TCI WEALTH ADVISORS, INC.
25 YEARS 1990 - 2015

FOCUS

Confidence through Education

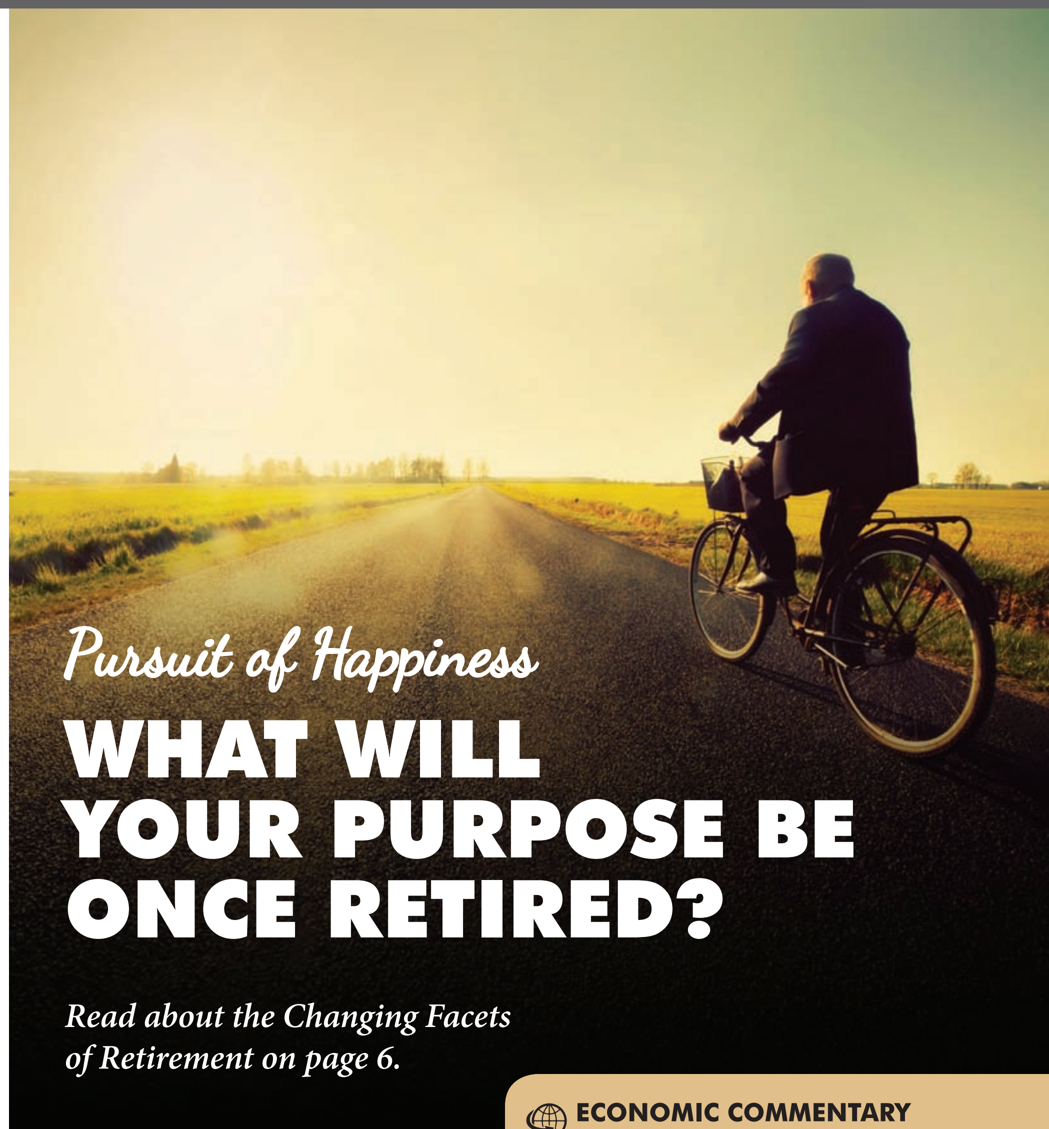
WINTER 2015

Strong Dollar, Cheap Oil

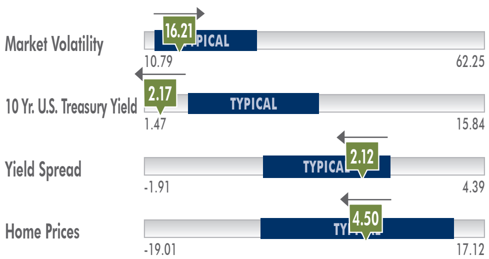
by Hank Peck, CFP®

The strength of the dollar and the decrease in oil prices has been in the news, and we have had questions from clients about how this affects the economy. The short answer is that these two factors together are good if one lives in the USA. Generally speaking, a rise in the dollar's value decreases the cost of imports. The decrease in oil prices means more money is available to consumers for other purposes. The drop in oil prices also means the cost of production and transportation on many products are reduced. And if that isn't good enough news, increased value in the dollar helps keep inflation in check, causing imported goods to cost less and putting downward competitive pressure on prices in general. Now, if you are the finance minister of, say Venezuela or Russia, these two factors together are bad news indeed. Oil is priced in dollars worldwide. Therefore, oil producing nations with inflation face a double whammy; they are getting a lot less for their product, and what they

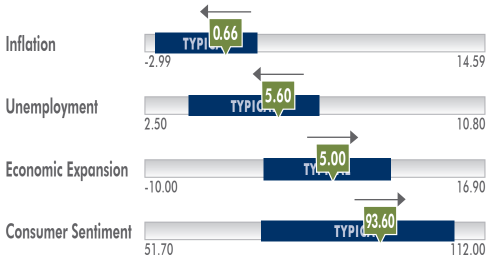
continued on p.5 ***Strong Dollar***



MARKET SNAPSHOT



ECONOMIC SNAPSHOT



MOST RECENT | 3-MO. TREND | TYPICAL RANGE | ACTUAL RANGE

What does the Data mean to *Me?*

by Sam Swift, CFA, CFP®

As we look back on 2014, a picture starts to emerge of where the U.S. economy is headed. After a strong 2013, the year-over-year increase in home prices declined dramatically from over 13% to less than 5%. The yield on the 10-year U.S. Treasury note continues to sit at historical lows thanks to investors' extremely low appetite for risk and the corresponding flight to safety. In addition, market volatility increased rapidly in the fourth quarter of 2014 due to global uncertainty (pick your crisis because there are too many to name). Unemployment remains around 6% and you'd have to go back to the mid-90's to find an extended period of time when the rate was this high. The price of oil has plummeted which will heat up volatile political situations in developing economies, like Russia and the Middle East, in addition to slowing down the booming energy industry in the United States. Finally, the U.S. dollar rose against every major currency in the world in 2014 causing U.S. exports to become more expensive and inducing significant harm to a weakly recovering U.S. manufacturing sector. When taken together, all of this adds up to a troubling picture for the economy and markets in 2015.

On the other hand, U.S. GDP grew at an annualized rate of 5% in the third quarter of 2014, which is the highest rate in over a decade. Consumer sentiment is at its highest level since before the Great Recession. The rate of unemployment dropped again and is now under 6%. In fact, November of last year marked the 10th consecutive month of more than 200,000 jobs added, bringing the total number of jobs added in 2014 to 2.7 million. Home prices have been rising for the last two and a half years and continue to show positive year-over-year change. The historically low yield on Treasury notes indicates a market sentiment that the Federal Reserve will continue to keep rates low and pump more dollars into the economy. This sentiment is further confirmed by market volatility continuing to sit at atypically low levels for the last three years. It's estimated that plummeting oil prices will put roughly $500 additional dollars into the average American family's pocket in 2015, which is a massive boost for the economy. Finally — thanks in part to those falling oil prices — the U.S. dollar is the strongest it's been in some time. That leads to cheaper foreign imports and keeps the U.S. in its dominant economic position. Given this, it's clear we should expect a strong year for the U.S. economy and markets in 2015.

Hopefully you can see the contradictions in the two previous paragraphs and are beginning to see the point. There are thousands of economic indicators available and if you look hard enough you can find many that will back up any story being told. In fact, in the two examples above I used essentially the same group of data to tell two completely different stories without even trying that hard!

This does not mean that economic data is worthless, but rather that it needs to be placed in its proper context — it's terrific at explaining what happened, but terrible at predicting what's to come. As TCI relaunches our newsletter, we want you to keep this principle in mind. Economic data is interesting and valuable, but rarely, if ever, actionable. ⅄

Sam Swift CFA, CFP® is a Shareholder and Advisor in the Tucson office and is the Director of the ASPIRE program at TCI for young professionals.

The Backdoor Roth

by Sam Oyler, CFP®

Maxed out your 401(k)? Looking to add to your retirement savings?

Many young investors are covered by a retirement plan at work, which restricts their ability to make a deductible IRA contribution. If your modified adjusted gross income exceeds $70,000 (single) or $116,000 (married filing jointly), you cannot take a full deduction for your IRA contribution on your tax return.

Other IRS income limits prevent investors from making Roth IRA contributions. If your modified adjusted gross income exceeds $129,000 (single) or $191,000 (married filing jointly), you are ineligible to contribute to a Roth IRA. However, with one additional step you may be able to increase your retirement savings in a tax advantaged account.

There are no income restrictions on Roth conversions, so you can make a nondeductible traditional IRA contribution and immediately convert it to a Roth IRA. But what about the taxes due for the conversion? When you make a nondeductible IRA contribution, you are essentially depositing after-tax dollars. Therefore, you would only owe tax on the earnings. If the conversion is done soon after the contribution, the tax on earnings will be immaterial.

In order for it to count toward 2014, you have until April 15, 2015 to make your nondeductible IRA contribution of up to $5,500 ($6,500 if age 50 or older). Once the contribution is converted to a Roth IRA, your hard earned money can grow tax-free.

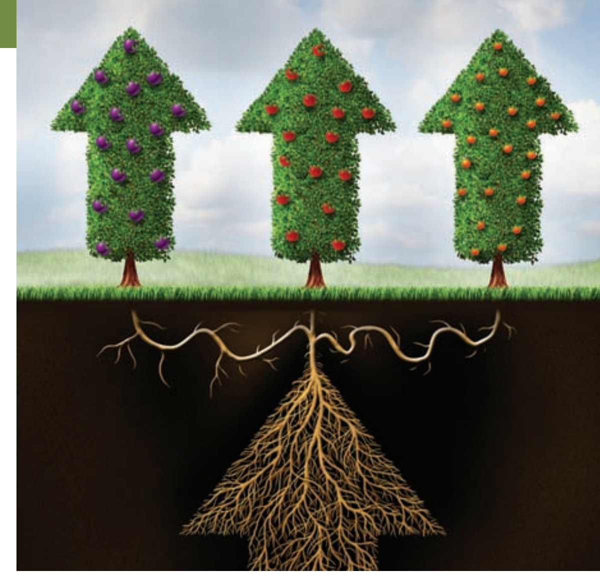
Please note this method is most beneficial from a tax standpoint if you DO NOT have other traditional IRA assets; otherwise, part of your conversion would be subject to income tax. For this and all tax related strategies, please consult with your advisor and tax professional. ⅄

Sam Oyler, CFP® is a Paraplanner in the Scottsdale office and works with ASPIRE clients.

ASPIRE is a program offered by TCI Wealth Advisors that provides young professionals access to sound financial planning and education in order to plan for long term financial success. To learn more about the program, visit www.aspirebytci.com.

— *TCI Investment Committee*

THE VALUE *of Diversification*



Last year saw a wide range of returns among asset classes, but with one significant defining feature this time around: the U.S. markets broadly outpaced international markets (see Figure 1).

I don't mean to say this is a rare occurrence — we would expect that international would outperform half the time and U.S. would outperform half the time over a long enough period — but that it brings with it a unique set of implications. When the markets most familiar to us and most frequently cited by the financial media (Dow and S&P 500) outperform our overall portfolio, we experience a sort of familiarity bias — why didn't my portfolio do as well as the Dow? Thus, this is a good time to revisit why we continue to include international equities, and multiple asset classes in general, into portfolios.

FIGURE 1

Asset Class	2014 Return
U.S. Bonds	5.97%
International Bonds	0.59%
U.S. Stocks	12.56%
International Developed Stocks	-4.90%
Emerging Markets Stocks	-2.19%

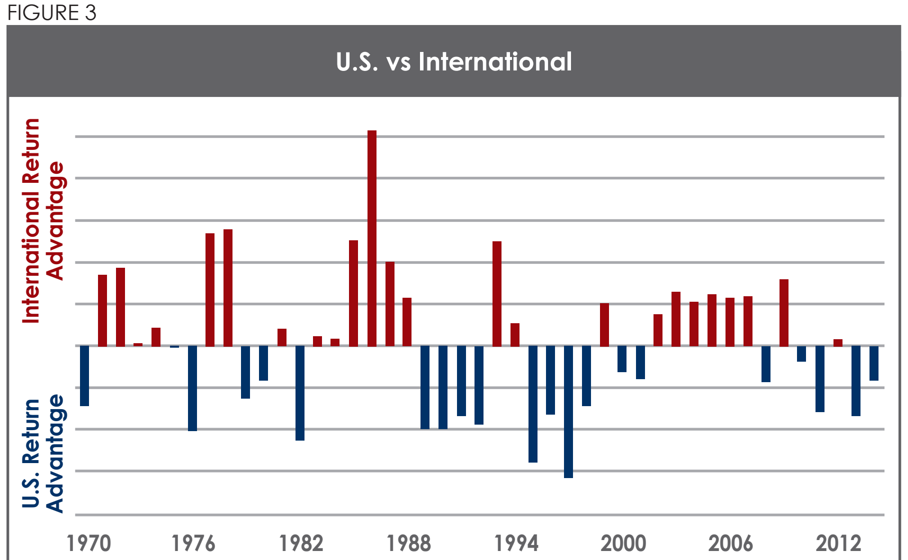
First, the beauty of diversification in portfolio construction is that the whole will be greater than the sum of the parts. We can add pieces that are individually risky (think emerging markets stocks), but that reduce the risk of the overall portfolio while increasing the return — it's about the only "free lunch" to be found in the investing world. Let's look at a simple example using international stocks, U.S. stocks, and a combination thereof that resembles a standard TCI portfolio mix.

FIGURE 2

Portfolio	Return	Standard Deviation	Growth of $1,000
100% U.S. Stocks	10.47%	15.35%	$88,450
100% International Stocks	9.95%	17.15%	$71,370
Combination (60% U.S./40% International)	10.51%	14.57%	$89,930

Data is from 1970-2014

FIGURE 3



In Figure 2, as we compare the combination portfolio to the two stand-alone asset classes, the return increases, the volatility (Standard Deviation) goes down, and we end up with more money in our pocket! The same analysis proves to be true when we diversify with emerging markets stocks, real estate, small and value stocks, etc. When analyzing portfolios and weighing the value of including or excluding any asset class, we are most concerned with its effect on the overall portfolio risk/return profile and we worry much less about the "stand alone" individual asset risk/return profile.

The improvement to the overall portfolio by including risky assets works because of the correlation between the different investment components. Correlation (how investments react in relation to each other), or the lack thereof, is historically most obvious when comparing fixed income (bonds) to stocks. It is also present and impactful between different classes of stock. For example, this year (and most years, in fact), U.S. and international stocks moved up and down at different times – as illustrated in Figure 3.

FIGURE 4

	12/1999	12/2000	12/2001	12/2002	12/2003	12/2004	12/2005	12/2006	12/2007	12/2008	12/2009	12/2010	12/2011	12/2012	12/2013	12/2014
Highest Return	66.49	22.80	14.02	2.14	62.14	35.31	34.00	32.17	39.39	-28.92	78.51	26.85	1.50	21.82	38.82	13.45
	27.30	7.02	2.49	-6.17	60.14	31.27	26.65	31.05	11.63	-33.79	50.03	24.50	0.39	20.42	34.52	13.24
	24.54	-2.82	-2.61	-7.44	55.82	25.55	20.99	28.22	6.49	-36.85	47.32	22.40	-4.18	18.43	33.11	4.89
	21.26	-3.03	-5.59	-11.42	47.25	24.88	14.39	26.86	5.77	-37.60	35.06	19.33	-5.50	18.22	32.53	4.22
	20.92	-5.12	-8.38	-15.53	46.02	22.25	14.02	23.48	1.79	-43.06	32.46	18.88	-11.65	18.05	32.11	-2.19
	20.19	-7.22	-12.11	-15.60	45.96	20.70	7.03	22.24	1.00	-43.68	28.43	16.10	-11.73	17.90	29.69	-4.48
	16.98	-7.79	12.45	-15.66	39.17	18.32	6.27	19.67	-0.17	-45.54	27.17	15.51	-15.66	17.51	23.59	-4.63
	7.35	-13.96	-18.22	-20.48	30.03	16.49	4.71	18.37	-1.56	-46.78	20.58	8.21	-17.26	16.42	23.29	-4.86
Lowest Return	-1.49	-30.83	-21.21	-21.65	29.90	11.39	4.55	15.46	-9.78	-53.33	19.69	3.81	-18.42	16.35	-2.60	-4.92

KEY

US Large
US Small
Int'l Large
Int'l Small
Emerging Markets
US Large Value
US Small Value
Int'l Large Value
Int'l Small Value

The folly lies in thinking one can consistently predict which asset class will perform better on a year-to-year basis. When we get more granular and add additional asset classes, it becomes even more challenging. You can see from Figure 4 — each color represents a different stock asset class — that year-to-year fluctuations in relative performance are random and unpredictable.

This won't be the first or last time that there is significant disparity between asset classes, but the good news is that's exactly what we want. We should be happy every time our portfolio differs from the Dow, whether positive or negative, because the Dow is not representative of our portfolio with good reason. What we know is that sophisticated diversification amongst classes of stock has been proven to beat any one individual asset class over time. Let's enjoy our "free lunch."

The TCI Investment Committee conducts research and analysis that guides portfolio construction for TCI clients.

Strong Dollar

continued from page 1

are importing costs a lot more, especially if they have to trade their currency for dollars in order to purchase any imports. This also affects economies that don't produce oil (say Germany or Japan) because they must trade their currency for dollars to purchase oil. Additionally, the drop in oil prices is a factor in stock market volatility because of the uncertainty of its effect on oil companies, related industries, and foreign debt. But there is a sunny side to well diversified foreign economies; with a rising dollar, their exported goods go down in price. Therefore, more imported goods will be purchased, increasing manufacturing and employment in those countries. Can you see the pendulum swinging...?

Hank Peck, CFP® is a Shareholder and Advisor in the Tucson office.

Reminders—

Save the Date
TCI QUARTERLY WEBINAR – March 26th
3:00 p.m. MST/PDT (Arizona/West Coast) / **4:00 p.m. MDT** (Colorado/New Mexico)

The TCI quarterly webinars are open to all clients and colleagues interested in receiving more in-depth information about the economy and topics and issues that are impacting the markets and investors. There will be a Question & Answer session with TCI Advisors at the end of the presentation. You will receive an email to register the beginning of March or call 877-733-1859 to register.

Office closures

TCI offices will be closed all day on **Thursday, April 23rd** and **Friday, April 24th** for an all staff retreat.

TCI offices will be closed **Wednesday, April 29th** for a company-wide, all-day volunteer project with Habitat for Humanity. If you are interested in volunteering with us for TCI's Day of Service, please call 877-733-1859.

Habitat for Humanity®

THE CHANGING FACETS OF RETIREMENT

by Guy Holman, CFP®

"Life is short," I exclaimed while visiting my father recently to celebrate his 86th birthday. "Some think it's too damn long," he quickly retorted. Retired at age 62 with a decent pension from Princeton University, Social Security benefits and a relatively healthy retirement plan balance, he has weathered his share of medical issues as well as the death of his spouse of 55 years. Born prior to the baby boomer generation, Dad will probably live long enough to see a three-decade retirement.

Boomers and the generations following them have a very good chance of enduring not just three but possibly four decades as retirees if our culture continues to focus on retirement in our 60's. This concept of the "Golden Years," when you could retire from your job to a leisure-filled life complete with endless golf, shuffleboard, and swimming pools, was invented a little over 50 years ago. The phrase was merely a marketing idea supporting the construction of the first age-segregated community in Arizona. With the expansion of private pensions and Social Security and the new Medicare system, "retirement" became a cornerstone goal of the American Dream.

> *We still hold onto the notion of reaching the finish line — getting to an age where we can quit the grind we call a job and then not outlive our assets.*

We now have a large generation of older people that have greater health and longevity, but suffer from a lack of purpose. The additional years gained in our life expectancy have merely been tacked on to the last third of our lives, leaving many feeling empty, unwanted, and in many cases bored. Further complicating the issue is that many do not have the financial resources to make this lopsided equation work. Those that hold onto the traditional view of retirement feel compelled to maximize their savings through lofty career aspirations and working more hours, all during the same phase of life that they are raising their families.

The financial services industry has done a good job of supporting this savings mentality. When I ask a current or prospective client when they would like to retire from their current job, the response is generally some variation of "as soon as possible." When then asked what that retirement looks like, I often hear "anything but work" or I get a simple shoulder shrug. We still hold onto the notion of reaching the finish line — getting to an age where we can quit the grind we call a job and then not outlive our assets. Is this perception of retirement as the ultimate financial objective still valid? Or do we need to re-direct our energies towards a new purpose, one that still promotes living within one's means to provide a significant level of financial security, but that also values the contribution we can make to society in our 60's, 70's and beyond?

If we were to apply ourselves to new vocations, create new organizations and businesses, and apply our existing skills in new ways, we could flourish with the continued income, new meaning, and new connections in our lives. Society as a whole, both business and the non-profit sector, would benefit from our significant contribution to the greater good. This new career could last for 10, 15, even 20 years, allowing us to return to school, experience a new learning curve, and commit to a position long enough for employers to take the hiring risk.

Laura Carstensen, founding director of the Stanford Center on Longevity and author of "A Long Bright Future," has proffered an alternative where we redesign our work lives so that work is less demanding during the middle stage of life when family and community is often pushed aside and becomes more satisfying throughout life. This is achieved by working fewer hours during the early part of that middle stage as well as when we are older.

My father's comment is partially an indication of the fatigue of simply living for so long but I can't help but wonder how different he would feel if his separation from something meaningful (other than worrying about his family) was shorter in years. I see some of this weariness in my clients that are not nearly as old. As a financial advisor, I question whether getting my clients to the finish line is enough. Perhaps our industry is best prepared to help clients redefine that goal.

Guy Holman, CFP® is a Shareholder and Advisor in the Denver office.

TCI Center for Personal Finance Opens in Tucson

Together with the TCI Foundation, TCI is very excited to announce the opening of the TCI Center for Personal Finance in Tucson. The TCI Center for Personal Finance is offering financial education designed to help individuals make sound financial decisions. The Foundation is kicking off 2015 with a three-part series on Investing starting in February.

The TCI Foundation is a 501(c)3 corporation founded by Bob and Lisa Swift to provide financial education and financial counseling to individuals who would not typically have access to an unbiased professional financial advisor. There is no charge for the classes or services.

To learn more about the TCI Center for Personal Finance or to sign-up for a class, visit www.tci-foundation.org.

TCI Foundation

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25 YEARS 1990 - 2015

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FOCUS — *Confidence through Education*

TCI NEWS

25 YEAR ANNIVERSARY

1990 was a big year with the following headlines:
"General Manuel Noriega Surrenders in Panama"
"South Africa Frees Nelson Mandela"
"The Hubble Space Telescope is Launched"

And the Biggest News of All:
TCI Wealth Advisors Opens for Business in Tucson!

TCI has come a long way since Bob Swift founded the company out of his house in January 1990. TCI now has 13 advisors in seven cities serving clients in 40 states and 9 countries. As we continue to grow, a few fundamental principles have and always will remain the same.

- **Total Client Satisfaction.** TCI is dedicated to always putting clients' interests first by specifically striving to simplify your lives via trusted, respectful, honest, and open communication. All decisions are made focused on the client and the clients' needs first and foremost.
- **Independent and Fee-only.** TCI is absolutely committed to being independent. TCI is owned 100% by shareholders who are all active in the firm, thereby allowing all decisions to stay focused on our clients and employees to ensure continued successful unbiased financial guidance, based solely on the needs and expectations of each client.
- **Evidence-Based Investing.** We have a long-term, disciplined approach to portfolio management. Our strategies are based off of a collection of the best evidence from the academic disciplines of economics and finance, including the Nobel prize-winning research of Eugene Fama.

The last 25 years have been a great journey, but we are just getting started. TCI is committed to the concept of a 100-year firm: a company that will be around for not only our clients today, but for their children and grandchildren into the future.

Our success would not be possible without you - our clients, business associates and friends. We cannot communicate the joy of service we experience, walking with our clients and their families through their financial lives. Thank you for a wonderful 25 years, the best is yet to be!