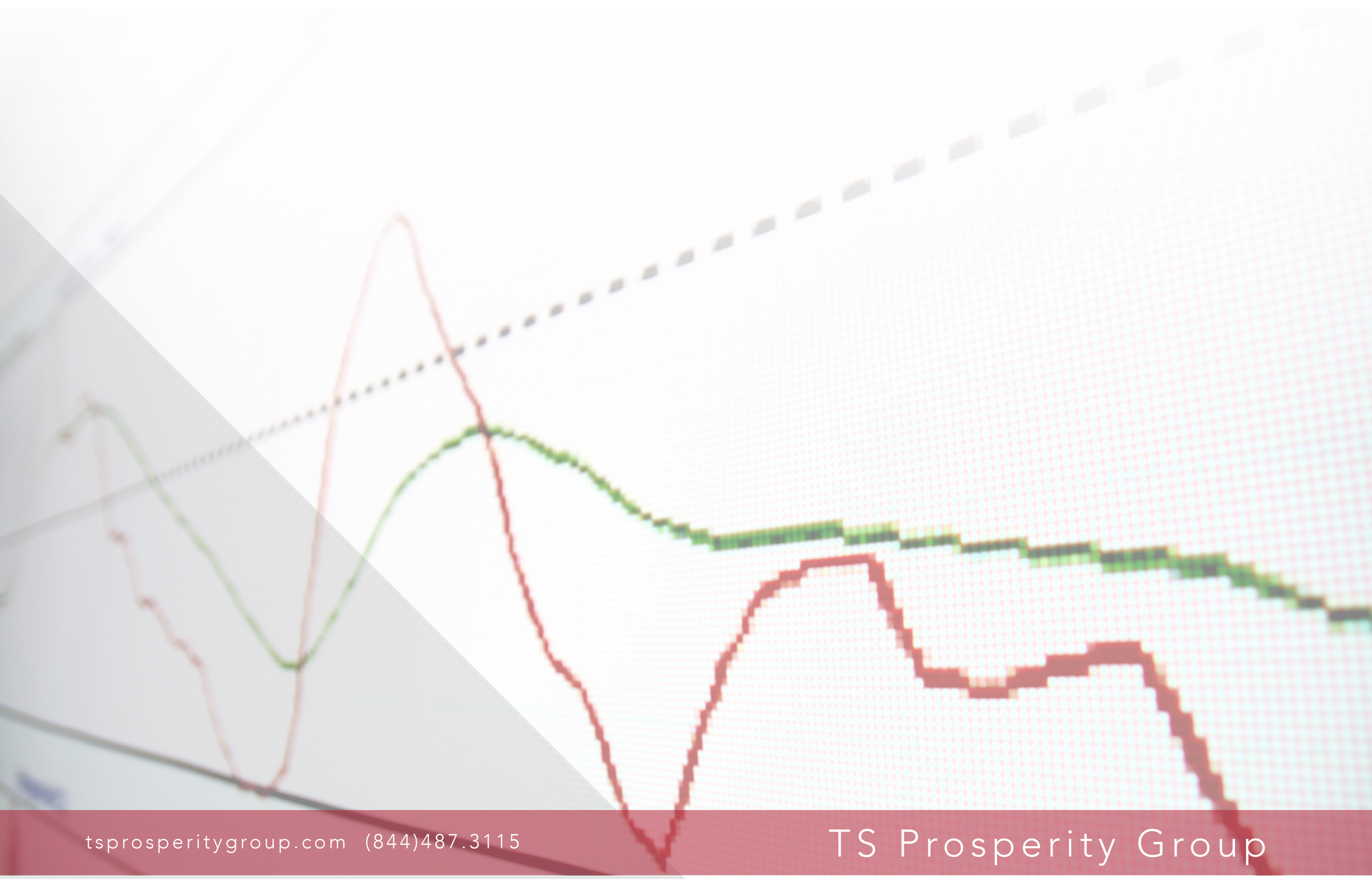
Slow and Steady Wins the Race

Consider the Tortoise and the Hare as they prepare to compete. The Hare appears unstoppable in his capacity to achieve victory in the race to the finish while the Tortoise is mocked by his peers who compare his methodical approach to the velocity of the Hare. The Tortoise is not intimidated by the challenge before him because he is confident in his strategy and knows that ultimately patience and perseverance will achieve massive success if a disciplined approach is maintained.



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At TS Prosperity Group we believe the problem today is that people underestimate the amount of risk in their financial plan. Therefore, we focus on investment and fiduciary risk first, and return second, providing clients with custom, optimized solutions. This allows our clients to sleep better knowing their prosperity is protected even while the market swings wildly from time-to-time.

Let's put this in context. We are now nine years removed from equity market lows reached at the tail end of the Great Financial Crisis in March 2009. From their peak in October 2007, equities would fall over 50% in the subsequent 15 months. In the "nine-year bull market" we've experienced since then, the S&P 500 and Dow Jones are up roughly 250% with mostly smooth sailing throughout.

Using only short-term memory, 2017 makes it seem like there is no place to be but equities. To be clear, 2017 was a great year for stock investors with the S&P 500 and Dow Jones up 19 percent and 25 percent, respectively. However, times like this cause investors to become complacent and forget about risk. Using 2017 as a case for only risk-on equity investing glosses over market downturns, which we experienced in 2011 with the European debt crisis and the China-driven volatility in both August 2015 and February 2016. These were seemingly isolated incidents that were recovered from in a month or so, but they should be good examples of why risk is an important consideration in investment management.

Remember when we called this a "nine-year bull market"? When you dig a little deeper into the downturns mentioned above, the 2011 correction could actually be considered a bear market period, thus breaking up the nine-year run since the Great Financial Crisis. The S&P 500 dropped approximately 20 percent from May to October 2011. Seems so long ago, doesn't it?

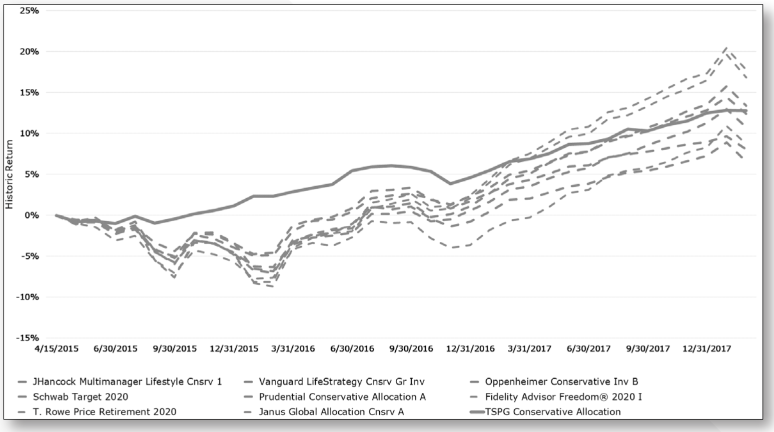
When looking at the seven-month period including both the August 2015 and February 2016 volatility, the S&P 500 was down about 15 percent overall, but many stocks were down over 25 percent. Again, when you consider the equity returns from that point until the end of 2017, it's easy to think that equities are the place to be.

Fast forward to 2018. Markets continued their run upwards in January, reaching all-time highs on the 26th. However, in the weeks to follow, the S&P 500 would fall over 11 percent from its highest level to its lowest point on February 9th. Stocks would rebound through the end of the month, but that wouldn't erase the loss of nearly 4 percent for the year's shortest month. With equities and valuations at such high levels, panic and selloffs can happen quickly and drastically.

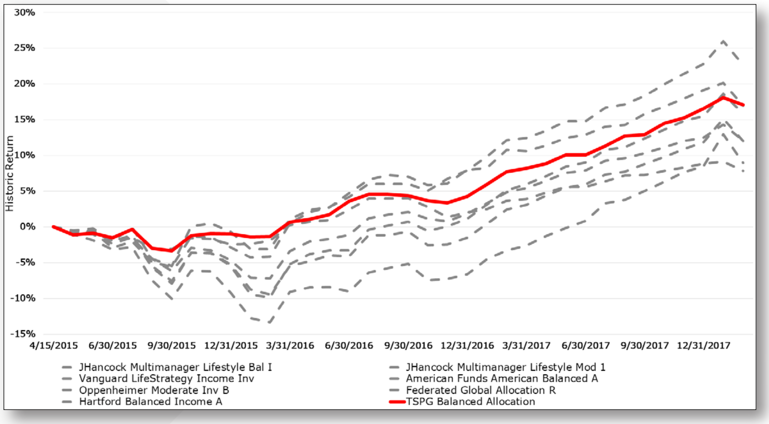
In historical context, bull markets have averaged around nine years in duration. "Bull market" is a somewhat subjective title, so whether or not we've had a nine-year bull market, there has still been a great run in equities since March 2009 in totality though not without some large corrections on the way. Bear markets are much shorter in duration, lasting about 15 months, but they can become painful in a hurry. What if one of the events listed above had gone on for another month or more? Can you stomach a 20 percent drop in an equity portfolio? What if the drop lasts for six months?

This is all being mentioned not as a scare tactic, but a reminder that risk is real and should not be forgotten. While an all-equity investor would have outperformed someone diversified into bonds and alternatives throughout this nine-year period, the downturns experienced during this time period remind us of the risk that an all-equity investor is taking on to achieve their return. A prudent, diversified portfolio that starts with a focus on risk is going to weather the storm when volatility picks up. If the start to 2018 is any indicator, we might see a much more volatile environment than we saw last year.

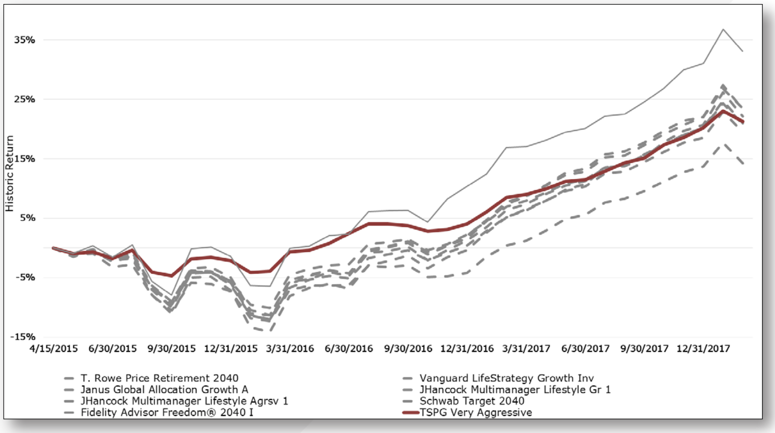
Conservative



Balanced



Aggressive



	Conservative		Balanced		Aggressive	
	TSPG	Peer[1]	TSPG	Peer[1]	TSPG	Peer[1]
2015	1.94%	-3.55%	0.15%	-3.60%	-1.21%	-4.44%
2016	3.41%	5.26%	5.27%	6.51%	6.35%	5.82%
2017	8.01%	11.28%	12.74%	12.33%	17.05%	19.20%
Total	13.86%	12.98%	18.86%	15.34%	22.98%	20.54%
Annualized	4.62%	4.33%	6.29%	5.11%	7.66%	6.85%

At TS Prosperity Group we believe, like the Tortoise, that speed is not the determining factor when pursuing a goal. In helping our clients develop and implement their Prosperity Plans, we will protect against downside risk to insulate our clients from large drawdowns, allowing them to "pass the baton" of a successful plan on to the next generation.

About TS Prosperity Group: We want to be your partner in creating a plan that secures and empowers your financial prosperity, while giving you the ability to care for your family today and for generations to come. Contact TS Prosperity Group today by calling (844) 487-3115 to schedule your prosperity planning meeting or visit their website.