Confidence through Education

Focus

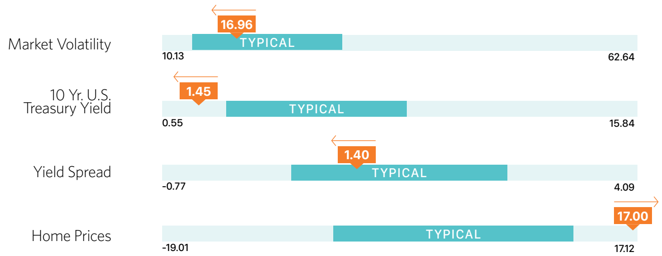
TCI WEALTH ADVISORS

A Heart-to-Heart in the Wake of COVID-19

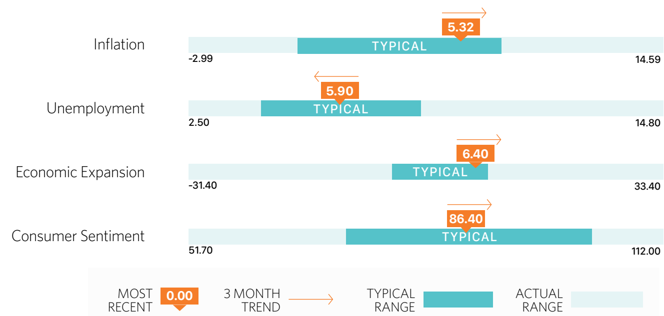
This summer sure felt different than last summer. For many there has been a gradual return to normalcy. Read more on page 4.

SUMMER 2021

MARKET SNAPSHOT



ECONOMIC SNAPSHOT



Taking Financial Advice from Headlines

by Josh Rennie, CFP®, AIF®

For many obvious reasons, rollercoasters are often used as analogies for investing. One thing that's always irked me about this is that actual rollercoasters are rigorously tested to ensure safety. Some investment approaches, like those offered at TCI, are also regularly tested so that during times of market uncertainty portfolios have some level of resilience built in. However, we live in a world where financial news headlines are constantly alerting us and letting us know there is something better to invest in or to be concerned about. Even though we know it's best to tune this noise out, it can be hard to ignore. Recent headlines have been peppered with news of big gains in cryptocurrency and meme stocks—or speculation surrounding inflation and if we'll slip into another recession. Let's take a look at these headline themes and determine what, if anything, should be done about them.

Cryptocurrency

Bitcoin is the oldest and largest cryptocurrency. Throughout the first quarter of the year, financial news was dominated with optimism that carried a seemingly unstoppable price appreciation for Bitcoin. Recently, that optimism has dwindled as the price has dropped. Bitcoin's wild ride has seen the price of one coin start the year at $29,388, peak at $63,600 in April and has been hovering around $37,000 of late.

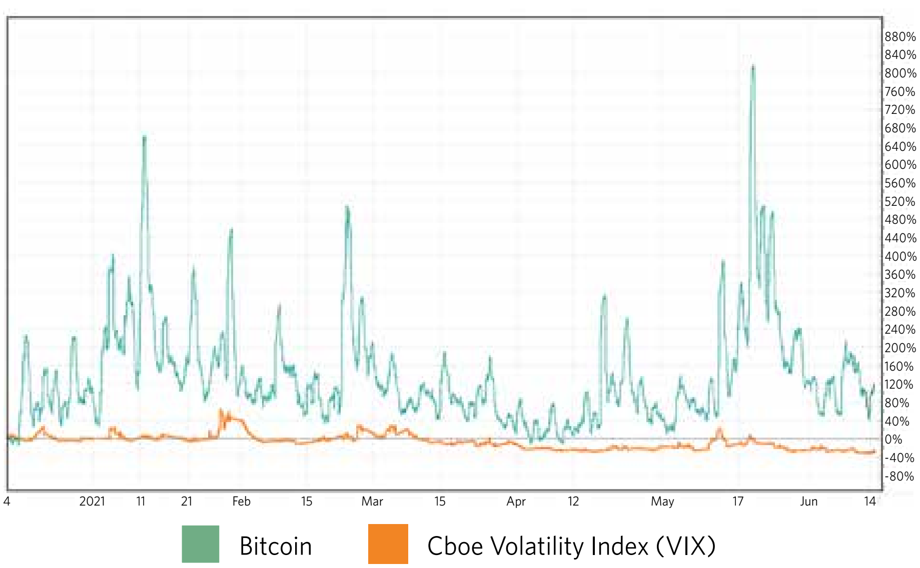
All this movement resulted in Bitcoin carrying a daily volatility of roughly 6%. In comparison, the entire S&P 500 Index from 1928 to present has a daily absolute change of +/- 0.73%. In Figure 1, we can see the daily volatility of Bitcoin as compared to the Cboe Volatility Index of the S&P 500 Index (VIX), which measures the expected volatility of the S&P 500 over the next 30 days. Lower volatility represents a smoother and less stressful investing experience. While I won't prognosticate on the future of cryptocurrency, there are multiple hurdles this asset must clear in terms of valuation and stability in order for it to be considered a mainstay for our long-term objectives.

Meme Stocks

In late January 2021, members of Reddit's Wall Street Bets community singlehandedly ushered in the era of meme stocks when they somewhat successfully short-squeezed GameStop. There's no telling which stock they'll go after next, but it already has a passionate following of retail investors looking to swing big, betting that they're going to time the market correctly (a common investing fallacy). While their activities are tied to research their actions are also heavily tied to emotions which should not inform investment decisions.

Options traders use a metric referred to as implied volatility which represents the expected volatility of a stock over the life of the option. GameStop has a current implied volatility of 194%. For comparison, the implied volatility of the S&P 500 is about 12%. The level of implied volatility in GameStop indicates a high level of speculative activity, which should not be

Figure 1 Bitcoin's volatility compared to the Cboe Volatility Index (VIX)



confused with investing. Additionally, if you were to add up the market capitalization of the three most mentioned meme stocks (GameStop, AMC, BlackBerry) you collectively get a company about the same size as DoorDash, the food delivery service. Despite all of the noise and headlines surrounding this new craze, these companies represent a small minority in total equity markets.

Inflation

Of the news topics in this article, the concerns around inflation are certainly the most relevant to TCI clients. We know sustained periods of high inflation can be a drag on portfolio returns. Federal Reserve Board Chair Jerome Powell has stated that the Fed is willing to have inflation exceed the long-term target of 2% for some time in order to catch up for the period of time during which it was under that target. With that in mind, many clients have been asking the same question, "How do I inflation proof my portfolio?"

TCI portfolios seek to mitigate the impact of inflation by diversifying equity and fixed income portfolios globally, maintaining high quality and low duration fixed income holdings and rebalancing strategically. A good long-term allocation should be robust enough to hold up to many economic environments-recessions, booms, high inflation, low inflation, etc. The bottom line is that inflation is always something we are monitoring, but the recent headlines and data do not warrant any major action in portfolios.

The first half of 2021 has been strong for equity markets while interest rates, and consequently fixed income assets, have remained low. The S&P 500 Index is up 16%, as of this writing, and the Dow is up 13.40%. Small cap and value stocks are performing even better, so TCI portfolios are benefiting from the value and size that we tend to emphasize. While fixed income is not producing much, if anything, in terms of yield at this point, it is providing the stability that we want. Of course, we don't know what the market is going to do over the next six months, but that is why we structure portfolios the way that we do. Equities for growth and fixed income for stability. Regarding portfolio impact, cryptocurrency and meme stocks are just noise — or entertainment, depending on how you want to view it — and TCI accounts for inflation.

All that is to say that there isn't anything involving these topics that requires immediate action. It is easy for people to get caught up in the frenzy surrounding these headlines, but investors should remember that headlines are designed to attract as many viewers as possible with minimal accountability. If you find yourself overwhelmed by the headlines of the day and worried your financial future might be in jeopardy, just call us.

Josh Rennie, CFP®, AIF® is an Advisor in our Reno office and member of TCI's Investment Committee.

Reminders—

OFFICE CLOSURE

TCI offices will be closed the following date for Labor Day:

Monday, September 6, 2021

A Heart-to-Heart in the Wake of COVID-19

by Guy W. Holman, CFP®

This summer sure felt different than last summer. For many there has been a gradual return to normalcy: a joyful family reunion, a long-postponed vacation or a breath of fresh air without a mask. Yet, as the summer begins to wane we're reminded how precarious normalcy can be these days.

Considering the turmoil we've endured and the unpredictability that lingers in the world, it's no wonder that some people have found it a bit hard to get their bearings this summer. This seems especially true when it comes to retirement, that is, planning for it and living it.

As a financial advisor for TCI, I'm responsible for helping my clients map out a course for retirement that provides long-term financial security, a course that is updated over time to suit their changing needs. This year, perhaps more than ever, that's been a challenge.

Lockdowns meant big adjustments in how we work, learn, eat, play, socialize and exercise. Some of those changes might endure, others likely won't and it is difficult at this point to discern which is which. Meanwhile, there were also radical shifts in the social, cultural, political and economic landscapes. Some of us feel bewildered or even blindsided by these shifts. Others are encouraged and optimistic.

Almost everyone's emotions are heightened as a result of all the uncertainty. On the one hand, many are jubilant at their newfound freedoms and feel an almost reckless desire to make up for all that was lost during the lockdown. At the same time, others are concerned about new virus variants and the possibility that COVID, with its social and economic disruptions, might dog us for years.

Those are powerful and unsettling sentiments. There are some who want to loosen the purse strings a bit. Travel! Family reunions! Second homes! Major renovations! Outdoor kitchens! Gifts for the grandchildren and other splurges! Others want to continue to hunker down at home, popping their heads up like prairie dogs from time to time to sniff the prevailing winds for danger.

That's why it seems to me that urging clients to stay the course with a retirement plan that was hammered out in simpler times seems almost, well, dismissive in a way. On the other hand, I'd also caution against any major changes to a retirement plan until the aftershocks have ceased from this seismic event.

After all, we've been affected profoundly — and in profoundly different ways — by events in the last year. The world is being reshaped before our very eyes. Everyone is looking at the future through a new lens now. In the months to come, there are important conversations that need to happen with your family — and your financial advisor.

That's certainly been the case for me. I was likely one of the first cases of COVID-19 in Colorado in 2020. After a short flight from Phoenix to Denver in late February, I came down with a splitting headache and then, rapidly, a host of other symptoms including fever, fatigue and nausea. Thinking I had a bad flu, doctors repeatedly sent me home from the hospital, but my condition worsened to include terrifying symptoms such as bone-deep body aches, difficulty breathing, and heaviness in my chest. Finally, I was diagnosed with COVID in mid-March.

My recovery was fairly speedy and, by virtue of being one of the first to survive COVID in my community, I got to give a survivor's gift to others who were sick when the virus exploded in Colorado. For nine months, I donated plasma every two weeks at the hospital. We survivors have antibodies that are proven to help some of the most desperately ill patients recover.

That COVID experience did change me. A fit and health-conscious 57-year-old, I was deeply grateful for my health and determined to be more prepared for any crisis that might befall me or my family in the future. It was empowering to have something life-saving to offer those who were gravely ill. Still, I hardly expected to be battered anew this spring by COVID.

Ironically, I had a near-death experience because of the very thing that everyone hoped would end the pandemic: the vaccine. I got my first dose of the Moderna vaccine in late April. Four days later, I was out for a run and suddenly felt short of breath. Like many survivors of COVID, I'd expected some intense side effects after getting the vaccine but the breathlessness persisted alarmingly for ten days. I finally called my doctor and she urged me to go immediately to the hospital.

There, tests disclosed that I'd developed blood clots in response to the vaccine. The CT scan showed a parade of clots from my right leg to my lungs, and I was terrifyingly close to dying from a pulmonary embolism (Research suggests that nearly 25% of patients who'd had a severe case of coronavirus will develop blood clots in their lungs.) I was never admitted to the hospital with COVID, but I spent three days there because of my severe reaction to the vaccine. My reaction to the vaccine was an outlier amongst the millions of doses that have been successfully administered. Fortunately, occurrences like this provide researchers with critical data as they continue to study and improve vaccines.

Nevertheless, recovering from that very close call has been a far more emotionally unsettling process. For one, it sparked a sudden and discomfiting awareness of my mortality. I've always been fit and healthy, an optimist who believed wholeheartedly that I've got all the time in the world to achieve my dreams and pursue adventures. Time, which had stretched out before me like a languid river, now seems to hurry along a bit more urgently.

When I was in the hospital, I thought about practicalities such as what life would be like for my loved ones if I'd died. Would Laura, my wife, even know how to find all the necessary paperwork to put her life on a solid footing, financially, if something were to happen to me? Suddenly, I felt stripped of the arrogance I'd had about my life. I used to think that the rules–that unforgiving algorithm that tallies up the risks of aging–somehow didn't apply to me, pre-COVID. Now, I felt more vulnerable. I could see how quickly everything can change.

Time feels infinitely precious now. I'm more deliberate about how and with whom I spend it. I think differently about retirement, too. I love my job which has made it easy for me to brush aside any serious consideration of leaving it. Even though I have a solid financial plan, I had long been pretty vague about setting a timeframe for retirement.

"Maybe in five years," I'd say, "or so," the key phrase being the noncommittal "or so."

Now, I'm beginning to realize I may want a more defined timeframe and I suddenly have a lot of empathy for clients who have wrestled with that same unsettling question.

One thing I know for sure: we've all experienced a collective near-death experience over the past year. Mine was actually a pretty close brush. It's probably too soon to say whether that means a major shift in our lives or whether

we're all just experiencing a hangover. Will we go back to living the way we were in 2019? Are we eager to resume our commutes, committee meetings, business travel? Or have we changed fundamentally?

As a financial advisor, I've come to believe that, either way, these next few months are ripe for a series of thoughtful conversations with my clients about how they feel as they emerge into this new post-pandemic world. I knew intimately what their lives looked like before. What do their lives look like now, after? Has anything changed significantly and lastingly?

That's why I think it would be a good exercise in the next few months or year to lead each client through an introspective re-evaluation of their retirement plans. Fortunately, TCI has a roadmap for that. Every new client undergoes a process during which an advisor asks a lot of questions around three themes: values, time and money. It's meant to be thought-provoking and we want our clients to dig deep for answers.

What are the values that the new client holds most dear? Security? Charity? Hair-on-fire adventures? What's a realistic timeframe for retirement and the likelihood of longevity? Lastly, how much money will the client need to be financially secure through very old age?

These will be good issues to revisit in a few months. For many, this past year brought on a sincere reckoning with deeply held values. Some folks may want to make some small changes; others might utterly transform their lives. That might mean spending more down time with loved ones. Or supporting treasured charities with more generous donations. All of which have financial considerations that impact the retirement plan.

Most clients won't want to ditch the entire plan, I suspect, but they may want to talk about the possibility of shifting some priorities and tweaking the financials. I imagine a host of new considerations, large and small. For instance: Can we afford to do major renovations to the house to host family and friends more comfortably and for longer periods? What about buying a family compound now but leaving a little less for inheritances? Can we afford to be more philanthropic now rather than later?

Fortunately, last year was a financial boon for many well-to-do retirees and well paid professionals. For them, the lockdown meant less spending and more saving because of cancelled vacations, fewer restaurant meals and lower commuting expenses, thanks to work-from-home jobs. COVID initially crushed the stock market, but the rebound has been strong. Which gives our clients a lot of leeway in redefining their retirements.

I'm looking forward to lots of meaningful conversations with clients in the coming months, conversations like the ones I'm fortunate to have now with my daughter, who is 12. A few days ago, after walking the dog, we sat down together on the curb outside our house to catch our breath and talk about life. Life is brimming with possibilities when you're on the cusp of adolescence and a lot of her questions start with "What if, Daddy…"

I think those are the best kinds of questions to ponder.

Guy W. Holman, CFP® is an Advisor in our Denver office as well as Shareholder and Chairman of the Board of Directors for TCI Wealth Advisors.

Protecting Your Family and Your Wealth with Insurance Planning

by Jennifer Means, CFP®, FPQP™

Providing your family and loved ones a path to financial success requires looking at variables other than your 401(k) or IRA accounts. It forces you to look at the other pieces making up your financial plan, notably insurance.

Insurance coverage comes in many forms: car, house, life, disability, health, etc. Unfortunately, we often see extremes in insurance coverage and, more often than not, erring toward not having enough. Inadequate insurance coverage can derail your financial future. This can be in the form of not enough liability coverage or not having insurance at all. I have met with many young, working professionals who have life insurance and feel protected in case of an emergency. These are usually married couples that want to safeguard their spouse and children in case of their unforeseen early passing. They purchase life insurance knowing their loss of income would be detrimental to the family. Surprisingly, this same couple has life insurance but does not have disability insurance.

According to the Social Security Administration Trustees Report for 2020, both males and females from age 21 to 67 are more likely to become disabled than kick the bucket. It is startling to know that the likelihood of disability is higher than premature death, however, it is common to see the absence of disability insurance.

Approximately 51 million working adults in the United States do not have disability insurance. Furthermore, the Social Security Administration states, "68% of the private sector workforce has no long-term disability insurance." These are alarming numbers of people without disability insurance, they are underestimating the likelihood of an event and are therefore not insuring against the risk. While we all hope for a long, healthy life, we know life will hit us with unknowns. According to the Centers for Disease Control and Prevention, one in four adults in the United States has a disability. It is not my intention to alarm you; I do want to make sure you are aware of what the statistics say, help you prepare for the unimaginable and remind you to never take things for granted.

Adequately insuring yourself means that you're not solely responsible for the risks of everyday life, you're sharing that responsibility with an insurance company. We recognize that everyone's situation is unique with different levels of resources available. Here are some steps I recommend to everyone to help ensure you are prepared:

1. Have thoughtful conversations with your loved ones to determine your insurance needs.
2. Analyze your current coverage with an insurance professional who works in your best interest. Consider working with an insurance broker as opposed to an insurance agent.
3. Act sooner rather than later. Do not wait for a significant event to happen to discover the insurance coverage you have in place, or lack thereof, is insufficient.
4. Talk to your employer to see if life insurance and disability insurance are included in your benefit package. Employer provided coverage may not be adequate, but it is a good place to start and is usually offered at reduced cost.

Typically, we are not thinking about the number of threats we face every day because we're focused on other, more pertinent and concrete parts of life. However, ignoring the topic does not reduce the risk and could have long-term effects on your financial well-being. Topics like death and disability can be uncomfortable to think or talk about. So, please, give yourself and others the gift of knowing that you are doing everything in your power to be protected against life's unknowns.

Jennifer Means, CFP®, FPQP™ is an Advisor and Shareholder in our Reno office.

TCI WEALTH ADVISORS

Prsrt Std
US Postage
PAID
Tucson, AZ
Permit #2216

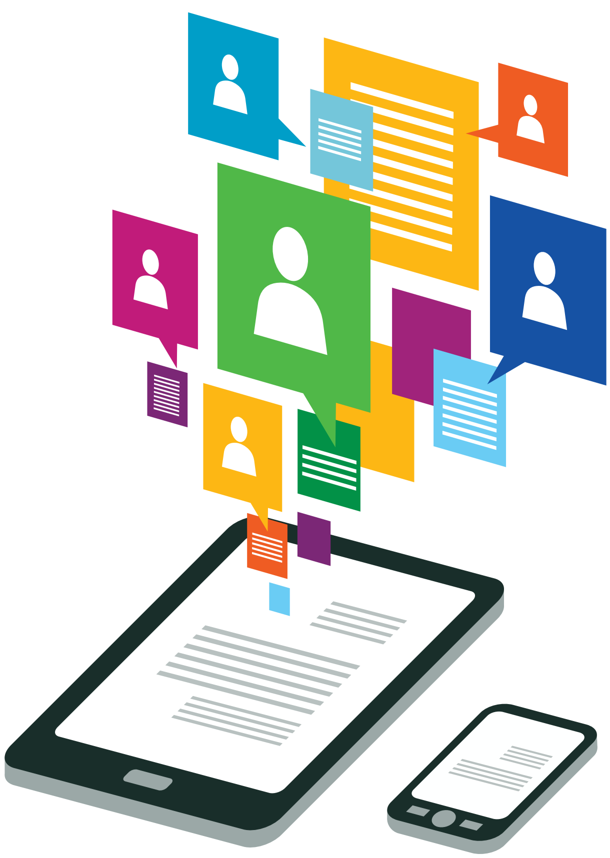
TCI Wealth Advisors
4011 E. Sunrise Dr.
Tucson, AZ 85718
877.733.1859
tciwealth.com

TUCSON I SCOTTSDALE I FLAGSTAFF I DENVER I RENO / TAHOE

TCI NEWS

TCI is on Social Media!

You can find us on Facebook, LinkedIn and Twitter. Be sure to follow us for the latest TCI news, insights from our blog and, things that make us happy. We look forward to connecting with you!



@TCIWealthAdvisors

linkedin.com/company/tci-wealth-advisors

@TCIWealth