

# 2019 ANNUAL REPORT



PROVIDING INSIGHTS AND  
SOLUTIONS SO THAT YOU  
CAN LEAD A FULFILLED LIFE.



## A MESSAGE FROM OUR CEO

In 2019, we spent time exploring our WHY – why do we get up every day to help our clients, our business associates, and our community? Why do we continually strive to expand our Intellectual Capital? After much thought and several iterations, we realized that this is our WHY:

**TO PROVIDE INSIGHTS AND SOLUTIONS TO INSPIRE PEOPLE TO TAKE ACTION SO THAT THEY CAN LEAD FULFILLED LIVES.**

How we deliver our advice and service has long been through our Four Capitals approach. In 2019, we began to explore more meaningful ways to present this philosophy. This year, you'll see our newly redesigned website and learn more about our CuratedWealth approach. It will continue to encompass the core of our Four Capitals — how we help clients with Financial Matters, Intellectual Engagement, Physical Well-Being, and Psychological Space.

When reflecting on the 2019 investment landscape, Fed policy reversed from raising to lowering rates and from shrinking to expanding the balance sheet. The debt cycle music continues to play, and we want to make sure we have a chair when it stops – because it has historically always stopped. To manage risk in this environment, we continue to monitor and analyze duration, credit, leverage, and valuations to keep dancing to the music.

The presidential election is in full swing now and will likely make for an interesting 2020. We hope to find middle ground as extremes in any direction are usually not good outcomes. As Alexander Hamilton said, "Real liberty is neither found in despotism or the extremes of democracy, but in moderate governments."

2019 was also a year of transformation as I worked together with Jennifer Specter, our COO, to begin to define the future of SFG. Our vision includes the continued expansion and development of our human capital, along with technology changes and planning for the firm's long-term continuity.

We value and appreciate the trust our clients and business associates have placed in the SFG team. We look forward to continuing to provide you with insights and solutions so that you can lead fulfilled lives in 2020 and beyond.



Russ Schultz, CFP®  
Chief Executive Officer &  
Chief Investment Officer



# A MESSAGE FROM OUR COO/CCO

From team development to systems enhancements to long-term continuity planning, Russ and I worked closely together in 2019 to map out a future direction for SFG.

We invested in our human capital to continue to support our clients' ever-changing needs. Alyssa Yocom obtained her CFP® designation, and Tony Miller joined our team as an Associate Wealth Manager. Tony's knowledge and education directly support his work at SFG. His background includes Business Administration, Finance, and Law, with degrees from Gonzaga University School of Law and the University of Nevada, Reno. At SFG, Tony works with the Financial Planning team as our point person on all estate planning issues. He also conducts due diligence and ongoing monitoring of new and existing private investments, including real estate.

William Saulsgiver's role transitioned to Business & Investment Analyst as he took on more of a leadership role with our new technology initiatives. In addition to working on his Master's degree in Data Analytics, he attended Salesforce conferences and is studying to become a Salesforce Administrator. We believe these strategic investments in our people will benefit our clients, business, and community.

In 2019, we also invested in our technology and began migrating to Salesforce as our new CRM platform. In addition, we transitioned to a new portfolio accounting system and began exploring ways to use technology to better communicate with our clients and business associates. We redesigned our conference room to include a new camera that allows us to hold video meetings. In 2020, we will implement a new document management system.

While technology continues to improve our productivity and simplify our lives, it does come with its own set of issues. As such, cybersecurity remains a priority for us. I hope you have been receiving our monthly e-newsletter, which includes blog posts on a variety of cybersecurity topics. See the end of this report for best practices.

As Russ mentioned, we are focused on our WHY as a firm — providing insights and solutions so that you can lead a fulfilled life. With that in mind, we're committed to further enhancing the value of our human and technological capital — and the positive impact both can have on your experience.

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*Jennifer Specter*

Jennifer Specter, MA  
Chief Operations Officer &  
Chief Compliance Officer

# THE FOUR CAPITALS



## FINANCIAL CAPITAL

### STAYING TRUE TO THE FUNDAMENTALS.

In 2019, the stock market had its best year in over 20 years, making up for the losses in the fourth quarter of 2018 and then some<sup>1</sup>. The gains of 2019 were most likely the cause of better than expected earnings, a strong household sector, P/E multiple expansion, and supportive monetary conditions. Also, the Federal Reserve shifted from raising rates in 2018 to cutting rates in 2019<sup>2</sup>, and halted its plan to continue to reduce its balance sheet in order to inject more liquidity into the Repo markets<sup>3</sup>. See our [2019 Market Review & Outlook](#) for more information.

We continue to see monetary policy that encourages risk-taking, along with high levels of debt as potential threats to the overall economy. Going forward, we remain focused on managing credit risk and equity exposure as fixed income investor's flock towards equities for income, and equity valuations continue to become more and more expensive. Private Credit-Middle Market Lending continues to be an area where the risk/return characteristics remain interesting. We are still interested in Real Estate but continue to be very selective due to the market environment.

At SFG, we believe the markets trade on fundamentals over the long term. We apply this premise across all stages of our investment planning process — from researching managers, to tailoring a diversified portfolio to each client's unique profile. We use scenario planning to prepare for likely future economic events and to assess appropriate strategies for each scenario. We then take proactive steps aimed at managing a portfolio's risk and delivering on its long-term objectives.

In 2019, we traveled to New York, Miami, Chicago, Boston, San Diego, Los Angeles, and San Francisco to meet with investment managers.



**I CAN'T TELL YOU HOW TO  
GET RICH QUICKLY. BUT I CAN  
TELL YOU HOW TO GET POOR  
QUICKLY: BY TRYING TO GET  
RICH QUICKLY.**

**– ANDRÉ KOSTOLANY**

<sup>1</sup> Morningstar Data

<sup>2</sup> <https://fred.stlouisfed.org/series/FEDFUNDS>

<sup>3</sup> <https://www.wsj.com/articles/demand-for-fed-liquidity-rises-new-york-fed-injects-nearly-100-billion-11578409629>



## PSYCHOLOGICAL CAPITAL

### CREATING A MEANINGFUL LIFE INVOLVES MORE THAN MONEY.

We recognize that financial well-being is extremely important for a family seeking good and meaningful lives. We also recognize that a meaningful life includes purpose, empathy, growth, and satisfaction as well. We at SFG feel privileged to share in our clients' lives, supporting and advising them when life presents obstacles, opportunities, or both. As the need for more specialized support arises, we have invested in long-term relationships with outside professionals providing critical services.

Family dynamics seemed to take center stage this year, and we were able to counsel our clients using various vehicles and facilitation. Exciting beginnings in work and family kept us busy counseling entrepreneurs and planning for future generations. When stressful major life changes occurred, we advocated and advised those in need of a smooth transition into some of life's more difficult periods.



**IF YOU PLAN ON BEING  
ANYTHING LESS THAN YOU ARE  
CAPABLE OF BEING, YOU WILL  
PROBABLY BE UNHAPPY ALL THE  
DAYS OF YOUR LIFE.**

– ABRAHAM MASLOW



## PHYSICAL CAPITAL

### BEING HEALTHY IS NOT ONLY THE ABSENCE OF DISEASE, BUT ALSO A CONSCIOUS AND DYNAMIC PRACTICE.

This year, SFG continued to dig deeper into what constitutes a healthy lifestyle and what role physical well-being plays in our overall happiness. We once again supported our team by paying for their gym memberships and providing filtered water, organic lunches, and healthy breakfasts and snacks from the SFG Café pantry.

New this year is an individually customized wellness program consisting of one-on-one body work with a trainer who comes to the office weekly!

Our commitment to good physical health blended with our team culture when we went on a guided hike along part of the Jones Creek Loop trail in the Galena Creek Recreation Area. It's surrounded on three sides by the Humbolt-Toiyabe National Forest and is at the juncture of two ecosystems — high desert and alpine. We feel lucky to live in this unique area just up the hill from our office.



**PHYSICAL FITNESS IS THE FIRST  
REQUISITE OF HAPPINESS.**

– JOSEPH PILATES



## INTELLECTUAL CAPITAL

**WHEN YOU STRATEGICALLY INVEST IN YOUR TEAM, EVERYONE BENEFITS  
— CLIENTS, THE OVERALL BUSINESS, AND THE COMMUNITY.**

### TEAM EDUCATION

Many elements contribute to our ongoing expansion of knowledge. Our commitment to clients means the team must continually stay current with ever-changing policies and world dynamics. In addition to meeting continuing education requirements, we strove to achieve personal goals such as Alyssa Yocom receiving her Certified Financial Planner designation.

Here are some of the events our team attended:

- AICPA ENGAGE (Las Vegas)
- Financial Therapy Association (Austin)
- Investments & Wealth Institute's Annual Conference Experience (Las Vegas)
- Investments & Wealth Institute's Behavioral Advisor Forum (San Francisco)
- Investment Adviser Association's Compliance Conference (Washington, DC)
- National Association of Personal Financial Advisors (NAPFA) conferences (Austin)
- Schwab IMPACT (San Diego)
- Kayne Anderson Investor Conference (Beverly Hills)
- J.P. Morgan Wealth Management Conference (Chicago)
- Schwab Solutions (San Francisco)
- Salesforce's Dreamforce annual conference (San Francisco)
- NorCal Dreamin' Regional Salesforce conference (Sacramento)
- ADISA (The Alternative & Direct Investment Securities Association) conference (Las Vegas)
- White Oak Annual Investor Day (San Francisco)
- Counterpoint Investment Symposium (Dana Point, CA)
- Virtual Mauldin Conference

In addition to out-of-town conferences, we always enjoy taking advantage of e-learning through technology such as webinars.

### JOIN THE SFG COMMUNITY!

[Sign up](#) to receive insights related to the Four Capitals and what's new at SFG.

## INTERNSHIP PROGRAM

In the spirit of strong leadership and education, SFG provides internship positions for a select group of hard-working college and graduate students. This year, we hired two interns to join our Investment and Financial Planning teams.

Interns continue to be a source of exciting new talent and creativity for us. This year, we focused on creating clear career roadmaps and training opportunities for both current and future interns. In addition to learning opportunities, SFG interns get to put their education into practice, develop skills, and discover what inspires them. Our program also provides mentorship opportunities for team members as they pass along knowledge and strengthen their leadership skills.

## SFG BLOGS

The SFG team works together to bring you blog posts on topics we think are valuable or interesting – or both! These blogs offer insights into the Four Capitals that make up true wealth. Please view our posts on our [website](#) or through our [newsletter](#).

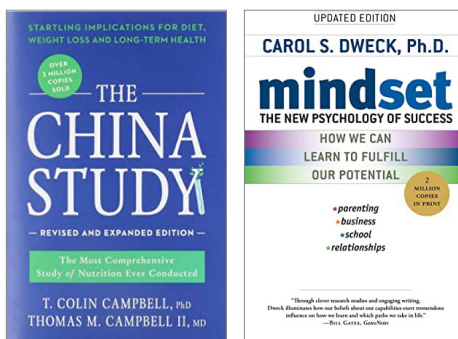
“

EVERYONE YOU WILL EVER MEET  
KNOWS SOMETHING YOU DON'T.

— BILL NYE

## SFG'S BOOK CLUB — AN SFG TRADITION

“What are you reading?” might be heard in the bullpen at SFG as we continue our book club. SFG provides non-fiction books of our choice, which we discuss at a semi-annual potluck. The books run the gamut from *The China Study* by T. Colin Campbell and Thomas M. Campbell to *Mindset: The New Psychology of Success* by Carol S. Dweck, Ph.D. If you're ever looking for an interesting book, why not ask us, “**What are you reading?**”



# COMPANY CULTURE

During the holiday season and throughout the year, we were grateful to continue our SFG traditions of service and giving by:

- “Adopting” a family through our local Children’s Cabinet
- Performing holiday carols at the local Veteran’s Hospital
- Donating new bedding to the Reno Family Shelter
- Cooking and delivering a meal for our local Ronald McDonald House
- Supporting the Eddy House and Nevada Humane Society

We proudly support the environment by providing a water filtration system that minimizes the use of plastic bottles in the office. We also recycle and use a professional document destruction company to securely shred our documents and send them to a paper mill for recycling.

SFG is committed to being of service to our clients and community. We all share the common bond of fulfillment through dedication to others.

## TEAM ACTIVITIES

SFG appreciates the power of team-building activities to strengthen our connections with one another and celebrate our individualities. We also like to have fun together!

We had lots to celebrate this year — Alyssa’s CFP® designation, William’s new role as our Business & Investment Analyst, Clarissa’s engagement, and William’s marriage. We welcomed two new team members — Tony Miller as Associate Wealth Manager and Gage Avera as Client Service Associate! Also, a total of five dogs found new homes with our team members. We celebrated birthdays (because who doesn’t like cake from Whole Foods?), enjoyed work-time holiday lunches and a summer ice cream social, toured the NV Art Museum, and did the occasional off-site happy hour.

We had lively sports debates as part of a friendly football pool (every week was a tight race!), Super Bowl squares, and a March Madness pool that was indeed madness.



THE WAY A TEAM PLAYS AS  
A WHOLE DETERMINES ITS  
SUCCESS. YOU MAY HAVE  
THE GREATEST BUNCH OF  
INDIVIDUAL STARS IN THE  
WORLD, BUT IF THEY DON'T  
PLAY TOGETHER, THE CLUB  
WON'T BE WORTH A DIME.

— BABE RUTH



# CYBERSECURITY

As part of our focus on cybersecurity in 2019, we conducted interactive training and exercises to help ensure all necessary protocols and procedures are in place to protect your personal information. We also continued posting articles about relevant cybersecurity issues in our monthly [SFG Capital News blog](#) and providing a best practices handout at client meetings. We hope these resources help keep cybersecurity top-of-mind, as it remains a serious threat requiring constant vigilance. While SFG is dedicated to playing an important role in helping protect your assets, we also encourage you to take action on your own.

This section includes tips on what to look for and do when checking emails or going online. Reference it throughout the year as a refresher and be sure to check out our blog regularly. Many suggestions may be things you're doing now, while others may be new. We also cover actions to take if you suspect your personal information has been compromised. If you have questions, please call us — we're here to help.

Cyber criminals exploit our increasing reliance on technology. Methods used to compromise a victim's identity or login credentials — such as malware, phishing, and social engineering — are becoming increasingly sophisticated and difficult to spot. A fraudster's goal is to obtain information to access your accounts and assets or to sell your information for this purpose. Following safe practices and exercising caution when sharing information or executing transactions can help make a big difference.

## HOW WE CAN WORK TOGETHER TO PROTECT YOUR INFORMATION AND ASSETS

### Safe practices for communicating with SFG

- **Keep us informed** regarding changes to your personal information.
- **Expect us to call you to confirm** email requests to move money, make trades, or change account information.
- **Contact us immediately** at 775-850-5620 if you ever receive an email request to complete a wire transaction on your own. We would never ask you to do that.
- **Use ShareFile**, a secure online platform, to send us documents with personal information.



IOT WITHOUT SECURITY =  
INTERNET OF THREATS

— STEPHANE NAPPO

## How Schwab protects your account

Schwab takes your security seriously and leverages protocols and policies to help protect your financial assets. Below are actions you can take to reinforce their efforts, along with resources to assist you in keeping your accounts safe:

- **Use two-factor authentication**, which requires you to enter a unique code each time you access your Schwab accounts.
- **Review the [Schwab Security Guarantee](#)**, which covers 100% of any losses in any of your Schwab accounts due to unauthorized activity.

To learn more, visit [Schwab's Client Learning Center](#).

## What you can do

- Be aware of suspicious phone calls, emails, and texts asking you to send money or disclose personal information. If a service rep calls you, hang up and call back using a known phone number.
- Beware of phishing and malicious links. Urgent-sounding, legitimate-looking emails are intended to tempt you into accidentally disclosing personal information or installing malware. Phishing emails will attempt to use a "From" name that you recognize, so also look closely at the email address to make sure it's legitimate.
- Don't open links or attachments from unknown sources. Instead, type the known web address in your browser.
- Check your email and account statements regularly for suspicious activity.
- Never enter confidential information in public areas. Assume someone is always watching.
- Don't use public USB ports in airports, coffee shops, etc. They can be hacked to download all of your information through the cord. Only plug your devices directly into power outlets.
- Consider putting a preventative freeze or lock on your credit. [Read our blog](#) to explore the options.

## Exercise caution when moving money

- Leverage Schwab's electronic authorization tool to verify requests. Featuring built-in safeguards, this tool is the fastest and most secure way to move money. Please call us for more information about how to use it.
- Review and verbally confirm all disbursement request details thoroughly before providing your approval, especially when sending funds to another country.

## Adhere to strong password principles

- Don't use personal information as part of your login ID or password, and don't share login credentials or "password formulas" via email. A password formula example would be "my password is my zip code and dog's name."

“

**PASSWORDS ARE LIKE  
UNDERWEAR: DON'T LET PEOPLE  
SEE IT, CHANGE IT VERY OFTEN,  
AND YOU SHOULDN'T SHARE IT  
WITH STRANGERS.**

— CHRIS PIRILLO

- Create a unique, complex password for each website and change it every six months. Consider using a password manager to simplify this process.
- Use “two-factor,” “dual-factor,” or “multi-factor” authentication if it is available. This type of authentication should be used with your password manager, email (most major email services now offer dual-factor authentication options), bank account, and investment account sites (Schwab does offer this feature).
- Don’t use security questions that are easily searchable by fraudsters, such as your elementary school or mother’s maiden name.
- Password protect your phone, tablet, computer, etc. and don’t lend them to strangers.

### **Maintain updated technology**

- Keep your web browser, operating system, antivirus, and anti-spyware updated, and activate the firewall.
- Don’t use free/found USB devices. They may be infected with malware.
- Check security settings on your applications and web browser to make sure they’re strong.
- Turn off Bluetooth when it’s not needed.
- [Dispose of old hardware](#) safely by performing a factory reset or removing and destroying all data storage devices.

### **Use caution on websites, email, and social media**

- Don’t visit websites you don’t know (e.g., advertised on pop-up ads and banners). A best practice is to never respond to pop-up ads, as even those from reputable websites can be compromised.
- Log out completely to terminate access when exiting all websites.
- Don’t use public computers or free Wi-Fi, especially when logging into an account that requires your password. Use a personal Wi-Fi hotspot or a Virtual Private Network (VPN).
- Hover over questionable links to reveal the URL before clicking. Don’t click on any email links to access your online accounts. Instead, type the company’s web address into your browser to log in, view messages, etc. Remember that secure websites start with “https,” not “http.”
- Delete any emails that contain personal or account information from both your Inbox and Sent folders. And then be sure to delete them from your Trash folder.
- Be wary of “Unsubscribe” links in emails unless you know it is coming from a valid source. A better practice is to block the sender.
- Be cautious when accepting “friend” requests on social media, liking posts, or following links.

- Limit your sharing of information on social media sites. Assume fraudsters can see everything, even if you have safeguards.
- Consider what you're disclosing before sharing or posting your résumé.

#### What to do if you suspect a breach

- **Call our office** at 775-850-5620 or your Schwab Alliance team immediately at 800-515-2157 so that they can watch for suspicious activity and collaborate with you on other steps to take.
- Change your password(s) and security questions.
- Consider putting a freeze or lock on your credit. [Read our blog](#) to explore the options.

#### LEARN MORE

Visit these sites for more information and best practices:

- [StaySafeOnline.org](#): Review the STOP. THINK. CONNECT™ cybersecurity educational campaign.
- [OnGuardOnline.gov](#): Focused on online security for kids, it includes a blog on current cyber trends.
- FDIC Consumer Assistance & Information, <https://www.fdic.gov/consumers/assistance/index.html>
- FBI Scams and Safety provides additional tips, <https://www.fbi.gov/scams-and-safety>



# MEET THE SFG TEAM

## Management Team



**RUSS SCHULTZ, CFP®**  
Chief Executive Officer /  
Chief Investment Officer



**VICKI SCHULTZ, MBA, CFP®**  
Executive Vice President



**JENNIFER SPECTER, MA**  
Chief Operations Officer/  
Chief Compliance Officer

## Financial Planning Team



**CLARISSA ALESEVICH, FPQP™**  
Associate Wealth Manager



**ALYSSA YOCOM, CFP®**  
Associate Wealth Manager

## Investment Management Team



**TONY MILLER, ESQ**  
Associate Wealth Manager



**WILLIAM SAULSGIVER**  
Business & Investment Analyst

## Operations Team



**SHARON EARLE**  
Office Administrator



**JOYCE E. FARLEY**  
Controller Accountant

Contact [Schultz Financial Group](#) to discuss these and other topics that may help you reach your lifelong goals.

P. 775 850 5620 | E. [INFO@SFGINC.COM](mailto:INFO@SFGINC.COM) | W. [SFGINC.COM](http://SFGINC.COM)

## SCHULTZ FINANCIAL GROUP INC.

10765 Double R Blvd., Suite 200 • Reno NV 89521

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