

 Pursuit of Happiness

## Camino de Santiago



by John Stephens, MD, CFA, CFP®, MBA

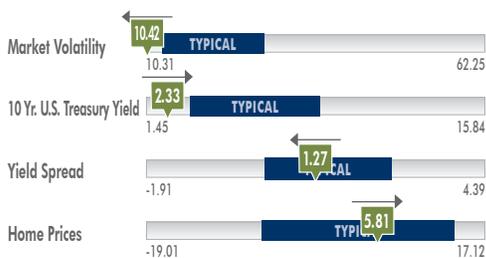
High in the foothills of the Pyrenees, Saint-Jean-Pied-de-Pont is alive with purpose. Backpackers of all ages, holding their pilgrim's passports, fill the streets. By tradition, this medieval village is a starting point for the Way of St. James, a 500-mile sacred route across northern Spain. For over a thousand years, people from all over the world have made their way here to begin a walk of a million steps. In May, I was one of them.

The Camino de Santiago de Compostela, as it is called in Spanish, has been a well-trod trail since the Crusades. Some 250,000 undertake the journey every year. For some, the trek is a test of physical and mental endurance. Hunger, thirst and fatigue are part of the experience. For others, it is a spiritual quest, a chance

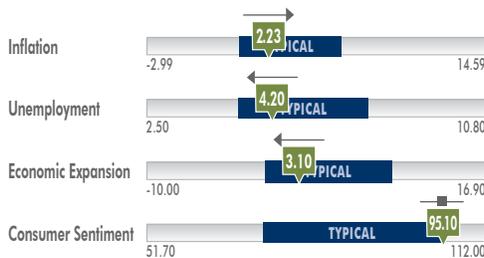


continued on page 4

### MARKET SNAPSHOT



### ECONOMIC SNAPSHOT



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

### PURSUIT OF HAPPINESS

Camino de Santiago ..... 1

### NUMBERS

Alternative Asset Classes ..... 2

### ASPIRE CORNER

Change ..... 7

### TCI NEWS

New Advisor ..... 8

### REMINDERS

Holiday Closures ..... 8



# Alternative Asset Classes

by *TCI Investment Committee*

We spend a lot of time in this column on stocks and bonds as they rightly make up the bulk of TCI's portfolios, but this time we'd like to shed some light on the smaller pieces of an overall allocation. For lack of a better term and to stick with industry parlance, we'll simply refer to these pieces as "alternative" investments.

In the not too distant past, it was rather easy to ignore "alternative" investments in general for several reasons:

1. They often weren't "alternative". They were simply derivatives of the public stock and bond markets, thus offering no diversification benefit.
2. They were extremely illiquid often requiring long lock-up periods that prevented rebalancing opportunities and severely reduced client flexibility.
3. They were extremely expensive. Even in the case where an "alternative" asset class was a true benefit to the portfolio, the excessive fees would gobble up all of the benefit.

In general, these rules still apply today and work to eliminate 99% of the products out there, but a few have recently emerged that can benefit a portfolio. One

asset class, in particular, that many TCI portfolios now incorporate is Reinsurance.

Let's say I am an insurance company who has underwritten many home insurance policies in the state of Florida or California. My actuarial model works very well and I expect to make a profit unless there is a natural disaster (hurricane or earthquake, for example) that triggers a lot of claims at once. To protect against this, I purchase insurance for myself—I reinsure—that pays out when certain disasters occur. For that protection, I pay a significant premium to a reinsurance company. If there is no natural disaster, then my premiums are just a cost I have incurred (like we all do with our personal home and auto insurance policies), whereas if there is a natural disaster, then I'm protected by my claim to the reinsurance company.

When TCI invests in the Reinsurance asset class, we do so by purchasing the Stoneridge Reinsurance Risk Interval Fund (SRRIX). This puts us in partnership, essentially, with the Reinsurance companies—in other words, we receive a premium to take on the risk of major natural disasters. Given that this premium is attractive and the associated risk is uncorrelated with stock and bond risks (a down market or rising interest rates do not cause an earthquake or hurricane), it has the effect of improving the long-term risk/return profile of TCI's portfolios.

Reinsurance as an asset class has been around for a long time, but until recently the only way to invest in it was to do so through a product that was highly illiquid and expensive. Fees are now reasonable and liquidity has been significantly improved through the advent of the interval fund format. This type of fund is regulated the same as any other mutual fund and allows for periodic purchase and redemption windows.

Of course, reinsurance on its own is still a risky investment. A major hurricane, earthquake, or drought in a wealthy, heavily populated, and insured part of the world can lead to large losses for the fund as we have already seen this summer. Hurricane Harvey caused a small drop in price (interestingly enough, residential flood damage plays a very small role in the reinsurance market thus the small change despite major damage) and Irma caused a much larger change in price almost immediately thereafter thanks to major hurricane winds

in a heavily insured and populated part of the world. The earthquakes in Mexico and Hurricane Maria are resulting in further reinsurance claims as I write this. This won't be the only year in our lifetimes that multiple disasters happen and that is the risk we take on to receive strong returns in calmer years.

Just as we do with any other asset class, we will follow a disciplined rebalance strategy that sells asset classes that have outperformed on a relative basis (stocks this year) and purchase those that have relatively underperformed (reinsurance and fixed income). Over time, we should buy low and sell high more often than not.

As an interesting note, the reinsurance asset class has a particular quirk that makes rebalancing even more important after a year with significant disasters: premiums go up significantly. Analogous to

your car insurance premiums going up after an accident, so too does the cost of reinsurance increase after a major natural disaster. Of course, there is no guarantee other major disasters won't occur after rebalancing just as there is no guarantee stock markets will bounce back immediately after a decline, but over time we continue to expect significant positive returns for the risk we take on.

As true "alternative" products continue to improve with regards to liquidity and fees, TCI will continue to explore whether or not they make sense in our portfolios. Alternative lending and private real estate are two other asset classes where products have improved and are worth a look. An asset class addition can improve the portfolio in one of two ways:

1. Lower the overall risk while keeping the expected return the same or higher; or
2. Raise the expected return while keeping the risk level the same or lower.

That is the standard we will continue to incorporate when it comes to any portfolio change as the industry improves access to alternative asset classes. ▲



## REINSURANCE

---

*The TCI Investment Committee conducts on-going research and analysis that guides portfolio construction for TCI clients.*

# CAMINO DE SANTIAGO

*continued from page 1*

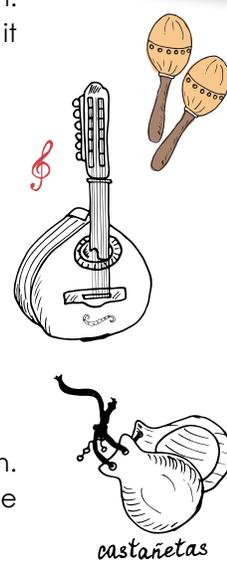
to ponder life's big questions while hiking through mountains, vineyards and farmlands.

For me, it was that rare opportunity to enjoy an epic adventure with my 21-year-old daughter, Delaney, now a senior in college. Six years ago, Delaney came home from high school excited about a movie she'd seen in Spanish class. "The Way," starring Martin Sheen, was about a middle-aged man's journey of self-discovery walking the Camino after the tragic death of his son. "Dad," Delaney said impulsively after we'd watched it together that evening, "we should do that sometime."

Her proposal intrigued me. As a student at Stanford University, I'd spent part of my junior year studying in Salamanca, a city rich in history and architecture. I'd fallen in love with the people, the food, and the culture of Spain. Walking the Camino would allow me to reconnect with a place and people that had been so important to me in my youth and it offered the tantalizing prospect of seeing some of my old classmates again. Some 35 years had passed since we drank espresso at a café in the Plaza Mayor.

Suddenly, I wanted to see them – and Spain – again. Even more importantly, the walk would give me the

***My education started early,  
even before we heaved our backpacks over our shoulders***



castañetas

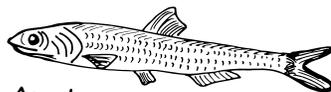


chance to spend time with my daughter on the threshold of adulthood. After giving it some thought we put it on the calendar for 2017.

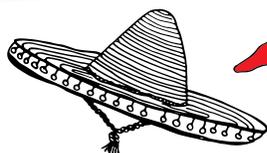
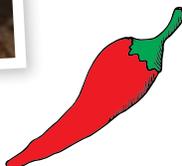
Legend says the Camino abounds with lessons and mysteries. Among them is the belief that whatever you need to learn in life, the journey will teach you. My education started early, even before we heaved our backpacks over our shoulders in Saint-Jean-Pied-de-Pont.

For two years before the trip, I had tried to find a classmate who had been one of my closest friends in Salamanca. Using Facebook, Google, LinkedIn, and What's App, I looked for Melqui, with no luck. By the time our flight landed in Spain, I'd given up hope of a reunion.

Delaney and I made our way by train from Madrid to Pamplona, then hired a taxi for the last few kilometers to the starting point, Saint-Jean. The mountainous scenery was breathtaking but we were stuck behind a



Anchovies



lumbering bus and the drive was maddeningly slow. Jetlagged and weary,

I found myself staring vacantly at the back of the bus. Suddenly, the logo came into focus: the Seoane Bus Co.

Seoane? I was jolted awake. I realized I'd been misspelling my friend's last name all along. As soon as we arrived in Saint-Jean, I resumed my detective work and found him. I left a message on his answering machine asking him to call me on my cell phone: "Melqui, this is John from Salamanca, 35 years ago."

No response. Delaney urged me to try again two days later. This time, Melqui answered. (Like many of us, he hadn't checked his voicemail.) I recognized his voice immediately. He and his wife dropped everything to drive two hours to meet us for dinner. Over chocolate and churros, then tapas and beer, the years melted away and we talked for hours, renewing our friendship.

**Lesson #1:** The Camino delivers miracles, large and small. Sometimes, these gifts are hidden in plain sight. Consider the odds of finding an old friend because his last name, unusual in Spain, is splashed across the backside of a bus? (Melqui is not related to the owner of the bus company.) Slow down. Pay attention. Don't give up hope.

Delaney and I stayed at a small hostel our first night on the Camino. The first person I met was the aptly named Big Mike. Large in personality and in girth, Mike was a 60-something educator, recently retired, from Alabama. That was an odd coincidence as fewer than 10% of pilgrims each year are Americans. Stranger still, Big Mike was a huge fan of the University of Alabama Crimson Tide; Delaney attends Alabama's biggest football rival, Auburn University. Bonded by a friendly rivalry, we spent

a fun evening together that night.

When he set off by himself the next morning, Delaney and I somehow felt invested in his journey, and he in ours. That's part of the magic of the Camino: the people you meet along the way. Getting to know them and the stories of their pilgrimages creates a sense of connection and community. Young or old, athlete or not, we were all walking the same path, a notion that was humbling and uplifting at the same time.

Whatever happened to Big Mike? Two weeks after we got home, we got a text and a photo of him, beaming proudly amidst new friends at the end of the sacred route. The trek had tested him and transformed him. He'd walked every step of those 500 miles to Santiago de Compostela, shedding 50 pounds along the way.

**Lesson #2:** Camino wisdom holds that you'll meet yourself on the road to Santiago de Compostela. You'll also befriend strangers who will enrich your life in memorable ways if you open your heart to the experience.

Meeting yourself isn't always a pleasant experience, though. After a couple of days on the road, I found myself getting anxious about finding lodging after a day of walking; I didn't want us to end up in a fleabag for the night. Planning – such as booking rooms in advance – is antithetical to the pilgrim's philosophy. "The Camino will provide" is a mantra of-



repeated by veterans of the Way and it's meant to foster a sense of trust and confidence in the journey.

I tried to quell my anxieties. But I'm a planner by nature. The Camino was teaching me to accept the vagaries of weather, food and terrain. But I like some control, especially when there's a possibility of no room at the inn and the alternative might be sleeping in a field by the side of the road. So, after a bit of self-examination, I decided to allow myself one small concession – booking lodging for the next night – so I could relax and enjoy the walk.

Apparently, though, I still had more to learn about letting go. Days into the walk, I found myself worrying out loud about potential problems. What if our pace was too slow? What if my knees got sore? (Though I've never had knee pain, I'd tucked a brace in my backpack just in case.) After listening to me for a while, Delaney offered some of her own wisdom. "Dad," she said patiently, "trust me – we've got this. If there's a problem, we'll spend ten minutes on it and we'll solve it. Why worry now?" (She also tossed the knee brace, lightening my load in more ways than weight.)



## Spain



**Lesson #3:** Live in the present. Leaning back into the past or forward into the future is a prescription for an unbalanced life.

A month of walking puts most everything into perspective. The Camino is, at once, urgent and timeless. Pilgrims get hungry and thirsty, but, as promised, the Camino provides: Bodegas Irache, a vineyard, invites pilgrims to quench their thirst freely at a wine fountain on the Way, a simple but somehow extraordinary gesture of hospitality. At every turn, though, there are reminders of the route's long history. Inscribed over the door of a bakery in one village is the price of wheat – in 1789.

The Way is a great leveler. Egos dissolve. We are all pilgrims, some days striding, some days faltering. We don't have nearly as much control over our lives as we imagine. The future holds unpredictable crises and opportunities – but with a trusted circle of family, friends, and advisors you will chart a course. Following the footsteps of innumerable peasants, priests, Roman

soldiers and knights of the Crusades, I felt myself a tiny part of a much larger universe.

**Lesson #4:** The Camino is a school of patience and humility. I am neither the greatest nor the least. It's not about me; it's about the journey.

After 36 days of walking, our walk ended in Santiago de Compostela. Long ago, pilgrims would burn their tattered clothes and shoes to symbolize a new beginning. That's discouraged now by authorities, but Delaney and I fulfilled the ancient tradition in our own way, lightening our load by emptying the backpacks of items we didn't need anymore. As promised, the Camino had provided: food, lodging, friends old and new, a few lessons and some wisdom. In Compostela, I read with a new appreciation a famous Spanish poem about the Camino: *Los principios dan miedo. Los finales son triste. Pero lo que importa es El Camino.* Roughly translated, it says "Beginnings are scary. Endings are sad. What matters is the journey." Having taken more than a million steps in a foreign land, I have a deeper understanding of what that means. Just start walking. Have faith. Take one step at a time. ▲



*John Stephens, MD, CFA, CFP®, MBA is the CEO of TCI Wealth Advisors and an Advisor in our Tucson office. In addition, John is a shareholder of the firm.*



# Change

*by Scott Bennett*

Change comes at you fast. In the last year and a half, my wife and I moved back to Tucson after not living here since high school, I switched careers, we purchased our first home, and in the first weekend in our new home we found out that my wife is pregnant with our first child. I feel like we are starting to catch our breath, yet, per the warnings of literally every parent I have come in contact with, an even more seismic shift is going to occur when our baby girl is born this December. While the events over the past 18 months have been overwhelmingly positive, they have not come without stress.

The one thing we know for sure is change is going to occur and we often don't control when or to what extent. As much as I love to lie awake at 3 am and think about all of the changes and the million ways we're unprepared for them, our situation isn't different from anyone else's. To some degree, your life is going to look different in a year and will more than likely be vastly different in five. This magnifies the importance of financial planning. Part of this planning includes sitting with clients and reviewing their Retirement Cash Flow every year or two. Continual tweaking and updating of financial plans must occur as goals change, priorities materialize, and life happens. This is especially true for our younger clients, who, like me and my family, are settling into the constant state of transition. As long as shifts in our plans are communicated early and accounted for, we can continually adjust in order to avoid an extreme deviation from our goals.

The changes that are self-inflicted, like leaving a job or switching careers, give us the opportunity to run multiple scenarios calculating the financial impact. Parting ways with a high paying career for something

you're more passionate about, and in turn forfeiting your ability to save as much in the immediate future, seems on the surface likely to negatively affect your retirement plan. However, if transitioning to that new field means being content working longer, in turn adding additional earning and saving years, the picture of a comfortable retirement starts to become clearer.

There will certainly be changes outside of our control as well like market fluctuations at inopportune times and unexpected expenses. These are not only accounted for by using historical averages and conservative assumptions, which permit the appropriate emergency funds target and fixed income recommendations, but also are addressed as they occur in the whole picture of the comprehensive plan. If the market performs below our expectations over one's lifetime, we won't look up at 60 and wonder why there's a shortfall now concerning retirement. The recurrent planning will have allowed us to address the market underperformance and formulate a solution like increased savings, lower retirement expenses, or a pushed back retirement date to achieve the individual desired standard of living.

We won't always know or be able to control the changes that come our way, but simply knowing that changes will occur and proactively addressing change will go a long way in keeping us ready for what's ahead. ▲

---

*Scott Bennett is a Paraplanner in the Tucson office.*

*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](http://www.aspirebytci.com).*

**TCI Wealth Advisors, Inc.**  
4011 E. Sunrise Dr.  
Tucson, AZ 85718  
Toll Free: 877-733-1859  
www.tciwealth.com

**TUCSON**  
520-733-1477

**RENO/TAHOE**  
775-746-6255

**SCOTTSDALE**  
480-991-0401

**DENVER**  
303-296-2196

**FLAGSTAFF**  
928-226-0868

**SANTA MONICA**  
310-319-6545

**SANTA FE**  
505-982-3808

## **FOCUS** — *Confidence through Education*

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by TCI Wealth Advisors, Inc.), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from TCI Wealth Advisors, Inc. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. TCI Wealth Advisors, Inc. is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of the TCI Wealth Advisors, Inc.'s current written disclosure statement discussing our advisory services and fees is available upon request. If you are a TCI Wealth Advisors, Inc. client, please remember to contact TCI Wealth Advisors, Inc., in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

### **TCI NEWS**



#### **Scott Styrmoie, MBA, CPA, CFP® Joins TCI in Tucson**

Scott Styrmoie, MBA,  
CPA, CFP®

Scott brings over 30 years experience helping individuals and families make sound financial decisions leading to lasting financial peace of mind. We are excited to have Scott join our team and bring his deep experience in accounting and financial planning to the firm. We highly value Scott's commitment to his clients, family and involvement in the community.

## Reminder —

### **OFFICE CLOSURES**

*TCI offices will be closed the following dates for the Holidays:*

**Thursday, November 23 – Friday, November 24**  
**Monday, December 25 – Tuesday, December 26**  
**Monday, January 1**

**Please advise TCI as soon as possible of any end of the year business or transactions that need to take place.**