change in Gold Price (1970–2023)**



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# ANNOUNCEMENTS & EVENTS!

### *WEBINAR ON DEMAND*

## NAVIGATING DIVORCE: PLANNING TO PROTECT YOUR ASSETS

We recently hosted a panel focused on navigating divorce and the importance of taking appropriate steps to protect one's assets when experiencing the challenges of divorce. This panel featured knowledgeable experts who shared the importance of addressing your 'new reality' by updating financial, estate and tax situation, putting agreements in writing, protecting digital assets, and importantly, curating a team of experts to provide guidance and put your needs first. Anyone who has or soon will be experiencing the stress and financial challenges of divorce, we highly recommend viewing the webinar recording for the full discussion.

***Access Webinar:***
***https://lp.constantcontactpages.com/sl/1A6WioO***

### *CONGRATULATIONS, MARK!*

We are excited to share that Mark Hemby has earned his marks as a Certified Financial Planner™ professional. As a Senior Financial Advisor, Mark specializes in developing and implementing investment strategies to achieve financial freedom while also ensuring client goals and objectives are aligned.

### *SALTMARSH FINANCIAL ADVISORS RECOGNIZED AS TOP WEALTH ADVISORY FIRM*

accountingTODAY 2024 Top Firms by AUM

We have been recognized by *Accounting Today* as a top firm by total assets under management (AUM) for the fourth year in a row! As an independent fiduciary, we establish longstanding relationships by providing personalized guidance on investing, retirement and estate planning while leveraging combined team expertise to manage tax-efficient portfolios.


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