

THE SEIA REPORT

ASSET ALLOCATION: YOUR PORTFOLIO'S NORTH STAR



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

Every individual portfolio needs an intended destination and a road map to guide it. At SEIA, our mission is to provide the straightest and smoothest path possible to your

unique destination. Asset allocation is the means by which we accomplish that; allowing us to dial up or dial down portfolio risk to properly align with your stated objectives.

Together, asset allocation and portfolio construction* serve as a system of checks and balances – seeking to remove a great deal of emotion from the investment decision-making process and forcing you to take profits from strategies that have been working and reallocate those dollars to strategies that have been temporarily out of favor.

Once we've helped you to clarify, quantify and prioritize your goals, defined your time horizon and discussed your ability and willingness to take on risk, we formulate a plan that targets an asset allocation designed to achieve those stated goals without exposing the portfolio to additional risk. But asset allocation isn't solely about getting from point A to point B. It's also about smoothing out the ride so that you will be able to stick with your portfolio even when markets become turbulent. By bringing together a variety of different investments, we're better able to potentially offset a great deal of market volatility.

Building and implementing your allocation strategy

Your allocation strategy begins with your goals. If you're focused on generating 4% after inflation to live a fulfilling life in retirement, you're going to have a very different portfolio from someone who's saving for a retirement that is 10-20 years down the road.

Why Diversification Isn't Enough

You may have a highly diversified portfolio that's still poorly allocated. Not only might the quest for diversification lead you to take on more risk than required to achieve your goals, it might be far more superficial than you think. For example, consider an investor who strongly believes in the future growth of China. He or she invests not only in Emerging Market funds with a heavy China concentration, but also invests in the stocks of U.S. and Foreign construction, metals and mining companies that have a presence in China. Additionally, they invest in commodities (oil and coal) as well as currencies they believe will be positively impacted by China's growth.

By all accounts the investor is well diversified (EM stocks, U.S. stock, foreign stocks, commodities and currencies) but everything is tied to a single market event. If that doesn't pan out, the entire portfolio suffers.



I believe 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 align 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 align the client's goals.



CELEBRATING INTERNATIONAL WOMEN'S DAY

On Friday, March 8th SEIA enthusiastically joined in celebrating International Women's Day. Right now is a great and important time in history to do everything possible to help forge a more gender-balanced world. Women have come a long way, yet there's still more to be achieved. SEIA is proud of the many women who have assumed leadership and key roles within our organization for over ten years, including:

Jennifer Kim

March 1997

Having been with SEIA from the start, Jennifer has built one of the firm's most successful practices and is the recipient of numerous financial industry awards. She's accomplished all this while remaining heavily involved in her four children's activities as well as serving her community in a variety of capacities. Jennifer inspires us all to maximize both our work AND personal lives.

Kathleen Adams

November 2012

For over 15 years, Kathleen has been helping clients manage their retirements and the transfer of their assets. We are thrilled that she chose to bring her expertise in financial planning to SEIA more than five years ago. Kathleen continues to break new ground with her trademarked process "The Owner's Plan®" as well as her proprietary process: the Lifestyle Preservation Solution. In addition, she serves her community through a variety of charities and associations.

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KEY UPDATES FOR 2019

	2018	2019
401(k) contribution limits	\$ 18,500	19,000
401(k) catch-up (over age 50)	6,000	6,000
IRA contribution limits	5,500	6,000
IRA catch-up (over age 50)	1,000	1,000
SEP IRA contribution limits	55,000	56,000
Simple IRA contribution limits	12,500	13,000
Deductible IRA phaseouts for MFJ begin at	101,000	103,000
Roth IRA phaseouts for MFJ begin at	189,000	193,000

Source: IRS



Next comes the “sleep at night” test. A perfectly constructed portfolio that’s geared to delivering an 8-12% annual return achieves nothing if the investor panics and sells when the stock market falls 10%. Volatility is the price investors pay for potentially higher returns. But if it’s inherent in your nature to sell into weakness, then don’t subject yourself to a portfolio that may experience some sort of significant drop every 2-3 years.

From these two variables, we can identify the right mix of not only stocks, bonds and cash, but also determine what regions, what sectors, or which alternative investments are appropriate for your unique situation based on assets you may already own (e.g., real estate, company stock and private investments). For example, an executive at a Silicon Valley tech firm with significant company stock holdings may benefit from dialing back the exposure to tech stocks in their liquid investment portfolio.

When allocations might shift

At its core, your asset allocation will be determined primarily by the financial goals and risk parameters that your unique circumstances dictate. That’s why we encourage investors to focus more on the variables you can control (your spending/savings habits) rather than on variables that are beyond your control – things like the state of the economy or the stock market.

As portfolio managers, however, it’s our job to actively reposition investments within each asset class depending on the economic outlook. For instance, the makeup of an income portfolio looks very different if interest rates are below 2% than it does when they are above 6%. By managing allocation shifts within a business cycle we seek to amplify your returns.

Look no further than last year’s monetary and fiscal policy changes (e.g., tax cuts, deregulation and trade wars) for an example of why allocation flexibility might be warranted.

Additionally, allocations will likely need to change as you achieve certain goals and/or as your needs evolve. Allocation shifts might also be required should you wish to have your portfolio better reflect your personal values through a socially responsible investing strategy.

Addressing income needs

Perhaps the most common change to your asset allocation will occur as you transition into retirement – where a lifetime focus on asset accumulation gradually gives way to a new emphasis on tax-efficient income generation. Given the current and expected interest rate environment, income dominates many of our conversations these days – exploring different solutions for different needs and goals.

For instance, if you need your entire portfolio to be liquid enough that everything could be turned into cash within a few days, then your investment choices will be much more limited than someone who can set aside some money and lock it up for a while. In the latter case, we can potentially generate a much more attractive income stream. But everything other than a 3-month treasury bill** carries some element of risk that you need to be cognizant of and ok with. There’s no such thing as a one-size-fits-all solution. Inevitably the proper asset allocation depends on both your time horizon and liquidity needs.

If you’ve been investing in fixed-rate bonds over the long-term, you’ve likely become accustomed to consistently positive year-over-year returns. Going forward, however, the likelihood of traditional bond portfolios replicating the returns they’ve achieved over the past 20 years is uncertain. Investors need to reset their expectations regarding the bond side of their portfolio – unfixing their income and perhaps considering private vehicles that can generate a different type of income stream.

If there’s one thing that we hope all SEIA clients keep in mind, it’s that asset allocation isn’t something that you set-and-forget. As markets change and, more importantly, your circumstances, goals and life change, your asset allocation strategy also needs to evolve in order to address those new realities.

* Investing involves risk including the potential loss of principal. No investment strategy, such as asset allocation, can guarantee a profit or protect against loss. Past performance is no guarantee of future results. Please note that individual situations can vary. Therefore, the information presented here should only be relied upon when coordinated with individual professional advice.

** Treasuries are debt securities issued by the United States government and secured by its full faith and credit.

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THERE'S NO PLACE LIKE HOME



BY **Brian Schiazzano**
Advisor

“We shall not cease from exploration, and at the end of all our exploring we shall arrive where we started and see the place for the first time.”

While that may be a quote from the poet T.S. Eliot, it could just as easily be attributed to returning advisor Brian Schiazzano, who recently rejoined Mark Copeland's team in our Newport Beach office.

After more than twelve years working as part of a team at SEIA, Brian left the firm last May to explore a new opportunity to run his own individual practice for a wealth advisory firm in Scottsdale. The excitement of building his own firm, however, was soon overshadowed by the extensive travel that was keeping him away from home much of the time. Perhaps just as importantly, Brian was able to gain a new perspective of SEIA from the outside looking in.

At SEIA, the focus isn't just on doing well for the firm, but on doing right by our clients. We have been, and continue to be, held to a fiduciary standard. As fiduciaries, we strive to always hold our clients' best interests first.

In 2019, InvestmentNews once again named SEIA as one of the Best Places to Work for Financial Advisors* (for the second year in a row).

At SEIA, the focus isn't just on doing well for the firm, but on doing right by our clients – ethics that are beyond reproach and an unparalleled fiduciary duty.

CONGRATULATIONS

2019 SEIA named Best Places to Work for Financial Advisors*

SEIA President and CEO Brian Holmes was named to Barron's "2019 Top 1,200 Advisors" list**

Senior Partner Vince DiLeva was named to the 2019 Forbes Best-In-State Wealth Advisors list*

* Third-party rankings and recognitions are no guarantee of future investment success and do not ensure that a client or prospective client will experience a higher level of performance or results. These ratings should not be construed as an endorsement of an advisor or firm by any client nor are they representative of any one client's evaluation.

** The Barron's Top 1,200 Financial Advisors is a select group of individuals in each state with the number of ranking spots determined by each state's population and wealth. The rankings are based on assets under management, revenues generated by advisors for their firms, and the quality of the advisors practices. Investment performance is not an explicit criterion because performance is often a function of each client's appetite for risk. In evaluating advisors, Barron's examines regulatory records, internal company documents and 100-plus points of data provided by the advisors themselves. For more information, please go to <http://www.barrons.com/report/top-financial-advisors>

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Joyce Mizuhata*March 1999*

Joyce has also been with SEIA since the firm's inception. Whenever we hire new client service members, we point to Joyce as the one individual they should most strive to emulate. She is our go to person for any unique and complex service needs; as she has literally seen and done it all. "Ask Joyce" is a very common phrase in our office.

Sabina Pinsky*October 2005*

Sabina came to SEIA as a client service representative over a decade ago. Following her success as a manager of our Redondo Beach Office, Sabina came back to Century City to establish the corporate marketing department. As the Department Head, Sabina oversees all PR and marketing programs, plans and executes client/company events, and administers all client appreciation efforts.

Stephanie Mills*September 2000*

For over 20 years, Stephanie has been managing our Pasadena office. And in 2016 she played an integral role in moving that office to a larger, more upscale location. When SEIA is upgrading or enhancing software, Stephanie is always happy to be an early adopter so as to provide us with much needed feedback. Her continuous smiling and enjoyment of life is motivating to us each and every day.

Stephanie Perkins*September 2009*

It's been nearly a decade since Stephanie joined our Orange County office as an assistant and office manager. She quickly made herself an invaluable team member and was soon promoted to Client Service Manager. Stephanie has assisted every Advisor in our Newport Beach office, continues to manage the day-to-day aspects of the office, and serves as Practice Manager for Founding Partner, Mark Copeland.

Alina Barrass*January 2013*

Alina started as an intern at SEIA when she was 18 years old. Working with us all through college, it was an easy decision to hire her as soon as she graduated. Now, more than six years later, she is a Client Service Manager with a team reporting to her. Every time we bring a new intern on board, we make sure to highlight Alina's inspiring career path.

We're inspired by all of these incredible contributors, and look forward to cultivating future generations of empowered women. To learn more about what you can do each and every day to help foster equality, please visit internationalwomensday.com.

"We need to move beyond the idea that girls can be leaders and create the expectation that they should be leaders."

Condoleezza Rice**CENTURY CITY, CA****Liselotte Richards***August 2014***Christine Cheung***October 2014***Hayley Wood***June 2015***Richelle Parra***October 2015***Jessica Cherness***November 2015***Dana Aude***May 2018***Michaela Hurtienne***June 2018***Ellen Baldecchi***July 2018***Michelle Lee***October 2018***NEWPORT BEACH, CA****Natalie Rodgers***May 2016***Paula Hart***July 2017***Kelli French***October 2018***REDONDO BEACH, CA****Katie O'Neill***November 2012***Rachel Otto***May 2015***Sara Hendrix***August 2018***Tamara Patterson***September 2018***Lisa Morig***October 2018***TYSONS CORNER, VA****Suzanne Bottoms***June 2016***Gabriella Cajina***July 2016***Vidya Manickavasagar***October 2016***Elizabeth Sharp***May 2017***Arvette Reid***June 2017***Vannara Murphy***August 2018***Jamie Campbell***March 2019***Kathleen Persak***March 2019***M. Elizabeth Williams***April 2019*

THANK YOU

“It’s important to think good, speak good, and do good. If we want to see positive change in the world, then we need to connect to goodness.”

Shari Arison

SIGNATURE FUND
for
GIVING

Signature Estate & Investment
Advisors LLC raised nearly \$220,000
for the firm’s Signature Fund for Giving

The money will be distributed among various charities including: A Place Called Home, Children’s Hospital of Orange County, Toberman Neighborhood Center and Second Story. “It is a privilege to be the leader of an organization that prioritizes giving back to our local communities, not only during the holiday season, but year-round,” said SEIA President and Chief Executive Brian Holmes. “The charities we choose to work with are extraordinary supporters of those in need with a focus on mentoring and providing for youth, a cause that SEIA strongly believes in supporting.”



Signature Estate & Investment Advisors LLC’s Brian Holmes, president, CEO; Gary Liska, founding partner, CFO; Paul Taghibagi, senior partner; Mark Copeland, founding partner

If you have any questions regarding our Fund or how to participate, we invite you to contact Hayley Wood at 310-712-2323 or hwood@seia.com.

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