

TILIA



NEWS

INVESTMENT MANAGEMENT | FIDUCIARY ADVICE | RETIREMENT PLANNING

The End of an Era

This month, we are saying goodbye to two of Tilia's founders. John & Christine Nesselroade are retiring this month after several decades of successfully serving clients in the investment business, including 10+ years of leadership at Tilia.

John & Christine were instrumental in building the firm as you know it now. John's global corporate background, unwavering optimistic outlook & ability to communicate in a relatable way to anyone he met, have left a mark on the culture of our firm that won't be changing anytime soon. Christine's tireless work ethic, attention to detail & relentless pursuit of getting the job done for clients has set the standard for our operations team.

It has been an emotional month at Tilia. As we look ahead, it is safe to say that we have never been more optimistic about the future of Tilia and the clients we serve.

Investors Should Set Expectations Low in 2022

It is easy to be optimistic about the U.S. economy these days. By most measures, and considering where we were 18 months ago, our economy is booming right now.

Housing prices increased 18% year-over-year in October, according to the Core Logic House Price Index. Household net worth expanded by 2.4 Trillion dollars in the 3rd quarter. Even in a Covid-tainted environment, hotel occupancy is back above the 20-year median rate. Retail sales were up 18.2% year-over-year in November. While delays are playing a role in this number, 1.486 million housing units are currently under construction - the most since 1973! Estimates for 4th quarter Gross Domestic Product growth include +6.5% from Bank of America & +8.7% from the Atlanta Federal Reserve.

This is an important time to remember that the stock market does not always mirror the economy, particularly in the short run. The weather may be great outside, but the market is now stuck inside with a cold that may linger into 2022. While the major market indices have held their ground, riding relative outperformance of the biggest constituents, growth stocks have been in a tailspin for the last month. 75% of stocks listed in the 3 major U.S. indices are now trading below their 50-day moving average, and 64% are below their 200-day average.

Things could easily get worse for the market before they get better. Inflation isn't likely to dissipate anytime soon, and the year-over-year comparisons will continue to be eye-popping as we head into Spring. As long as inflation remains elevated, investors will continue to concern themselves with the Federal Reserve's interest rate response. Add the latest Covid variant to the mix, and you've got a recipe for a more risk-averse

Welcome Julie Gallagher!



Back in October, we were extremely fortunate to add Julie Gallagher to the Tilia team as an Operations Manager. Julie came to us with an extensive background in wealth management. Julie spent the last 13 years at TIAA, where she worked in 3 different managerial roles. Prior to TIAA, Julie worked for several other large financial institutions, with roles ranging from risk analysis to account manager.

Julie brings a lot to the table with her experience in wealth management operations & process improvement. As we work to continuously enhance Tilia's operations, Julie will be a key part of preparing our firm for future success.

In her spare time, Julie enjoys spending time with family, reading, volunteering, and going to the beach.

Please welcome Julie to the firm!

investment environment.

Assuming these things are true, which is largely the consensus view, then why shouldn't you sell stocks? Here is a list of reasons why you should continue to be an optimist & hold onto your stocks:

- 1) The consensus view is often wrong. When everyone agrees on something in the market, it hardly ever plays out in the expected manner.
- 2) Stocks have historically been one of the best ways to protect yourself against inflationary forces.
- 3) The alternatives are unattractive. Cash is losing value at the bank. Most bonds suffer when interest rates rise. Real estate prices are high & also face a headwind when rates rise.
- 4) Our inflation problem is still largely driven by supply bottlenecks. There are enormous financial incentives for corporations & governments to improve these bottlenecks. When demand outstrips supply, supply works overtime to catch up.
- 5) Inflation isn't a black hole where money disappears. Publicly-traded commodity producers & their shareholders win during inflationary periods. Most large companies are able to pass the costs along to the end consumer, to the benefit of their shareholders. Most importantly for the general economy, wage-earners capture a piece of the expanding pie in the form of higher earnings. Too much inflation suffocates demand, but we aren't there yet.
- 6) The U.S. economy can support & even thrive with modestly higher rates. Like a child going to the doctor's office for a shot, the fear of the needle is worse than the needle itself.

Our advice is simple. Continue to hold high-quality stocks & bonds. Investors in the accumulation phase should use regular contributions to take advantage of market downdrafts. Retirees should keep 6 months to one year's worth of spending on the sidelines. Lastly, don't invest funds you'll need within the next few years into stocks or real estate.

Sources: calculatedriskblog.com, finviz.com, ssa.gov