

Market Commentary^{1,4}

NEWS FLASH:

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You work hard for your money.

We'll work hard to help protect it.

In the second quarter of '21, Gross Domestic Product (GDP) and earnings grew close to or above their all-time historical highs. The economy continues its robust recovery from the 2020 shutdown and all forward-looking indicators (ISM manufacturing and service sector reports, housing data, inventories etc.) reflect continued strong economic growth. That said we expect the economy to slow down from its recent feverish pace to a more normal rate. Importantly, the year-to-date gains in the stock market reflect this consensus thinking. While we are positive on the economy, we continue to advocate a prudent approach towards the future. Investors should be right on their targeted allocation and comfort level with market risk. While the Covid D variant seems to be peaking, it remains a real risk as does the heightened level of inflation that looks to be more and more engrained in the system. August job growth was strong versus history but has slowed down materially from recent elevated levels. Recently, business and consumer confidence indicators have shown a marked slow-down and the US Government Debt ceiling still needs to be adjusted by Congress.

On a more positive front, Corporate stock buybacks have increased and cash on corporate balance sheets remains high. The Fed also continues to be extremely supportive to both the economy and added stimulus in form of an infrastructure bill seems highly likely. However, we also see a host of headwinds. The Fed needs to begin tapering their bond buyback program and this is expected to start in either late '21 or early '22. Further, every business and individual will need to navigate additional product shortages and disruptions to the supply chain. Toss in labor shortfalls and a lack of raw materials (think auto chips) and we all need to keep our optimism grounded. We have a mixed bag but if we add up all the positives and potential challenges, we recommend that investors remain prudently engaged in the market. Speculating and/or taking added risk is not in anyone's interest in the current environment.

Unfortunately, stocks remain the only game in town (T.I.N.A – There Is No Alternative is real) and the bond market remains our largest concern. It is upside down and we are flabbergasted at the lack of debate between conventional scholastic wisdom and a real-world analysis of bond market risks. Most Advisors own bonds because the textbook or firm model tells them bonds have always been a safe asset. To us, this seems to totally ignore the realities of today's interest rates being near a 200+ year low, historically thin credit spreads and the increasing potential for lasting inflation – not to mention the Fed's 2% “average” target. We think the bond market has tremendous risk and little reward.

Even if inflation remains contained at or around 2%, as forecasted by the Fed, we cannot see how a 10-year treasury bond at approximately 1.35% can have a positive return let alone offer any sense of ballast to a diversified portfolio during a market sell off. Bonds are a horrible risk vs. reward that only a few of the deepest thinking Wall St. players are even questioning. While this is alarming on its own, we also see significant leverage in the system. Further, we are witnessing flocks of people desperately reaching for income with little or no regard to the risks being taken. We think this environment has the potential to end poorly. As such, we continue to recommend that you hold approximately half of your bond allocation in money markets or cash. Any corporate bond held should be inflation

1. (First Trust, August 9, 2021)

2. (Miller Value Partners, July 14, 2021)

3. (First Trust, July 29, 2021)

4. (FactSet August 13, 2021)

hedged short corporates or a short Corporate bond that offer a hedge to rising interest rates. Importantly, please remember that we have waived any advisory fees on your Bond account cash holdings to share with you in these challenges. While our stance is highly unusual, we struggle to see how you can make a fair return on your money if we did charge on the total account value as most peers do. We are also heartened to note that Berkshire Hathaway holds approximately \$145 billion in pure cash with little or no apology.

Tom Foley
 Managing Director, Private Wealth Advisor
 09/15/2021

“QUOTABLE”

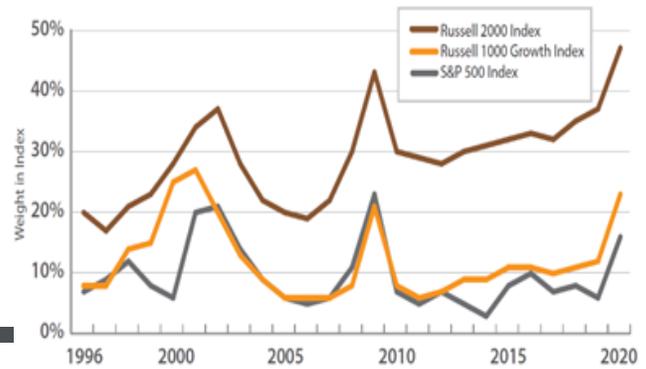
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“BE A LONG TERM INVESTOR, BE DISCIPLINED TO PRICE AND FORGET ALL THE OTHER STUFF.”

-BEN GRAHAM

Percent of Members that are Unprofitable
 Negative TTM EPS - Market Cap Weighted*

8



As of December 31, 2020.

Source: Bloomberg.

*TTM = Twelve Trailing Months; EPS = Earnings Per Share

The universes are defined as members of the listed indices (Russell 2000, Russell 1000 Growth, S&P 500) as of each calendar year end and are market-cap weighted.

Medicare Review

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Hightower Omaha is proud to announce an additional service to assist our clients in retirement. As a Hightower client, you have the opportunity to collaborate with American Senior Benefits. A representative will be available to help our clients complete a complimentary Medicare review to help ensure that you are signed up for the correct coverage for your specific situation. Even if you're happy with your current Medicare coverage, it's important to know your Medicare coverage options for 2021. Here are a few reasons why:

Your needs may change. You may find you're going to the doctor more or less often, the prescription drugs you take may be different, or you may need better access to health care services.

Benefits can vary. Not all Medicare coverage options offer the same benefits. Plan benefits can change from year-to-year.

New, more affordable Medicare plans may be available. The total cost, provider network, and services offered are different between plans. Review plans to see if other plan options could better meet your needs or lower your out-of-pocket costs.



Economist.com

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The Market Pros and Cons

9-10

Pros

- GDP growth was +6.6 % in the 2nd Q of 2021 and is now above the previous pre-covid high
- Corporate stock buybacks are increasing
- The housing market is robust and new housing growth will be a strong economic catalyst
- Jobless claims continue to fall and continuing claims are back to levels seen in March 2020
- The Federal Reserve's policies and support remain extensive and robust
- Since Aug '20, average hourly earnings are up 4.3% and the aggregate hours worked has increased 5.1% which both lead to strong income gains and potential future spending
- The average savings rate in approximately double the historical rate

Cons

- The Stock market is fully valued and growth stock valuations are at or near all-time highs
- Speculative Trading (meme stocks, Reddit, SPACS)
- The US Government Budget Deficit will be approx. \$3 trillion in '21
- Economic growth is expected to slow down and moderate from robust levels
- Covid variant D
- Inflation is on the rise....Core Personal Consumption Expenditures (PCE) ex Food and Energy is up 3.6% well above the Fed 2% target

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

12

% of market capitalization of the S&P 500

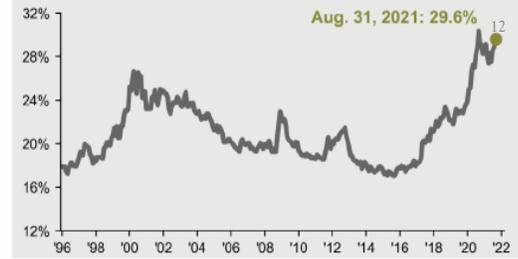
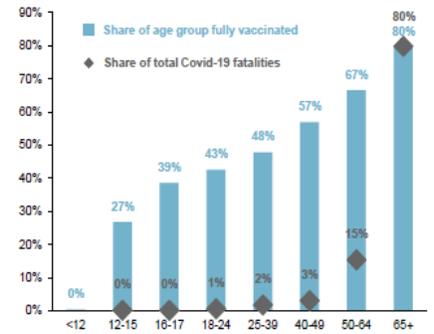


CHART OF THE WEEK

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The most vulnerable to Covid-19 are largely vaccinated



Should You be Contributing to a Roth?

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The most frequent question I receive is on making ROTH contributions. 25 years ago the ROTH was born in the Taxpayer Relief Act of 1997. ROTH savings has changed the way we save for retirement and the rules have changed along the way. Even the wealthy can now make ROTH 401k contributions or complete ROTH conversions regardless of income. Some might even make nondeductible IRA contributions that can be converted to ROTH aka the back door ROTH.

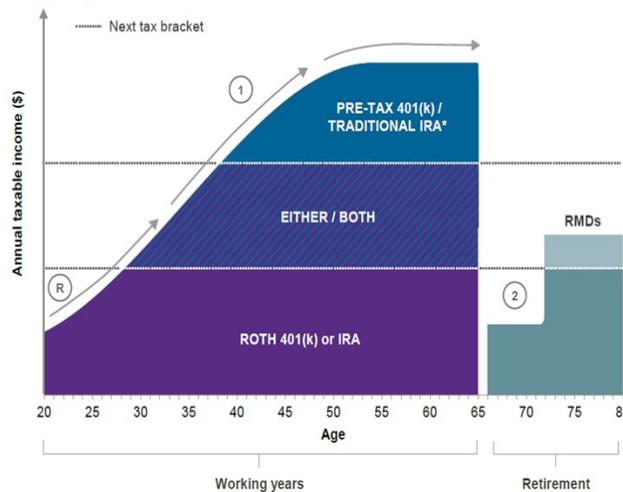
The common strategy is to make both ROTH and Traditional retirement contributions in order to hedge against tax changes or rising income. Another common strategy is to do 100% to ROTH when younger and when in lower tax brackets, and then move to 100% to traditional contributions when older and in peak earning years. It is also common to assume you'll have less income in retirement, so that may favor traditional qualified contributions. It is also a concern for many that taxes will go up, which favors the ROTH.

We believe the answer is to strategically plan your ROTH contributions and get in touch with us. You'll especially want to add to ROTHs in years where income is lower or your other deductions are higher. General rules of thumb:

- Lower Tax Brackets 10% and 12% - ROTH
- Middle Tax Brackets 22% and 24% - Combination
- Upper Tax Brackets 32% - 37% - Traditional (convert where possible or build for estate planning)

Most importantly call us and have those you care about call us to discuss the complexities and possible opportunities Roth's offer.

Changes in lifetime taxable income
Hypothetical wage curve



TAX DIVERSIFICATION

Managing taxes over a lifetime requires a balance of your current and future tax pictures. Make income tax diversification a priority to have more flexibility and control in retirement.

Rule: Contributing to a Roth early in your career and shifting as your income increases.

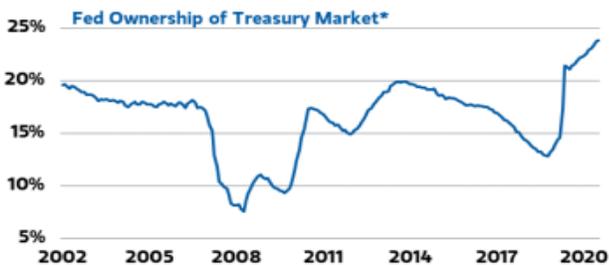
1. Roth 401(k) contributions in peak earning years if wealth is concentrated in tax-deferred accounts.
2. Proactive Roth conversions in lower income retirement years if RMDs are likely to push you into a higher bracket.

*If eligible to make a deductible contribution (based on your MAGI). The illustration reflects savings options into Traditional and Roth IRA accounts, as well as into pre-tax and Roth 401(k) accounts. RMD = Required Minimum Distributions, which are typically due no later than April 1 following the year the owner turns 72 and are calculated every year based on the year-end retirement account value and the owner/participant's life expectancy using the IRS Uniform of Joint Life Expectancy Table. Employer contributions are typically pre-tax and are subject to tax upon distribution.

The above example is for illustrative purposes only.
Source: J.P. Morgan Asset Management.

Fixed Income Insight: Fed Ownership of Treasuries at New High 14

We are in the camp that the recent volatility in US Treasury yields is not the result of incoming economic data or a shift in Federal Reserve policy. Instead, we attribute the volatility to technical extremes that are poised to ease by the end of the year. Years of Quantitative Easing have made the Fed the owner of nearly 25% of Treasury securities. Combined with non-US ownership, this explains the growing disconnect between rates and economic fundamentals. The distortions are dangerous if not monitored as they tend to lead to asset bubbles. Eventual tapering should help ease this constraint with rates normalizing as was the case from 2014 to 2018.



*Federal Reserve balance Treasury securities held/US total marketable debt outstanding
Source: Bloomberg as of June 30, 2021



Jerome Powell
Chair



Richard Clarida
Vice Chair



Randal Quarles
Vice Chair

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“Things to Pay Attention to”: The Fed’s Board of Governors is a 7- member group that has 1 vacancy today. Of the 6 current members, the roles of 3 of the members are up for reappointment over the next 5 1/2 months.

- Randy Quarles, Vice Chair of Supervision, ends on 10/13/21
- Richard Clarida, Fed Governor ends on 1/31/22
- Jay Powell, Fed Chair ends on 2/05/22.

The Fed has been buying \$120 billion of federal debt per month since mid-March 2020, resulting in our nations central bank buying 76% of all the federal debt that has been issued during the pandemic.

529 Plans 15

A recent study by the College Board found the average annual cost of tuition and fees at four-year private institutions totaled \$35,830 for the 2018 – 2019 academic year.¹ With education expenses steadily increasing over the past 30 years² and total U.S. student loan debt soaring to \$1.4 trillion,³ saving for college is as sensible as it is critical.

What are the benefits of a 529 plan? 15

529 plans offer significant tax and investment advantages.

TAX-DEFERRED GROWTH

Earnings grow tax-deferred from federal and state taxes.

TAX-FREE WITHDRAWALS

Withdrawals for qualified education expenses are exempt from federal and state taxes.

STATE TAX BENEFITS

Many states offer a deduction or credit for contributions.

GIFT-TAX BENEFITS

Contributions qualify for the annual federal gift tax exclusion - \$15,000 for individuals and \$30,000 for married taxpayers.

ESTATE BENEFITS

Under special rules for 529 plans, a lump sum contribution can be spread over five years for gift tax purposes. This forward gifting allows individuals to contribute \$75,000 and married couples filing jointly to contribute \$150,000 per beneficiary to help reduce your personal estate.

INVESTMENT OPTIONS

529 plan funds are professionally managed by well-established financial companies that offer a range of investment options, thus allowing you to tailor your portfolio to meet your needs and risk tolerance.

FLEXIBILITY

Family and friends can contribute to your child’s 529 plan. Additionally, beneficiaries can be changed to other family members.

14.(The GIC Weekly, July, 12, 2021)

16. (Federal Reserve 2021)

15. (Hightower, LLC, April 23, 2020)

17. Foster, S. (November 13, 2020)

Help Wanted!

Referrals

At Hightower Omaha, we pride ourselves on taking care of our clients and creating comprehensive, personalized wealth management and strategies. If you are in need of services outside of your investments, we would be happy to provide referrals of trusted professionals that have assisted our clients previously. If you know of someone that you think would benefit from any of our services, please let us know and we would be honored to give them a call.

Account Delivery Options

Here at Hightower, there are options on how you receive your information. If you would prefer different delivery options on your monthly statements, tax documents and confirmations, please call the office to discuss. We offer traditional mailing or electronic delivery.

Did you know?

To stay connected with you and your families in this digital era, we've expanded our presence online. We use social media to provide information about financial matters and investing and timely updates about our firm. If we post any items that would be beneficial to your friends and family, please feel free to share with your network. You can follow us on Facebook, Twitter or Linked In at "Hightower Omaha". As always, if you have any questions, need assistance, or want to opt out, please just call us at 402-378-7373.



Disclosures

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The above summary/prices/quotes/statistics have been obtained from sources believed to be reliable, but we cannot guarantee their accuracy or completeness. Past performance is no guarantee of future results.

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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.

AN UNOBSTRUCTED VIEW

The Foley Crew



The Foley Family – Tom and Tamara just helped Paige move to Loyola for her Freshman year. We miss her dearly, but she is loving life on Lake Michigan, going to class and meeting new friends. Georgia just 16, bought her first car and wants everyone to know that gas is outrageously expensive. Cal turned 22 last week and he remains entrenched in Lincoln. On the home front, Otis our pandemic puppy demands our full attention and Tamara loves riding her new e-bike.

The Hier Family – Keith and family had a great 2021. His wife MJ is now at UNO teaching and learning (mostly learning) with plans to move to elementary counseling. His kids are all doing well: Crosby (11) is full on with soccer, Penelope (6) is practicing her somersaults after watching the Olympics, August (4) mastered the bicycle and has no fear, and Azalea (4) is just going to lean on being cute for now. For Keith this fall is action packed with kids sports and another outdoor adventure around Yellowstone.



Full vaccination has brought some normalcy back to Justin and his family. They were able to venture out to see Mt Rushmore this year, or as his daughter calls it, the “Mountain People.” Justin has also been enjoying starting to play live shows again with the Shenanigans after a long pandemic-driven hiatus. His son Carter is also excited to attend school in person to start his 1st grade year. Lillian turns 3 this month, and is currently doing whatever she wants, all the time.



Marg– Marg had a lovely summer that seemed to pass far too quickly. She was so excited to return to the office in June and assist with the office relocation after a long pandemic absence. Over the summer Marg spent weekends cycling on the Wabash and running on the Omaha trail system. Fall brought the annual family trip to Lake Okoboji and a wonderful Nebraska family football party and barbecue. She is looking forward to a trip to Idaho in October to visit her grandchildren and enjoy the great fall colors.



The Staats Family – Family vacation this year was spent on an 8 day road trip across the beautiful southwestern United States. The highlights were Grand Canyon, Arches National Park, Zion National Park, Las Vegas and Historic Route 66. Everyone’s favorite part was visiting Moab and there are plans to go back and visit again. The school year has kicked off and Grant is ready to get his Senior year behind him. Cooper started his Freshman year of high school and Hannah is going into 4th grade. All 3 of them are playing tackle football this season, so it will be a memorable one.



Harry- Harry recently finished up his final year of school and is excited to be free from the worry of lingering assignments or upcoming test. With the summer coming to a close, Harry is excited to have some extra time to spend with friends and family as he jumps back into his various hobbies. He has built up a bit of a reading list he is excited to dig into as well as hopefully pick the guitar back up.

“A fundamentally positive approach is to take account of the oneness of humanity. Dividing the world into “us and them” might have worked in the past, but it doesn’t work anymore. We have to talk through our problems with our opponents, thinking of them as fellow human beings.” - Dalai Lama
