Confidence through Education

Focus

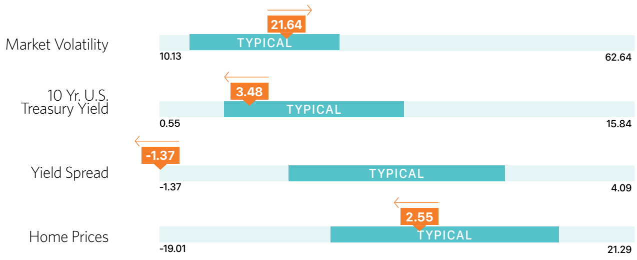
TCI WEALTH ADVISORS

First Inning: A New Coach Reflects

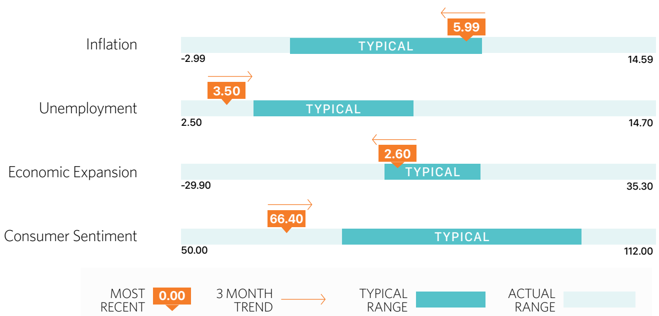
Read why we're poised for the future on Page 2.

SPRING 2023

MARKET SNAPSHOT



ECONOMIC SNAPSHOT



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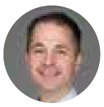
First Inning: A New Coach Reflects



by Sam Swift, CFA, CFP®, AIF®

Like a lot of kids, I dreamed of a career as a professional baseball player. I loved everything about the game: the crack of the ball against the bat, the triumphant gallop around the bases, the satisfying snap of a fastball. Baseball is precise, mathematical and so full of heart that nine innings almost always serve up the full buffet of human emotion: joy, grief, hope, despair and more.

Sometimes, life has a way of nudging you in a different direction. Turns out my fastball wasn't fast enough, and I couldn't hit a curveball either. When it dawned on me that I wouldn't be playing in the majors, I took a second look at the family business. Bob Swift, my father, was a co-founder of TCI, and his enthusiasm for his work was palpable. I joined the firm in 2006 after graduating college.

I quickly realized that working at TCI gave me everything I loved about baseball and more: the strict and ceaseless accounting while doing a job that is complex, unpredictable, demanding and infinitely rewarding. As a Financial Advisor, I have the opportunity to be creative with solutions that help clients achieve lives rich with experience and possibility.

Now, as the new CEO of TCI, I get to coach this winning team. It's a role with which I'm very familiar: I've been coaching baseball since I was in my 20s. These days, I'm teaching younger players, including my kids, how to throw, run, pitch and catch in Little League. Coaching, of course, isn't just about winning games, though that's fun and rewarding. It's about seeing potential and developing it. It's making sure your team has the skills and the resources so every player can do their best on game day. That's a good way of explaining how I see my new role here at TCI.

In many ways, I've grown up professionally here. When I joined the firm, TCI was still small. I was the firm's eighth employee. My first job was answering the phone and fetching office supplies in my rusty red 2001 Toyota Corolla, a car so flimsy that the heavy boxes of printer paper in the trunk nearly lifted the front tires off the road. On hot afternoons, I earned what I call my TCI MBA. I would listen carefully to Senior Advisors while I drove to a local convenient store for icy soft drinks, commonly referred to as a "Thirstbuster Run."

The next eight years were pretty busy. I acquired my CFA, CFP® and AIF® certifications, and I became the first Chairman of TCI's Investment Committee. I was simultaneously taking on more responsibility by serving in nearly every role and department at TCI. I was the firm's first Trader—now we have five. I was a Relationship Associate, which requires extraordinary attention to the most minute of details of managing clients' portfolios such as getting signatures on the right forms and making sure money is moved to the right account at the right time. Each of these experiences furthered my technical investment knowledge and prepared me to provide solutions to clients and their unique financial needs.

In 2010, I became a Financial Advisor, and began taking on my own clients in 2013. That was a turning point, I felt the full weight of responsibility not only for my clients' money but also, to a certain degree, for their well-being. I knew I had the technical skills, but the job required far more: an understanding of human nature, an appreciation and empathy for the comedy and tragedy of life, as well as an awareness of life stages.

Part of my new role is ensuring Team TCI has all the resources and support they need to do their jobs with excellence. This requires a day-to-day commitment, not only on the big issues but also the unglamorous details, too: technology, logistics, training and the intricate workings of the back room. Delivering on these commitments is important to me because, as a coach, it's my responsibility to nurture an environment where everyone is positioned to succeed so we can achieve our bigger goals.

Today, TCI has grown to 88 employees, including 20 Advisors, who all work as a team to serve 3,000 clients with more than $3.7 billion under management. Even more impressive, in my view, TCI has a strong culture that fosters teamwork and empowers everyone here to deliver consistently stellar service to our clients.

The culture of teamwork is where my baseball metaphor might wear a bit thin when it comes to TCI. After all, baseball is said to be an individual's game masquerading as a team sport. That may be the case at other financial advisory firms, but that's decidedly not so at TCI. We put a very high premium on teamwork here.

As an example, while all our Advisors have excellent financial planning and advisory skills, several have developed an expertise in very specialized areas such as expat issues, complex tax situations, family-owned business and estate settlement to name a few. Much like a pinch hitter, these seasoned Advisors often step in to help other Advisors analyze thorny issues and craft solutions for their clients.

As CEO, I am leading TCI forward as the financial landscape undergoes a profound shift. These are challenging times not only for our clients but also for our industry. For decades, investors have enjoyed easy growth and generous returns. Last year, there was a barrage of bad economic news: high inflation, slower growth, sagging equities and poor bond performance against a backdrop of global conflict and heightened financial complexity.

Meanwhile, the financial advisory industry itself is undergoing rapid change. Scores of firms, among them TCI, were founded in the 1990s. Now, an entire generation of Advisors are retiring or getting ready to retire. Many small shops are being acquired and rolled into larger firms. Amidst all this turmoil, no wonder so many investors complain of whiplash.

Here at TCI, we take pride in the fact that we've spent decades laying a strong foundation to create a firm that will last steady and strong a century or more. Like others in the industry, we've had a wave of retirements including Lori Booth-Houle, Bill Moss, Hank Peck, and Mike Sullivan. Later this year, Bob Swift will join them. Due to these transitions, we've made it a priority to recruit and train some of the best talent in the industry.

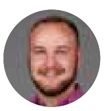
Our Founders and our Senior Advisors continue to maintain strong ties to the firm even after retirement. From its earliest days, TCI created a corporate structure that would encourage a gradual and purposeful transition of leadership from one generation to the next. Even after retirement, our retired Advisors are still involved with the firm as they attend client events, mentor younger Advisors, help them build strong networks in the business community and offer hard-earned perspective.

Having our Founders and retired Advisors participate in the life of the firm as elder statesmen and stateswomen ensures a continuity of culture and a deep well of experience and wisdom from which our younger and mid-career Advisors can draw. That's a valuable asset for the second and third generations of Advisors at TCI.

TCI's commitment to independence is firm. I can say this unequivocally. Some thirty years ago, TCI's founding partners vowed to build a firm that would serve not only their clients, but also their children and their grandchildren. We intend to keep that promise. Even as consolidation is sweeping across our industry and one firm after another is vanishing after being absorbed by the giants, TCI intends to stay true to its goal: a firm built to last a century, a firm built to serve generations.

Sam Swift, CFA, CFP®, AIF® is the CEO of TCI Wealth Advisors, and an Advisor in our Tucson office. Additionally, Sam is a shareholder of TCI.

Financial Issues Facing Young People Today



by Troy Chrane, CFP®, MSPFP

We worry about our kids because we love them and want them to live a happy, healthy life. The challenge is that there are outside forces beyond our control that will impact their lives. As we witness high inflation, rising interest rates and prolonged economic uncertainty, money often takes center stage. We fret over whether we've set our children up for success and whether they'll be financially stable in the future.

It's important to understand that factors influencing how people save and spend their money are constantly evolving. What was once common for one generation might not even be considered by another. Even though young people face their own challenges compared to past generations, many of the emotions around money remain the same. After all, the world changes, but people are still people and investing still involves risk. In fact, I find young people often have key advantages over the generations that came before them.

In contrast to the anxiety felt as retirement closes in, young people have decades to figure out the lifestyle they desire and goals they want to accomplish. They also have more time to recover and pivot if they make an unfortunate financial choice.

Additionally, young people have more options regarding their lifestyle than previous generations, who tended to live and work in the same community throughout their lives. With remote work becoming the norm, young people are free to work wherever they like, even if they don't live where their employer is located.

Accomplishing goals still takes time and patience, despite generational differences. Here are four challenges facing young people today on their paths to financial freedom.

1. Determining Risk Young people have more investment choices than previous generations, due to the advent of smartphones and the growing popularity of

investing apps. This combination allows investors to engage in risky trades, even if the user doesn't fully comprehend what they stand to lose. These new investment vehicles remain largely unregulated and experience enough ups and downs to make any Trader's head spin. While youth is a time to try new things, it's important to understand the potential benefits and risks of any investment, what you hope to achieve by investing and how investing can help accomplish your goals.

2. Student Loans With over $1.7 trillion of outstanding student loan debt in the U.S.[1], it's no surprise that student loans are one of the common issues facing young people. Starting off with a financial deficit can be an obstacle to starting a family, buying a home and saving for retirement. While there's no blanket advice for managing student debt (besides paying your bill on time each month), there are important planning opportunities to consider including loan forgiveness programs, selection of repayment plan, consolidation and refinancing.

3. Housing and Family Considerations Housing and family life has potentially changed the most as rents, housing prices and childcare expenses have skyrocketed. In the past, buying a home seemed like a no-brainer investment for the middle class. However, it may not make sense for your child to purchase a home due to high interest rates and inflated home prices. Similarly, family considerations add to the complexity of deciding what is best. The important point is to encourage your children to make decisions that align with their lifestyle goals and then support them in what they decide.

4. Not Enough Savings Saving money never gets any easier and impacts every generation. Unexpected expenses always seem to upend our best intentions. An effective solution is to utilize a tool not available to previous generations: automation. With automation you can routinely deduct from your paycheck and redirect to a savings vehicle including retirement accounts. With automation in place, you can work toward accomplishing your goals while hardly noticing the money being diverted. This helps remove emotions when deciding whether to save or pay for an expense.

One commonality that bridges generational divides is the dizzying amount of information trying to predict tomorrow's economic fate. No one truly knows what the future will bring. However, the one certainty is unexpected changes will happen, and the best way to help our loved ones is to set them up for success before, during and after these events. By being empathetic towards the current financial challenges they're facing, younger generations will be more open to advice and teachable moments. If you would like to schedule a family meeting with your TCI Team or have your loved ones meet with one of our trusted Advisors then we're only a phone call away. It's our pleasure to talk through long-term financial plans, goals and their generational impact.

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1. nerdwallet.com/article/loans/student-loans/student-loan-debt

Troy Chrane, CFP®, MSPFP is a Senior Financial Planning Associate supporting our Flagstaff office.

Reminders —

TCI offices will be closed the following dates:

Monday, May 29th

Monday, June 19th

Tuesday, July 4th

Monday, September 4th

Bonds: Stability Worth Maintaining

by Josh Rennie, MBA, CFP®, AIF®

Bonds tend to be the unsung hero of portfolios. They provide a fixed stream of predictable income, help us diversify our holdings and offer our portfolios risk reduction when compared to other investment types. So, in 2022 when their traditionally stable market was the most volatile it's been in 50 years, we started getting some questions: How did the market get like this in the first place? How does this impact my long-term strategy? When will the bond market recover? All of these are important questions when we think about fulfilling our long-term goals. Now that we're able to look back at 2022, we can analyze what happened and attempt to answer these questions. Before we dive in, let's quickly refresh our knowledge of bonds.

What Are Bonds?

Bonds are money loaned from an issuer to a borrower with the promise of full repayment to the issuer of the principal amount borrowed in addition to interest at the end of the life of the loan. Bonds are primarily issued by government entities (U.S. Department of the Treasury, agencies, municipalities) and corporations to raise money. Bonds are also ranked based on how likely the borrower is to default on their repayment obligations. This ranking varies from the highest quality and likelihood of repayment, AAA rating, to more speculative and lower likelihood of repayment, commonly referred to as junk bonds.

The most common way we integrate bonds into a portfolio is with bond funds. Fund companies will bundle many bonds to target specific characteristics. These characteristics might include quality, duration and yield. When TCI constructs a portfolio to meet the individual needs of a client and their goals, these factors come into consideration and inform which bond funds we select.

Understanding 2022's Historic Bond Market

Now that we've covered bonds and bond fund basics, let's look closely at what happened in 2022. It's hard to look back and review anything these days without mentioning the COVID-19 pandemic, and this is no different. The impacts of COVID-19 and subsequent recovery efforts threw a huge curveball into everything. Perhaps what was impacted the most was the somewhat predictable global supply and demand pattern, which continues to be in flux. Unfortunately, with this came inflation.

In March 2022, the U.S. Federal Reserve started taking action to curb inflation. One of the most common defenses against high inflation is to raise interest rates. Ideally, higher interest rates help limit spending, which then lowers demand, and, ultimately, helps cool inflation. However, this is a tight balancing act, as raising rates too aggressively can spur economic downturn and recession.

In the second half of 2022 inflation had reached a 40-year-record high at 9.1%, but it didn't last long and we started to see inflation trending downward. While cooling inflation can help relieve us financially, raising rates is not without repercussions. When interest rates rise, bond fund prices and values can fall, and that's exactly what happened last year. This, in turn, introduced more fluctuation and less return on bond funds than we are accustomed to seeing.

How Does a Fluctuating Bond Market Impact My Long-Term Plan?

At TCI, we plan for long-term success by striving to build resilient portfolios that can handle short-term market upsets. While bond funds in 2022 did not perform as we expected, we're now able to analyze the data which reinforces one of our

Figure 1 Stocks and Bonds are Rarely Down at the Same Time

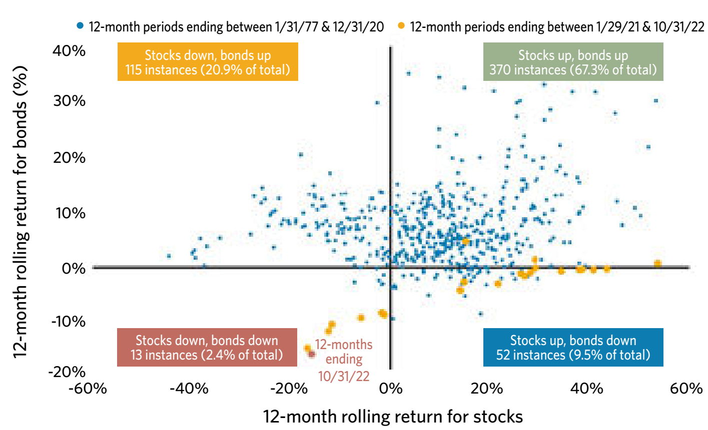

Chart courtesy of Charles Schwab.

core investment beliefs; weathering short-term storms is one of our best options for long-term success.

As previously mentioned, part of the reason bond funds are appealing to our portfolios is because they offer stability, and Figure 1 demonstrates the stability, particularly in the top right quadrant. Each plot point represents a rolling 12-month period of returns from 1977 through 2022. If you add the top two quadrants of the chart in Figure 1, you'll see that bonds were up 88% of the time during this period. Furthermore, in the lower left quadrant of Figure 1, we can see there are 13 outlying occurrences where bonds and equities were down simultaneously out of 550 observations, the sum of the quadrants, or 2.4% of the time. Since we think about long-term as decades as opposed to days, outlying years may have a small impact, but, because they're impossible to predict, our best path to long-term success remains staying the course.

We've already mentioned one other factor that can heavily impact bond returns and our long-term goals that is worth examining: interest rates. Interest rate activity generates a lot of noise when it is in the news. Figure 2 examines the relationship between Treasury bond performance after interest rate increases or decreases from 1976 to 2022. Unlike Figure 1, there is no clear pattern in Figure 2, so we cannot confidently say future rate changes are directly impacted by the Federal Reserve's current rate activity.

Again, this is why we play the long game. Time after time, the data tells us that not reacting to unfavorable markets is the "reaction" we're supposed to make. Markets are too big, complex and efficient for us to even imagine. By focusing on long-term results, we're trying to reduce the emotional response to market volatility.

Figure 2 Past Changes in Yield vs. Future Changes in Yield

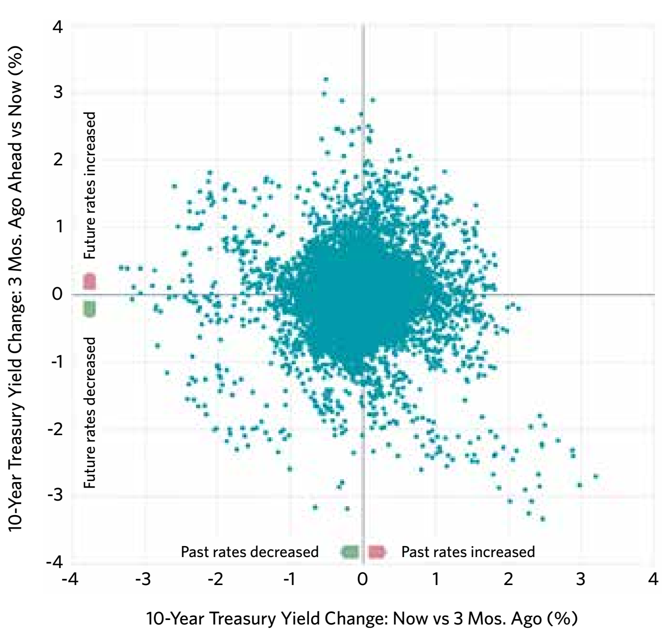

Chart courtesy of Avantis Investors.

What Recovery May Look Like

We must be cautious when thinking in terms of market recovery because no one knows what's going to happen. Markets are continuously interpreting and reacting to billions of pieces of information making it impossible to predict what they're going to do. New data is constantly emerging that forces us to evaluate any previous notions.

This is exactly what we see in Figure 3 which examines bond returns since the mid-70s. Our focus for this chart is on the red dots which represent total return, or the interest and price return of bonds. More often than not, the total return (red dots) of bonds is positive. This level of consistency is one of the strengths of bonds. Furthermore, the chart also shows that after down years, the following year tends to be positive except for 2021 to 2022, which saw back-to-back down years. There's an adage in investing: past performance does not guarantee future results. What's encouraging is the phrase works two ways: since we've seen something before, we're not guaranteed to see it again, and since we're seeing something now, it doesn't mean we'll see it again in the future.

Figure 3 Bond Total Returns by Year 1976-2022

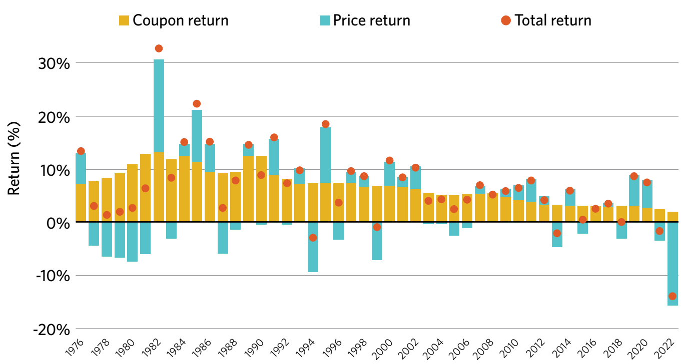

Chart courtesy of Charles Schwab.

So, when we're focusing only on recovery, we're doing ourselves a disservice. It's critical to remember that the U.S. bond market is one piece of a complex global market. Currently, the primary indicator we could look to as it relates to bond market recovery is inflation. However, economists remain divided on how quickly inflation will return to levels with which they are comfortable.

While years like 2022 are disappointing, they're not unexpected. What the market does is out of our control. Yet, we do have control over how we prepare for market volatility, and that's by building diversified portfolios that aim to accomplish long-term goals. When bond funds performed as they did in 2022, we can ask how we got here and what recovery is going to look like, but it is best to remain focused on long-term goals and strategy.

Josh Rennie, MBA, CFP®, AIF® is an Advisor in our Reno office. Josh is a member of TCI's Investment Committee which conducts on-going research and analysis that guides portfolio construction for TCI clients.

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DISCLOSURE

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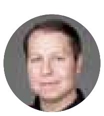
TCI NEWS

Share Your Taxes with Your TCI Team



by Addison Adelberg, CFP®, FPQP™

One of our commitments to you, our clients, is providing comprehensive solutions to your unique financial needs. We have a deep understanding of your assets and portfolios. However, that only represents a piece of your financial picture. There's no better glimpse into someone's financial situation than by examining their tax return. So, when you receive your completed tax return, please share it with your Advisory Team.

You might be asking yourself, "Why do I need to share my tax return with my TCI Team?" Well, to provide you with the most thorough solutions, we would like to see the complete view of your finances. By analyzing your tax return, we're able to foresee tax planning strategies needed in subsequent years to make your plan as tax efficient as possible. In two years, will you need to rebalance some of your assets? Perhaps there's a Roth conversion in your future. Will we need to offset some capital gains by making charitable contributions? By reviewing your returns, we'll be in the best position possible to help you achieve your financial goals.

There are many nuances that go into wealth management. While we primarily focus on helping you achieve financial freedom and your goals, we're here to be another resource to help you put the pieces of your tax puzzle together. We're not tax professionals, but we're happy to meet with your tax professional to ensure that our strategies align with one another to provide you with a tax efficient financial journey.

Addison Adelberg, CFP®, FPQP™ is a Financial Planning Associate in our Scottsdale office.