Summer 2017

Insights

BUILDING AND PRESERVING YOUR WEALTH

REGIONS
PRIVATE WEALTH MANAGEMENT

Women & Investing: A Fresh Perspective

What we can *all* learn from women's unique approach to financial decisions and planning

A Fresh Perspective

The rising economic power of women is one of the great stories of our time. But even so, women remain less confident than men when it comes to making important financial decisions. Regions' HerVision HerLegacy initiative seeks to address exactly that. The initiative is aimed at empowering women to feel confident about their current and future success—and at helping them make informed financial decisions along the way. That's why this issue of *Insights* focuses on inspiring women to take ownership of their financial lives. "Women & Investing: A Fresh Perspective" (page 6) explores the valuable outlook women bring to finances. Meanwhile, "Mothers, Daughters & Money" (page 8) offers thoughts on smart ways to engage the next generation of women.

Elsewhere, we look at ways women are reshaping philanthropy ("Women Investors Are Driving Social Change," page 3) and offer some financial tips for newlyweds ("Are You Ready to Talk Money Together?" page 1). And whether you've been married three months or 30 years, "A Few Things Couples Should Know About Financial Risk" (page 4) will help you manage life's challenges. Then find out how one entrepreneurial couple handles the pressures of marriage and their shared business ("My Lawfully Wedded Business Partner," page 13).

The financial rise of women is a big win for everybody—women, men, and the country as a whole. I hope that these articles inspire discussions with your Private Wealth Advisor as you plan your own future.

Kate R Danella

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Are You Ready to Talk Money Together?

4 conversations every couple should have before they say "I do."

Money is a big taboo in our society—many people find the subject tougher to talk about than politics or even sex, according to a raft of studies. It's no wonder so many couples avoid discussing it, even before getting married. "Many of us believe that if the other person truly knew our situation, they wouldn't want to be with us," says Bradley Klontz, Psy.D., an associate professor of practice in financial psychology at Creighton University Heider College of Business.

Steering clear of money conversations can also harm your relationship. A 2012 study published in the journal *Family Relations* found that couples who argue about money may be more likely to divorce.[1] Ask these four questions to help build lasting financial compatibility before tying the knot.

1. How's your financial health? "It's essential to share the financial challenges in your life such as a business debt, large student loans or credit problems," says Debbie Rahn, a Trust Advisor for Regions Private Wealth Management. Take a nonjudgmental "we" approach as you explore your money issues. Rahn's advice is to stay focused on the road ahead and to develop an honest, productive relationship so you can move forward.

2. What are your financial fears? Maybe one of you secretly worries about being homeless one day. Or one partner fears that the other only loves them for their family money. Sharing these anxieties can prevent needless anger. "Once you understand what someone worries about most, it's easier to have compassion for their behavior," says Klontz.

3. How do you see handling our finances? To head off disagreements, this conversation should include questions about whether to merge accounts, who will cover which expenses, and if you intend to consult each other on large purchases. "There's no right or wrong way to do things, but you have to be on the same page or you'll have a lot of challenges," says Rahn.

4. What are your financial goals? "You need to understand each other's core beliefs about money in order to anticipate any deal breakers later on," says Klontz. How often do you see yourselves taking vacations? Do you want to leave a legacy? What's your vision for retirement? You should know how your spouse envisions your savings, budget and lifestyle.

After all, the decisions you make together early on may determine the outcome of many things. Start the conversation now. ▲

MORE ONLINE Find additional insights at **regions.com/insights.**

[1] "Examining the Relationship Between Financial Issues and Divorce," *Family Relations*, 61: 615–628, 2012.

Family Philanthropy

Want to involve your family in your charitable giving? Here are two ways many families go about it.

It's easy enough to write a check to a charity you like when you receive an appeal in the mail. But many individuals want to be more intentional and strategic in their giving—and find ways to make philanthropy something in which their whole family is involved. "There's no better way to teach your kids the importance of philanthropy than by involving them in your charitable giving," says Carla Gale, Trust Advisor with Regions Private Wealth Management. Two very good ways to make giving a family affair, says Gale, are donor-advised funds (DAFs) and private foundations—both of which may also provide estate and tax planning value.

HERE'S WHAT TO CONSIDER IN CHOOSING WHICH COULD BE BEST FOR YOUR FAMILY:

	ADVANTAGES:	CAVEATS:
DONOR-ADVISED FUND 	**You can fund your DAF account** with a large contribution, immediately tax deductible (to the maximum amount allowed), but your family can take its time deciding which charities you'd like to fund. In the meantime, your contribution can grow, tax-free. You have the option to make the donations anonymous, from an individual, or from your family. There are generally no start-up costs for this kind of account, and it will generally have relatively low minimum contribution requirements and no annual disbursement requirements.	**With a DAF, you typically have** limited control over how your account is invested. Technically, you are only advising the fund to whom to direct your contribution: DAFs can contribute only to IRS-certified 501(c)(3) organizations, and the DAF could theoretically decline to contribute to the charity you've chosen (this is very rare).
PRIVATE FOUNDATION 	**A private foundation provides** complete personal involvement with your giving. You and your family can choose all recipients of the funds. You'll maintain control of your foundation's assets and can choose how they are invested. Private foundations can accept a variety of contributions beyond just cash and stocks, and foundations can exist in perpetuity, so your family legacy can continue across generations.	**The legal fees required** to create a private foundation can be steep, and there are ongoing administrative costs and annual reporting requirements. Also, private foundations have a 5% annual required distribution rate for their net assets.

FROM LEFT: HERO IMAGES/GETTY IMAGES, VSTOCK LLC/GETTY IMAGES, ROMOLOTAVANI/GETTY IMAGES

MORE ONLINE To learn more about ways to give, visit **regions.com/personal_banking/philanthropic.rf.**

TOM GRILL/GETTY IMAGES

A Social Security Bonus for Women?

Women may have an added incentive to work a few extra years before claiming Social Security benefits.

Of course, both men and women can increase their Social Security benefits each year they delay claiming, starting at age 62 and up to age 70. But women who continue working during those years often see an even bigger raise than men do—an average 8.6% bump for working one additional year versus 7.8% for men, according to a recent study by the Center for Retirement Research at Boston College. Benefits are based on the average of your top 35 years of earnings (adjusted for wage growth and up to the amount subject to payroll tax), and for women, working additional years in their 60s often increases that average.

This is because women often have zeroes or low figures in their tallies, reflecting years they stayed home or worked part time while raising children. The study found that nearly half had at least one zero in the calculation of their average. So by working a few years extra at the end of their careers, women are knocking out those low numbers and increasing that average. "Deciding to work a few more years can have a big impact on your retirement income stream," says Jama DeHeer, Senior Wealth Planner for Regions Private Wealth Management. "Even if you cut back your work hours in your 60s, your earned income is likely replacing earlier years of little or no income."

Here are five instances where working a few extra years could increase your Social Security benefit:

1. You've taken a career hiatus to care for kids or ailing parents and spent less than 35 years paying Social Security tax. (Different restrictions apply to public school teachers or government workers, who don't have Social Security taxes withheld from their paychecks.)
2. You've worked and paid Social Security taxes for 35 years, but some of those years include time spent earning minimum wage.
3. You only worked part time for some of your top 35 years.
4. You were divorced when you had young children, and untaxed child support provided the bulk of your income for a number of years.
5. You're earning as much or more at your retirement age than you've ever earned in your career.

Women Investors Are Driving Social Change

Women's influence as investors is growing, particularly in the field of socially responsible investing (SRI). SRI funds now represent $8.2 trillion[1]—a fifth of all assets under management, perhaps a result of women's interest in impact investing.

WOMEN INVESTORS MATTER—AND THEY CARE

39% of all assets in the U.S. are controlled by women.[2]

76% of women are interested in sustainable investing. (That's 23% more than men.)[3]

29% of women invest 1/3 of their assets for social good.[4]

WHERE DO WOMEN SEEK TO MAKE AN IMPACT?

Companies Focused On ...

Diverse Senior Leadership	77%
Environment	35%
Gender Equality	31%
Health	28%[5]

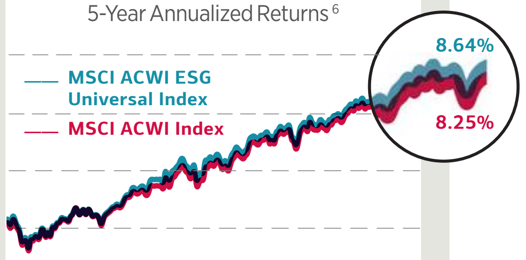
THE MYTH OF SOCIALLY RESPONSIBLE INVESTING

MYTH: SRI investments don't perform well.

FACT: Shares of companies that focus on Environmental, Social and Governance (ESG) can outperform competitors.

A TALE OF TWO INDEXES

5-Year Annualized Returns[6]



[1] "Report on US Sustainable, Responsible and Impact Investing," US SIF, 2016.
[2,3] "Harnessing the Power of the Purse," Center for Talent Innovation, 2015.
[4] "Gateways to Impact," Calvert Foundation, 2012.
[5] "Harnessing the Power of the Purse," Center for Talent Innovation, 2015.
[6] "MSCI ACWI ESG Universal Index Fact Sheet," MSCI, February 28, 2017.

HERO IMAGES/GETTY IMAGES

A Few Things Couples Should Know About Financial Risk

Protecting your plan means preparing for the unexpected—together.

If you and your spouse are like most married couples, your financial planning and saving is probably aimed at happy goals like retirement, college for your kids or buying a home. When the topic of managing risk comes up, it's likely to be in the context of choosing which investments might be the right vehicles for meeting those goals.

But portfolio losses are just one threat that couples need to guard against, says Missy Epperson, Area Wealth Executive at Regions Private Wealth Management: "It's equally important to think about and plan for how you'll handle other kinds of unanticipated life events."

This can require asking some tough questions: What would happen if one or both of you lost your jobs, became disabled or died? How would you cope if you became responsible for the care or financial support of a family member? If your marriage ended, would you both emerge financially intact?

And while these are emotional and often unpleasant questions, talking them through can help you build a stronger, more resilient financial plan, Epperson says.

FUNDING THE UNEXPECTED

"You can't avoid unexpected events, but you can mitigate their impact," Epperson explains. Having emergency savings to cover three to six months of living expenses is a start, but couples need to think bigger, she notes. "If you haven't saved sufficient resources to weather something like a lengthy health crisis or the death of a spouse—and some people might never feel comfortable that they have enough—then disability, long-term-care and life insurance policies can help cover that risk for you," says Epperson.

Scott and Bethany Palmer, co-authors of *The 5 Money Personalities—Speaking the Same Love & Money Language*, saw that play out when a friend was paralyzed in a car accident at age 35. "Fortunately, he had insurance," Scott Palmer says. "People think long-term-care insurance is just for a nursing home, but some policies kick in to cover you if you lose two activities of daily living, such as feeding and dressing yourself, and you can use them for care in your home."

Work with your Wealth Advisor to identify areas of exposure that you may not have considered. Serving on a board, running a home-based business or renting out your vacation home all present risk exposure, and all are reasons you might wish to revisit your insurance needs with your Wealth Advisor.

TACKLING TRANSITIONS

Business owners and couples with complex estate plans are particularly vulnerable to gaps in exposure. Without proper guidance, for instance, the illness or death of an entrepreneur can send a company—along with his or her family's financial well-being—into free fall. A thoughtfully crafted, well-documented succession plan, however, could help safeguard the futures of both the business you've worked for years to build, and your surviving family members.

"Your succession plan may involve a buy-sell agreement with a business partner or a plan to transfer equity to family members working in the company," says Epperson, who helps business owners navigate thorny succession and wealth-planning issues. Ask yourself: If something were to happen to you, could your spouse count on a guaranteed income stream from your business?

In a similar vein, Wealth Advisors can help couples figure out how to ensure that children from a previous marriage will be provided for or that family money will be safeguarded. "If there is significant wealth on one side, we recommend family documents, such as a trust or a prenuptial agreement," Epperson says.

BEING TRANSPARENT

Understanding one another's financial situations and intentions, including debts and obligations, is also important. For example, your spouse may be planning to cover college tuition for children from a previous marriage, or you may intend to support an aging parent financially. "The biggest risk we see with couples starting new lives together is a lack of transparency about personal finances," Epperson says.

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Jacqueline Newman, a matrimonial lawyer with Berkman Bottger Newman & Rodd, urges couples not to shy away from raising such concerns. In fact, both the legal documents and the discussion that goes into forging them can actually strengthen a union. "I've worked with clients who had really heated conversations during the process but who told me afterward, 'I think our marriage will be stronger having gone through this,'" Newman says.

Ultimately, that's what financial planning as a couple is all about, she notes: "You're investing the time to think through these issues and take steps to reduce risk on behalf of your family." ▲

Talk to your Regions Wealth Advisor about:

- How to financially prepare for unanticipated life events
- Estate planning concerns and how you might address them
- Additional forms of insurance that may help protect your family

Let's Talk

When it comes to financial information and your family, sharing really is caring. Here are 3 tips to get the conversation started.

Educate your family. At a minimum, both spouses and any adult children should have a basic understanding of the family finances, says Regions Private Wealth Management's Missy Epperson, who notes that your Wealth Advisor can help bring everyone up to speed. "It can be difficult to discuss your own mortality or talk to family members about how things will work," she notes. "A professional can guide you through that conversation."

Inventory your assets. Epperson suggests that you compile a list of assets and where they're held, then share it with your attorney and heirs. In the event of illness or death, that list will spare your family the task of foraging through financial statements in search of bank accounts, insurance policies and other assets.

Organize your documents. Ideally, you and your spouse will also create estate planning documents that will serve as a guide for surviving members, notes Jacqueline Newman, a matrimonial lawyer with Berkman Bottger Newman & Rodd. "You should have wills, health-care proxies—all your estate documents and affairs organized so that both of you have a general understanding of what's going on," she says.

JONATHAN STORY/GETTY IMAGES

WOMEN & INVESTING:

A Fresh Perspective

New thinking on the skills and insights that women bring to managing their finances could benefit *all* investors.

Much has been written about the differences between male and female investors, with headlines often implying that women are less confident about investing than are men. They're too risk-averse, the story goes, and most would prefer to have their male partners or spouses manage the family's investments. In reality, women are on average just as proficient at investing as men, explains Kathleen Burns Kingsbury, an expert in wealth psychology and the author of *How to Give Financial Advice to Women*. They just approach investing a little differently, she says.

Of course, you can't pigeonhole investors (or anyone else) based on gender. Still, there are some characteristics that women investors appear to share that all investors can use to their advantage.

Play to Your Strengths

Discipline is one of those feminine traits, says Katie McElroy, Portfolio Manager with Regions Asset Management. "One thing I've learned from my clients is that it's usually the women who will write out the to-do list in the morning or draw up the monthly budget," she says. Women are also more likely to make consistent contributions to their long-term investment plans, while men tend to contribute in lump sums, McElroy notes. Consistency in saving and discipline in investing are keys to long-term investment performance, she adds.

Another quality that contributes to investment success: "Women tend to ask a lot of questions before investing, and they thoroughly think through their investment decisions," Kingsbury says. "Then they tend to stay the course."

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That means women are less likely to jump in and out of the market, racking up transaction fees, or to panic when there's a correction, locking in losses. In other words, many women possess the qualities that lead to long-term investment success, Kingsbury says.

A Broader Perspective

"Here at Regions, we've long been aware that how and why women invest is usually different from their male counterparts," says Kate Randall Danella, Head of Regions Private Wealth Management. "Women tend to look at wealth within the context of their family and the goals they have for their family," she says. "That's the primary driver of their approach to wealth and wealth management." With a long-term, goal-oriented view of investing, a portfolio can be built on enduring strategies that can weather the ups and downs of short-term market contractions and corrections, Danella adds.

Risk-Aware vs. Risk-Averse

And what about the myth that women are overly conservative investors? Kingsbury says many women may simply be more aware of the risks they're taking on. Research suggests that women take a longer view and use a holistic approach to calculating risk. "Whether it's in business or investing, women will look at their family situation and their personal goals, and they'll think about how taking this specific risk at this particular time will impact those goals," Kingsbury says.

While discussing with couples the risks and rewards of certain investments, McElroy sees that men tend to focus more on the upside potential, while women are more concerned about the downside risk. In that situation, it's not a question of who's right and who's wrong, she says. The key is to find the right balance of risk and reward to meet the needs of both partners.

Taking Control

With all of these positive traits, why are many women still insecure about their investing abilities? Kingsbury points to tradition. "For generations, women were taught that men should manage the family finances," she says. As a result, the financial services industry has been slow to recognize the differences in how women think about money and investing, Kingsbury says. In fact, a Boston Consulting Group survey found that 55% of respondents felt wealth managers could do a better job of meeting the needs of female clients.[1]

But it's also up to women to take their seat at the table, Danella says. "There's a bit of a mystique that you have to know everything about investing before getting started," Danella says. "That's not true. The key is understanding what you can control and what you can't."

"There's a mystique that you have to know everything about investing before getting started. The key is understanding what you can control and what you can't."

—Kate Randall Danella, Head of Regions Private Wealth Management

To that end, Regions is redoubling its commitment to providing the resources and insights women need to make financial decisions that fit their lives. "Our HerVision HerLegacy Initiative is a comprehensive effort within Regions Private Wealth Management that we hope will empower women to define a financial vision so they can control their financial legacies," Danella explains.

"The fact that more than half of our Wealth Advisors are women sends a strong signal," says Danella, "but even without that, women should feel confident about the strengths they bring to investing. We just want to support and amplify that."

[1] "Leveling the Playing Field: Upgrading the Wealth Management Experience for Women," Boston Consulting Group, July 2010.

At every stage of your life, there are steps that you can take to start gaining confidence and taking control of your investments.

Starting Out: When you're in your 20s and 30s, the most important thing is to just get started. If your employer offers a retirement plan, learn about the investment options and then start building your portfolio to get a feel for how markets work. Time is your ally, so don't worry about what you don't know. You can refine your portfolio as you go.

Mid-Career: Women in their 40s and 50s should be actively involved in managing the family's finances. Educate yourself on what the family asset levels, investment selections and investment goals are, says Danella. Start meeting with the family's Wealth Advisor. Also, given that women tend to live longer than men, you need to ensure that your assets will cover your full life span.

Retirement and Beyond: Because of their longer life expectancy, most women will eventually be responsible for managing their own or their family's finances. So establish a rapport with your Wealth Advisor now, and seek advice from women who have more investing experience than you.

"You don't have to be an expert market timer or stock picker," Danella says. "The right plan and the right advisor will give you the confidence and comfort you need to make the best investment decisions for your goals." ▲

*To learn more about the HerVision HerLegacy initiative, visit **regions.com/hervisionherlegacy.***

Talk to your Regions Wealth Advisor about:

- Whether your current financial strategies are fully aligned with your long-term goals
- Current investment opportunities that match your family's risk tolerance
- Regions' HerVision HerLegacy Initiative

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Mothers, Daughters & Money

Tips for teaching financial discipline to daughters.

Mothers try to guide their daughters as they grow up, helping them find their way in friendships, gracefully navigate adolescence, and practice family values. But moms need to add something else to their to-do lists: Talking more openly about how to manage money. "Life is uncertain," says Elizabeth Winter, Wealth Advisor at Regions Private Wealth Management. "Mothers need to teach their daughters how to take care of themselves."

A *Women and Wealth* study conducted by Regions Bank with Vanderbilt University shows that women under 50 are less likely than men to take a lead role in making household financial decisions, and they report being significantly less confident than men across all financial matters. The results suggest a real need for mother-daughter talks about finances.

With her own twin girls, age 11, Winter tries to focus their money talks on being proactive by taking simple yet rewarding steps.

Spend, Save, Share: Allowance? Help your daughter think about goals and giving by separating the money into three jars—one for spending, one for saving, and one for sharing with those less fortunate. "It's a good way to learn how to use money early," Winter says.

Open a savings account: Once that savings jar has accumulated some serious coin, take your daughter to the bank and deposit the money into an account. Set up a regular deposit schedule. Show her the monthly statements so she can see how her balance is growing.

Get a job: "The happiest children I've seen—especially from the wealthiest families—are those whose parents have instilled a work ethic," Winter says. A job fosters responsibility and adds value to every dollar earned.

Chat about college: Conversations about college should begin early. "Girls need to know that college costs are high and require savings and planning," Winter says. Realizing this will help prepare them to contribute, perhaps with earnings from after school and summer jobs or by working to win a scholarship.

Talk cars: Having a car in high school provides the perfect opportunity to discuss the cost of maintaining something valuable—and using allowance or babysitting money for gas or to contribute to repairs.

Turn a Sweet 16 into Sweet Savings: Major events like birthdays and graduations can be financial windfalls, so consider using those gifts to start investing. "Ages 15 and 16 are perfect to start learning the basics of stocks, bonds and building a portfolio," Winter says. "The younger women are when they're exposed to this information, the more comfortable they'll be making investment decisions later on."

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The Tangible Value of Phantom Stock

A benefit for your employees can also pay off for you down the line.

> *"Phantom stock can be a great way to incentivize key employees."*
>
> — David C. Johnson, Wealth Strategist at Regions Private Wealth Management

A core tenet of your business strategy is, no doubt, to keep your key employees motivated and content. Yet according to Tom Miller, founder of the VisionLink Advisory Group, which develops compensation plans for business, many business owners aren't aware of phantom stock, a potentially advantageous way for owners to reward and retain employees. "Ten years ago, if I spoke to a group of 50 owners, maybe three had a phantom stock plan. Today it's still only 10 or 15 out of 50," Miller says.

That could well be a missed opportunity, as this type of compensation can both improve the odds of retaining valuable employees and act as a tool in the succession plan for your business. Here's what you need to know.

WHAT EXACTLY *IS* PHANTOM STOCK?

Phantom stock is a form of deferred compensation. You generally can offer it to any employees you choose. A primary allure is that phantom stock doesn't automatically dilute ownership or control, as would be the case if you issued formal equity stock to employees. That's why it is called phantom stock.

"Phantom stock can be a great way to incentivize key employees without giving them real ownership," says David C. Johnson, Wealth Strategist at Regions Private Wealth Management. "Yet employees psychologically feel as if they have ownership."

A recipient is granted "phantom," rather than real, shares that can be redeemed on a future date—which could be years from now. The initial share price is based on the company's current valuation (more on this below). If the company's value grows over time, so can the value of the phantom stock. Typically, the eventual payout a recipient might receive is the appreciated value of the stock or simply the value of the stock. The phantom stock can be paid out in the form of cash, stock, a combination of cash and stock, or another form of compensation.

HOW PHANTOM STOCKS ARE TAXED

There is no tax bill for the recipient until the year when an actual payout is made. Just like a standard bonus, the payout will be taxed as ordinary income. (The business gets to claim the payout as a deduction in the year it's paid out.)

Phantom stock plans are "non-qualified" plans, which means the reporting requirements are less onerous than what's required for qualified compensation plans. That said, owners need to apply a little bit of elbow grease at the start to come up with a system for valuing the phantom stock.

One method for determining stock value is to hire an outside business appraiser to make a formal analysis of the worth of the company; this can then be used to set the value of the stock. Though that will be an upfront expense—which could be significant, depending on the size and complexity of the company—Johnson recommends going this route as a risk-management tool. "Having an independent CPA conduct the analysis may help withstand IRS scrutiny," he says. You will also likely need to pay an ongoing fee to the outside consultant to provide subsequent valuations, though it may be less than the cost of the original legwork.

According to Miller, another more common valuation method is to use a straightforward formula, which could be as simple as a multiple of earnings or might incorporate a variety of financial metrics. "That way you just have to close your books each year and then plug in the variables for your formula to come up with the per-share value of phantom stock," he says.

HOW PHANTOM STOCK HELPS YOUR SUCCESSION PLAN

If your intention is to sell your privately held company to a family member or key employee, you may already be pondering how to hash out a mutually beneficial deal. It's likely that you have a certain price in mind, and you want to be sure your would-be future owner has enough cash to buy you out.

After all, as a business owner, you may not want a succession plan that will require the company to earmark big chunks of its ongoing cash flow to make installment payments to you. Nor do you want your designated buyers to have to consider the burden of a bank loan to finance the purchase. That's why it would be wise to set aside funds each year to meet your future obligation to redeem employees' phantom stock. When you redeem their phantom stock, that gives them the cash to fund their purchase of your business.

> *"Phantom stock can be a mechanism to help an owner today fund the purchase of the company by insiders sometime in the future."*
>
> —David C. Johnson, Wealth Strategist at Regions Private Wealth Management

"Phantom stock can be a mechanism to help an owner today fund the purchase of the company by insiders sometime in the future," Johnson says. If you have a phantom stock plan in place, and assuming the stock's value appreciates over time, you can time payouts to provide your insider with a chunk of cash that he or she can use to make the initial down payment when purchasing the company from you.

"Not having to rely solely on the business' ongoing cash flow to make installment payments can be the key to a successful transfer of ownership," Johnson says. A business life insurance product could also be a means of funding that future obligation.

You can also stagger phantom stock payouts to extend beyond your exit year. Those payouts then become extra cash on hand for the new owner(s) to make additional installment payments to you.

Despite the ghostly name, phantom stock can offer business owners tangible benefits in growing the business through the retention of valuable talent and in helping them execute a successful transfer of ownership in the future.

BY ADAM WITTAN
Senior Vice President, Portfolio Manager, Regions Asset Management

What a Strong Dollar May Mean to You

After years of stability relative to other currencies, the value of the U.S. dollar charged upward in the past several years, rising 13% in 2014, 9% in 2015, and 4% in 2016.[1] This has put downward pressure on overseas investments for U.S. investors. But now the tide may be moderating, and Regions has adjusted its forecasts to help you to take advantage of the shift we expect.

> "Non-U.S. developed market equities could benefit from a stabilizing, or perhaps even a weakening, dollar."

First, the good news: For Americans traveling abroad, a strong dollar is welcome news. From hotel rooms to restaurants, sightseeing to souvenirs, a strong dollar means you can buy more with less. The same holds true for American consumers when we purchase foreign-made goods.

But for those who invest in overseas markets, a strong dollar is less than ideal. Much of the reason lies in currency-exchange rates: When most foreign securities are sold, the proceeds are converted from their native currency to U.S. dollars. If the dollar is worth more relative to a currency now than it was when the security was purchased, some of its value is lost in the translation.

The strong dollar has also been a drag on the large U.S. multinational corporations that comprise the S&P 500® stock index. Some of these businesses get 40% or more of their earnings overseas, so they face these same exchange-rate issues when they convert foreign earnings back to U.S. dollars. In addition, a stronger dollar makes the companies' products more expensive overseas, so foreign consumers buy less of them.

We believe that the bulk of the U.S. dollar's strength is likely behind us and that its value will increase only marginally, if at all, against a broad basket of developed market currencies in 2017. In fact, the dollar was down nearly 2% in the first quarter of 2017.[2] Thus, international investments—including fixed income and stocks—may be less likely to face the same currency headwinds that they have over the past several years.

As a result, some investors may now be considering shifting their portfolio allocations to increase exposure to foreign investments. Emerging market equities are a particular area where we might see an uptick in interest from U.S. investors. Non-U.S. developed market equities also offer relative value vs. U.S. stocks and could benefit from a stabilizing, or perhaps even a weakening, dollar.

Fixed-income investors, on the other hand, may opt to keep only minimal exposure to foreign-bond mutual funds or ETFs, due to lower interest rates overseas and the rising likelihood that these rates will increase as economic growth accelerates abroad.

Rest assured that we're continuously monitoring the big picture for important intermediate and longer-term trends, and that we are committed to helping you try to reach your goals regardless of the market's whims. Feel free to reach out to your Wealth Advisor for ideas about how the shifting value of the dollar might affect your investment strategy. ▲

[1,2] Bloomberg LLP, 2017

My Lawfully Wedded Business Partner

The husband-and-wife team of **Ivy and Josh Elrod**, New York artists and performers, turned their creative vision into a Nashville business reality.

Like many young creatives, Ivy Risser and Josh Elrod migrated to New York City. She studied playwriting and danced as a Rockette at Radio City Music Hall. He played drums in a band and performed for 10 years—bald, painted and wordless—with the Blue Man Group. After meeting, marrying and having two children, the couple faced a new challenge—how to settle down and raise a family while still making a living in the arts.

Their answer: They opened Wilder, a Nashville boutique that sells contemporary home decor, much of it by artisans from Tennessee and the broader South. The couple made it the site of frequent art openings and performances, and it's become a hub for the city's creative community. We caught up with the Elrods to learn the secret of their success—as entrepreneurs and as husband and wife.

ALL IMAGES COURTESY OF ZACHARY GRAY FOR WILDER

AFTER "I DO"
Clockwise from top right: Ivy and Josh Elrod with daughter Rev; a look inside Wilder, in the Germantown suburb of Nashville.

RELOCATING

Ivy: We initially planned to open a store in New York, but I realized that in a less expensive city, we could afford to make creative choices and not face closure after one misstep. We examined the collective energy and creative backbone of a lot of cities, and Nashville really stood out.

THE NEW (CREATIVE) SOUTH

Josh: A lot of what we do is make connections and build community—we host artists from New York, collaborate with people in the Southeast. The artistic buzz we generate helps our business. These days, creatives don't have to go to L.A. or New York. They can move from a small town in Alabama to Nashville and have the best of both worlds—access to the greater cultural conversation and the intimacy of the South.

MIXING ART AND BUSINESS

Ivy: Josh and I are disruptive people by nature: socially, culturally, professionally. You wouldn't think so, but that helps us as entrepreneurs. In addition, as a performer, I had a real, solid base of technique in both ballet and classical music, and I use that focus and discipline in our business.

DIVISION OF LABOR

Ivy: We're both involved in the creative side of the business, but our roles are clearly delineated. Josh is the idea man. He spots trends, works with artists, creates the atmosphere in the store. I'm a sounding board for all that, but spreadsheets get me excited. Knowing that helps us balance our roles—and stay out of each other's hair.

TRUE PARTNERS

Ivy: We know each other really well. That's a result of us being married rather than just business partners.
Josh: We keep moving forward together, honoring the spirit of our relationship. ▲

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