



Quarter-End Snapshot
Q2 2019

FIRM UPDATE

from **RICHARD JOYNER, PRESIDENT**



One of the most common questions we encounter when we're working with client families is how to help children and young adults build the skills – especially financial or business – they need to more successfully manage their increasingly complex lives.

Very few elementary schools or high schools include curriculum focused on developing these skills. I just finished reading “Make it stick – The Science of Successful Learning” and was struck by new research that seems to turn many of our old assumptions about learning upside down. Reading, highlighting, repetition and memorization, repeated lectures, and “cramming” (like most of us did before final exams in school) are some of the most common strategies, but also some of the least effective. So, what does the research show?

According to the authors of this book:

- Learning that requires effort (periodic quizzes, regular recall, and use of the ideas) makes for more permanent learning and better recall. Spacing practice times and varying practice routines improves results. In short, using what you've learned repetitively, over time, and in a variety of ways helps.

- Your intellectual abilities are not hardwired; effective learning changes the composition of the brain and increases intellectual capabilities.
- You learn better when you wrestle with new problems before an answer is revealed.
- To achieve excellence in any field and learn more, it's important that you work to surpass your current level of ability.
- Striving often results in setbacks, and setbacks often provide the information you need to adjust your learning strategies and ultimately to achieve mastery. In short, mistakes are part of the learning process.

Developing future family leaders is critical to sustaining a family over the long term – and that requires two things: effort and time. The research cited in this book confirms the importance of both, and it suggests that advisors, and the families they serve, would do well to envision better ways to go about it. Regular, consistent effort, which can include both classroom and much less structured learning approaches, is crucial. It should allow family members to struggle (ie, fail), to re-use the skills being learned on a regular basis, and continuously work for increasing levels of knowledge. The importance of the task makes the extra creativity and effort worthwhile.

WHAT'S HOTTER - DALLAS OR THE STOCK MARKET

from **ERIC BENNETT, CFA, CHIEF INVESTMENT OFFICER**



What a year so far! Double digit returns in equities, GDP growth, higher than expected corporate earnings growth, inflation in check, and low unemployment. And, the Fed is giving investors confidence by standing ready to reduce short-term interest rates, should the economy start to cool off. The only thing hotter these days is the summer temperatures here in Dallas! Risk is back on for now, and nothing in the short-term seems to be slowing this down. Globally, valuations and growth opportunities look more appealing overseas, but investors today prefer the more-predictable and good 'ole USA.

So, what does the investment team think about today's equity market?

We believe global diversification is important going forward, and we particularly like our themes in the Asia-Pacific region and the recently added Frontier Markets.

- Our preference to own high quality and valuation sensitive equities keeps us away from the hot stocks that have pushed the S&P 500 returns higher over the past three years, like Amazon and Netflix. We stayed away from the Dot.com boom in the late '90s, resulting in strong equity outperformance from 2000 to 2002.
- Managers that provide exposure to a certain theme or niche strategy are attractive to us and the ones we have been using have performed well over the past 18 months.

Our Investment Team is actively seeking new investment ideas that may provide excess returns over the next 3+ years.

What risks are we looking out for?

The biggest risk everyone is talking about is the timing of the next recession. Consensus is that we are still 1-2 years away, yet this was the case for the last 3-5 years. This isn't our main concern today.

Something to watch is the fight for the Presidential democratic nomination. That will start to heat up a bit in the fall and become the hot topic after year-end. This is a risk, as the business world and stock market may negatively react to a far-left candidate nomination due to higher economic and business uncertainty. We will watch this closely.

We have spent a great deal of time this year ensuring client portfolios are well positioned as the seasons change, whether it remains a red-hot stock market or not.

PRIVATE BANKING

from RICK LAFITTE, PRESIDENT OF TOLLESON PRIVATE BANK



Growing up, my parent's friends would often ask me, "Are you going to be a banker when you grow up just like your dad?" My thought at that time was no. I originally went the engineering route and never thought I would go into banking, but here I am decades later, President of Tolleson Private Bank!

I was fortunate to begin my banking career working with my dad, Darrell Lafitte, helping him start his own bank in 1985 – Cornerstone Bank. What a blessing to have a mentor so special to me and well respected in our community. Cornerstone is where I watched my dad treat his clients as

family and where he instilled in me the “cornerstone” to a successful banker’s career, that of truly having a servant’s heart, and deriving joy from helping other men, women, and their families achieve their financial goals. Now, I can’t imagine doing anything other than banking.

And now, many years later, I feel blessed to again have the opportunity to join an organization that epitomizes everything I learned about banking from my father. The employees, management, and members of the Board of Directors all exhibit the same great attributes of providing service above and beyond what is customary in today’s banking environment. It is evident that the people here work hard to truly know their clients, their families, and take the time to understand their unique needs and goals in order to help make a true difference in their lives.

We strive to not only serve our clients in a financial advisory role, but also walk alongside them, guiding their families, helping to remove some of the stress from their lives, helping them enjoy quality time with their family, and giving them the freedom to enjoy their wealth.

If there’s one thing I want our clients and prospects to know, it’s that I hope they understand the breadth of services that we offer in financial management and the sincere care we take with each and every member of our client’s family. I look forward to exploring how Tolleson Wealth Management and Tolleson Private Bank can continue to assist all clients, future clients, and generations that follow them with holistic wealth management and customized banking services.

TRENDING TOPIC

from **ROYCE RAMEY, MANAGING DIRECTOR**



As we digest the full effects of the tax law changes in 2018, we continue to evaluate tax deferral and tax reduction strategies as part of the holistic planning we provide. We recognize income and estate taxes are a real cost and many of you have asked if there is anything you can do to minimize your tax liabilities. Below are a couple of areas we are currently focusing on:

Location of Investment Strategies

One of the tax law changes in 2018 was the elimination of miscellaneous itemized deductions, which includes investment manager fees. While historically offshore vehicles are not as tax efficient as domestic ones, given investment manager fees are no longer deductible for domestic entities, the analysis of using domestic vs. offshore investment vehicles has changed and, in some circumstances, an offshore option may be more advantageous.

Many institutional investment managers offer both an onshore and offshore version of their strategies.

We are currently working with as many of these managers as we can to evaluate the option of an offshore vehicle to minimize tax liabilities for our families. We will continue to keep you posted on these developments but wanted to inform you we are working hard behind the scenes to pass this benefit on to you.

Development of an Insurance Dedicated Fund:

As we search to find solutions for a particular client need, sometimes we find a solution that can help more than one family. This year we had one of these cases and we are proud to announce we recently finished the development of an investment vehicle referred to as an Insurance Dedicated Fund (IDF).

An IDF is an investment vehicle that meets the requirements of the insurance industry to serve as an investment option for life insurance policies or annuities. We tend to avoid insurance and annuities for a number of reasons, however in the ultra-high net worth space, there are strategies called Private Placement Life Insurance and Private Placement Annuities that generally carry a lower cost than their retail partners and allow participants to invest in more sophisticated investment options.

The Tolleson IDF allows families to utilize these strategies to defer recognizing annual income taxes and, in some cases, not recognizing them at all. For certain family situations, these strategies can serve as a powerful planning tool and we are excited to be able to offer this to those families who need it.

We are proud to continuously work on finding ways to unlock value for our clients and their families. If you are curious if any of these strategies are right for your family, please don't hesitate to reach out to your advisor.

PHILANTHROPY

from **SUSAN JENEVEIN, DIRECTOR**



At times we find ourselves looking for leadership from private foundations that we can't get from anywhere else. In his book "Giving Done Right," Chief Executive Officer of the Center for Effective Philanthropy, Phil Buchanan, correctly assesses that philanthropy plays a leadership role in addressing societal issues that neither the government nor business can fill.

That means that women and men who serve as directors of private foundations have to work together to make leadership decisions that affect all of us, from wrestling with public education and supporting the arts to

preserving the planet. At Tolleson Wealth Management, members of the boards of directors sitting on foundations we serve are often family members, which adds another level of complexity.

In her new book "Daring to Lead," researcher and author Brené Brown concludes that leadership is a willingness to step up, put yourself out there, and lean into courage. At the heart of daring leadership is the ability to 'rumble' with hard questions. She defines a rumble as "a discussion, conversation or meeting defined by a commitment to lean into vulnerability, to stay curious, generous, and to stick to the messy middle of problem identification and solving...."

We support board members as they 'rumble' on some of the toughest issue of our times. Our job is to give board members space to express their viewpoint and ensure that everyone around the board table is both informed and heard. We are dedicated to creating space in and outside of meetings that allow directors to step out on a limb, suggest new approaches, and tell the truth about how they experience our world and the work of the foundation.

We connect foundations with leaders in their fields of interest from university research in science to innovators of the arts. We accompany board members on informational site visits and convene roundtables of subject matter experts. And, we employ tactics such as pre-meeting electronic surveys, individual leadership-style assessments, and facilitated conversations to help them rumble well. Our families who lean into the rumble seem to be the closest families whose foundation work resonates outside the boardroom in their connection to each other and in the impact they are making on our world, which is good for all of us.

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