

Setting Sail

Third Quarter 2023

The Upcoming Transition to Charles Schwab



In 2019, TD Ameritrade accepted an offer to be acquired by Charles Schwab. The merger took some time to receive approval from the government, and the two companies have been operating separately but under the same ownership. After the approval was given, they have been planning how to combine the two companies into one. Over the upcoming Labor Day weekend, all TD Ameritrade accounts will be converted into Schwab accounts.

Although Spinnaker does not have a formal relationship with TD Ameritrade or Schwab in the sense that we do not represent or receive any compensation from either company, we have elected to use TD Ameritrade as the custodian for our clients' accounts. They execute the transactions that we initiate, and they hold the funds, giving an extra layer of protection to our clients. Schwab functions very similarly to TD Ameritrade, and we look forward to working with them. As an independent Registered Investment Advisor, Spinnaker is not captive to any custodian and could move to alternative custodians if we deem it to be in the best interest of our clients.

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As fiduciary advisors, we are deeply committed to helping families and individuals reach their lifestyle and financial goals by thorough and creative planning, disciplined investing, and reduction of execution, tax, and management costs.

For more information about our firm, including articles about our services, visit our website. To learn how we can help you reach your goals, please contact us for a free consultation.

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So, what should you expect from TD Ameritrade and Schwab during the next few months? Let's talk about the details as it pertains to your experience as the account owner.

New paperwork – The transition to Schwab will occur automatically. There is no new paperwork that you'll need to sign to establish new accounts at Schwab or transfer your account holdings from TD to Schwab. This will all occur automatically.

Transition dates – The last date to transact with your TD Ameritrade account is Friday, September 1st. This is the last time to contribute or withdraw cash, trade securities, or look up your account values on TD Ameritrade's website, advisorclient.com. After the Labor Day holiday weekend on Tuesday, September 5th, your account holdings will be accessible at Schwab.

Repeatable cash withdrawals – If you have scheduled monthly, quarterly, or annual cash withdrawals from your TD Ameritrade accounts, these will continue as scheduled from your new Schwab accounts. The same applies to Move Money authorizations that allow Spinnaker to send cash from your brokerage accounts to your bank with your verbal authorization as long as they have been used in the past three years. These authorizations will continue for occasional and unscheduled withdrawals.

Advisor

Authorizations – The authorizations you set up with your TD Ameritrade accounts will be the same for your Schwab accounts. These may include the authorization for us (Spinnaker) to buy and sell securities on your behalf and to deduct our fees directly from your account.



Account history – Schwab will keep and have available online the cost basis for your taxable accounts and ten years of account statements, seven years of tax documents, two years of trade confirmations, and four years of check images.

Beneficiary Designations – The people or organizations that you have named to receive your accounts in the event of your death will remain the same with your new Schwab accounts.

Debit Cards and Third-party payments – If you have used your TD Ameritrade debit card in the last 24 months, Schwab will mail you a new one. If you have set up automatic payment of bills from a TD Ameritrade debit card through your providers, these payments will not continue after September 1st. You will need to change your payment method for each of these businesses.

Check writing - If you have written checks against your TD Ameritrade accounts in the last 24 months, Schwab will mail you new checks to be used after the conversion of your accounts.

September monthly statements – You will receive two monthly statements for the month of September for each of your accounts, one from TD Ameritrade and one from Schwab. The TD Ameritrade statement will show a beginning balance and show the transfer of the holdings out of the account on September 1st with an ending balance of zero. You will also receive a monthly statement from Schwab showing a beginning balance of zero, followed by the transfer of securities into this account and an ending balance. If you are prone to bad luck, you will likely receive the zero-balance statement from TD Ameritrade first. Please don't panic if this happens. Just wait for the Schwab statement to show up.

2023 Tax Statements – Each account with taxable income during 2023 will report the taxable events on up to two tax forms per account: one from TD Ameritrade and another from Schwab. The TD Ameritrade tax form will cover taxable events from January 1st to September 1st, and the Schwab tax form will cover taxable events from September 5th through December 31st.

Importing tax data – Each tax statement (such as a 1099) can be uploaded to many tax preparation software vendors, such as TurboTax; however, the process is different between the TD Ameritrade statements and the Schwab statements. The TD Ameritrade statements can be uploaded by providing the account number and the document ID number listed on the tax statement. The Schwab tax forms can be uploaded by providing the user ID and password and updating the preference to share tax information with your software provider.

Electronic statement and trade confirmation preferences – Your monthly statement and trade confirmations will continue to be sent to you in the same way they are now. That may be paper or electronic. If you want to change these preferences, let us know and we can help you update your settings.

Online access - TD Ameritrade's client portal, advisorclient.com, will only show account data up to the conversion date. After the conversion, you can log into Schwab's portal called Schwab Alliance to view your up-to-date account information. To access Schwab Alliance, log into Advisorclient.com after the transition, and you will be prompted to set up your login credentials.

Mid-Year Update

Before I dig into what has transpired over the first half of 2023, let's revisit the reasons why we started investing in the first place. Good investing is always goal-focused and planning driven, so ideally, we started with certain goals. A common goal is retiring at a certain age and with a certain income. The goals have probably evolved over time and may include multiple generations, but they are still goals to invest for.

The design of your investment portfolio is based on taking the least amount of risk to achieve the stated goals. Our portfolios are designed with the weighty evidence of history to give us a sense of how markets behave over time. That history includes economic scenarios like this one with high interest rates and high, but falling, inflation.

If our goals haven't changed and the investment process is solid and based on the long-term history of the markets, then our best course of action is to stay the course. That may sound like a cliché at a time when you want something more complex, but that doesn't mean that something else will work better.

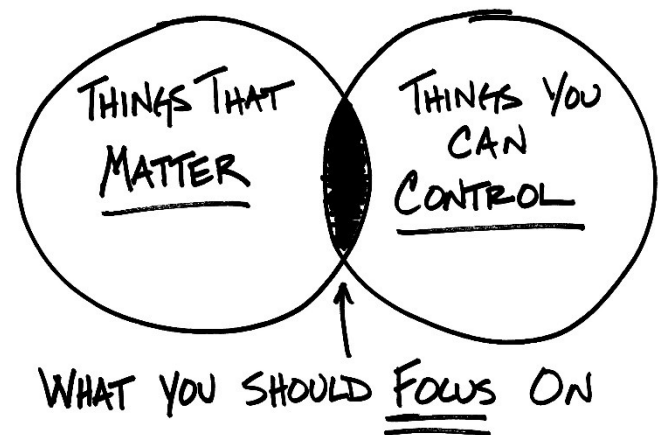
That being said, I'm even more delighted than usual to report to you at midyear on the events of the last six months and on the further progress of our long-term plan. After declining sharply for most of 2022, the S&P 500 ended the year at 3,840. As the year turned, it seemed as if the economy might well be in a no-win situation. Either the Federal Reserve would tighten credit conditions enough to stamp out inflation, thereby plunging us

into recession, or it would relent, avoiding recession but permitting inflation to burn on. In either case, we were assured that corporate earnings must be about to decline significantly, boding ill for the stock market.

To this apparently intractable situation, the first half of 2023 added three new and potentially critical uncertainties: the specter of U.S. sovereign default, a wave of bank failures that seemed to threaten the banking system itself, and a renewed outbreak of fear surrounding the dollar's status as the world's reserve currency. Yet after enduring that relentless onslaught of crises, real and imagined, the S&P 500 closed out the first half of 2023 at 4,450, up 15.9%. In the process, Congress and the White House manufactured a solution to the manufactured debt ceiling crisis, and the bank failures that were supposed to be the tip of the iceberg turned out to be only an ice cube.

The recession that every economist predicted has been postponed...again. It very well may still be coming, but so far, the economy seems more resilient than the consensus was giving it credit for just a few months ago. The Federal Reserve says it is probably not done tightening, but it is getting very close to the end. Although inflation is still a long way off from the Fed's target of 2%, it has moderated considerably over the last year.

In light of these recent developments, I am reminded of Peter Lynch's timeless maxim: "The real key to making money in stocks is not to get scared out of them." In that sense, these six months represent for me—and I devoutly hope for you—a successful investing career in a microcosm. You and I did all that could be asked of us: amid universal pessimism, we didn't get scared out. Rather, we stayed focused on our goals and our long-term plan, with confidence that the management of the companies we own were stewards of our capital with diligence while they sought out new and potentially greater opportunities amid the adversity.



BEHAVIOR GAP

In summary, everything that happened (and didn't happen) in the first half of 2023 turned out not to matter much. **What mattered was that together we chose not to react.** Is it possible that a lifetime of patient, disciplined investment success is just that simple? I certainly believe it can be, and I sincerely hope you do too.

I am apt to believe that it will be celebrated, by succeeding generations, as the great anniversary festival. It ought to be commemorated, as the day of deliverance by solemn acts of devotion to God almighty. It ought to be solemnized with pomp and parades with shews, games, sports, guns, bells, bonfires and illuminations from one end of this continent to the other from this time forward forever more.

***--John Adams (1735-1826)
On the signing of the Declaration of Independence
Second President of the United States***