TILIA NEWS

INVESTMENT MANAGEMENT | FIDUCIARY ADVICE | RETIREMENT PLANNING

Hiring Annoucement!

Tilia is extremely proud to announce that we've added a fourth Investment Advisor to our growing team. Ryan Casey started with Tilia at the beginning of October & is now a fully-licensed IA. He brings a unique background to the firm. Ryan holds a Master of Science in Biochemistry from Worchester Polytechnic Institute. After college, Ryan analyzed pharmaceutical & biotech firms for a Boston-based healthcare-focused investment bank.

While Ryan enjoyed the work, he felt a calling to serve his country & follow in the footsteps of his father, a former Army aviator. Ryan joined the Marine Corps, and served for nearly a decade as an aviator with a "Light Attack" helicopter squadron. He excelled with the Corps, graduating from the aviation weapons school & rising to the rank of Captain. During his time at the marine corps, Ryan never lost his passion for investing & became a prodigious saver. He attended the U.S. Navy's Command Financial Specialist program, and became the go-to financial counselor for many of his peers. This was the beginning of his segway from the military to a career outside of the Corps.

We're thrilled to have Ryan on the team. We look forward to introducing him to each of you in the near future!

The Long Runway of E-Commerce

When selecting stocks for our core portfolio, Tilia looks for broad consumer trends that are likely to last more than a couple of years. Once we have a trend is our sights, we work to figure out which companies are poised to benefit the most over the coming years. One of the mistakes that many investors make is trying to bargain-hunt with stocks that are on the wrong side of a major trend. This mistake has been especially pronounced surrounding companies exposed to the trend of rising online sales. Many department stores and brick & mortar retailer stocks have repeatedly been a graveyard for prominant money managers. At the same time, investors that have been buying "what they know & use" have been capitalizing by owning the stocks of Amazon & Google.

We believe that we are still in the "early innings" of the trend towards online sales. According to the US Department of Commerce, online sales represented 9.1% of total retail sales in Q3 2017. Facing the choice of fighting traffic and spending precious time in search of the goods they need, more and more continue to choose the convenience of "one-click" shopping, and who can blame them. For a glimpse of the retail future, China is probably the place to look. After 5 years of staggering online sales growth, China's consumers utilize e-commerce for approximately 17% of total retail sales - nearly double the U.S. while still boasting a higher current growth rate.

E-commerce is the elephant in every retailer boardroom around the world. Many of the largest big-box retailers either failed to anticipate the current environment, or simply ignored the trend, delaying investment in the necessary platforms for far too long. We are in the beginnings of an "online arms race" where merchants spend mightily to scale their online operations via investments & acquisitions in warehousing, logistics & software.

After 5+ years of underperfomance, Wal-Mart has finally woken up & they mean business! Over a period of eight months, Wal-Mart made 6 acquisitions to bolster their online platform, including the headlining $3.3 billion purchase of Jet.com, which was founded only 3 year prior. The other five Wal-Mart acquistions totaled around $600 million in cost. Early on, the

HSA Accounts for Long Term Investing

With healthcare costs & deductibles on the rise, HSA (Health Savings Accounts) have become a much more popular tool in recent years. There is a very good reason for the popularity - these accounts benefit from some of the most generous rules in the tax code.

While a 401k or comparable retirement plan with an employer match is still the top savings priority, an HSA is a great place to put some additional contributions. Like 401k plans & traditional IRAs, HSA contributions are deductible against your current income. Contributions that don't get used for medical expenses can continue to be invested indefinitely. Those funds grow without taxes & can be utilized before or during retirement without any taxes on the back-end, so long as they are used for qualified expenses. Qualified expenses are far-reaching and include medicare & supplemental premiums, long-term care premiums, dental & vision costs, as well as medical expenses.

To sum it up, HSA savers essentially get the tax treatment of a Roth IRA on the back-end, with the up-front deductibility of a traditional IRA on the front end. For 2017, individuals can contribute up to $3,400 into an HSA account, while families are capped at $6,750.

Sources: The Wall Street Journal - "How to Get Entirely Tax-Free Income"

investments appear to be paying off, as online sales at the retailer soared 50% in the 3rd quarter of this year. Wal-Mart's stock has been rewarded for the moves as of late, as most competitors continue to struggle. Though most competitors lack Wal-Mart's pocket book, we do expect most national retailers to follow suit to the extent that they can afford.

To most readers, all of this may seem incredibly obvious. The hard part is figuring out the long-term winners & losers. The next decade in retail will be fascinating to watch.

Sources: U.S. Department of Commerce, Wal-Mart Investor Relations, Goldman Sachs - "China E-Commerce, Shopping re-Imagined"

Another Day, Another Data Breach

Seven of the nine largest data breaches in U.S. history have occurred in the last 7 years. While the big ones make news (Target, JP Morgan, Sony, Anthem, Equifax), the memory tends to fade away for most of us that haven't had a tangible incident of financial harm as a result. The latest breach involves Uber, which apparently concealed the incident for months & even paid ransom to hackers to keep it a secret.

The feeling among most consumers now is that your personal financial data is never really safe. At the same time, it's easy to become numb to the headlines if you haven't had your actual pockets picked.

Outside of living off-the-grid and paying cash for everything, it's impossible to completely protect yourself in today's environment. There are a couple of simple ways that you can prevent or limit any lasting harm from a breach.

A basic credit-monitoring service is an essential tool for consumers. While some of these are paid services, we've had a good experience with creditkarma.com, which is a free service (you just have to endure some ads). The most important service provided is a notification when any new account is opened under your social security number. Additionally, they keep track of your credit score and inform you of changes that may or may not be a result of foul play.

The other important way to protect yourself is to simply review your transactions in checking, savings & credit card accounts at least once a month. Look for charges that are obscure or seem to come from somewhere you haven't visited. Even without a breach, this is good practice in today's world where companies tend to sign you up on a credit card, and automatically renew you each month or year, whether you are utilizing the service or not, with the onus falling on you to call, endure a long hold time & cancel.