

TILIA



NEWS

INVESTMENT MANAGEMENT | FIDUCIARY ADVICE | RETIREMENT PLANNING

The Beauty of Boring Stocks

It's hard to have a discussion about stocks these days without the conversation gravitating towards today's high-flying tech stocks, specifically Amazon, Apple, Facebook & Google. These companies deserve all of the attention they get. Never before has the world witnessed a group of companies that have taken over the world in a span of 10-15 years. They are deeply engrained in our everyday lives, and have the profits to show for it.

These are great stocks to own, and the reality of it is they've probably got many years of growth still ahead of them as consumers do more and more things via their phone (or virtual assistants) and e-commerce takes a larger piece of the retail pie.

Given today's fascination with that group of stocks, it's a good time to remind investors that many of the next decade's best performing stocks will be far more boring to discuss. Over the last decade, some of the best performers included credit card processors, paint companies, coffee shops, self-storage & railroads. There isn't a common thread amongst the group except for the fact that their products or services are integral, scalable & not all that exciting.

When investors are infatuated with a particular group of stocks, the future excess returns are likely hiding elsewhere. This time is no different, we believe. Ten years from now, investors will likely be looking back and wondering why they didn't own some of today's more boring businesses.

Don't Focus on "High Water Marks"

We spend much of our face-to-face time with clients discussing the behavioral side of investing. This is time well spent, as your reaction to changes in the prices of stocks and bonds, as well as current-day headlines, will have an enormous impact on the long-term performance of your portfolio.

One common investor tendency that has been enormously detrimental over time is the obsession with "high water marks." We use that term to describe the highest share price an investor remembers a stock trading for, or the highest value they remember their portfolio achieving.

During periods of rising stock prices like we've experienced over the last 7 years, we don't run into this issue too often. It comes into play more often when sentiment changes and prices stop rising & start trending downward. Let's turn back the clock to 2008:

By the time May of 2008 rolled around, major trouble was brewing in global markets. Existing home sales in January 2008 were down 23% year-over-year and foreclosures were up 57%! Bear Stearns crashed and was bought for pennies on the dollar by J.P. Morgan in March, and the Federal Reserve was in crisis mode, aggressively lowering interest rates and providing emergency short-term funding to banks that held troubled mortgages. April & May brought a respite from the carnage. Stocks recovered somewhat as investors digested the impact of the central bank's emergency actions.



At the time, and certainly with the benefit of hindsight, this was a great time to rebalance portfolios and take some risk off of the table. Unfortunately, many investors focused on the fact that they were "down" relative to where they had been in the fall of 2007, and wanted to get back to that level before selling any stocks. This was especially prevalent among owners of bank stocks, that were widely-held and had delivered consistent returns and rising dividends for many years leading up to the crisis. This proved to be a disastrous way of thinking, as stock prices, and especially financial stocks plunged as the year progressed.

At Tilia, we make incremental changes to the level of stocks and bonds you own based upon 1) your personal situation & 2) the market cycle/environment. As investors, you will never be "locked in" to a permanent portfolio value. The value of your stocks, bonds & other investments will always be in motion, and after achieving a certain "high water mark" with your portfolio, you could fall under that number for years at a time. It's imperative that we do not let that get in the way of taking prudent action.

International Stocks In the Driver's Seat

After 7 years of consistent leadership from U.S. stocks, foreign stocks are outpacing domestic thus far in 2017. Funny enough, it seems like post-election, the U.S. market has garnered the most positive headlines of the current market cycle. At the same time, the real story has been abroad. Emerging market stocks have been the star performer, returning around 13% year-to-date, depending on which index you follow. Foreign, developed-world indexes are hovering around 10% so far, outpacing the S&P 500 by a substantial margin.

Improving economic data, coupled with bargain prices are leading investors to wager that the future is looking brighter for many foreign markets. We would not be surprised to see foreign stocks outpace the US in the intermediate term, as they did in the early 2000's. This time around, investors have a wealth of choices to participate in those markets via low-cost index funds, whereas 15 years ago the only options were opaque & onerously expensive mutual funds.

Staff News

Last month, Julie Sanders celebrated 2 years with Tilia. That's an important milestone in our business, as most new advisors fail to make it to that point. Julie isn't just making it - she's becoming more capable & successful every month. On a personal note, Julie is engaged & will be married to her boyfriend, Evan in October!

In other news, the indispensable Christine Nesselroade was promoted to Senior Vice President of Operations at the end of 2016. The depth & breadth of her role has grown considerably over the last 6 years, as Tilia has swelled in assets & number of client relationships. We're very proud of her, and miss her services every day that she is out of the office!

Enhancing Your Legacy with a Life Story

An interview with Dalene Bickel of "Lasting Legacies"

When we speak with new & existing investors, we often hear that leaving behind a legacy is a priority. Within the context of our work, we generally spend time talking about the numbers side of it, and how to help your heirs maximize the benefit for future generations. Dalene Bickel, founder of "Lasting Legacies" takes on another side of legacy planning - leaving a well-written life story behind for future generations to enjoy. Our own Julie Sanders sat down with Dalene to find out more. Here are some excerpts from the conversation:

JS: Why do you believe a life story should be a part of legacy planning?

DB: Although we should be good stewards of our money and ensure that our family is provided for financially after we're gone, we shouldn't overlook the equally important aspect of safeguarding our values, beliefs and significant experiences for future generations.

For example, you may have a net worth of several million dollars, but if your heirs don't know what it took for you to acquire that money or how you learned to manage it, then it can easily be squandered away. Similarly, when you share why a particular heirloom is important to you, your beneficiaries may decide to retain the piece rather than auction it off at your estate sale. And when you share about your past experiences (the good and the bad) and what you believe is important about life, then you leave a truly valuable legacy.

JS: What exactly does this form of legacy planning consist of?

DB: Simply put, it's an approachable biography. It contains not only your words, but also meaningful photographs plus other pertinent information such as scanned images of important documents, treasured family recipes or genealogical charts. The books can incorporate an ISBN number on the back cover so that you can sell them to the public, or you can order as few as five copies for immediate family and friends only. You can select hard cover or paperback, leather or embossed, and whatever book size you want. I utilize a professional graphic designer for all of my clients' books to ensure the best interior layout and cover design.

JS: What has been the trend with genealogy and legacy preservation; is it becoming more popular?

DB: Genealogy has always been popular and continues to gain momentum with the amazing tools that companies like Ancestry.com now offer. It's also becoming more mainstream through television programs such as Who Do You Think You Are? Yet although genealogy meets our need to learn about our ancestors, it neglects to document our own stories.

Similarly, the financial aspect of legacy planning is commonplace, but the life story component is still in its infancy. My goal is to shed light on its importance and help it become a commonly recommended practice. The interest in life story preservation is there - in fact, a survey¹ showed that Americans age 65+ value family stories more than money by a ratio of 3:1 - but awareness of the resources available to help them create their stories is limited.

Dalene Bickel is a professional ghostwriter, editor and speaker who works with nonfiction writers of all ages and abilities. In 2006, she founded [Lasting Legacies](#), which offers a full suite of writing and book production services for individuals and professionals. You can find her on Facebook, Twitter, or email her at DBickel@lasting-legacies.net.

¹ The Allianz American Legacies Pulse Survey, Allianz Life Insurance Company, 2012