

# SHARE THE WEALTH

GROWING YOUR PRACTICE WITH FPA OF MIDDLE TENNESSEE



THIS MONTH'S ISSUE  
**JUNE 2019**

**PRESIDENT'S WELCOME**

**MEMBER SPOTLIGHT**

**JUNE KNOWLEDGE  
CIRCLE**

**COLLEGIATE DAY 2019**

**SYMPOSIUM 2019**

**FREE ONLINE CE OFFERED  
BY INNOVATIVE  
PARTNERS**

**PRACTICE CORNER**

**UPCOMING EVENTS**

## PRESIDENT'S WELCOME

by **Nathan Greene, CFP®**

Welcome to this month's edition of "Share the Wealth," the periodical devoted to your professional development. In this month's edition, we look ahead to upcoming chapter events, opportunities to stand out, and ways to give back.

At the midway point of the year, we've welcomed fantastic speakers already. But, the best is yet to come as the second half of 2019 is filled with the local chapter's best offerings in some time.

- Symposium registration is now open. Along with keynote speaker Joshua Brown ("The Reformed Broker"), topics include divorce planning from a local expert attorney, ESG investing – which is a burgeoning area many of your clients likely hold interest – from a national leader in the subject, and valuable insights from the TN Department of Treasury on TNStars 529 Program and the TN ORP direct. A link to register is [here](#) and on page four.
- The free annual half-day Estate Planning conference will be in August, and the line-up will be announced soon so look for the save-the-date.
- Our first Collegiate Day in September offers the chance for you to shape the future of the profession by connecting with local undergraduate students from the area. You can learn how to volunteer on page three.

Over the rest of the year, there will be something for everyone. I am certain your investment of time in your chapter will pay dividends for your clients and for your network!

As a group of practitioners seeking to improve our practices – as well as the industry as a whole – we hope to grow with you in 2019. We hope you can use this edition of "Share the Wealth" as continued guidance on our ever-changing industry, and if ever you have story ideas, comments, or questions, please do not hesitate to reach out to me, Nathan Greene, or our Executive Director, Scott Sivley. We would love to hear from you.

**MEMBER SPOTLIGHT****KATE DORE, CANDIDATE FOR CFP® CERTIFICATION**

Kate is a personal finance writer and virtual paraplanner. She is serving her second term on the Board of Directors of the Financial Planning Association of Middle Tennessee. She currently chairs the Media Relations committee. She led our 2018 national FPA award-winning social media and technology efforts.

**Why did you get involved with FPA?**

Pursuing the CFP® designation is difficult, especially as a career changer. I joined FPA to make friends and give back to the community. I've loved getting involved, sharing ideas, learning, and growing.

**How have you benefited from being an FPA member?**

Entrepreneurship is often challenging. I've loved connecting with other local business owners to share wins, referrals, and opportunities.

**Why do you choose to serve on the Board?**

I've always been passionate about giving back. I wanted our chapter to get better, so I stepped up. I'm proud of what we have done. Also, I'm eager to improve diversity through action and accountability.

**What words of encouragement would you give an aspiring planner?**

If you're feeling frustrated, you aren't alone. Often, it's difficult to find the right job or firm. Once you get there, it's tough being the only woman, person of color, LGBTQ+, or person with disabilities.

The long road to earning the CFP® marks can be isolating — especially when you fail the exam — but you shouldn't give up. Our industry needs your unique perspective and talent.

Look for guidance through the CFP® Board's MentorMatch program. Connect with local advisors or online in FPA's Activate Facebook Group. My journey has been long, but I have no doubt the struggle will pay off.

# TRUSTCORE

illuminate the possibilities.

**Thank you to our platinum partner!**

To learn about the benefits of sponsorship, contact Danny Raube at [draube@shoemakerfinancial.com](mailto:draube@shoemakerfinancial.com).

**JUNE KNOWLEDGE CIRCLE**

This month's topic is Tax Planning. A client's tax return can be one of the most powerful documents for an advisor to review.

Join us for a discussion around what to look for on a return, strategies to help clients minimize taxes, and when you should partner with a CPA.

**Thursday 27 June**

3:30 - 5:00 PM

Black Abbey Brewing Co.

2952 Sidco Dr.

Nashville, TN 37204

**RSVP HERE**

Thank you to Director Dore for sharing her story. As part of FPA's "Year of You," we will highlight members each month throughout 2019. Please send suggestions for member spotlights to [scott.sivley@fpamidtn.org](mailto:scott.sivley@fpamidtn.org).

## Collegiate Day 2019

By W. CRAIG REED, CFA®, CFP®, CIMA®

A key element of our commitment to the profession is cultivating the next generation. We are now ready to announce an event where you can make a major impact on lives of current college students who will be tomorrow's advisors and financial planning professionals.

On September 27, the Chapter will host our first Collegiate Day. We will convene local leaders in the profession to offer current students educational counseling, mentorship, and some straightforward career advice. The goal for the event is to help current students better navigate the planning and early stages of their careers to become the best planners they can be, which is in the best interest of the profession.

We are especially looking for breakfast hosts and interviewers. Here is a brief description of the areas you can help.

### **Breakfast Hosts / Mentors** 7:55 am - 8:30 am.

We are looking for individuals who represent all sectors of the financial services sector.

### **Mock Interviewers** 10:50 am - 12:00 pm

Attendees will bring one current resume. All interviewers will give one hour and conduct two individual interviews. Each interviewer will receive a full packet of sample questions and expectations for the session to help you prepare.

This is a great opportunity to support our community, give back to the profession, and cultivate the next generation. To volunteer or with any questions, please contact our Executive Director, Scott Sivley, at [scott.sivley@fpamidtn.org](mailto:scott.sivley@fpamidtn.org) / 615.436.2216.

Collegiate Day

TrustCore

27 September 2019

8am – 12pm

**MAMONTGOMERY**  
& ASSOCIATES  
INSURANCE & FINANCIAL SERVICES

### **Thank you to our gold partner!**

Ready to become our partner?

Contact Danny Raube at

[draube@shoemakerfinancial.com](mailto:draube@shoemakerfinancial.com).



### **Thank you to our platinum partner!**

To learn about the benefits of sponsorship, contact

Danny Raube at

[draube@shoemakerfinancial.com](mailto:draube@shoemakerfinancial.com).



FPA members can earn additional CFP CE credit after reading the award-winning, peer-reviewed *Journal of Financial Planning* and *Financial Services Review*.

Financial Services Review exams are available at the back of each digital issue, accessible through the online JFP digital edition or through the JFP app. To receive credit, members must complete the exam and submit online. It typically takes 5-7 business days for these credit hours to be added to your CFP Board account.

### **Instructions to Access the exams:**

1. Ensure you are logged in to [www.OneFPA.org](http://www.OneFPA.org)
2. Select the exam you would like to take from the drop-down list, click "Add Course" and complete the checkout process.
3. Navigate to your FPA Classroom and click on the exam to get started.

**Click Here for  
Free CE Opportunities**



This year's program will captivate and inform while covering areas that will enhance your value proposition for your clients.

Joshua M. Brown, "The Reformed Broker" and CEO / co-founder of Ritholtz Wealth Management, highlights this year's quartet of expert speakers. Josh will share the insights RWM has employed to become one of the fastest growing investment advisory firms in America.

Presentations on ESG, divorce, and TNStars 529 Program and the Tennessee Optional Retirement Program round out the sessions.

There are full breakfast and lunch buffets, member recognition and awards, and two hours of teeing it up with your friends and colleagues. This is a can't miss event. Take advantage of the early bird discount by registering today.

Click [here](#) to register.



There are many different ways investors can define "value", but is the strategy you're using today really adding value to the portfolio? Click [here](#) for a webinar where our experts share key considerations when evaluating popular value investing strategies and discuss the benefits of taking an active, systematic approach.

**Thank you to our gold partner!**

Ready to become our partner?

Contact Danny Raube at [draube@shoemakerfinancial.com](mailto:draube@shoemakerfinancial.com).



for the intelligent advisor

**Thank you to our gold partner!**

Want to reach our members?

Contact Danny Raube at [draube@shoemakerfinancial.com](mailto:draube@shoemakerfinancial.com).

## FREE CE WEBINAR provided by Innovative Portfolios

### Understanding Market Volatility and How to Manage It

Free Online Webinar Approved for 1 Hour

CFP® Continuing Education Credit

[Monday, June 17 @ 12:00 pm](#)

The presentation focuses on educating investment professionals about the management of volatility within investment portfolios.

It provides detail about identifying effective measures of volatility while explaining the relationship between volatility and overall market movement.

#### The three learning objectives:

1. Explanation of the key components of option pricing
2. Discusses how short volatility strategies can be an important part of portfolio management
3. Case study of two option strategies and their relative risk (Covered Calls & Protective Puts)

**REGISTER HERE**

# PRACTICE CORNER

## Using Downside Risk Analysis to Evaluate Stocks

By Dave S. Gilreath, CFP®, Managing Director of Innovative Portfolios

Investors burn the midnight oil looking for stocks with tangible upsides, yet they spend precious little time examining stocks on their short list for identifiable downsides that could result in poor performance. A stock's value can derive in large part from expectations that drive performance, for a time.

But does it have potential for real, sustained performance? Or, with the baggage of ill-fated characteristics that can create outsized expectations and overvaluation, is it destined to become the victim of its temporary success?

### Downside Analysis

The best way to assess this is from downside analysis - evaluating groups of candidate stocks for relative degrees of characteristics that predict underperformance. The classic investing assumption is that higher risk means higher expected returns. But downside risk research by Revelation Investment Research, an institutional equities research firm, shows conclusively that the long-term reality is quite the opposite: lower risk means higher returns.

Revelation's approach could be viewed as contrarian in a market where everyone seems obsessed with upside. Its long-term research shows that the ultimate upside is actually absence of downsides. "So much time is spent looking at upside potential that people don't look enough at what could go wrong - where the holes are," says Greg Forsythe, Revelation's president.

### Methodology

Revelation's methodology looks at downside risk levels regarding 19 research points that fall into three categories:

- Valuation: these factors include metrics commonly used by analysts, including earnings per share (EPS) growth, sales, and free cash flow.
- Financials: including profitability trends and changes, revenue stability and debt.
- Sentiment indicators: including analyst forecast revisions, the persistence of performance surprises, share turnover and short-selling activity.

Some of these items come straight out of the standard analyst kitbag. What's counterintuitive is that some of the same factors widely associated with outperformance - profitability levels, extreme analyst price targets and high trading volume - also predict underperformance when present in certain measures and combinations. Stocks with these characteristics may be doomed to not live up to their high valuations.

"Many high valuations may be deserved," says Forsythe, a chartered financial analyst (CFA). "But we find that systematically, those with sky-high growth indications tend to fall short of expectations embedded in their market valuations." Revelation determines the presence and degree of sentiment factors, some involving behavioral finance considerations, that play a role in elevating these growth projections. Thus, it identifies and

quantifies downside signals inherent in certain types of overly rosy valuations, which will eventually be punished by a disappointed market.

### Research Findings

Using the 19 research concepts, individual stocks are ranked in deciles according to their aggregate scores. The worse a stock's overall score, the more likely that it will underperform over the next three to 24 months. Revelation has applied this methodology on a weekly basis to 2,400 stocks, tracking performance from 2003 to 2018. "Stocks rated as having the most downside risk have consistently underperformed on a relative basis, while stocks with the least downside risk have outperformed," says Forsythe. Moreover, he says, stocks that scored well for low downside risk had the least volatility, and those that scored poorly had high volatility. So, low-downside stocks identified in this research not only performed better, but were also more comfortable to own when a yo-yoing market was keeping investors up at night.

### Value Investing

Many stocks with low downsides happen to lean toward the value side, but strictly speaking, they aren't value stocks. Value investing is predicated on the belief that low-priced stocks are likely to rise if the market is undervaluing them despite solid fundamentals. Many value stocks may seem like a great buy because they've become so cheap, but their price can keep declining after you buy them. You got low price, but with no upside in sight.

Downside risk analysis can show which value stocks have characteristics likely to bring them up - as well as the factors likely to bring growth stocks down. Like growth investors, devoted value investors often obsess over upside to the exclusion of downside considerations, relying on style box categorizations to indicate risk (as in, the growth category indicates presumed higher risk with higher expected returns and the value category, supposedly have lower risk and lower expected returns).

Yet downside risk analysis renders such assumptions concerning risk-return relationships moot. This is particularly relevant now that some market observers expect value investing, which has taken a beating since the Great Recession, to come back over the next couple years after a decade of dominance by growth stocks.

Regardless of what kind of market prevails, investors would do well to practice downside analysis by examining characteristics of stocks that have underperformed, going back years before their decline, and then looking for the same patterns in the buys they're considering today. In doing so, they'll be using risk management not as an add-on but as an engine to power their portfolios to higher returns and lower volatility. They can have their risk management cake and eat it too.

Our Innovative Portfolios representative and partner for Middle Tennessee is Christy Jordan, Senior Vice President Central Region. You may contact her at 317.689.6450. [www.innovativeportfolios.com](http://www.innovativeportfolios.com)

# UPCOMING EVENTS

## JULY CHAPTER MEETING

**Leigh Griffith**

Partner, Waller Law

Opportunity Zones – Tax Benefits and Requirements

Approved 1HR CE for CFP, CPA, and TN Insurance

**Tuesday 16 July**

3:00 pm Networking

3:30 - 5:00 pm Chapter Meeting

Reception Follows on Terrace

TrustCore, Education Center, 1st Floor

**RSVP HERE**



## JUNE KNOWLEDGE CIRCLE

Tax Planning

Thursday 27 June 3

3:30 - 5:00 PM

@ Black Abbey Brewing  
Company

**RSVP HERE**



**ESTATE  
PLANNING  
CONFERENCE**



**SAVE THE  
DATE**

*14 August 2019*

*Richland Country Club*