

Higher View

A QUARTERLY NEWSLETTER of ALTAVISTA WEALTH MANAGEMENT

Tangible Personal Property: *The Overlooked Asset Class*



In recent years, tangible assets, such as fine art, jewelry and antiques have finally been recognized as an asset class in their own right. Homeowners can only sufficiently protect their entire wealth and understand the financial options available to them if they and their wealth advisors have access to a

comprehensive view of their tangible assets. Here are some points to consider in the management of tangible personal property.

A 2011 ACE study found that nearly 40% of wealthy clients did not have all their precious items insured with a Valuables Policy. Valuables coverage is not restricted by specific coverage limits for certain items in homeowner policies, and it may insure against a broad array of risks, including those excluded by homeowners policies, such as flood.

To effectively manage the risks involved with investing in tangible assets, we help families select a qualified independent insurance agent (with access to appropriate carriers) who specializes in serving high net worth clients.

An appraisal is the foundation for almost every decision made regarding tangible assets. Appraisals for insurance purposes are unique. For especially valuable items, consider two or three appraisals by different companies at the same time to ensure your assets are valued accurately.

Consider a secure cloud-based software system to help manage the records of your more valuable assets. These systems should store important details about each item along with its value, proof of authenticity and a schedule to update valuation. They will also be able to automatically adjust valuations, or notify the owner about the need for an updated appraisal, as related sales occur at retail and auction houses.

A specialist in tangible asset management can recommend and help owners implement key loss prevention strategies, including an updated inventory of property, evacuation planning for precious collections as well as family members, background screening of domestic staff and contractors to help prevent theft, and backup power supplies for environmental controls and security systems.

Tangible personal property can often be the source of most conflict between family members during the administration of an estate. Many families wait to develop a strategy for their valuables until it is too late to make a rational decision about a succession plan. Begin thinking now about your wishes for how your personal property should be distributed or donated.

– Dan Akers

Holiday Open House

Charlotte: Thursday, November 30th, 4-7 pm

Asheville: Thursday, December 7th, 4-7pm

RSVP to swilliams@altavistawealth.com

Looking to the Sky for Answers

In 150 A.D. the Greek philosopher Ptolemy published a book known as *The Almagest* which summarized the state of Greek astronomical knowledge, cataloguing the 1022 stars and 48 constellations known at that point. These constellations named by the Babylonians, Sumerians and Greeks helped them define the vast nighttime sky in a way that was useful for making judgments about navigation.

Within the economic firmament, relevant data points form a kind of constellation. Like old Greek sailors, investors attempt to discover a pattern or arrangement that provides guidance amid a vast torrent of data. Each investor arranges and interprets them based on their own experience and through their own prejudices.

For us, value is a polestar. At present, value provides only a dimming and twinkling light as stock prices climb ever higher. However, rising in the sky adjacent to value is the waxing light of two brighter stars: earnings growth and global economic expansion.

Normally when value is in decline, we look at the other stars in the constellation and observe a rising bear market (an *Ursa Major*). Fading value tends to beckon us toward the safe harbor of cash and bonds. However, with earnings and the world's economy both ascendant, we are persuaded to keep a steady course.

Earnings for the companies comprising the S&P 500 have climbed at a double-digit pace since late last year, at

least keeping pace with the improvement in stock prices over that time. We think this will continue into 2018. Global and U.S. economic growth, which has been positive appears to be on even firmer ground as we begin the 4th quarter with consumer spending growing and even long dormant capital spending picking up. Supporting this positive economic growth case has been the firming of oil and other commodity prices.

With growth and profits brightening the investment sky, what about the flickering and fading light from value? Today's higher stock prices, while a concern, make sense amid the good news on earnings. Corporate tax cuts, which seem likely to be passed, provide another justification of today's higher than normal valuations. The arrangement of earnings, growth and value in the sky help provide the confidence to hold steady.

However, careful sailors do not just look to the sky, they look at the sea around them for potential trouble spots. Geopolitical risks like those raised by tensions with North Korea and unexpected actions by the Federal Reserve could raise concerns. On balance, however, we advise steering straight ahead until morning.

We are grateful for the trust you have placed in Altavista and the relationships we have with each of you. Enjoy the beautiful fall weather and we look forward to seeing you soon.

— *The Altavista Investment Team, Fall 2017*