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The proverb "May You Live in Interesting Times" reflects current financial markets. **Sterling Investment Advisors, Ltd.**, discusses the interesting opportunities and challenges of our times. page 74

'May You Live in Interesting Times'

The proverb reflects current financial markets. **Sterling Investment Advisors, Ltd.**, discusses the interesting opportunities and challenges of our times.

by BILL DONAHUE | photography by NINA LEA PHOTOGRAPHY

The world has been "partying like it's 1999" since the first quarter of 2020. Risk assets, stocks, real estate, and commodities have been rallying. The recent past has a profound influence on investors' behavior. The first quarter of 2020, when investors got a chilling reminder of financial markets' sometimes rocky road, is a fine example.

From its record high on February 18, 2020, the S&P 500 tumbled 30 percent in 22 trading days—the fastest drop of this magnitude in history, according to data from Bank of America Securities. Investors sold stocks in droves. Then the markets experienced a lightning-quick recovery when compared with other downturns. Now, after the recovery, investors' risk appetite has returned.

While Timothy E. Flatley, ChFC®, is optimistic about the future, he also advises caution.

"We walked through the valley of death and came out the other side, mostly through financial intervention," says Flatley, president and CEO of Sterling Investment Advisors, Ltd., a wealth-management and financial-planning firm based in Berwyn. "Where are we now? The markets are frothy. The old allocation of 60/40 [consisting of 60 percent stocks and 40 percent bonds] is out the window. Equity valuations are stretched and the bond market is risky."

He pauses before adding, "So, what do we do about this?"

While some investors struggle to create income in a low-yield, high-volatility environment, others find opportunities for growth. The difference, as Flatley sees it, comes down to the ability to make forward-looking preparations.

"We know corrections will happen, and we don't fear them; we try to embrace them," he says. "Last year was a violent 30 percent move—not your garden-variety bear market. The key is to be positioned before the drop, because frequently the wrong decision is made when you act in a moment of volatility. People's gut reaction is to say, 'This hurts, and I want to stop the pain.' It's human nature, but the end result is that the average investor makes a subpar return year in and year out because they make poor decisions at the wrong times."

To counter such volatility, Flatley sees value in alternative investments, meaning those that do not correlate to stock or

bond markets—hedge funds, commodities, and real estate, for example, as well as gold, which he refers to as "a several-thousand-year-old storer of wealth." Alternative investments such as these may help to mitigate some of the pain investors feel when the markets get upended.

"A hedge, by definition, means giving away opportunity for protection," he says. "Clients need more than [a return] of 3.4 percent to live on," referring the forecasted return of a 60-40 portfolio over the next five years. "That's why we're always looking at other tools, so we can set aside nuts for winter. Not everybody does this. When we look at the portfolios that we take over from other firms, there are almost no alternative hedge strategies. My evidence of reviewing portfolios from other firms is that most of the investment-advising world is still using the decades-old strategies."

Sterling Investment Advisors aims to deliver a unique alternative to traditional financial planning. Every client relationship begins with an in-depth conversation to create a detailed picture of a client's financial life, according to Sean M. Flatley, CFP®, the firm's executive vice president and co-founder.

"Before we suggest anything, we want to get a good understanding of a person's income, debt and other expenses, their lifestyle, and what they envision for the future," he says. "Everything comes into play when you're setting goals for the immediate, middle, and longer term, all of which have different levels of risk. People's comfort level with risk is fine when the markets are doing well; they get a much clearer understanding of risk when the markets are tough."

Once a client's financial picture is clarified, Sean Flatley or one his fellow advisors at the firm would customize a financial plan designed to the help the client move toward specific goals. Of course, the goals may evolve based on significant changes in a client's life, and the tools used to achieve those goals may change based on market conditions or to keep asset allocations in balance.

"We had a very strong year in 2019, and going into 2020 we had no idea COVID was going to happen, but we were prepared," he adds. "After good years of market movement, you need to rebalance. If you're already rebalancing clients' portfolios and preparing for what's to come, making sure you're not overweight in stocks, you're not as hard hit by a downturn."

"We know corrections will happen, and we don't fear them; we try to embrace them," says Timothy E. Flatley, ChFC®, president and CEO of Sterling Investment Advisors, Ltd. (right), with Sean M. Flatley, CFP®, the firm's executive vice president and co-founder.

Bray Hansel, CFP®, ChFC®, enjoyed being "a calm, reassuring voice" for clients during the uncertainty of last year. Although client portfolios were prepared to weather the volatility, he says he made sure to keep the lines of communication open.

"Listening on my part is the most important skill," says Hansel, a financial planner with Sterling Investment Advisors. "Consistent follow-up and communication are crucial. Regardless of what's happening in the world, I'm communicating with clients at least four times per year, but with some clients I'm touching base weekly. When it comes to someone's financial health, I will be the squeaky wheel to make sure we're moving in the right direction."

Technology plays a key role in the process. The firm's financial-planning software, advanced analytics, and other technology keep clients focused and engaged. Clients have 24/7 access to their financial picture so they can see their progress in real time. While Hansel speaks fondly of the user-friendly technology needed to support the advisor-client relationship, he says it's a small part of the value the firm provides.

"In a year like 2020, software is not able to provide actionable advice that's in a family's best interest," he says. "They need someone to turn to with important questions who can speak to them in their language. Some clients are more analytical and want to get into the nuts and bolts of the mathematics. Others are more focused just on the bottom line. Either way, I'm happy to meet them where they stand."

With the world slowly recovering from the COVID-19 pandemic, Tim Flatley believes the years ahead possess tremendous potential from an investment perspective. He also believes a qualified financial professional can help investors navigate whatever the future holds. After all, a capable and trusted advisory firm will not only be able to help investors generate income regardless of market conditions, but also provide the reassurance needed to move forward with confidence.

"You need to be detached emotionally when it comes to investing, especially in a very violent market, and that's hard to do when you're looking at your own money," he says. "We're emotionless in the matter. We've also been fiduciaries for over 20 years, meaning we agree to always act in the best interests of the client. A lot of value comes from being in alignment with an advisor who truly understands who you are, where you want to go, and what it takes to get there safely." ■

→ **Sterling Investment Advisors, Ltd.**

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