

Key Points from Securities America Connect 2019

Sharon and I recently attended the Securities America Connect 2019 Conference in Seattle, Washington. This conference offers an array of professional development sessions, the latest on industry trends, best practices, and the firm's technology enhancements. I would like to share with you some of what I learned and what impressed me.

Below are my top takeaways:

Michigan was Well Represented at the Conference: There were two keynote speakers from Michigan at the conference.

Josh Linkner is an entrepreneur and business leader from Detroit. His focus is on innovation, leadership, and creativity. He mentions that we are hard-wired for creativity, which is the human element that allows us to be innovators. Josh discusses five mindsets of an innovator.

"Every Barrier Can Be Penetrated" is the key mindset of an innovator. Innovative leaders hold onto the inherent belief that there is always a way to solve a problem.

"Video Killed the Radio Star" is an example of how you cannot always rely on traditional approaches. For example, the TV stand, most TVs today are mounted right on the wall, so TV stands have become obsolete.

"Change the rules to get the jewels" is the mindset of looking for ways to reinvent something that already exists. Josh mentioned that 50% of Monopoly players cheat, so the company created a Monopoly cheater's edition. It was the single largest launch in its history.

"Seek the Unexpected" is the mindset of looking for opportunities to be extraordinary. Recently, an American Airlines flight that was supposed to take a class of fifth graders on a school trip to Washington DC was cancelled. Delta employees noticed what was happening and called their headquarters. Delta did the unexpected and brought in an airplane to fly the class to DC. That type of positive and creative marketing is priceless.

"Fall seven times, but stand up eight" is the mindset of tenacity. It is not about the number of successes, but how many times you get back up when failure knocks you down.

Besides helping entrepreneurs, these mindsets can also help us successfully navigate our own lives by anticipating change and being resilient.

Pamela Wartian Smith, M.D., MPS, MS is the Founder & Director of the Center for Personalized Medicine with a location in Traverse City. In addition to being an internationally known speaker on wellness, anti-aging, and personalized medicine, she is also known for her knowledge of aging well, hormone health, and maintaining cognitive health. Dr. Smith focuses on personalized integrative medicine that includes nutrition, hormone replacement, and vitamin supplements. Dr. Smith began her medical care as an emergency room doctor. When she developed acute insomnia in her forties and was not receiving relief after visiting several doctors, she began researching her cause. She started taking supplements, using hormone replacement therapy, and exercising regularly. Her journey and her new purpose eventually led her to an integrative and anti-aging

approach to medicine, ultimately creating the Center for Healthy Living and Longevity. Her focus went from reactionary to proactive in her quest to help patients either become or maintain their physical, emotional, and cognitive health. I am eager to read her books to optimize my health and wellness. Her books range from Allergy Relief, Thyroid Disorders, Weight Loss, Women's Hormones, Memory Loss, and Supplements.

Scott Kelly, Astronaut, was a keynote speaker at the conference, and I am currently reading his book *Endurance*. His story is fascinating and does not follow a typical path for an astronaut. He went to college but wasn't applying himself until he read the book by Thomas Wolfe *The Right Stuff*. The book changed the trajectory of Scott's life, and now his contributions to the Space Program are invaluable. His last mission was spending 340 days in space. Scott says that "the view is incredible, but it is lonely. You never leave your work environment, and you're living in a risky environment, but it is also a magical place like Disney World." Scott mentions that once the novelty wears off, zero gravity makes most things more difficult such as not being able to put anything down and expect it to be there when you come back. Scott flew twice on the Space Shuttle which disbanded in 2011. Afterward, he flew twice on the Russian Soyuz. He states that it was a privilege to have spent 500 days of his life in space.

His time in space was not without consequences since his chromosomes changed, and he has an increased risk of cancer due to these changes and long-term exposure to radiation. His contributions are still being studied and will be for the rest of his life. The study compares Scott's genetics to his identical brother, Mark. His experience has also brought attention back to the almost forgotten Space Program. The Space Program's contributions to our lives have been enormous: cell phones, GPS, Velcro, robotics, weather satellites, to name a few. Scott reminds us of the importance of the Space Program. "In a world of compromise and uncertainty, this space station is a triumph of engineering and cooperation. Putting it into orbit - making it work and keeping it working - is the hardest thing that human beings have ever done, and it stands as proof that when we set our minds to something hard, we work together, we can do anything, including solving our problems here on earth" *Endurance*.

Upcoming Technology Enhancements: One upcoming enhancement will allow us to share documents using a web-based vault. This enhancement is an upgrade from our encrypted email system since this technology will make it easier to share documents. You will be able to store other valuable documents in this electronic vault as well, such as your Estate Plan. Lastly, you will be able to enter outside accounts such as employer plans to show all of your investment accounts in one place to help you track and update your net worth. I will provide more information as the technology becomes available.

Market Update: The Panel was comprised of Jaime Desmond, Chief Operating Officer, from Ladenburg Thalmann, Brian Smedley, Head of Macroeconomics and Investment Research, from Guggenheim Investments, and Denise Chisholm, Sector Strategist, and Statistician, from Fidelity Investments. Jaime served as the moderator. They agreed that the economy is in the later stages of the economic cycle but shows signs of continued growth. They differed on when the next recession might occur.

Brian Smedley is responsible for global economic forecasting, global policy analysis, and macroeconomics. His focus is on macro outlook and the probability of the next recession. He sees several late cycle signals that indicate the potential for a recession:

- Unemployment rate leveling off and falling below full employment, which is currently happening in the labor market.
- The inversion yield tends to be the most reliable indicator, but there is a question if we can trust it due to the demand from investors.
- Feds typically begin to tighten monetary policy such as increasing interest rates toward the end of the economic cycle but have recently stated that they will pause and may consider decreasing the rate in the future.
- Labor market growth is slowing.

- Retail sales begin to taper off.

While Denise Chisholm's view differs from Brian's and is more optimistic. Denise believes there is no current signal indicating an immediate recession. She focuses on historical probability while incorporating macroeconomic data and believes in "letting the data speak for itself:"

- While the S&P 500 ended down for 2018, a defensive rotation occurred that led healthcare, consumer staples, and utilities to become sector leaders. She believes that there could be a rotation back to the cyclical sector, such as consumer discretionary. Historically, when the defensive sector reached new historic highs, then there is typically a rotation back to the cyclical sector, and it outperforms defensive by 10%. Denise remains bullish on equities.
- There has been a decline in crude prices. Wage growth is likely to rise in a tight labor market, while inflation may decelerate due to the drop in oil prices. Cyclical sectors also tend to benefit from low inflation.
- Lower energy prices and wage growth continue to have a positive effect to consumer income.
- The Federal Board has stated that they will pause on rate increases and possibly decrease rates in the future due to low inflation. Low-interest rates positively affect consumer income and spending.
- Yield curves have not predicted all recessions accurately.

The economy is slowing but has not slumped yet. Regardless of when we enter a recession, the plan is to stay the course with your Financial Plan and to reach out to me if you experience a financial symptom or concern regarding your plan.

As your financial advisor, I am committed to consistently increasing my knowledge as well as that of my staff to better support you. Continuing education allows me to help you navigate the ever-changing financial climate and be your financial sounding board.

Kind regards,

Meghan



Meghan Phillips Dykstra CFP®
Investment Advisor Representative
900 East Front Street, Suite 200
Traverse City, MI 49686
phone: 231-486-6188
fax: 231-486-6191
Meghan.dykstra@TandemWealthTC.com
TandemWealthTC.com

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