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Market Commentary^{1, 2, 3, 4}

A Watched Pot Never Boils

This is the most predicted “recession” in history. To be clear we are currently nowhere near a recession. Second Quarter Growth was 2.4% and the Atlanta Fed is now modeling Third Quarter Growth at a whopping 5.8% - driven by the consumer and manufacturing. Consumer spending represents 70% of Gross Domestic Product (GDP) and the onshoring of US Manufacturing to enhance supply chain security is driving economic growth. Unemployment at 3.5% is near a 50-year low and wage growth is driving healthy personal income gains. It is worth noting that the US has never seen a recession without more than a .5% increase in unemployment and the most recent data (March '22-March '23) shows that the economy has created an average of 312k jobs per month.

The Long and Variable Lag

We have been advocating that all investors take a moderate approach to the markets. We see wonderful opportunities and a host of items that get our full attention. Many of you have heard us note that international stocks are selling at a discount to US stocks not seen since the 80’s and offer dividend income well above the 10-year bond. In addition, the valuation spread between the highest value stock and the cheapest has never been broader. This leads to compelling opportunities for long-term investors willing to withstand near-term volatility and any selloff.

(continued)

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Have you looked at the rate you are being paid on your bank cash? Many banks are slow walking interest increases in an effort to preserve their profitability. Many US Money Markets offer attractive rates in which we have access to a host of Money Markets with rates at approximately 4.9%, offering investors a positive return over inflation on their cash balances. All investors should review their bank rate. Remember “money works so you don’t have to” so it is in your interest to get it working.

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*You work hard for your money.
We’ll work hard to help protect it.*

International: Price-to-earnings discount vs. U.S.



Source: J.P. Morgan Asset Mgmt. Data as of July 31st, 2023

We think the keys to success are valuation sensitivity, dividends (so we get paid while we wait) and a moderate approach to take advantage of the rates that we haven't seen in over a decade being offered in short-term CDs and some corporate bonds.

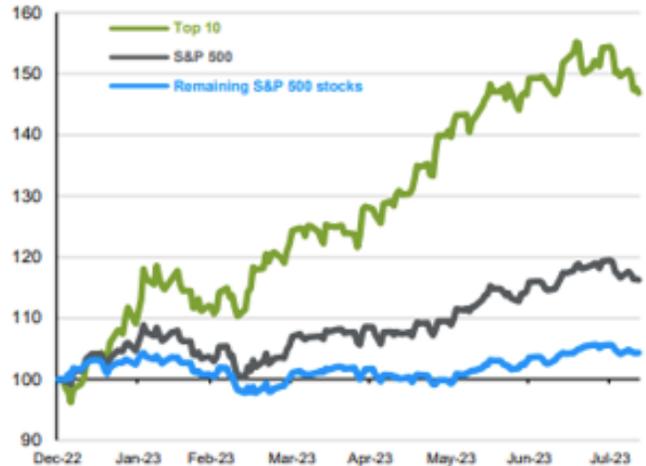
So, what is preventing us from becoming more bullish? Consumers have burned through their pandemic cash and US Savings rates are well below their historical average. Further, consumer credit card balances just surpassed \$1 trillion dollars and the student debt repayment moratorium will end September 1. This means that consumer spending - the engine of the economy - will slow down.

Core inflation at 4.8% is well above the Fed's target inflation rate of 2% and Fed Reserve Chairman Powell is promising more rate hikes if need be. Powell is also telling the world that he expects to keep US interest rates higher and for longer than the market is forecasting. Finally, he is on record for wanting to create Employment Slack to help reduce wage inflation pressures. Most market pundits think, and the Fed has in the past even noted, that unemployment needs to trend back towards 4-4.5% to create this slack.

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S&P 500 vs Top 10

Year-to-date, indexed to 100, price return



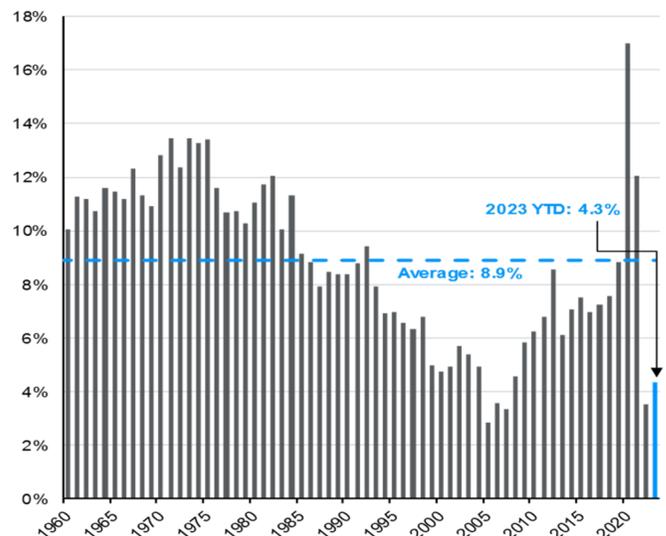
Source: J.P. Morgan Asset Management 8/14/2023

QUOTABLE

“ANY FURTHER STICKINESS IN CORE CPI MAY PUSH THE FED TO MAINTAIN A HAWKISH STANCE, THEREBY INCREASING THE ODDS OF A RECESSION. IN SUCH A SCENARIO, WE WOULD LIKELY SEE EARNINGS REVISED LOWER, LEAVING THE MARKET, WHERE VALUATIONS ARE ALREADY STRETCHED, PARTICULARLY VULNERABLE. AS SUCH, INVESTORS SHOULD TAKE ADVANTAGE OF HISTORICALLY WIDE VALUATION DISPERSION, AND FOCUS ON LOW BETA STOCKS CHARACTERIZED BY STABLE CASH

Personal Saving Rate

Personal savings as a % of disposable income, annual



Source: J.P. Morgan Asset Mgmt. Data as of July 31st, 2023

On a more positive note, we see a clear path to a soft landing. I have noted that this has never been accomplished before, and plenty of work remains. However, recent data offers evidence that interest rates increases, which affect the economy with long variable lags, should be held steady soon – letting economic conditions tighten on their own accord. We think that short bonds, in addition to offering solid investment returns can also be a potential source of dry powder should volatility re-appear with gusto or if the Fed tips the economy into the long-predicted recession.

Tom Foley
Managing Director,
Private Wealth Advisor
 8/28/2023

“QUOTABLE” 9

“CORE INFLATION HASN’T IMPROVED NEARLY AS MUCH AS HEADLINE INFLATION. CORE PRICES, WHICH EXCLUDE FOOD AND ENERGY, ARE UP 4.8% FROM A YEAR AGO VERSUS A 5.9% GAIN IN THE YEAR ENDING JULY 2022.”

-BRIAN WESBURY
FIRST TRUST ADVISORS

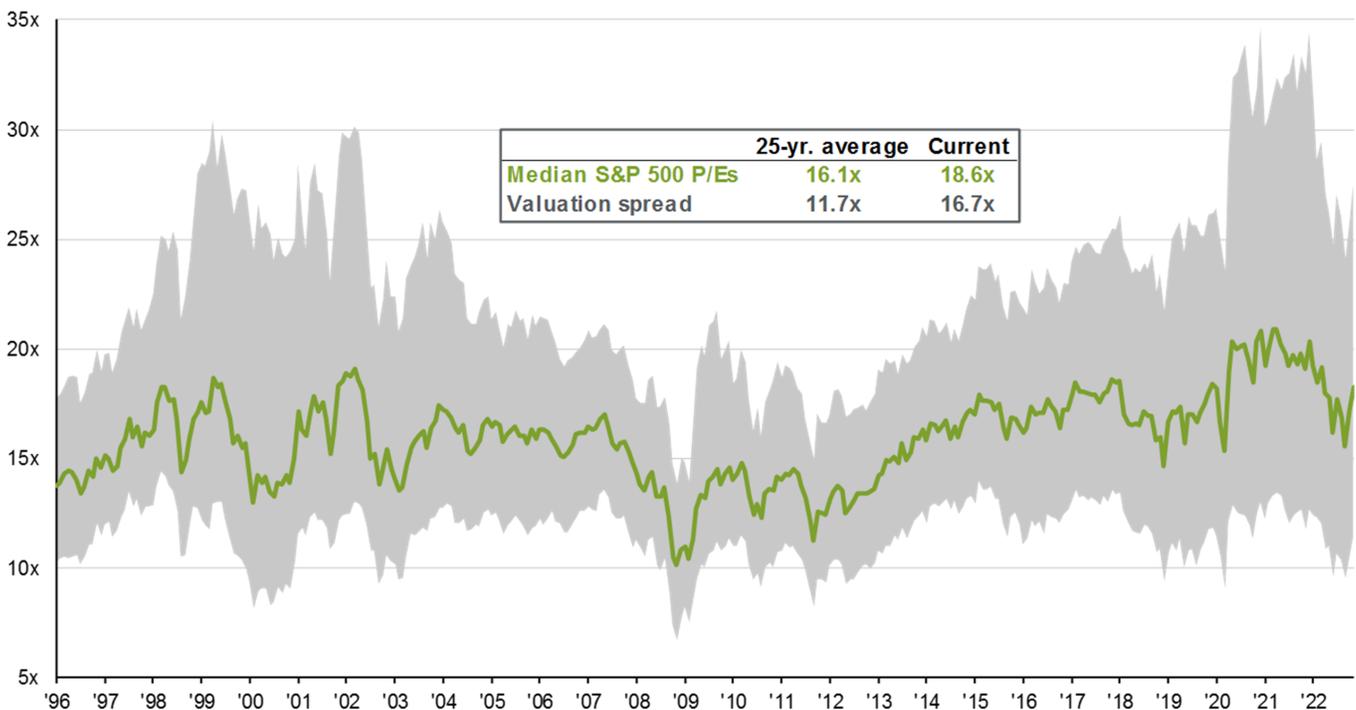
Spotlight On... HARRY SOMMERS

Private Wealth Advisor

1. Where is your favorite place you’ve traveled?
It’s a tie between Paris and Florence
2. What was your first job?
I was a grocery bagger at Hy-Vee
3. Favorite food?
Umami’s Tuna Roll
4. Least favorite food?
Anything with Fennel Seed Added
5. What’s your favorite movie?
The Big Lebowski
6. What do you like to do for fun?
Going to concerts and new restaurants in Chicago, teaching myself guitar, and reading
7. Malnati’s or Giordano’s?
Actually... I’m more of a New York style pizza guy...!



Valuation Dispersion Between the 20th and 80th Percentile of S&P 500 Stocks



Source: J.P. Morgan Asset Management. Data as of July 31st, 2023

Buyer Beware

As Jim Cullen states, the present market is made up of many new investors who don't remember the Tech-Bubble, which was 25 years ago. Similarly, the investors who got caught in the Tech-Bubble didn't remember the Nifty-Fifty experience in the early 1970's, which ironically was 25 years before that.

On a fundamental basis, what traditionally happens to these popular stocks is they reach a point where their growth prospects become limited, and they wind up getting into each other's business. This eventually kills margins for all. A present example is Netflix, which once had the streaming market all to itself and now faces competition from Amazon, Disney, Apple, and HBO, among others.

The present infatuation with AI has captured the imagination of investors. And while AI may be a threat to many businesses, with some not surviving, we can see if we look back over the last 200 years that the financial markets have always had to deal with technological breakthroughs: among them, the electrical power grid, the telephone, the automobile, the radio, TV, and the personal computer. The broader stock market has survived all these innovations and their challenges. So tech stock buyers beware.

“QUOTABLE”

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“AS IS OFTEN THE CASE, THE SURGE IN INFLATION LAST YEAR WAS FOLLOWED BY A LULL, WITH PRICES BARELY BUDGING IN JULY AND AUGUST 2022. THAT MEANS WE ARE LIKELY TO SEE THE TWELVE-MONTH INFLATION READINGS RE-ACCELERATE TOWARD THE END OF THE SUMMER. COUPLE THAT WITH A RESILIENT US LABOR MARKET, POWELL AND CO. STILL HAVE PLENTY OF REASON TO KEEP MONETARY POLICY TIGHT IN THE MONTHS TO COME.

-BRIAN WESBURY
FIRST TRUST ADVISORS

One for the Millennials

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The chart below shows the compound returns of the NASDAQ Composite and the Dow Jones Utility Index since NASDAQ's inception in February 1971 (i.e. 52 years). NASDAQ surpassed the returns of the Utility Index only during frothy periods like the 1999/2000 Technology Bubble and the current speculative post-pandemic surge.



Source: Richard Bernstein Advisors, LLC, Bloomberg Finance LLP. Data as of July 24, 2023.

PII—What is It and Why Does it Matter?

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What is PII?

Personal Identifiable Information (or PII) is information that, when used alone or with other relevant data, can identify an individual. The most important aspect of understanding PII is knowing what *sensitive* information is. Items that are considered *sensitive information* could be any of the following:

- Social Security numbers, Driver’s License number, medical records
- Financial account information (bank account numbers, brokerage account numbers, credit card numbers)
- Usernames and passwords

Why is this necessary?

Technology is evolving. Scammers and phishing attempts to steal your PII are becoming more sophisticated and prevalent, even when you are not engaging directly with the purported hacker.

Best Practices

To combat these increasingly sophisticated attempts, security experts now recommend avoiding communicating PII through text messages, unencrypted emails, or unsecured mailboxes.

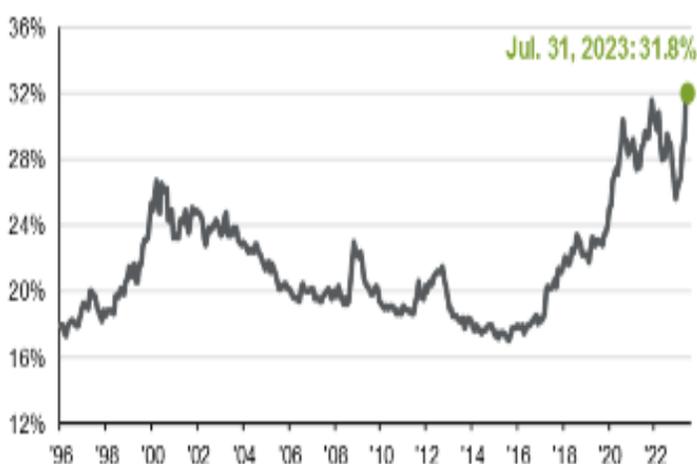
- Post confidential statements, account numbers, wire instructions, voided check (photo), drivers license (photo) and more through encrypted email or the Client Portal.
- Change passwords frequently where confidential information is stored and/or use Two-Factor Authentication
- Call us directly at (402) 378-7373 for help or to share any confidential information

How We Protect Your Data

We maintain physical, electronic, and procedural security measures that comply with applicable legal and regulatory standards to safeguard your PII. We restrict access to your information to only those employees servicing your account and train our employees to keep your information safe and confidential. We recognize that the challenges are significant, but your security is our number one concern.

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Weight of the top 10 stocks in the S&P 500



Source: J.P Morgan Asset Management, data as of July 31st, 2023

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Earnings contribution of the top 10 in the S&P 500



Source: J.P. Morgan Asset Management, data as of July 31st, 2023

Student Debt: The SAVE Program— Saving on a Valuable Education

While Federal student loan borrowers haven't had to make payments in over three years, student loans are set to start accruing interest on September 1st and borrowers will begin making monthly payments again in October, 2023. However, the Biden Administration has a new plan that may help relieve some of the sting of student loan debt. The Saving on a Valuable Education (SAVE) plan is a type income-driven repayment plan that could significantly lower borrowers' student payments, and it's now open for enrollment. (Note that the previous plan of Loan Forgiveness for up to \$22,000 is not part of this plan, this plan was struck down by the Supreme Court in June of 2023.) Some highlights of the plan are:

- Repayment of school loans is dependent on income and family size
- SAVE is available to current and future borrowers
- Parents who borrowed for a child's education are not eligible
- Income-driven payments are based on percentage of earnings after making payments for 20 years (or for 10 years on a small-balance loan) and any amount after that is possibly forgiven. The forgiven balance is considered taxable as ordinary income
- Undergraduate payment is revised down to 5% of discretionary income / Graduate school is 10%
- The amount of protected income is 225% of the poverty guideline or about \$32,805 annually in today's dollars. A family of 4 with income below \$67,500 per year would also qualify for \$0 payments
- Participants are auto-enrolled if the borrower is behind on payments
- If the minimum calculated payment does not cover the interest owed, the remaining interest payment is cancelled. This will help those that consistently made minimum payments, but still had their principal due balloon on them.

Go to [StudentAid.gov](https://studentaid.gov) to learn more, utilize the loan simulator tool, and sign up for SAVE.

Secure Act 2.0—Clarifying the Rules for Inherited IRA Accounts

The IRS recently clarified the 2020 rules on Required Minimum Distributions (RMDs). Specifically, the rules that impacted all non-spouse beneficiaries of an inherited IRA account after Jan 1, 2020. Previously, the IRS stated with exception of a surviving spouse, all beneficiaries were subject to a 10 year maximum distribution period. This new ruling expanded the list of qualified designated beneficiaries (EDB) or people who can extend RMDs from an inherited IRA over their entire lifetime.

We think this is worth paying attention to as it can drastically alter how you can manage inherited funds. The following people now also qualify as eligible designated beneficiaries:

- The surviving child(ren) of the original account owner
- Disabled or chronically ill beneficiaries
- Any inheritor that is no more than 10 years younger than the original account owner
- A surviving spouse of the original account owner continues to qualify as an EDB.

All other beneficiaries remain subject to the 2020 distribution rule and will need to distribute all inherited IRA funds within 10 years of the original owner's date of passing. Additionally, any individual who inherits an account where the deceased had previously inherited the IRA are likewise still required to take all distributions over a 10 year period post the owner's date of passing.

These rules were clarified and took effect in 2023. The IRS also offered exceptions and RMD relief from 2020 to 2022 and announced they intend to issue a final set of RMD regulations before the 2024 distribution year. We will of course monitor the situation and provide you with any necessary updates.

If you have any questions or concerns, as always please feel free to call or email us.

Help Wanted:

Unsubscribing and Future Emails

As part of our goal of providing you with timely and what we feel is beneficial information on market-sensitive topics, we have recently increased the frequency of some emails. If you wish to unsubscribe from these but still want to receive other emails from us (like this issue of the Foley Times, for example) please reach out to us directly to have us remove you solely from the email list of bi-weekly market commentary. However, if you click the unsubscribe button at the bottom of the email, it will prevent you from receiving all Hightower Omaha emails, as well. We also welcome your feedback and calls.

Transfer on Death Accounts vs. Wills

In a non-retirement account, you may have a Transfer on Death (TOD) provision set up to one or more beneficiaries. Did you know, however, that if you currently have or are planning to create a will that lists a different beneficiary, the TOD takes precedence over your will? For example if you will all of your assets to your children but have a TOD account naming your sibling as the beneficiary, your sibling will receive what's in the account and your children will get everything else. To be sure beneficiaries aren't contradictory and to be sure you have your most up-to-date wishes in place, call us to set up a review of your accounts and your estate plans.

Cyber Security Training

Did you know we offer multiple online cybersecurity training classes that can help you become more aware of common safety threats online? Topics include:

- Fake Browser Updates
- Fraudulent Shipping Notifications
- Lookalike Websites Trick Users
- Scammers Mimic Real Banking Emails
- OneDrive Phishing Campaign
- Phishing Campaign Delivers Dangerous Trojan
- DocuSign Phishing Campaign
- Microsoft 365 Credential Phishing

If you would like us to send you a link to any or all of these training modules, please let us know.

HIGHTOWER HOTSAUCE



As if the summer heat wasn't enough, the Hightower Omaha team recently took on the challenge of ranking their growing collection of hot sauces. Each was ranked for heat level and overall taste, but only one winner could remain... Tears of the Sun was the official office favorite for 2023!

LAST TAKE...

“THE TOP 10 STOCKS IN THE S&P 500 CURRENTLY ACCOUNT FOR 90% OF THE INDEX’S YEAR-TO-DATE GAINS AND OVER 30% OF THE INDEX... EXTREMELY HIGH RELATIVE TO THE LAST 25 YEARS.”

JP MORGAN THOUGHT OF THE WEEK, 8/14/2023

Planning for Your Success

Our goal is to help each of you achieve your personal investment goals. For some, it's funding a certain retirement lifestyle or creating a college fund for your kids or grandkids. For others, it's creating a legacy to pass along to family or charity. Others are in the building and accumulation phase of life. We believe we can help each of you accomplish your long term goals by establishing and adhering to a comprehensive financial plan, and we believe this because daily we bear witness to a lifetime of efforts coming to fruition. It is also why we look forward to each and every day.

Sources:

1. Source: BEA, FactSet, J.P. Morgan Asset Management. *Guide to the Markets – U.S. Data are as of July 31, 2023.*
2. Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau, NBER, J.P. Morgan Asset Management. *Guide to the Markets – U.S. Data are as of July 31, 2023.*
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9. Wesbury, Brian (2023, July 17). "Has the Inflation Threat Passed?"
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16. Hier, Keith. (2023, August.)
17. Sommers, Harry. (2023, August.)
18. Muska, Christina. (2023, August.)

Disclosures

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The Foley Crew

The Foley Family – It was a wonderful summer at the Foley household with everyone home. Cal is still building Sports Fields for Nemeha and he moved from Lincoln (with his smoker) to help manage a large project in nearby Ft. Calhoun. Georgia was the Assistant Pool Manager at Omaha Country Club and Paige had a busy internship with the Omaha Stormchasers and Union Omaha FC. The girls just moved to Boston and Chicago for college. Tamara and Tom watched Omaha’s Bud Crawford consolidate the welterweight division in Vegas.



The Hier Family – Keith and family have had a great summer. They spent time with the family in Jackson Hole and the kids had a great time with Grandma on their annual trip to South Dakota. This fall and winter will be filled back up with sports, dance, and gymnastics.



Harry– Harry’s summer has flown by! Between catching a few concerts, exploring Chicago’s restaurant scene and spending the 4th of July back with his family for their annual crawfish boil, Harry has been keeping busy. While he’s looking forward to spending time with family over the coming holidays, he’s still very focused on getting the most out of the summer weather while we have it.



HIGHTOWER

2023 Forbes
Best-In-State Wealth Advisors

Tom Foley
Managing Director, Private Wealth Advisor
Hightower Omaha

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5 YEARS IN A ROW

The Foley Crew

Justin – The Kaufman family is keeping busy this summer. Carrie has been busy turning their home and yard into a full-on botanical garden. Carter had his very 1st, 2nd, 3rd, 4th, 5th, and 6th roller coaster ride in Silver Dollar City. Lillian started her young dance career and is very excited. Justin and his band have been playing various shows all summer, which included the opportunity to play at the United Way 100 Year Anniversary celebration in Downtown Omaha.



Sean– Sean has been living his best life since becoming a newlywed in May, attending his sister’s wedding in Vegas, and passing the CFP in July! In the meantime, he plans to attend some comedy shows and spend time mastering his craft.

Christina - The Three Muskateers had a great summer full of pool days, concerts (Taylor Swift was a highlight!), and trips to the family farm. Lena is now a 7th grader and is excited to be on the middle-school volleyball team. Julian is in 4th grade and has joined the Cub Scouts. Christina has kept busy being chauffer, dog sitting for friends, and studying for the Series 7 exam.

