

TILIA



NEWS

INVESTMENT MANAGEMENT | FIDUCIARY ADVICE | RETIREMENT PLANNING

Welcome Julie Sanders



We are thrilled to welcome Ms. Julie Sanders to the Tilia team this month. Julie is a graduate of Saint Martins University in Lacey, Washington with a B.S.B.A. & concentration in finance. Julie previously advised clients at Edward Jones and completed their financial advisor career development program in Tempe, Arizona. Julie will assist us in advising our existing client base at Tilia and will also work towards building her own network of clients as an investment advisor. Only a month into the job, Julie is already doing impressive work for the firm. For those of you that have yet to meet Julie, we look forward to introducing you soon!



Global Rotation

Going back to 2009, the US stock market has been among the best places to park investment dollars. The Federal Reserve pumped money into the system and kept interest rates at historical lows. Stock prices recovered, 401k balances swelled, and people became more comfortable spending money and taking investment risk. For the last 6 years, it has generally hurt your portfolio's performance to own anything outside of the US.

The tide has started to shift. With healthy employment levels & hints of rising wages, the Federal Reserve looks poised to start slowly raising interest rates back to more "normal" levels. This will make borrowing more expensive for corporations & individuals, and will eventually make bonds more competitive with stocks for investment dollars.

Outside of the US, the picture is different. Japan was the first major player to follow our playbook, following two decades of horrid stock returns in that country. They embarked on a massive stimulus plan that involves much of the same measures we took here at home. Since then, the European Central Bank and China's central bank have followed suit, with slightly varying versions of policy with the same objective — increase investor appetite for "risk assets" i.e., stocks, real estate, junk bonds, etc. by lowering

Rising Interest Rates?

The prospect of rising interest rates has been in the news for a couple of years now, but it finally appears as though the Federal Reserve is getting comfortable enough with the economy's footing to start raising rates. The following is a list of things to do in preparation for a potential rising-rate environment:

- 1.) If you have any substantial debts with variable or higher-interest financing, it is important to lock in a low rate while you can.
- 2.) Limit your exposure to long-term bonds. This is directly related to the point above. In a rising-rate environment, you want your long-term borrowings at a fixed-rate, while lending money (buying bonds) at shorter-term or variable rates.
- 3.) Be wary of investing in companies with below average balance sheets that rely on heavy leverage. While that is a good rule of thumb in general, those types of companies can deliver great returns coming out of a recession. When rates start to rise though, leverage costs have a big impact on their flexibility, and ability to deliver cash to shareholders. Master-Limited Partnerships (MLPs) & Real Estate Investment Trusts (REITS) are two investment categories that come to mind.

We've been positioning client portfolios accordingly.

or removing all together returns on "risk-free assets", which generally include CDs, bank deposits & government bonds.

You might ask, why would they do such a thing? Drive growth via wealth effect. A European or Japanese family that has witnessed a nice increase in their investment accounts is more likely to spend money, build a new home or renovate an existing, and vote to keep incumbent politicians in office.

The upshot of all this is we believe it makes sense to cut back some on US stock holdings & own more international. At the same time, we think it makes sense to own a few more short-term bonds. International stocks have a good chance of adding to performance over the next couple of years, while short-term bonds will lessen the swings in your portfolio's value.

A Healthy Outlook

An Interview with Dr. Elijah Gregory

As investment advisors, we spend a great deal of time and energy trying to put our clients on strong financial footing. A strong personal balance sheet means very little however, without decent health. With that in mind, we spent some time with a professional in the medical arena to see what information we could gather and pass along.

Q) What is the most overlooked area of health for most individuals?

A) Mental health. This is not to say that most people have mental health issues, but I find that in my practice, all too often, someone's physical well-being may be hamstrung by unrecognized mental issues that may not even require medications or therapy. If these aren't recognized and addressed, their efforts to improve their physical health do not reach their full potential. It is important to exercise, avoid processed and overly salted foods, and also include meditation, yoga or just relaxation time where stressors are removed and the brain is allowed to recharge.

Q) Can you list a few things that the average person can do to enhance their overall health and chances for a long, healthy life?

A) When looking at studies of longevity, multiple factors come to light as being beneficial to a long life, but the common denominator of all those studies is the amount of weekly exercise. Our bodies were not designed to lay on a couch or sit in a recliner for 8-10 hours a day, so when this is done, it takes years off of your life. Not to mention to benefits of exercise on your emotional well-being, as mentioned in the last question.

Q) What advice would you give young men & women that are aspiring to become physicians?

Minimizing Uncle Sam's "Performance Tax"

When meeting with clients and prospects, we often talk about controlling costs - one of the few things you can actually control as an investor. Another aspect of investing that is controllable and of the utmost importance is the impact of taxes. Here are a few ways to help minimize the impact of taxes on your long-term investment results:

- 1.) Utilize tax-deferred or after-tax retirement accounts.
- 2.) Be strategic with retirement withdrawals. Taking income from non-retirement accounts first can allow you to delay taxation, keep your current tax bill lower, and give your retirement assets longer to grow.
- 3.) Invest via tax-efficient vehicles. Index funds & ETFs are far more tax-friendly than mutual funds. Municipal bonds deliver tax-free income. Utilize retirement accounts when investing in high-income bonds/stocks.
- 4.) When considering the sale of a long-term, highly-appreciated asset, make a plan! Taking large capital gains in one tax year can bump you into a higher bracket or subject you to the new net investment income tax "NIIT." For our clients, we typically recommend making the sales over 3 or more years and work to offset the gains with any available unrealized losses during that time.

A) Clearly good grades in high school and college are important, but I would advise getting real world experience in medicine and interacting with patients and different specialties to get a feel for what all aspects of medicine are like. Ask to shadow your physician, learn to draw blood with a phlebotomist, or volunteer in the emergency department. (If you still want to be a doctor after that, you're in!) All of these are impressive to medical schools, but also cement whether or not you are on the right path. This field is certainly not for everyone.

Q) How can patients help physicians maximize the productivity of their time during an office visit? Do you wish patients were better prepared, educated, or something else?

A) Make a list, research your questions & give the list to the check-in nurse so that the doctor can research the questions prior to going in. This will allow for a much more complete answering of the questions during the visit as lists tend to get held on until the end of the appointment and then they are answered "on the fly" without significant research being put into the answers. Certainly the better prepared & educated my patients are for their visits, the better care I am able to provide.

Q) For clients willing and able to opt out of standard health insurance and pay a la carte, is there a place for them? Is there an express lane for the wealthy? How could they find private physicians accepting retainers or some form of pay-as-you-go system for highly personalized, concierge level care & follow-up?

A) This is a new aspect of medicine and not readily available in this area, but there is at least one concierge-only practice here in town that I know of. I have little experience with them, but it is certainly an option to explore. I would have to say, though, that while I can control the expenses of the E&M charges that a patient gets billed (price of the time that I spend with a patient), I utilize labs & ancillary services (CT, MRI, X-ray, ultrasound, bone density, stress tests, etc) to help fully evaluate patients & these have costs that I cannot control. For that reason, I would recommend that the price of these things be worked out in any concierge contracts signed.

Q) How should families prepare each other for end of life of sudden emergency situations to help the medical team bring best outcomes?

A) End of life issues are very important. Every patient should have a will, a Living Will & have made a decision about resuscitation.

Dr. Elijah Gregory is a physician with New Hanover Medical Group, in the Myrtle Grove office. He is board certified in Internal Medicine & Pediatrics. He has a special interest in asthma, diabetes as well as childhood & adult obesity. If you or a loved one is searching for a new primary care physician, Dr. Gregory is accepting new patients and we would certainly recommend him! His office line is (910) 792-1144.

Many thanks to Dr. Gregory for his time!