

# THE SEIA REPORT

## BACK TO SCHOOL PUBLIC VS. PRIVATE – FINANCIAL EDITION



**Deron T. McCoy**  
CFA, CFP®, CAIA, AIF®  
Chief Investment Officer

It's hard to believe it's back to school season already. It's also hard to believe that it's been 10 years since the start of the financial crisis

that brought about the Great Recession. A decade later, we find ourselves in the nation's second longest economic recovery and expansion (FYI: the average duration of a bull market is 3.5 years). Yet while stocks continue to push to new record highs, corporate earnings have failed to keep pace with prices, resulting in stock valuations that now sit near all-time highs. If you remove the tech bubble as a one-time anomaly, stocks have historically never been more expensive (based on a number of different metrics) than they are today.

### Recent History

The good news is that after two years of relatively flat earnings, we finally reached an inflection point late in 2016. Year-over-year earnings are now growing 10% compared to the first half of 2016 when energy prices acted as a significant drag on the economy. A rebound in corporate earnings and a pickup in economic activity (Q3 GDP is projected to be greater than

3% as of this writing) combined with the possibility of fiscal stimulus and tax reform in late 2017/early 2018 lessens the likelihood of a recession occurring anytime soon.

However, the bad news might come in 2018 when double digit earnings growth becomes much more difficult as the year-over-year comparisons get harder when measured against the strong growth of the past ten months. Corporate earnings may be locked into a best-case scenario of mid-to-high single digit growth for the foreseeable future.

### Philosophy (Get rich or stay rich?)

The risk of recession and an ensuing bear market is always elevated this far into a market cycle. But where should investors turn their attention to? In times past, one could take stock profits and reallocate into 6-8% yielding treasuries – sacrificing little in portfolio return since the mid-to-high single digit returns were similar to what was projected for stock gains in the remainder of the business cycle. However, we live in interesting times and that's not a viable option this cycle. With stocks at all-time high valuations and treasury bonds

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SUCCESSFUL WEALTH MANAGEMENT IS THE RESULT OF AN ONGOING COLLABORATION BETWEEN INVESTOR AND ADVISOR, BUILT UPON TRUST AND MAINTAINED ACCORDING TO THE HIGHEST STANDARDS OF INTEGRITY AND EXPERTISE.

- BRIAN D. HOLMES, MS, CFP®, CMFC, AIF®  
PRESIDENT & CEO

#### ABOUT SEIA

Signature Estate & Investment Advisors, LLC® (SEIA) is a Registered Investment Advisor firm offering Investment Supervision and Financial Planning Services tailored to meet the unique needs of affluent individuals and corporations. Fundamental experience and professionalism enable the financial advisors, with SEIA's research and support staff, to design a financial plan or investment portfolio to meet the client's goals.

DON'T FORGET THAT SEIA HAS PLEDGED TO DONATE \$25 TO CHARITY FOR EVERY CLIENT PORTAL THAT IS OPENED DURING 2017!

## 7 STEPS TO STRENGTHEN YOUR INFORMATION SECURITY & PRIVACY



**Stephen Fringer**  
Systems & Reporting Analyst

We realize that online safety and security – not just of your financial information, but also your family's personal information – is a growing concern

for many of you. In response, both SEIA and our custodial partners go to extraordinary lengths to ensure the safekeeping of your assets and information. But we also encourage you take preventive measures in your day-to-day activities to minimize the potential for hackers to gain access to your data. The following are some basic precautionary steps that our Information Technology team suggests every client strive to follow:

- 1. Cover the cameras on all your devices:** at first blush this may sound a bit paranoid, but there's a reason why most government-issued computers are now fitted with camera covers and why high-tech leaders like Facebook's Mark Zuckerberg tapes over his webcam. It's an easy way for hackers to access your computer surreptitiously, in an effort to gather information.
- 2. Download software only from trusted websites:** anytime you use an installer, you are essentially putting your safety in someone else's hands. Even commonly used sites like CNet's [www.download.com](http://www.download.com) can serve as an entry point for malware. Whenever possible, only download software from original vendors.
- 3. Use strong usernames and passwords, and never share them online or via text:** we've been warned hundreds of times, yet most people still rely on one or two simple, easy-to-remember (and therefore easy to hack) passwords for all their important websites. If managing multiple passwords is

too much of a headache, for a small annual cost, applications like LastPass will take the hassle out of managing your user names and passwords across multiple sites.

- 4. Install and regularly update security software on electronic devices:** yes, it seems that Windows or iOS always chooses the most inopportune times to launch an automatic update, but these software updates often include vital security patches to protect against new and evolving threats. Make sure you allow these updates to run on your computers, phones and tablets.
- 5. Lock down privacy settings on social media accounts and apps that can access personal data:** social media users often err on the side of oversharing personal information about themselves in order to feel connected to those in their network making their profile page a treasure trove of personal information. And many social media sites default privacy settings are far too permissive. Take time to review these settings and limit access to your posted content to as few people as necessary.
- 6. Be vigilant about possible phishing scams:** even if you think an email is from a legitimate source, be extra vigilant before opening any attachments or clicking any links. What seems like a 100% authentic Amazon or Ebay communication may be anything but. Look for any questionable grammar, and always check the email address of the sender. If you have any doubts, find the customer service number for the sending company online, and call them to verify the email's authenticity.
- 7. Regularly monitor your financial accounts and credit report for suspicious activity:** ignorance is anything but bliss. Regular monitoring of your accounts and credit

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yielding next to nothing after taxes and inflation, we must work harder and dig deeper to find value.

**Econ 101 (Seek out value)**

There is a herd mentality to the market. An initial investment thesis in a quiet part of the market catches fire and prices start to rise. Other investors catch on and pile into the trade—pushing prices higher still. The thesis turns into gospel when more and more investors pile in. The cacophony reaches a fever pitch as the herd chases the recent winners and pushes prices and valuations way beyond what any well-informed, reasonable investor would deem appropriate, not to mention the original thesis. When this happens, savvy investors need to check their emotions at the door, take profits and look elsewhere for shunned assets that are generally under-owned, unappreciated, and unloved.

This is hard as often assets are shunned for good economic reasons. But not always.

Look no further than our January newsletter article highlighting unique opportunities in emerging markets (EM) despite the anti-China/anti-Mexico rhetoric coming out of Washington DC (EM stocks are one of the best performing groups in 2017). In this case, the government

caused investors to flee an asset class. In other times, assets may be under-owned (and therefore cheap) because they aren't well known or readily available to the average investor. In both cases, the supply of investors is artificially smaller which limits the herd factor and keeps prices rational.

On very rare occasions, investors can uncover these unloved assets in a sector of the economy that's improving. When both influences align (an asset class has a limited supply of investors/investment capital and an economic tailwind driving demand higher) one of the first rules of economics begins to take shape. When demand exceeds supply, prices tend to appreciate and investors have an opportunity to reap meaningful profits.

**Applied Math**

Theory is great but can investors actually allocate to such investments? Private Alternatives may currently offer this rare combination. Because these assets are illiquid and not available to everyone (generally limited to institutions and high net worth individuals), they are considered Private. And by definition, because these assets aren't publicly registered securities like stocks and bonds, they are classified as Alternatives—thus *Private Alternatives*. Some options include the following (for a more detailed

analysis, please see this quarter's 'Tailwinds' publication at <http://www.seia.com/wp-content/uploads/2017/08/SEIA-Tailwinds-Issues-II-2017.pdf>):

- **Private Lending (in the Real Estate sector)**
- **Private Lending (in the Corporate sector)**
- **Private Insurance (in the Real Estate sector)**
- **Private Ownership of Key Assets (Farmland, Timber, Infrastructure & Real Estate)**

**Conclusion: Private or Public?**

While we are by no means calling for a top in global *public* equities, it now may be a prudent time for investors to focus on increasing the 'stay rich' side of their portfolio ledger via *private* alternatives. These strategies should not only appeal to the typical bond investor but also the stock investor. Yields are greater than those that can be found elsewhere publicly and total returns have the potential to rival domestic stocks.

Alternative investments are not suitable for all investors and often carry unique risks and expenses. Consult with your investment advisor, or other tax, legal or financial professional. Registered Representative / Securities offered through Signator Investors, Inc., Member FINRA, SIPC. 2121 Avenue of the Stars, Suite 1600, Los Angeles, CA 90067 (310) 712-2323. SEIA, LLC and its investment advisory services are offered independent of Signator Investors, Inc. and any subsidiaries or affiliates.

report is by far your best defense against fraudulent activities. A little vigilance can keep a minor inconvenience from becoming a major headache.

While online life will never be 100% safe or secure, a few preventative measures and a healthy dose of vigilance will go a long way to keeping yours and your family's private information out of the hands of hackers.



**OUR THOUGHTS AND PRAYERS ARE WITH ALL WHO HAVE BEEN AFFECTED BY THE RECENT HURRICANES AND WE WISH EVERYONE THE BEST IN THE MONTHS TO COME.**

# HOW DO YOU PREPARE YOUR HEIRS, NOT JUST YOUR ESTATE?



**Gary Liska**  
MS, CFP®, AIF®, CMFC,  
AAMS®  
Senior Partner, CFO

Much has been written about the impending intergenerational wealth transfer— with more than \$30 trillion expected to be passed down from

baby boomer parents to their GenX and millennial heirs over the next three decades.

Yet nearly half (46 percent) of all family heads have yet to engage in any inheritance conversation with their future heirs. High-profile estates that have been delayed or disputed or ended up in probate have include those of the Rev. Martin Luther King Jr. and Pablo Picasso. Even Howard Hughes lacked a will at the time of his death.

Certainly, family financial conversations can be difficult. What's more, you should keep in mind that it's not merely assets you should be striving to pass on to the next generation; it's also your core financial values and legacy, with which you have hopefully prepared your children and grandchildren to be fiscally responsible, empathetic and charitable adults.

Fortunately, your trusted advisor can play an invaluable role in facilitating the effective and efficient transfer of your wealth, and opening the dialogue between you and your heirs.

## 1. ESTABLISH AN ESTATE PLAN.

Estate-planning tends to be delayed because people assume estate plans are for the ultra-wealthy; or else they don't want to think about their mortality. It is important for almost everyone to establish

an estate plan or risk leaving their heirs with significant problems along with their legacies.

Think about specific concerns or special considerations, like any children you may have from a previous marriage whom you want to be sure to provide for, or perhaps that one child of yours who is in financial hardship while another is stable. There are many common estate-planning challenges that a well-versed financial advisor can help you navigate.

## 2. BE SURE TO CONSOLIDATE ACCOUNTS, PROPERLY TITLE ASSETS AND KEEP ADEQUATE RECORDS. ALSO REVIEW BENEFICIARY DESIGNATIONS.

Maintain an inventory of your overall estate, and consider consolidating your investment and bank accounts. Consolidation will mean fewer account statements, less paperwork for heirs and fewer administration fees to the estate. It is important to review your primary and contingent beneficiaries to ensure that the disposition of your financial assets reflects your wishes as stated in your estate documents.

*“Strive to be thoughtful, open and honest with your heirs about your inheritance plans, expectations and hopes for the future.”*

## 3. APPOINT A RELIABLE EXECUTOR AND SUCCESSOR EXECUTOR.

The executor's role is to administer your estate after your death. But, how well does this individual comprehend financial matters? What if you change your mind

about the way you want your assets distributed— can you easily communicate those wishes to that person? It's critical to review your appointed estate fiduciaries as your life and circumstances change.

## 4. BE SURE TO CONSIDER ASSETS THAT SHOULD BE SPENT AND GIFTED DURING LIFE.

Work with your advisor to understand how the various components of your estate will pass down, and avoid the common mistake of leaving assets after your death that may increase the future tax due from your heirs. There may be certain assets you should spend down during your lifetime and assets that should remain in the family (i.e., legacy assets). As in many aspects of life, children tend to mirror their parents' behavior when it comes to financial matters. So, strive to be thoughtful, open and honest about your inheritance plans, expectations and hopes for the future.

Take time now (long before the challenges of wealth fall into their lap) to introduce the next generation's members to your trusted financial advisor so they can gain a deeper financial education, awareness and preparedness. And look to your advisor to quarterback and collaboratively work with your attorney and accountant. Together, these professionals can help ensure that your wishes are carefully followed and that your heirs will be well prepared.



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# RECENT ACCOLADES AND UPDATES

## **Financial Times 300 Top Registered Investment Advisers**

SEIA is pleased to be named to the Financial Times 300 Top Registered Investment Advisers, as of June 22, 2017. The list recognizes top independent RIA firms from across the U.S. with the “average” FT 300 firm, assessing AUM and AUM growth, a company’s years in existence, compliance record, industry certifications, and online accessibility.

## **Los Angeles Business Journal 100 Best Places to Work**

SEIA is proud to announce that once again we have been selected as one of the Los Angeles Business Journal’s 100 Best Places to Work. What makes this a tremendous honor is that it is based on the anonymous answers of our employees about our culture and environment in comparison to thousands of other company employees who also took the survey.

This award serves to recognize and honor the best employers in Los Angeles, benefiting the county’s economy, workforce and businesses. The list is made up of 100 companies, and SEIA is honored to have been ranked on the list of this year’s Best Places to Work in Los Angeles.

## **Signature Estate & Investment Advisors Recognizes Our 10+ Year Tenure Employees**

At SEIA, we believe in building long-term relationships, both with clients and our employees. One of the keys to our lasting success and growth is the long tenure of many on our team, and while we continue to grow, we want to take a moment to honor this distinguished group of individuals who have been with the firm for **over a decade**.

**Chad Bates, June 2003:** His first job out of college was working within our President, Brian Holmes’ practice. Thirteen years

later, Chad has become an advisor while also attaining his CFP and numerous other designations. He has become an integral part of the team helping to advise clients while particularly excelling in Financial and Estate Planning.

**Joseph Fusaro, Jr, March 1998:** For over 18 years Joe has served in various capacities as an advisor, in compliance, marketing, operations, human resources and ultimately working closely with the Partners running the firm on a day-to-day basis. He is the “go to” person for those who want to recount the firm’s history, milestones and stories of yesteryear.

**Andrew Lin, December 2004:** Twelve years ago, Andrew started out in our investment department and eventually became the head of our subsidiary platform Signature Investment Advisors (SIA) where he is building out and leading infrastructure for the subsidiary that now manages over \$1.5 billion dollars.

**Deron McCoy, January 1995:** Starting out as a Financial Advisor in the mid-90’s, Deron soon realized his skills and passion were more closely aligned with investment analysis. He is now Chief Investment Officer at SEIA and the head of our investment department.

**Stephanie Mills, September 2000:** Having worked closely with Senior Partner Fritz Miller for over 18 years, Stephanie has truly become a part of Fritz and wife Angie’s family. She has not only been Fritz’ right hand, but the couple’s smiling, cheery supporter for the better part of two decades.

**Joyce Mizuhata, March 2001:** Joyce has been with Senior Partner Jennifer Kim for over 17 years where together they have helped thousands of clients reach their financial goals. Joyce has become a pillar of SEIA’s consistency and efficiency.

**Sabina Pinsky, October 2005:** Sabina started out working for Senior Partner Vince DiLeva before expanding her role into Marketing and assisting Brian Holmes’ practice. Over her eleven years working for two large practices and serving as a notary, she has developed extraordinarily close relationships with our clients.

**Vincent Reyes, April 2007:** Utilizing his previous 10 years’ experience as a trader before joining SEIA, Vince has since built out and expanded SEIA’s trading department to handle the tremendous growth of the firm. The first one in the office every day, Vince and his team are continuously working to get clients best execution, keep Advisors abreast of available debt instruments and improve client service.

**Brian Schiazzano, February 2007:** Over the past ten years, Brian has become an integral part of Founding Partner Mark Copeland’s team. The amazing continued growth of Mark’s practice is no doubt due in part to Brian’s perfectly complimentary skill set.

**Michael Van Kleeck, October 2007:** From his start Mike was challenged with assisting the firm through the U.S.’s Great Recession. As a Compliance Officer, his calm, ethical approach has continued to be a source of leadership 10 years later.

**John Williams, September, 2004:** There isn’t anything he wouldn’t do for SEIA. During his thirteen years as a key member of Founding Partner Paul Taghibagi’s practice, John also ran our billing department and served as the firm’s technology guru in the early days. Nobody is better at follow-through, attending to every aspect of client needs, and going above and beyond.

# SIGNATURE FUND for GIVING

As part of our continued commitment to providing unique experiences to Los Angeles youth, SFFG sponsored **A Place Called Home's** All Agency Beach Field Trip held on Friday, July 21st at Will Rogers State Beach Park. Approximately 150+ APCH members attended the event, enjoying a day at the beach swimming, playing sports including volleyball and football, and of course, cooling off with ice cream!

We are honored to be a part of the event and share with you the following note of gratitude:

*"For many of our members the beach trip is the highlight of their Summer. It's a great opportunity to escape the big city, build sand castles and jump into crashing waves. We could not thank SFFG enough for sponsoring the trip and helping to create endless memories for our youth." ~ Abram Castaneda, APCH Volunteer Coordinator*



Left to Right: Sabina Pinsky, Hayley Wood, Richard Parra, Christine Cheung, Elina Kaufman, Jake Geringer, Christian Hutchins

## SEIA

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