Summer 2011

TCI WEALTH ADVISORS, INC.

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UPCOMING EVENTS:

TCI Art Exhibit

Late September 2011

TCI Summer Webinar

August 24, 2011
3:30 - 4:30 PM

You can view previous TCI Webinars on our website under 'TCI Resources' and then 'TCI Events'.

Fear Driven Investing

Justin Thomas, CFP®

If you're like most Americans, the recent economic collapse is still fresh in your mind. Relative to the short amount of time it took the Dow Jones Industrial Average to go from a high of 14,165 in December of 2007 to its low of 6,547 in March of 2009, our recovery process will likely take many years of steady growth. At present, there is a lot of fear affecting both the markets as well as our economy, and technology is playing a starring role. With news constantly streaming through TV, print, internet and now smart devices, every piece of news has an immediate and dramatic impact on financial markets. Upon news breaking, investors (or better yet, speculators) allow their emotions of fear and/or greed to illicit buy and sell responses. The purpose of this piece is to review some of the major fears that currently exist, discuss some of the potential solutions and ultimately step away from these fears to recognize and focus on the big picture.

One of the more pressing fears that clients are looking for clarity on is inflation. Clients want security that their future income and portfolio assets can accommodate a more expensive real world. The most commonly mentioned assets for offsetting inflation are commodities, oil, gold, short-term bonds, real estate and Treasury Inflation Protected Securities (TIPS). All of these assets have positive correlation with inflation, meaning that their prices go up when inflation goes up. Each of these asset classes also has a certain amount of risk associated with it, as measured by standard deviation. Oil, gold and commodities have much higher standard deviations than short- term bonds, real estate or TIPS. Given that investors usually want to maximize their return for as little risk as possible, the latter asset classes are usually recommended for offsetting inflationary trends.

While most stock investors have benefited the last two years from the Federal Reserve maintaining low interest rates and pushing dollars into the US economy, many are now concerned about the continual devaluation of the US dollar. Although there has been a more dramatic decline in the US dollar over the last 2 years, the US dollar has been on an overall path of steady decline since 2001. Investors looking to offset a weakening dollar should invest in foreign stock and bond asset classes that have limited or no ties to the United States. One step further, these foreign stock funds should have the ability to invest in resource rich companies (commodities) which historically have maintained their values in relation to the US dollar.

On the opposite side of the ocean there are many concerns about Europe's ever widening debt crisis. Greece has garnered the spotlight but there are also worrisome debt levels in Ireland, Portugal and Spain. With Germany, Britain and France contributing significant bailout funds, one has to be concerned about the interconnectedness of the European Union and a potential domino effect should one of these countries default on its liabilities. Investors in the US are most concerned about offsetting negatively impacted returns of investments they have in Europe.

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An effective strategy might be ownership of US stocks and bonds due to the low correlation that several asset classes have with foreign investments. Although the primary purpose of our client's bond portfolios is stability of principle for income needs, sometimes an asset class can serve multiple purposes within a portfolio.

As I write this, one of the most pressing fears our country currently faces is our federal budget deficit and the prospect of not passing a bill that would allow our government to raise our nation's borrowing limit. Economists and politicians worldwide recognize the negative impact this event would have on world markets. Up to now, the world has looked at our treasury debt securities as one of the safest place to invest dollars. but the impact of the lengthy debate and our nation's inevitable future debt issues still remains a huge concern. The potential that our debt might be downgraded, regardless of legislation, means investors around the world would require additional yield for this increased risk and our country's recovery from the recession would likely be slowed. Individual investors would benefit by owning asset classes with low correlation to our federal debt such as global real estate and emerging market stocks.

On the state and local government front, most municipalities face the largest budget shortfalls we have seen in recent history. Much of the shortfall has been attributed to a loss of tax revenue from declining property values and lower sales tax revenues as consumers continue to be mindful of their spending. As a result, many investors are fearful of local or state governments defaulting on their liabilities even though municipal general obligation bonds (GO's) are backed by the full faith, credit, and taxing power of the issuer. In the event of a default, the issuer promises to raise taxes without any limit in order to pay off the bondholders, making these types of bonds the safest of municipal credit. Our recommendation would focus on the importance of maintaining a strong foreign equity and bond portfolio should a US municipality run into difficulty. Again, holding assets that don't move or move opposite the impacted asset class reduces risk for investors.

Depending on which fear(s) you think may become reality, each of the recommendations provided is different and possibly counter to another fear's recommendation. For example, the recommendation for a US dollar decline would be exposure to foreign stocks and bonds; the recommendation for a European debt crisis would be exposure to domestic stocks and bonds. Because we don't advocate trying to figure out the likelihood of events occurring, the only REAL solution is to own a well diversified portfolio that can accommodate ANY fear. Given a globally diversified portfolio is in line with our philosophy for having a successful investment experience, we continually try to re-focus our client's attention on factors they can control. Those factors are: how much they spend and save, when and where they retire, how much risk they take in their portfolio and how much money they leave behind for others. These are inputs we have control over and should stay focused on to give ourselves the highest chance of success.

Justin M. Thomas, CFP®, specializes in working with individuals and families in the wealth accumulation phase of their lives. Justin enjoys working with those clients who are passionate about achieving their goals and are willing to do the work required to achieve them.

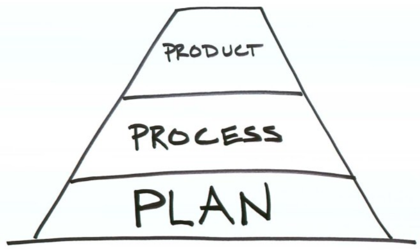
Employee Spotlight: Becky Stimpson

Becky has been a member of TCI's Operational Team serving in the capacity of Trader, since 2007. While in that role, her responsibility consisted of buying and selling securities and also running various reports to assist in the maintenance of our client's portfolios. Recently, Becky transitioned from Trader to the role of Associate and is now serving clients in our Scottsdale office. She handles account servicing needs as well as facilitating the processing of applications, monitoring their progress and keeping both clients and advisors updated on the status of any pending issues. Becky has met all necessary requirements to earn the Registered Paraplanner Designation^{SM} (RP®) from the College for Financial Planning and is always interested in avenues that pursue ongoing education.

Becky was born in Louisiana but raised in Georgia. She transferred to Tucson in 2007 and has recently relocated to Scottsdale. She says moving to the Southwest was a big change but has truly enjoyed the experience and opportunity. Becky is a member of The American Cancer Society Network and is proud to be a Cancer Survivor as of August 2010. Some of her other interests include University of Georgia football, skiing, shopping and spending time with family and friends. When asked what she enjoys most about her job she said, "Being amongst a firm I admire and having the ability to grow in an industry I've always been intrigued by." Becky has worked with Registered Investment Advisors since 2006 and looks forward to her continued vocation at TCI.

In Pursuit of Financial Clarity

By Carl Richards, NY Times Blog Contributor



When I first started my career, I watched veteran stockbrokers cold-call people about a particular stock, mutual fund or bond. I always wondered how they could possibly know if the investment they were calling about was appropriate for clients when they had never met them. It was a little bit like doctors writing a prescription before they talk to a patient.

In both instances, they skip the most important question: "Why?"

As an investor, the first thing you need to do is ask, "Why am I investing?" Simon Sinek's book *Start With Why* reminded me that this question gets skipped over all too often.

In the world of investing, people start with the product and other related matters:

- What stock or fund will I buy today?
- What asset allocation should I use?
- What estate planning strategy should I adopt?

Most of us are trained to think, "What," first, because it's what you hear about all day long. It's the message you read in some financial publications and see on CNBC. But "what" questions should come after we think about "why" and understand "how."

People working in the more traditional parts of the financial services industry have used the product-first approach for decades. Only after pushing you to buy a certain investment do many advisers even attempt to fit it into a larger plan.

Starting with "why" means achieving clarity about your personal financial goals and creating a plan. To reach that point, you need to consider your values and then set some broad goals without letting yourself get distracted by things you can't control.

Laura Nash's work on the "How much enough?" question is helpful here. Nash, a senior lecturer at Harvard, focuses on business ethics. Over time, she's expanded her research to look at why more people are struggling with feeling that they never have enough.

In a *New York Times* article a few years ago, Nash explained it this way: "You're going to enjoy a good cup of coffee a lot more if you don't start worrying about whether it's the best cup you could get...and you'll feel better about contributing to medical research if you don't think you must give as much as Bill Gates."

If you want a more specific place to start, George Kinder suggests asking yourself three questions:

1. Imagine that you have enough money to take care of your needs, now and in the future. How would you live your life? Would you change anything?
2. Imagine that your doctor says you have only five to 10 years to live. You won't feel sick, but you'll never know when death will come. What will you do? Will you change your life? How?
3. Now imagine that your doctor says you have only one day left to live. Ask yourself: What did I miss? What did I not get to be or do?

Whatever your approach, just remember to invert the traditional decision triangle. Start with the plan (ask why), then move on to the process (ask how) and only then look for the specific products (ask what).

TCI Launches The "Not Yet Wealthy" Program

NotYetWealthy
Successful Today, Significant Tomorrow

TCI is proud to announce that we have officially launched our new program the "Not Yet Wealthy" as of July 1, 2011.

This program is being spearheaded by our CEO, Bob Swift and is based on TCI's belief that everyone who is serious about their future should have access to objective, sound financial advice.

The program is specifically focused on younger people who typically fit the following description:

- **They are likely under 50**
- **They currently save (or will save) at least $15k a year**
- **They have less than $200k in liquid assets**
- **They're committed to financial success**

For more information, please direct anyone interested to:

www.thenotyetwealthy.com

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