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## **INVESTMENT PERSPECTIVES**

### **Focusing On What We Can Control**

Many of the challenges we face as investors are seemingly beyond our ability to influence or control; whether it be the UK's historical referendum to exit the European Union, or reaction to changes in Federal Reserve Bank policy, such events will always move markets over the short term. At Hutchinson Capital, we pay attention to these big-picture events but our focus always remains on our clients and the factors that are within our control.

Managing our clients' wealth involves more than just navigating complex financial markets. It means having a long-term vision of each client's unique needs and concerns. It means constructing a plan tailored to accomplish their goals and having the discipline to stick to it even when markets grow turbulent and uncertain.

### **Looking at the Big Picture**

At Hutchinson Capital, we work with many individuals and families who are challenged by the growing complexity of their financial situations. Thoroughly understanding where each client is on their financial journey is critical to us in providing sound financial advice. The process often begins with the creation of a financial plan. A comprehensive financial plan is a multifaceted program involving numerous considerations and an array of service providers. We provide many aspects of the overall plan, but for those areas outside of our competency, we work with other specialists, and often refer clients to professionals we know and trust.

The goal is to ensure your financial plan, tax plan, estate plan and investments are properly aligned. Following are several important elements of a comprehensive financial planning process:

- **Goal Setting-** Put very simply, goals are objectives that cost money in the future. Typically, this discussion begins with a very basic list, which inevitably expands to meet life's complex needs. Obviously, understanding these numbers and representing them as accurately as possible is a very important part of the planning process. Sample goals may include: travel, gifts to family, charitable giving, college, healthcare, wedding, or new home purchase.

- **Asset Allocation-** Your assets should be working for you in meeting these future goals. Do you know the rate of return you need to earn in order to meet those goals? Are your risks aligned with this required return? How might you adjust your risk/return profile in the face of life's changing needs? Understanding these dynamics within your financial plan, coupled with an advisor who manages its implementation while helping you stay committed to it, is critical to meeting your financial goals.
- **Education Planning-** The financial burden of funding a college education has never been greater than it is today. For many people, funding higher education is among the greatest gifts you can offer. Whether you are planning for your own children or grandchildren, knowing your options, and available strategies, can lead to more thoughtful solutions.
- **Social Security-** When to begin drawing from Social Security is not always a straightforward decision. We employ programs to analyze this decision in order to maximize your benefit.
- **Insurance Analysis-** There are myriad insurance products for nearly countless purposes. We do not sell them, but we often help clients evaluate their needs as part of their overall financial plan. Insurance can be expensive without being effective in the way you intend, so understanding your needs will lead to better purchase decisions.
- **Gifting/Charitable Planning-** Do you have goals around your legacy? How do you accomplish those goals in the most tax-advantageous way? These are not simple questions. This is a complex topic, often requiring the collaboration of your entire professional team. This is another area where Hutchinson Capital can help by coordinating the process on your behalf among the various advisors.
- **Estate Planning-** Planning around your estate is a process usually done by an attorney specializing in the area. There are tax issues as well as asset control issues. To assess your estate's capacity to give, you must incorporate into your financial plan, the expected return on your assets in light of your current income needs. Gaining confidence around this number is crucial to executing any estate planning strategy.

A financial plan is not merely a product--it's a process--a living document. It must be flexible enough to adapt to the inevitable changes that will happen over your lifetime. A properly structured financial plan should provide peace of mind that you are prepared for a variety of eventualities. At Hutchinson Capital, we are dedicated to implementing the best plan for your individual needs, and seeing that it is monitored and maintained.

## **Investment Discipline**

*“The investor’s chief problem – and even his worst enemy – is likely to be himself.”* - Benjamin Graham. *The Intelligent Investor* (1949 HarperCollins)

For most investors, professional as well as individual, risk means price volatility. When stock prices decline, investors often mentally translate these temporary setbacks into real losses in wealth or future purchasing power. After extended periods of persistent price declines, emotions can reach extremes, and these behavioral effects are rarely good for investment performance. Recognizing and understanding the effects that such behavioral factors can have on us and on the markets, is only learned through years of investment experience. At Hutchinson Capital, we’ve navigated some very difficult market environments over our decades of investing. As a client, you benefit from the lessons we’ve learned over the years and the processes we’ve developed for identifying behavioral risks and limiting the harmful effect that emotion has on investment success. As disciplined value investors, we maintain a consistent investment process and adhere to an established set of Investment Policy Guidelines as a way to eliminate emotion-based investment errors.

## **Independence and Objectivity**

There has been a lot of press lately discussing the Department of Labor’s (DOL) new fiduciary rule. What does it mean for Hutchinson Capital clients? We have *always* acted in a fiduciary capacity, putting your interests first and foremost. We don’t sell proprietary products and accept no commissions, sales rewards, fees from securities issuers or referral fees. Our only compensation comes from our clients whose interests are our primary concern. We actively work to identify possible conflicts of interest and to avoid or minimize any arrangements that benefit our firm greater than our clients. We also communicate with you every step of the way, so you gain an understanding of – and trust in – how your assets are invested. We are committed to transparency about how we are compensated. There’s no clearer sign of our confidence in our investment process than the fact that 100% of the firm’s own retirement plan is invested in exactly the same securities we purchase for clients.

## **Tax Efficient Investing**

We always think in terms of after-tax returns. While taxes are always detrimental to returns, their negative effects can vary widely. When buying or selling stock and bond positions in taxable portfolios, there are numerous strategies we utilize in order to *minimize* taxes. We are keenly focused on maximizing after-tax returns and we employ numerous strategies toward this end:

- Minimize Portfolio Turnover
- Focus on Long-Term Capital Gains
- Practice Tax Loss Harvesting
- Use Tax Lot Accounting

- Utilize Capital Loss Carry Forwards
- Purchase Bonds with the Highest After-Tax Yields

By developing a personalized financial plan, we ensure that each client benefits from the tax efficiency strategy unique to their own situation.

## **Conclusion**

While there will always be events that we can neither foresee, nor control, the client-centered culture we've built at Hutchinson Capital means that we are always working tirelessly to maintain the highest possible service for clients. Every member of our team is dedicated to helping our clients realize their personal and financial goals.

HCM's investment decision making process involves a number of different factors, not just those discussed in this document. The views expressed in this material are subject to ongoing evaluation and could change at any time.

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