



Market Commentary¹

NEWS FLASH:

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Listen to the Fed

We have long advocated paying close attention to the Fed and think all investors would be wise to listen to the chorus of Fed Officials who are publicly stating that interest rates will be held at higher levels than the market has seen for years and will remain at these elevated levels for longer than the market expects. The Media and Wall Street crowd continue to harken back to the era of free money and we think they could be sadly disappointed. We expect the markets to remain volatile in the coming months. Inflation has peaked, but core inflation - recently at 5.6% - needs time to drift back down to the Fed's 2% target. A good deal of work remains.

While we think the chances of a recession remain higher than normal, we also expect any recession - should one happen - to be mild. In our opinion, we are experiencing a monetary adjustment after years of excess liquidity being injected into the market along with years of below average interest rates. The Fed needs to drain the system, and their actions on quantitative tightening will be key.

(continued)

Thomas G. Foley
Managing Director
Private Wealth
Advisor

Keith W. Hier
Senior Vice
President - Private
Wealth Advisor

Harry Sommers
Private Wealth
Advisor

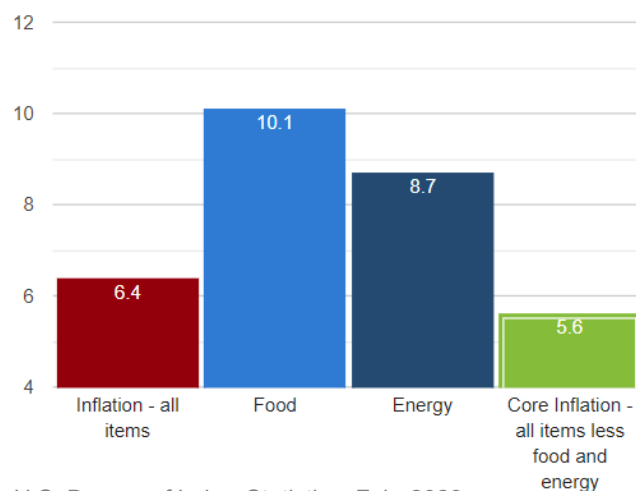
Justin Kaufman
Director of Client
Services and
Operations

Sean Song
Associate - Financial
Planning and
Analytics

Christina Muska
Client Service
Associate

12-month Percentage Change, Consumer Price Index

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Source: U.S. Bureau of Labor Statistics, Feb. 2023

You work hard for your money.

We'll work hard to help protect it.

On a more positive front, we are heartened that unemployment remains at historically low levels, as this keeps the potential for a soft landing alive and well. However, strong employment also makes wage inflation a reality and fits into the Fed's argument for higher interest rates for longer. Everything comes with a cost.

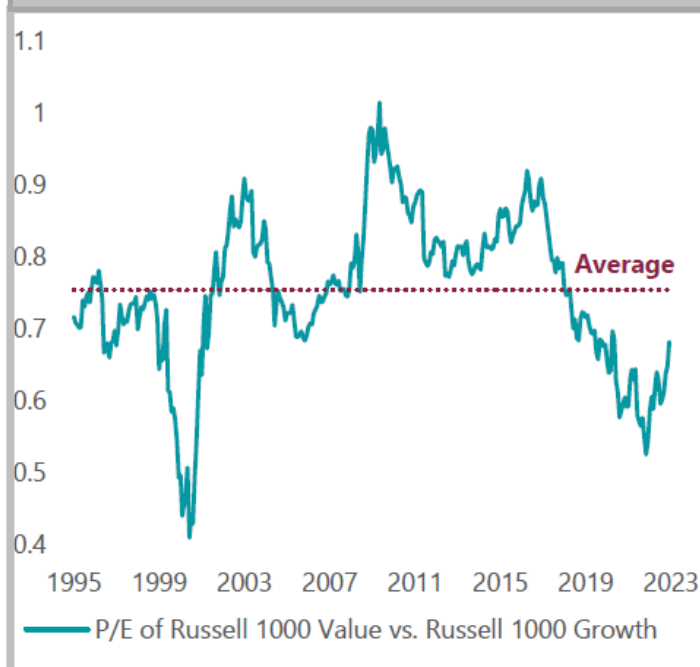
Importantly, we think you faced the difficulties of 2022 well-prepared. Our recommended pivot to Value from Growth in recent years should continue to benefit patient investors. In 2022, Value outpaced Growth by 22% and despite this wide margin of outperformance, the valuation gap between the most expensive stocks and the cheapest stocks remains at a historically wide level. Trends, once initiated, typically remain in force for years versus just a few months, and we do not expect this time to be different. We remain comfortable owning portfolios that are cheap vs. history rather than chasing yesterday's darlings, which remain expensive despite a significant sell off. With time, we believe that investors who remain price-disciplined will thrive.

(continued)

The High Price Retirees Pay for Collecting Social Security Too Early ⁴

- Retirees, on average give up tens of thousands taking Social Security too early depending on how long they live
- The Age 70 benefit is on average 76% higher (adjusted for inflation) than age 62 benefit
- Waiting until age 70 would boost the typical workers' income by \$182,370 (inflation adjusted) over a lifetime (Social Security benefits historically have a cost of living adjustment, lest we forget)
- The wealthiest 20% of people who are now 45 to 62 years old could boost their lifetime discretionary spending by almost \$290,000, on average, by waiting to collect until age 70
- The bottom 20% for wealth of people now 45 to 62 years old, could increase their lifetime discretionary spending by almost \$110,000—a boost of about 15% - by waiting to collect until age 70
- We find that virtually all American workers age 45 to 62 should wait beyond age 65 to collect. More than 90 percent should wait till age 70. Only 10.2 percent appear to do so.
- Silver Linings: The majority of people taking it early actually protect the Social Security pool from deteriorating more rapidly

³ Historical Relative 12-Month Forward P/E Ratio of Russell 1000 Value vs. Russell 100 Growth



As of Dec. 31, 2022. Source: Bloomberg Finance, L.P., ClearBridge Analytics

International stocks denominated in local currency terms outperformed US Stocks in 2022, but the significant increase in the value of the US dollar masked a solid performance. Importantly, the US dollar has recently sold off from levels near its all-time highs and thus far in 2023, the foreign markets are beating their US peers by all measures. Given the historically wide valuation gap between Developed Foreign Markets and their US peers, we continue to expect foreign holdings to finally reward investors. We appreciate that you have heard this plenty of times before, but gaps close in our world. True investing is humbling, but we will always strive to leave our egos at the door and adhere to the laws of economics. This is also why we advocate that clients have a long-term investment focus. We will happily let the crypto crowd and others chase the hypothesis and other new market theories. We just prefer time tested approaches to markets and the economy.

Finally, higher for longer also means that fixed income will continue to offer competitive and more normal rates of return. For the first time in 15 years, we think you can get paid fair rent on your money in fixed income holdings. We see opportunities to continue to ladder bonds out and buy select corporate bonds. Even tax-frees are becoming more and more interesting.

Tom Foley
Managing Director,
Private Wealth Advisor
 2/27/2023

“QUOTABLE”

“RELATIVE PERFORMANCE MOVES BETWEEN GROWTH AND VALUE STYLES HAVE NEVER STALLED OUT AT THESE LEVELS. MARKET CYCLE ARCS PERSIST UNTIL COMPLETED, AND WE THINK THERE IS STILL A LONG WAY TO GO IN FAVOR OF VALUE IN THIS CURRENT MARKET CYCLE.”

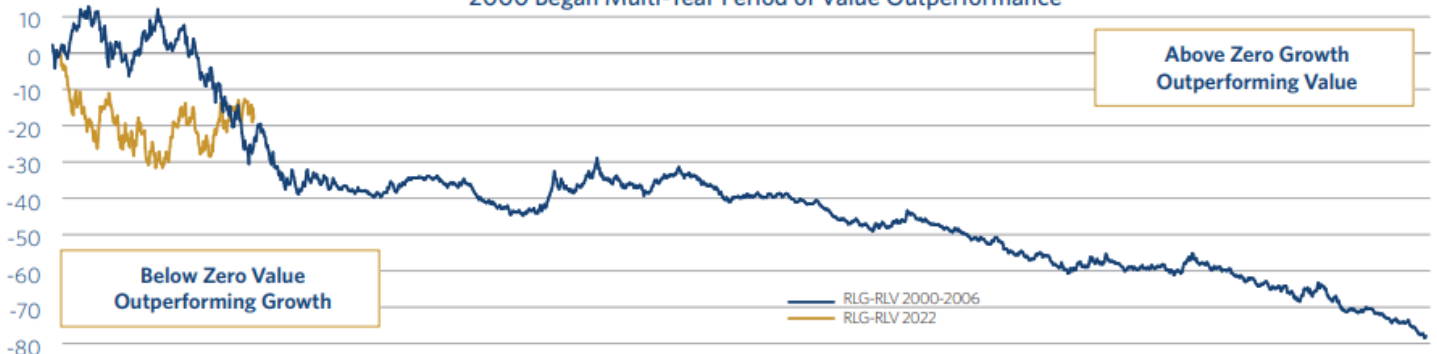
-SAM PETERS & JEAN YU
CLEARBRIDGE INVESTMENTS

HIGHTOWER HOLIDAY FUN



In January, the Hightower Crew (minus Harry and Marg!) gathered for dinner to celebrate Christmas and New Years at La Buvette in Downtown Omaha. Wonderful food and great company made the evening one to remember.

Russell Growth-Value Indexes: 2022 Similar to 2000
 2000 Began Multi-Year Period of Value Outperformance



Source: Bloomberg, Scharf Investments. Jan. 2023

Tax Time Information

With tax season soon upon us, you might have recently received a 1099 form for your accounts. In preparation for the tax season, we wanted to make you aware of a few items.

If you have signed up for a Fidelity.com account, you can access you tax forms online.

- If you are deciding to file your taxes early or are struggling to locate copies of tax forms sent to you, the Fidelity website can be a great resource.
- To find these documents, log onto Fidelity.com and select the “Documents” tab (this is the fifth tab from the right on the home page after you log in). From there, select “Tax Forms”. This will provide you with a list of all relevant tax documents from the prior tax year
- You can also use the time period selection to locate older tax documents if you need historical information.

Due to the current tax code, there is a decent possibility that your 1099 could be revised and an updated document will be sent to you.

- This is typically tied to the corporate filing date of March 15th.
- In years past, this has created some frustration.
- While typically these revisions are not overly material, they often can mean that slight modifications to your tax filing will be needed.
- Please reach out to your tax professional for guidance.

We are happy to send your tax documents directly to your CPA. If you would like us to establish this connection, we will need a few key pieces of information:

- A signed letter of instruction (we can provide you with this letter)
- Verification of tax document delivery preferences (paper or email)
- Your CPA’s information (Name, company, office address, phone number and email)

If you would like to establish this process, please let us know.

“QUOTABLE”

“ IF HISTORY IS ANY GUIDE, WE BELIEVE STOCKS SHOULD BOTTOM WITH THE END OF FED HIKES. WHILE IT IS IMPOSSIBLE TO KNOW PRECISELY WHEN THIS WILL OCCUR, WE ANTICIPATE THE FED SHOULD BE ABLE TO PAUSE SOMETIME BEFORE NEXT SUMMER.”
BRIAN KRAWEZ,

U.S. Recession Risk Indicators

	Current	Rapid Summer Deterioration			
	February 28	August 31	July 31	June 30	
Consumer	Housing Permits	✗	↑	↑	↑
	Job Sentiment	●	↑	↑	↑
	Jobless Claims	↑	↑	↑	↑
	Retail Sales	✗	✗	✗	●
	Wage Growth	✗	✗	✗	✗
Business Activity	Commodities	✗	✗	✗	●
	ISM New Orders	✗	●	●	●
	Profit Margins	✗	↑	↑	↑
	Truck Shipments	↑	↑	↑	↑
Financial	Credit Spreads	✗	✗	✗	✗
	Money Supply	✗	✗	●	●
	Yield Curve	✗	●	●	↑
Overall Signal	✗	✗	●	↑	

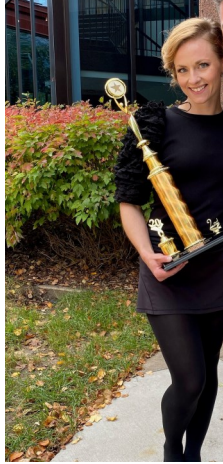
↑ Expansion ● Caution ✗ Recession

Spotlight On...

CHRISTINA MUSKA

Client Service Associate

1. Where is your favorite place to be? **Rocky Mountain National Park**
2. What is your greatest fear? **I don't love spiders or snakes...**
3. Favorite food? **Enchiladas Potosinas from Rivera's (Greatly missed!)**
4. Least favorite food? **Black Licorice**
5. What's your favorite movie? **Sleepless in Seattle**
6. What is your favorite way to spend your free time? **I love playing my guitar and piano when I have a few minutes.**
7. What's something that might surprise us about you? **I competitively Irish Dance.**



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QUOTABLE

“THE STOCK MARKET RALLY SO FAR THIS YEAR SEEMS BASED LARGELY ON SPECULATION RATHER THAN FUNDAMENTALS. INVESTORS APPEAR HOPEFUL THE FEDERAL RESERVE WILL SOON RETURN TO A POLICY OF CHEAP AND ABUNDANT LIQUIDITY WHILE IGNORING THE FED'S REPEATED WARNINGS TO THE CONTRARY.”

**RICHARD BERNSTEIN
ADVISORS**

Secure Act 2.0 RMD Rules

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With the Secure Act 2.0 being signed into law at the end of 2022 (as an addendum to the Secure Act passed in 2019), the rules on Required Minimum Distributions, aka “RMDs,” have changed again. Here is what is most important to know:

- The Secure Act 2.0 defers RMDs for specific individuals even further than original Secure Act. Prior to 2019 RMDs had to be taken at age 70 ½. Upon approval of the 2019 Secure Act, RMDs were pushed back to age 72. **Now with Secure Act 2.0, the base RMD age is now 73.** This will change once again in 2033 to 75.
- So, who in particular is impacted by this and how? Much like the 2019 Secure act, if you are already taking RMDs you fall under the old system. If, however, you did not turn 72 by December 31st 2022, you do not have to take RMDs until you are 73!
- Additionally, there is a new change for anyone who has a ROTH 401k account. With the approval of the Secure Act 2.0, this type of account is no longer subject to RMDs **ever**. This makes the ROTH 401k and individual ROTH accounts much more similar in how they function in retirement.
- As a reminder, ROTHs are only excluded from RMDs if you are the original owner of the account. If you inherited a ROTH or plan to provide a beneficiary with a ROTH, they will be required to take a minimum distributions from the account within the first 10 years of receiving it.
- Lastly, the Secure Act 2.0 has also reduced the penalty for missing your RMDs. This use to be a 50% penalty tax on the amount that was supposed to be taken but wasn't. This is now a 25% penalty fee. While this is better, as part of our service support, we are committed to staying on top of RMDs year to year.

Help Wanted!

Household Audits

In an effort to keep our account information up to date and stay compliant with industry regulations, we are conducting Household Audits for all of our Hightower Clients. While most of the information we're reviewing is used internally, there are a couple of items we may reach out to you regarding. Things like adding a Trusted Contact or verifying Beneficiary information are items we've been commonly calling clients about. You may even hear a familiar voice on the other end of the line! Marg has kindly agreed to come back into the office a couple days a week as we work to complete this project. We're happy to have her positive energy and smiling face in the office again!

Making sure that all of your information is complete and updated allows us to better serve you and adapt to changing needs. Thank you for your cooperation!

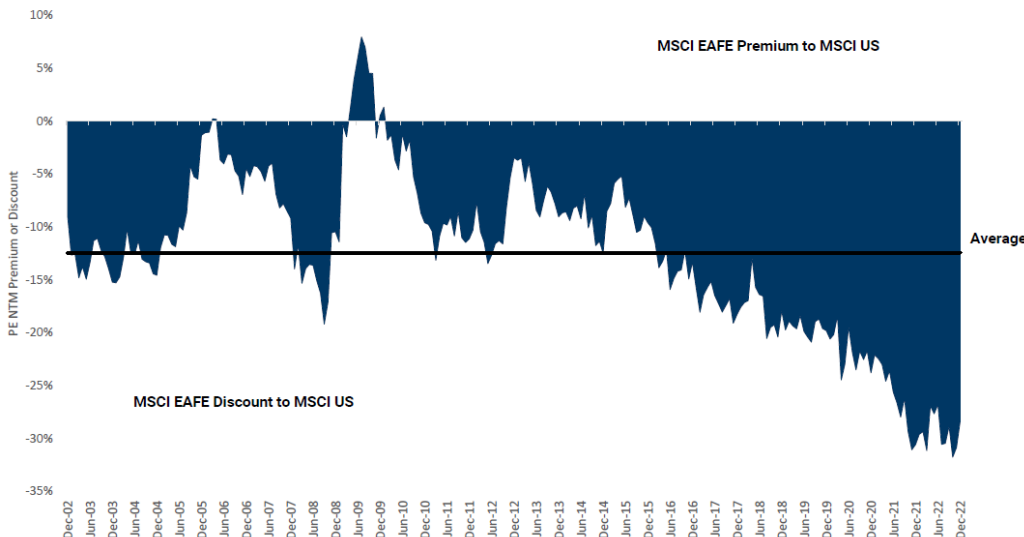
Credit Report Check In

Do you keep an eye on your credit report? Regularly checking your credit report is a simple way to be proactive about your finances by helping you spot fraud and ensure correct information is being reported. Each year, you're entitled to one free credit report from each of the three main credit bureaus—Experian, Equifax, and TransUnion. You can go to each bureau's website to request your report. We recommend that you don't access them all at the same time, but instead space them out to one every four months.

Don't Wait to Register on SSA.gov

Whether you're already receiving benefits or are years away from retirement, it's important to keep an eye on your account with the Social Security Administration (SSA). Taking a few minutes to create an online account with SSA.gov will give you more control of benefits and save time down the road. Registering also protects you from potential fraud; only one login account is permitted per Social Security number, so registering early ensures extra protection from someone fraudulently signing up for you.

MSCI EAFE VS MSCI USA



EAFE historic discount has supported local International markets returns

As of 31 December 2022
Source: Factset, MSCI

LAST TAKE...

"IT'S BEEN AN IDEAL PERIOD FOR INVESTORS: A CLIMATE OF FEAR IS THEIR BEST FRIEND. THOSE WHO INVEST ONLY WHEN COMMENTATORS ARE UPBEAT END UP PAYING A HEAVY PRICE FOR MEANINGLESS REASSURANCE."

-WARREN BUFFETT

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.

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The Foley Crew

The Foley Family - The Foley kids continue to be active. Cal is taking real estate classes and just chased fresh powder in Colorado with friends. Paige is studying abroad in London this semester and has a summer internship with the Omaha Storm Chasers AA baseball team. Georgia was accepted into Boston College and remains the neighborhood babysitting queen (she even does dishes). Tamara is teaching all the kids to cook and Tom is working hard to break in a new hip.



Harry - Since Harry's move to Chicago he has been keeping busy! Harry has been loving the live music scene. He was able to attend shows from two of the original Pink Floyd members- Roger Waters and Nick Mason, he also caught Bob Weir on his recent tour with the Grateful Dead, among a few other concerts. Aside from staying out of trouble in the windy city, Harry has also had the opportunity to get back to Omaha several times. While he loves Chicago, it is always fun to be back in Omaha. Next stop 2023 Berkshire Meeting!

Christina - In October, the Three Muskateers took an exciting trip to Universal Studios and Disney World in Orlando. Back home, Lena has



been busy making new friends in middle school and Julian has been enjoying learning how to code and design games. They're all anxiously awaiting their next trip to Colorado in April for some mountain air and adventures!

The Hier Family - Keith and Family have been in the throws of indoor soccer and dance. They also enjoyed the annual visit to Grandpa Jim and Grandma Cheryl's in Arizona. The heat was welcome and they love the desert.



Justin - Justin and family are doing their best to keep busy during the winter months. Justin nearly took a polar plunge playing in an Ice Golf Fundraiser last month. His wife, Carrie, recently



returned from a 10 day trip to South Africa. Justin's son, Carter (8), went on his first official father/son road trip to see Monster Jam at US Bank Stadium in Minneapolis. And finally, Justin's daughter, Lillian (4), continues to do whatever she wants, whenever she wants.

Sean - A lot is happening in Sean's world as he is gearing up for the CFP exam in March and getting married in May. Besides studying, Sean just got his cats licensed and sorted his food allergies, yet, still can't seem to agree on which color tuxedo he wants to wear. While experiencing these major life events, he continues to have heaps of fun and is trying his best to grow his mustache.

