

AUGUST 2018 UPDATE

We provide composite returns for Growth, Growth & Income (a combination of “Growth & Income and “Moderate Balanced” accounts), Conservative Balanced, Retirement Income (a combination of “Retirement Income” and “High Monthly Payout” accounts), Closed-End Income and ETF Options Income. We present net-of-fee results in the following table. (SSB composites are in boldface.) For the sake of comparison, we also include returns for various indexes and blended benchmarks that we believe are commensurate in risk to our strategies, as well as passively managed funds-of-funds from Vanguard.

Salzinger Sheaff Brock	YTD 2018	1 Yr	Three Yrs	Five Yrs
Growth	5.2%	12.8%	9.3%	10.1%
<i>Benchmark (90% Lipper Multi-cap Core/10% Lipper General Bond Fund)</i>	1.6%	8.5%	8.2%	8.1%
Growth & Income	4.2%	11.0%	8.5%	8.9%
<i>Benchmark (75% Lipper Multi-cap Core/25% Lipper General Bond Fund)</i>	1.3%	7.2%	7.4%	7.3%
Conservative Balanced	3.0%	8.3%	7.2%	7.2%
Closed-End Income	0.8%	1.6%	7.7%	N/A
ETF Option Income	5.3%	9.0%	N/A	N/A
<i>Benchmark (60% Lipper Multi-cap Core/40% Lipper General Bond Fund)</i>	0.9%	5.9%	6.6%	6.5%
Retirement Income	1.9%	6.6%	6.6%	6.2%
<i>Benchmark (50% Lipper Multi-cap Core/50% Lipper General Bond Fund)</i>	0.7%	5.0%	6.0%	5.9%
Index				
S&P 500	6.5%	16.2%	12.5%	13.1%
Russell 3000 &&	6.3%	15.8%	11.5%	12.2%
Russell 2000 ##	9.3%	18.3%	11.6%	10.9%
MSCI EAFE @@	-0.4%	6.4%	5.0%	5.9%
MSCI Emerging Markets	-4.6%	4.4%	8.9%	5.3%
Barclays Aggregate Bond	-1.6%	-0.8%	1.5%	2.3%
Mutual Fund/ETF Comparisons				
Vanguard LifeStrategy Growth &	2.7%	9.8%	8.3%	8.8%
Vanguard LifeStrategy Moderate Growth #	1.9%	7.4%	6.8%	7.3%
Vanguard LifeStrategy Conservative Gr @	1.1%	5.0%	5.2%	5.8%
Vanguard LifeStrategy Income ^	0.1%	2.6%	3.5%	4.1%

YTD through 7/30/2018. PLEASE SEE IMPORTANT DISCLAIMER ON BACK. Note: && a good measure of the broad market, ## Small-cap stocks. @@ Developed market foreign stocks. Style Comparisons: & A comparison for Salzinger Sheaff Brock, LLC (SSB) Growth. # A comparison for SSB Growth & Income. @ A comparison for Conservative Balanced. ^ A comparison for SSB Retirement Income. Composites include all fully discretionary accounts including those accounts no longer with the firm. Returns are presented net of management fees and all trading expenses, and the reinvestment of all income. Net returns are net of model fees and are derived by deducting the highest applicable fee rate of 0.96% from the gross returns each quarter. Fees are described in SSB's ADV Part 2A. The securities mentioned in this report can be, and often are, owned by clients and employees SBA. **Past performance is not indicative of a guarantee of future results and investors may experience a loss.** (continued on back)

Salzinger Sheaff Brock eschews full-scale financial planning as well as bare bones automated investment programs. Instead, we take a middle course, emphasizing investment management with a personal touch. From a business perspective, we sometimes feel uncomfortably sandwiched between the two extremes. On one side, so-called family offices offer a combination of financial-related services, including investment management, estate planning, tax planning and other services for wealthy people who essentially want to outsource the financial decision-making process. On the other, “Robo Advisors” offer a low-expense alternative for investors who eschew human interaction and a wider range of services and would rather have an account managed automatically, according to a model that takes into account various features of their financial goals.

I understand the psychological appeal of outsourcing one’s financial-related decisions. However, my own view is that many people do so for an erroneous reason: they believe their financial lives need to be more complicated than is really necessary. In truth, most folks need just a few things, financially speaking: a liquid emergency fund of three to six months of expenses, or more if it makes you feel better; a well-managed, reasonably priced investment portfolio, well-suited to your needs; reasonably priced term life insurance, assuming loved ones would need to replace the income you provide from working; health insurance; and a basic estate plan. And, if you are at least 60

and can find a reasonably priced and generous long-term care policy from a highly rated insurance company, it might not be a bad idea to get one of these, either, especially if your household liquid net worth is somewhere in the range of \$300,000 to \$1 million. (However, good long-term care policies are hard to find in the private market these days.)

Most people do not need the following: **One**, complicated insurance policies. So-called universal or whole life insurance policies combine investment and insurance features that usually end up providing expensive insurance and poor investment results. **Two**, complicated trusts, especially considering the relatively high estate tax exemptions in current law. While trusts are warranted in some special cases, they can be costly to set up, require their own annual tax forms and may restrict your ability to use assets the way you see fit. **Three**, alternative investments, including long/short and/or market neutral funds, private equity investments, commodities, structured notes and managed futures programs. Few, if any, of these investments have made good money for investors over long periods of time. And **four**, complicated tax avoidance strategies or withdrawal strategies. Instead, consider the following when taking withdrawals from your investments: one, the more time you can defer taxes, the better, so try not to access your retirement accounts until you have to; and two, under current law, the cost basis of your investments in taxable

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accounts step up when you die, so do yourself and your heirs a favor and try not to sell highly appreciated assets within taxable accounts unless it's absolutely necessary.

And, if you don't need these things, there's rarely a need to pay the higher fees associated with family offices.

I also get the theoretical appeal of Robo Advisors. After all, why pay a significant management fee to a human investment advisor for results that often fail to beat, or even match, investment benchmarks? What I would say here, though, is that just because a Robo Advisor is low cost, doesn't mean it's good for your wealth. Like any other asset allocator, the results from a Robo Advisor will only be as good as the investments it puts you in.

Using data from *The Robo Report*, a publication of Backend Benchmarking (www.backendbenchmarking.com), we can see how portfolios produced by various Robo Advisors performed during the first half of 2018 and over the 12-month period ended June 30, 2018, and compare them to our own composite results through

the same date (in last month's update, available on www.salzingersheaffbrock.com). For a taxable account with an approximate allocation of 60% equity, 40% fixed income, not even one of 18 Robo accounts (each one from a different provider) came within 1.5 percentage points of the SSB Growth & Income composite, despite most of our Growth & Income accounts being only modestly more equity oriented. In fact, only two of the 18 even matched or beat the SSB Conservative Balanced composite for the 12-month period.

So, before you sign up with a Robo Advisor, please consider that what counts is your total performance after costs, not just the costs. **Mediocre total returns from a low-cost account is no bargain.**

To get started in any of our strategies (all reasonably priced), please call us at 866-575-5700, or send an email to info@salzingersheaffbrock.com. We look forward to hearing from you!



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Thank you for your continued interest in Salzinger Sheaff Brock (SSB), the only source of actual personalized money management by me,

Mark Salzinger
Chief Investment Officer and Portfolio Manager

The S&P 500 Index is a market capitalization-weighted index comprised of the 500 stocks with the largest market capitalizations trading in the United States. This is not a managed portfolio and does not reflect the deduction of fees or expenses; The Lipper Global Multi-Cap Index is comprised of the 30 largest funds by asset size investing in a variety of market cap equities without concentrating 75% of their assets in any one market cap over an extended time. 25% to 75% of their assets are in companies both inside and outside of the U.S. The Lipper General Bond Index consists of the 30 largest funds by assets that do not have any quality or maturity restrictions, and keep a bulk of their assets in corporate and government debt issues. The Lipper Emerging Market Index consists of the 30 largest funds by assets that keep a bulk of their assets in emerging market equities. Lipper indices reflect the deduction of fund fees or expenses; returns include dividends. The Barclays US Aggregate Bond Index is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market in the United States, including Treasuries, government-related and corporate securities, mortgage backed securities, asset-backed securities and CMBS (agency and non-agency). Russell 3000 and Russell 2000 indices are market capitalization weighted equity indices maintained by the Russell Investment Group. The 3000 seeks to be a benchmark of the entire U.S. stock market, and the 2000 seeks to be a benchmark of the small-cap U.S. stock market. More specifically, they encompass the 3,000 largest, or 2000 smallest U.S.-traded stocks respectively, in which the underlying companies are incorporated in the U.S. The MSCI EAFE Index is an equity index which captures large and mid cap representation across Developed Markets countries* around the world, excluding the US and Canada. With 928 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Emerging Markets Index captures large and mid cap representation across 23 Emerging Markets (EM) countries. With 835 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Indexes are unmanaged and unavailable for direct investment. Benchmark returns include reinvestment of income, but do not reflect taxes, or other fees that would reduce performance. Two general types of benchmarks are provided. The first type is a well-known and widely-recognized index, such as the S&P 500 Index and the Barclays US Aggregate Bond Index (both described above). These types of indices are not selected to represent an appropriate benchmark with which to evaluate a composite's performance, but rather to allow for comparison of a composite's performance to that of a widely recognized index. The second type of index is a more narrowly-focused index selected based on one or more characteristics, such as asset class, style or strategy. A more narrowly-focused index may have characteristics similar to those of a composite, actual composite holdings will differ significantly from the index. Consequently, use of a narrowly-focused index does not indicate that a composite will achieve returns, volatility or other results similar to the index. Clients should NOT expect performance comparable to the narrowly-focused index in an actual account. Securities may be mentioned in a portfolio description, and if so a list of a transactions/recommendations for the trailing 12 months is available upon request. There is the chance that market conditions or portfolio performance may deteriorate in the future, and clients may experience real capital losses in their managed accounts. None of the indices may be an appropriate comparison index as our managed accounts may own companies not represented in the benchmarks. Salzinger Sheaff Brock, LLC (SSB) provides this Newsletter for general informational and educational purposes, and where appropriate, to assist in explaining the portfolios and composites. It is not investment advice for any person. Information is obtained from sources SSB believes are reliable, however, SSB does not audit, verify, or guarantee the accuracy or completeness of any material contained therein. The statements and opinions reflect the judgment of the firm, and along with the information from third-party sources and calculations, are made on the date hereof and are subject to change without notice. SSB does not assume liability for any loss that may result from reliance by any person upon any material in this Newsletter. Clients or prospective clients are directed to SSB's Form ADV Part 2A or to one or SSB's representatives for individualized information prior to deciding to participate in any portfolio. SSB does not provide tax advice. Clients are strongly urged to consult their tax advisors regarding any potential investment.