# Focus

Confidence through Education

TCI WEALTH ADVISORS

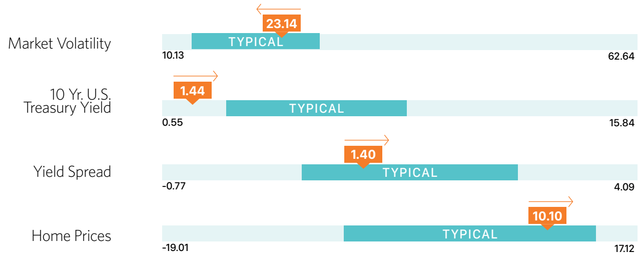
# The Investing Fundamentals 2020 Reinforced

***Travel back to New Year's Day 2020 with a thought experiment on page 2.***

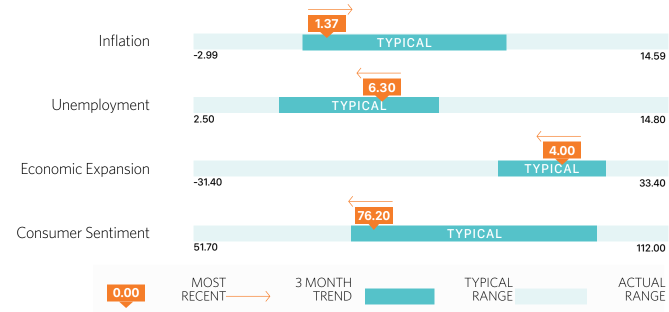
## SPRING 2021



## MARKET SNAPSHOT




## ECONOMIC SNAPSHOT



# The Investing Fundamentals 2020 Reinforced

*by Sam Swift, CFA, CFP®, AIF®*

We begin this newsletter with a thought experiment: let's travel back to New Year's Day 2020. Maybe you're watching the college bowl games (with fans!) or going to the gym to get your New Year's resolutions kickstarted. Perhaps you were traveling, returning from a visit with family and friends over the holidays. In any case, you're probably fairly content and looking ahead to what 2020 has in store. That's when it happens—someone shows up from one year in the future. You don't know why, but you believe them after they do a little convincing that they really are from the future. They sit you down and tell you the following:

*World events seem a little nuts right now, huh? Tensions with Iran are sure heating up and this whole impeachment business is quite the show. Well guess what? You'd better buckle up.*

*You know that novel coronavirus thing you maybe heard a little bit about over in China? That's about to turn into the biggest pandemic the world has seen in over 100 years. Sports leagues are going to completely shut down and the majority of states will issue "shelter in place" and "stay at home" orders to prevent further infection. It's not just here in the U.S.; no country in the world is going to escape the impact of this one. New York City in March is going to look like an apocalyptic movie. People will be wearing masks everywhere and keeping their distance from their own families! Toilet paper and hand sanitizer will be prized commodities!*

*The virus won't just go away. Every time it looks like cases are going down, restrictions will be relaxed and cases will pick back up again. You'll almost certainly know someone (or many someones) who gets the virus. By the end of the year, over 350,000 Americans and nearly 2 million people worldwide will die because of this virus.*

*By the way, it's not just health consequences we'll be dealing with. Due to the economy shutting down in an attempt to prevent the spread of the virus, unemployment is going to hit levels not seen since the Great Depression. It will be one of the most severe recessions ever seen. This will all take place amidst the background of a presidential election in a very polarized political climate. In fact, to cap off the end of the year, with vote counts delayed due to the pandemic the election will be close enough that a winner won't be declared for many days. President Trump will contest the election and resist a peaceful transition through the end of the year causing great uncertainty for America's immediate political future and even leading to a violent mob overtaking the U.S. Capitol building.*

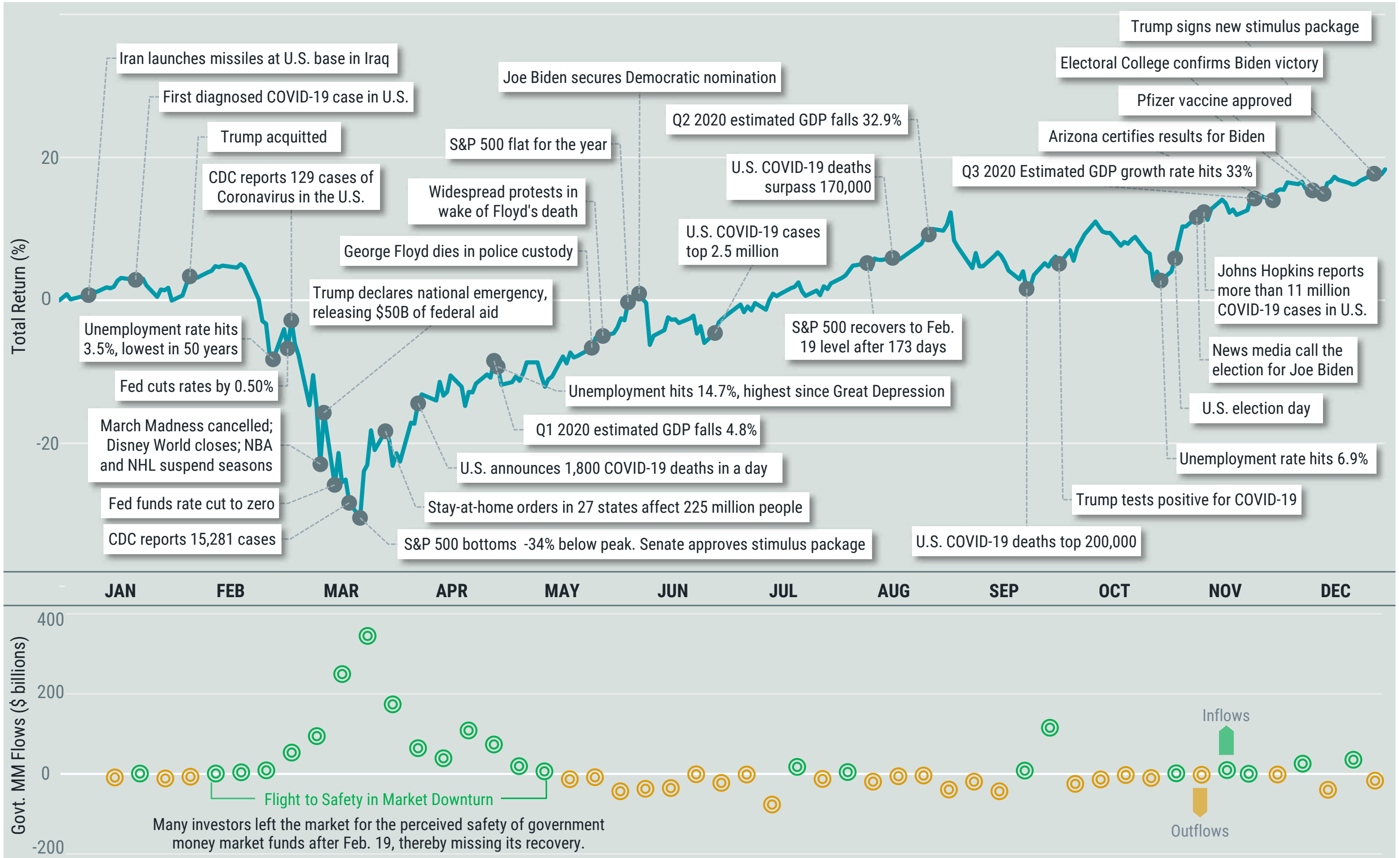
So now that I've told you this, I think you should call your financial advisor and discuss how this wild year will affect your investments and long-term plan. What are you going to do?

No one could have faulted you for cashing out and hiding in the desert knowing what was to come in 2020. Those who predicted calamity before the spread of COVID-19 weren't necessarily wrong about their predictions, but markets marched on anyway.

If you only looked at the year-end market returns with no other context, you'd have no reason to think anything remarkable happened, one way or another, in 2020. The S&P 500 Index returned 18.4% while a more globally diversified portfolio as represented by the MSCI All Country World Index returned 16.25%. Both of those are a bit above average when looking at the entire history of markets, but certainly not outliers.

Figure 1 to the right shows shows the 2020 S&P 500 Index as it relates to various headlines, in addition to illustrating how investors as a whole reacted. The green dots below the chart show inflows into money markets. You can see a huge amount of investors running to cash at the same time the

Figure 1 S&P 500® Index Cumulative Total Return, Headlines and Weekly Government Money Market Flows During 2020




Data from 1/1/2020 – 12/31/2020. Source: ICI, FactSet, Avantis Investors. **Past performance is no guarantee of future results.**

market was hitting its bottom—in other words, about the worst time to have been running to cash. There's a smaller peak of people rushing to cash during a late summer dip right before the big fourth quarter increases following announcements of successful vaccine development. Perhaps more painful is that there is never a corresponding peak of money flowing back out of money market funds and into the market. Most people who got out never got back in and, thus, made temporary losses permanent. I wish this was surprising, but it's a consistent pattern we see across time from many investors.

In the end, 2020 was a rapidly condensed version of the normal cycle of bear and bull markets. It reinforced the lessons we already knew from history:

**Don't react to the daily noise of markets or attempt to predict short-term market movements.** As covered in Figure 1, we must maintain a long-term view with our stock investments.

**Fixed Income can be valuable for our short-term needs.** The Bloomberg Barclays U.S. Aggregate Bond Index 1-3 Years (a good measure of short-term fixed income) returned a bit over 3%. More importantly, that index maintained its value or grew in every single month of the year. Money invested in short-term fixed income was safe even amidst the initial panic.

**Expect significant market downturns.** They are infrequent and unpredictable, but they will happen. Armed with that knowledge, we can devise an allocation that works for our long-term goals and allows us to navigate through those times. TCI prepares for downturns as we take them in to account as part of our planning process.

**Maintain a disciplined rebalancing strategy that removes emotion.** In hindsight, March/April 2020 was a terrific buying opportunity, but most would have been hard-pressed to act on it at the time. That is, unless they had a disciplined rebalancing strategy that made the decision for them. Rebalancing will lead to buying low and selling high, more often than not, while maintaining your overall level of risk.

These lessons can be challenging to remember in the moment, but that's exactly the most important time to step back and remove emotions from the equation. Of course, that's our role as advisors for you here at TCI. We will stay grounded and objective during good times and bad. It's an approach that has made our clients financially stronger for over 30 years and 2020 was certainly no exception. Here's to wishing you all a very happy and safe 2021!

*Sam Swift, CFA, CFP®, AIF®, is an Advisor in our Tucson office and Shareholder of TCI Wealth Advisors. Sam also leads TCI's Investment Committee which conducts on-going research and analysis that guides portfolio construction for TCI clients.*

# Mortgage Rates Are in the Basement... Is Now the Right Time to Buy?

*by Lauren Williams, MBA, CFP®*

When I think back to some financial aspects of 2020, there is one "historic" low in particular that stands out: interest rates. While we have been seeing a consistent decline in rates since 2018, we saw rates drop dramatically in 2020. According to themortgagereports.com, the average 30-year mortgage rate hit historic lows of 2.65% on January 1, 2021. While declining rates have been a challenge for savers on the deposit side, it has created a huge opportunity for borrowers.

I would venture to guess that the homeowners reading this, at the very least, researched the options available for a refinance. If you haven't yet, you should strongly consider it! What about those of you who are considering jumping into the homeownership pool for the first time? Historically, low interest rates open the possibility of homeownership to those who could have been on the fence (no pun intended) in the past. While the cost of borrowing is a large part of the home purchase analysis, there are additional factors that each potential buyer should consider. Even though the list of considerations can be quite extensive and varied, I've included some of the big ones each first-time home buyer should give some deep thought:

### What is the total cost of owning vs. renting?

While most people look at the affordability of a new mortgage payment compared to a rent payment as a determinant for whether they should buy, there are a myriad of other financial responsibilities that come with homeownership that need to be considered. Don't forget to include an estimate for property taxes and homeowners insurance in your analysis. You will also need to budget for the regular maintenance, upkeep and repairs that come with a home, otherwise known as the "joys of homeownership." This could come out to approximately 1-3% of the home's value annually. Let's not forget the costs of furnishing a potentially bigger space and increased utility costs. These are all financial costs, but what about the "other costs?" Owning your own home takes the landlord out of the equation when it comes to maintenance and repairs. Saturdays might be consumed by mowing the lawn and cleaning out the garage when it was once a day reserved for leisure, but if that's your idea of bliss, then more power to you!

### What is available for a down payment?

There is one big difference between owning and renting: the down payment. While it is still possible to purchase a home with down payments as low as 5%, the recommendation is to get as close to 20% down as possible. Putting less than 20% down could impact the interest rates available on your mortgage and will increase the likelihood of having to pay for Private Mortgage Insurance (PMI). Putting less down up front will potentially make the cost of borrowing more onerous on a monthly basis. Planning and saving an

adequate amount for the down payment is typically a major factor in determining whether homeownership is the right decision for right now.

### Where do I want to live?

I have three words for you: location, location, location. The city and state where you are intending to purchase a home will influence the financial planning considerations mentioned in the two previous points. I can tell you that I saw this firsthand when I started the process of shopping for a home in Denver, having moved from the Midwest. To say there was sticker shock was a bit of an understatement! It all comes down to what is important to you: Do you need to be close to work? Do you want to be able to walk to restaurants and parks? Do you want space to spread out? Do you want to be close to nature? You will typically see more favorable home prices the further away from major cities you go, which could be the determining factor for where you put down roots.

### How long do I plan on living in my new neighborhood?

Speaking of putting down roots, do you plan to be in the home for the foreseeable future? Will you have to relocate in the next few years? Do you like to change-up where you live regularly? If you answered, "no," "yes," "yes," then renting might make the most sense. The general thought is that one would need to plan to live in a home for at least five years to justify the upfront costs of the home purchase.

The decision to buy versus rent is a very dynamic one based in emotion, as well as financials. Having a solid handle on the financial pieces will ensure that the emotional aspects don't play a disproportionate role. If you go through all the various analyses and the decision is still unclear, this might mean that homeownership isn't the right commitment right now. Renting does not rank below homeownership. Your individual circumstance will determine what is optimal for you.

Wherever you may be on your financial journey, it is pertinent to take time and reflect on what is motivating you to consider homeownership in the first place. TCI's Advisors are here to help take the guess work out of major financial decisions. I'm hopeful that you now feel better equipped and confident to move forward with the housing situation that works best for you. For those entering the homeownership arena: Happy (house) hunting!

---

*Lauren Williams, MBA, CFP® is an Advisor in our Denver office.*

# Look on the Bright Side: How to Savor the Good

*by Justin Thomas, CFP®*

Getting a new puppy in the middle of a pandemic was admittedly an impulsive decision. After all, we already had a dog, Luna, who had been the canine-in-chief of our household since 2005. All that changed when Oreo, a pudgy ten-pound pup the size of a football, bounded into our lives. Now, seven months later, 65 pounds and still growing, Oreo spends his days galumphing around the house like a linebacker looking for someone to tackle.

*Luna left. Oreo right.*

Before this interloper showed up, Luna, age 15, had eased comfortably into the role of dignified senior citizen. She takes naps. She monitors squirrel activity in the yard. She evinces a grown-up's disdain for cheap thrills. Then came Oreo. He revels in cheap thrills and quick escapes. Every pungent new smell, every stolen sock, every scrap of forbidden food excavated from a previously undiscovered cranny in the kitchen is a matter of the utmost urgency. Frankly, it has been exhausting for us and downright alarming for Luna.

That was the drama of our summer, watching two mutts work out the kinks in a new relationship. There were skirmishes. Youth can't help but challenge the status quo. Oreo would pounce around Luna, begging her to play, despite her yawning lack of interest. Every now and then, Luna would allow herself to be enticed into action. More often, she'd merely cock an eyebrow as if to say, "Kiddo, I'm tired just watching you."

If not for the pandemic, I probably would have missed most of that. As a financial advisor, a competitive athlete, a husband and father of two active pre-teens, I was nothing if not tightly scheduled. My calendar was crammed with meetings, conferences, races, soccer tournaments, dance competitions, barbecues, picnics and cocktail parties. That is, I was tightly scheduled until the world screeched to a halt last March.

Then, like millions of others, I watched with something akin to disbelief as one obligation after another vanished amidst a spreading viral storm. At first, I felt a twinge of joy, followed by a pang of guilt. I'm an introvert in a world that celebrates the extrovert. Suddenly, I was cut free from a myriad of obligations that require small talk and other social niceties. I had something infinitely more precious, the gift of time.

This was no small miracle. How many years had I rushed from a sweaty morning workout to the shower then the office? How often had I barreled through a whirlwind of children's activities on a Saturday, only to top off the day with a neighborhood dinner party? Once my schedule was stripped bare of some of that, life felt expansive like the night sky in the desert: quieter, deeper, slower.

Now, as the pandemic hopefully nears an end, I realize that I have an extraordinary opportunity to decide how to emerge from my cocoon. In fact, we all do.

First, of course, we need to mourn the tragedies wrought by the pandemic, the millions of lives lost and the millions who now struggle with long-term health problems. Some of us are grieving lost jobs, cancelled weddings, or lonely holidays. At the same time, it's important to acknowledge that there have been some unexpected gifts given to us in this last year.

As working parents, Julie, my wife, and I had made our peace years ago with the idea that we would miss a good bit of the fun and some of the significant moments of our children's young lives. Once we started working from home last spring, we got to experience a lot more of both.

We had time for board games and for more hands-on parenting. Katelynn, my intensely competitive nine-year-old daughter, is learning what it means to be a good sport even when losing. Charlie, 12-years-old, was balking at doing chores until he figured out the critical algorithm required to satisfy parents: completed chores equals more hassle-free gaming time with his friends.

Having us home all day was meaningful for the kids, too, as they had front-row seats on the enigmatic world of adult work. Charlie and Katelynn learned some hard lessons about respecting our work boundaries–no interruptions during a conference call–but they also seem to have a new understanding and appreciation of how much effort and discipline it takes to earn a living.

Julie and I also had opportunities for deep discussions with our kids about subjects as varied and controversial as racial inequality, politics, freedom and responsibility. Which also meant I had to dig deep into my own heart until I was sure I'd struck my own moral bedrock. Those are important discussions to have when your kids are becoming aware of our fractured world and trying to make sense of it.

All of which convinced me that we shouldn't be so eager to hurry back to life as it was pre-pandemic. How often do we have the freedom to start anew? This may be a once-in-a-lifetime chance to shuck off a few layers of life's barnacles. Is your book club a bore? RIP, book club. Tired of condo politics? Resign from the committee and take up pickleball. Maybe now is the time to figure out what you truly cherish in life.

I'm not alone in this idea that we should pause for a moment on this threshold. Justin E. H. Smith, a philosopher and historian, urges a rigorous pruning. In an essay published last year in *The Point,* he wrote: "Any fashion, sensibility, ideology, set of priorities, worldview or hobby that you acquired prior to March 2020, and that may ... seem to you cumbersome, dull, inauthentic, a drag: you are no longer beholden to it. You can cast it off entirely and no one will care; likely, no one will notice."

That's a noble thought but, seriously, Mr. Smith, I wonder if you are married and what your wife might have to say about that notion. My wife is an extrovert for whom a year of isolation was wearisome. I reveled in the quiet; she missed the social swirl. Now, with the end of the pandemic in sight, Julie is revving her engines in anticipation of a burst of social activity, unfettered by masks. A physician assistant, she's also starting a two-year doctoral program that will require hours of classwork and studying every week.

What I mean is that crafting a new post-pandemic


*Justin and son Charlie enjoying the afternoon skiing.*

life will probably be more complicated than the philosopher suggests. Few of us have the freedom to prune our lives vigorously. Besides, taking a hatchet to your life can be reckless. Smaller, more mindful changes might be more significant over the long run. Julie, the kids and I will need to figure that out together as a family. It's a process that will call for careful negotiation and compromise.

So how will we decide what to keep from our year-long COVID cloister and what to let go? Some of the best advice on the matter may come from the popular singer-songwriter, Taylor Swift. In a documentary on her life that we recently watched with our kids, she sagely observed, "If you're going to recalibrate everything, you might as well start with what you love."

For me, that's unhurried family time. Lots of families are lamenting frayed ties after a year in which they were driven apart by quarantine and, in some cases, by different political views. Our goal is to keep ties snug. Sunday dinners are a new tradition especially since my father, who is retired, decided to spend half his year here near us in Reno. We cherish his love, his wisdom and, from a practical standpoint, his help. He pitches in with the kids, picking them up every day after school and bringing them home. He needs us, too.

A classic Type A, I'd always believed in the discipline of precision scheduling. I'd perfected that skill back when I was a professional triathlete in my 20s, and it's been a powerful asset in business—until last year. I had to learn how to be more adaptable. Real life often spills outside the margins of the scheduled time slot. That's another gift of the pandemic, a new willingness to blur the once-sharp edges of my workday.

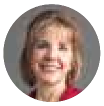
Last Wednesday, for instance, I took the afternoon off to take my son skiing, which I might not have done a year ago. I'm newly aware that he's got only six years at home with us until he goes to college. The sun was shining. Some fresh new powder had dusted the slopes the night before, so off we went. It was glorious and memorable.

Looking back now, it seems to me that last year was full of priceless treasures worth savoring. I opened my calendar and blocked off a few more Wednesdays. What are you going to do when your life begins anew?

---

*Justin Thomas, CFP® is an Advisor in our Reno office and Shareholder for TCI Wealth Advisors.*

# DocuSign



by Debbie Hixson, FPQP™

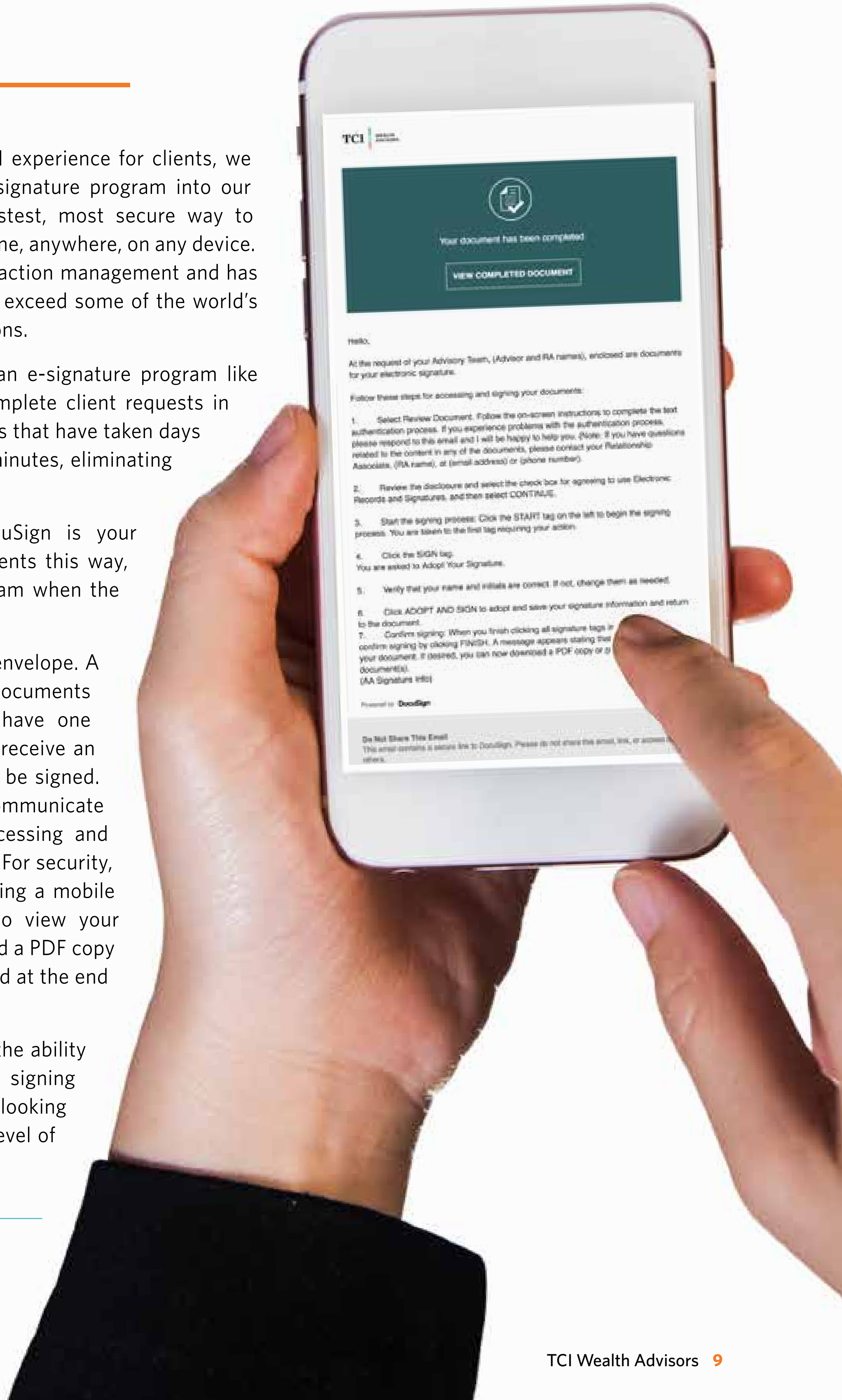
In an ongoing effort to enhance the TCI experience for clients, we recently integrated DocuSign, an electronic signature program into our platform. DocuSign provides the easiest, fastest, most secure way to complete and sign account documents—anytime, anywhere, on any device. DocuSign is a leading provider of digital transaction management and has rigorous policies and procedures to meet and exceed some of the world's most stringent privacy and security certifications.

One of the greatest benefits of using an e-signature program like DocuSign is the ability to accelerate and complete client requests in the shortest time possible. Signature processes that have taken days can now be completed in just hours or even minutes, eliminating paper and manual steps.

Getting documents delivered by DocuSign is your choice! If you're interested in signing documents this way, please reach out to someone on your TCI team when the next opportunity arises.

DocuSign sends documents in a digital envelope. A DocuSign envelope is a digital container for documents that need to be signed; an envelope can have one document or many documents. You will only receive an envelope if you have documents that need to be signed. The email will clearly show TCI's logo and will communicate who sent the envelope. Instructions for accessing and signing the document(s) will also be included. For security, you will be asked to confirm your identity using a mobile phone number before being given access to view your document(s). If desired, the ability to download a PDF copy or print copy of the document(s) will be offered at the end of the signing process.

Through DocuSign, we are confident in the ability to streamline and enhance the document signing process for you. We are enthusiastically looking forward to providing you with this increased level of service. If you get stuck, just call us!




*Debbie Hixson, FPQP™ is a Lead Administrative Associate in our Scottsdale office and Shareholder for TCI Wealth Advisors.*


*3rd Decade participants engaging in a group learning activity in Tucson, Arizona. Since March 2020, 3rd Decade transitioned to an online learning environment and continues to diligently engage participants.*

# 3RD DECADE

"When you grow up poor, there's a lot of shame and anxiety about money," Brenda Anderson says. The 28-year-old university counselor was the first in her family to graduate from high school and college. Even with multiple degrees and a good job, she was floundering financially until she enrolled in a life-changing financial literacy program called 3rd Decade. Thanks to the program's classes and coaching, Brenda has paid off all but her student debt in only four months and started saving for retirement.

"3rd Decade changed my life," she says. "It probably saved my life. What I mean is, it saved me from living paycheck to paycheck without a real plan for financial freedom."

Started by TCI's co-founder Bob Swift, 3rd Decade has helped nearly 1,000 young adults improve their financial lives dramatically over the past four years. Students attend classes to learn important money concepts such as budgeting, saving and retirement planning after which they get professional financial mentoring for two years. This spring, 3rd Decade is expanding nationally with new classes being offered in Charlotte, NC, Austin, TX, and Santa Monica, CA.

Since the program's launch in 2016, TCI and its foundation have been and will continue to be major supporters of 3rd Decade. Starting in 2020 the program evolved in to an independent non-profit. Recently, there are other important developments, too. Dimensional Fund Advisors, a global asset manager based in Austin, TX and the Charles Schwab Foundation in San Francisco, CA have stepped up to offer significant financial and operational support to the program.

With their help, 3rd Decade is setting some ambitious goals. It aims to educate thousands of young adults a year across the nation and support them in their journey towards financial freedom with information and advice with blogs and podcasts.

3rd Decade is a rarity among financial literacy programs. Unlike a lot of others, it is free—and there's no pitch at the end to sell investments or services. In fact, 3rd Decade effectively pays its students to participate. Those who successfully complete the coursework and pass a final exam get $1,000 deposited into a Roth IRA.

The $1,000 is not only an incentive but also a teaching tool. Using their own Roths, students learn how to invest, including the critical principle of compounding. 3rd Decade's students quickly realize that the value of what they're learning far exceeds $1,000. It doesn't take long.

"A friend of mine told me to about the program and the $1,000, but I was skeptical," Brenda Anderson says. "When you come from a poor and working class background and are anxious about money, you're so used to being ripped off that your first reaction is always 'What's the catch?'" After just one class, though, Brenda's fire was lit, determined to reduce debt and start investing.

Like most of the students, she was spurred into action by a dramatic illustration. Investor A starts at age 25 investing $5,000 a year for ten years in a low-cost index fund. She doesn't invest a dime after age 35, but thanks to the power of compounding and an annual interest rate of 8%, her fund at age 65 is worth $787,180.

In contrast, Investor B doesn't start saving until age 35. Then, he invests $5,000 a year in the very same fund for 30 years. At age 65, his fund is worth far less — $611,730. The indelible lesson, as Bob Swift puts it: "Go at it hard for ten years and you've funded your retirement."

Word is getting out among millennials and there's now a waiting list for 3rd Decade. To qualify, a student must be between the ages of 20 to 35, fully employed, and must rent or own a home. Their annual income is generally between $35,000 and $75,000. This, research shows, is the sweet spot for teaching financial concepts. Students are most eager to learn when they're juggling adult responsibilities and stretching their paychecks to cover the bills.

Due to the pandemic, 3rd Decade moved all classes and coaching online in early 2020 without missing a beat. Students proved to be just as engaged and passionate about their commitment to the program despite going virtual. To keep alumni involved and inspired, 3rd Decade has been rapidly innovating, launching a podcast, a blog and virtual meet-ups.

3rd Decade is unique in another vital way. Every student gets free financial coaching for two years. TCI's young advisors have stepped up to help since 2016. Now, Dimensional's large network of advisors will give the program a big boost going forward in California, Texas and North Carolina.

Financial mentorship may be the real magic in the program. Coaches help students practice new skills such as budgeting and new habits that promote saving instead of spending. These coaches also offer large doses of compassionate financial therapy. In some families, money is a taboo topic shrouded in secrecy, ignorance and shame. Some students are so overwhelmed with fear and guilt they can't make prudent decisions.

That's why straight talk about money is so powerful. "Because I had a degree and a stable job, my family relied on me for many things," says Brenda. She was carrying a boulder of debt not because of frivolous spending but because she was regularly bailing her family out of financial emergencies.

Their pleas were frequent and hard to resist. With the help of her mentor, Brenda learned healthy boundaries. Now, she has a budget that promises to ensure her own financial security while still allowing her to set aside some funds to help family.

Rachel McCullough, a TCI financial planning associate, has been coaching students for two years. "I love doing it," she says. "Financial freedom–the ability to live without money anxiety–means a lot to these students. For some, it is a long road but we break it down into small goals and celebrate every victory."

The program is life-changing, indeed, and the proof isn't merely anecdotal. There's data too, 3rd Decade tracked 214 students for two years and found their average household net worth after completing the two-year program had increased by more than $70,000. "Good financial habits stick," Bob Swift said. "Our students change their lives, and because of that these changes ripple through their families and their communities."

*3rd Decade's mission is to educate and empower young adults to feel comfortable and confident in making educated financial decisions in their lives. To learn more about 3rd Decade visit 3rddecade.org*

## Reminders—

**OFFICE CLOSURES**

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

**Friday, April 2nd 2021**

**Monday, May 31st 2021**

TCI | WEALTH ADVISORS

Prsrt Std
US Postage
PAID
Tucson, AZ
Permit #2216

TCI Wealth Advisors
4011 E. Sunrise Dr.
Tucson, AZ 85718
877.733.1859
tciwealth.com

TUCSON | SCOTTSDALE | FLAGSTAFF | DENVER | RENO / TAHOE



## TCI NEWS

# TCI Blog

If you enjoy reading our newsletter and would like regular commentary from our Advisors, sign up to receive our blog delivered to your inbox. Nearly every week, TCI emails insights on a specific topic ranging from what's currently happening in the markets to other relevant topics to help you on your financial journey, including: tax planning, estate planning, insurance planning and more.

**To sign up** to receive the blog in your inbox, go to tciwealth.com/blog, scroll to the bottom of the articles, and add your email in the box next to the paper airplane and push submit. Or feel free to reach out to your Relationship Associate. Is there a topic you'd like our Advisors to provide their perspective on? Share your ideas with your Relationship Associate!