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A QUARTERLY PUBLICATION OF HERITAGE INVESTMENT GROUP INC.

SUMMER 2019

TAKE THE EMOTION OUT OF INVESTING

The stock market has always been one of the best places to invest for the long term. But uncertainty, volatility, and a constant barrage of media noise can make investors uneasy. At Heritage, we have deliberately designed and implemented an investment process that eliminates emotion and instead focuses on facts and investment discipline. It is what has allowed us to help meet our clients' investment goals for over 25 years.

INDUSTRY AND COMMUNITY INVOLVEMENT

It is a busy summer for Heritage. In July we will be participating in the Florida Bar's annual Real Property, Probate and Trust Law (RPPTL) legislative update conference. Heritage is also sponsoring the Exchange Club's "Strike Out Child Abuse" Bowling Tournament. Our own Jeff Realejo is on the board of the event. In August, we will be part of the Florida Bar Attorney and Trust Officer (ATO) conference held in Palm Beach. And congratulations to Craig Chuang, who was recently named President of the Trust and Estate Planning Council of Broward County.

SUMMER IS FINALLY HERE

Summer is finally here and that means vacation for many of us. Vacation means family time together, reading a good book, enjoying the beach, or traveling to a treasured destination. However, your investment portfolio never takes a vacation. So while you are enjoying time off, rest assured that a well-structured, diversified portfolio is continuing to work for you.

EMPLOYEE PROFILE

Joe Gitto



Joe joined Heritage in April 2019 as Director of Business Development. Joe is a seasoned professional and long-time entrepreneur who brings a unique depth of experience and extensive industry relationships. Joe's passion for what we do is founded on his shared belief that helping families and business owners properly plan and manage their assets is key to investors' long term success and satisfaction. Joe and his family live in Winter Garden where Joe is active in the local community and is the founder of the soccer league FC Firestorm.

ABOUT HERITAGE

Heritage Investment Group provides wealth management and investment guidance to high net-worth individuals, families, charitable foundations, and qualified plans. Since 1993, we've built our firm on a strong foundation of family and friendships with guiding principles of ethics and integrity. As independent advisors, we are fiduciaries bound by law to put our clients' interests before our own, but we also do so out of respect for the legacies entrusted to our care and the lifelong effort spent building them.

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*"Emotions are your worst
enemy in the stock market."*

— DON HAYS



The Importance of Global Investing

“Travel makes one modest. You see what a tiny place you occupy in the world.”

– GUSTAVE FLAUBERT

For the past ten years, America has been the undisputed leader of the global economy. In 2009, the world was in the midst of the most significant economic upheaval since the Great Depression of the 1930s, and after the dust settled from this global financial crisis, it was the American economy that re-emerged with faster growth, stronger economic stability, and more debt than the rest of the world.

The outperformance of the US economy generated excellent US stock market performance as well. In the ten years ending December 2018, the US stock market returned 13% annually versus an annual return of 7% for the rest of the world. Such a disparity in returns might lead investors to wonder whether they should invest in non-US stocks at all. But different decades tell different stories, and looking at a longer history makes a very strong case for investing internationally.

The 1970s was the decade of leisure suits, Archie Bunker, and the Bee Gees. It was also an era of high inflation, oil price shocks, and poor performance for the American stock market. In the 1970s, America was a laggard with a 6% annualized return on stocks. Over that same time period European stocks returned 9% annually and Japanese equities earned a 17% annual return.

In the 1980s, as Americans were forced to endure parachute pants and Miami Vice, US stocks had a remarkable 18% annualized return. But the US was once again overshadowed by a surging Japanese economy that catapulted stocks to an astounding average annual return of 29% in that country.

The 1990s saw the rise of the internet and the spectacular fall of both the Japanese stock market and heavyweight champion Mike Tyson. American companies led the charge into the dot.com era and the 18% annualized returns on American stock markets reflected this. European stocks enjoyed an excellent decade as well with returns of 15%, and emerging markets, which were recognized as an asset class for the first time in the 1990s, returned 11%. Japan, however, suffered a severe hangover after the euphoria of the 1980s and its stock market actually lost 1% per year during the 90s.

The 2000s began with the implosion of American technology stocks and a US presidential election decided by hanging chads



in Florida; and in 2008 the most severe global economic crisis since the Great Depression occurred. While American stock markets experienced a “lost decade” in the 2000s with a loss of 1% annually, emerging economies took a big leap forward, with the index of emerging market stocks returning an annualized 10% during the decade.

“The best strategy is to hold a diversified portfolio that includes stocks from all around the globe, including the US.”

As the 2010s draw to a close, we may wonder what this decade will be remembered for. Possibilities include constant political turmoil, the staggering growth of social media, and the ubiquity of smart phones. In the financial markets, the 2010s will likely be remembered as the decade that American stocks dominated. As-of the end of 2018, the US market has returned 12% per year since 2010, while Europe, Japan, and the emerging markets have all lagged the US, with annual returns of 4%, 5%, and 3%, respectively.

This outperformance of the American stock market during the current decade has led some investors to question whether it makes sense to invest internationally. But as the historical evidence above shows, US stocks have endured periods in which they underperformed the rest of the world *for decades at a time*. An absence of international diversification over such a period of American underperformance could be devastating to an investor’s long-term financial success.

The truth is, the recent dominance of US stocks over the rest of the world is more an unusual event than it is a foregone conclusion. Markets move in unpredictable ways, and it is quite likely that the best performing country or region in the next decade will not be one of the best performers from the previous one. Since it is impossible to accurately and consistently predict when these periods of outperformance will occur, the best strategy is to hold a diversified portfolio that includes stocks from all around the globe, including the US. This will allow you to enter the 2020s confident that you will participate in the leading economic countries and regions of the ensuing decade, even though no one yet knows where these will be.

The original version of this article was written by Heritage for the March 2019 edition of The Light, a local magazine serving Broward County, Florida.

Be Cybersecure: How to Protect Your Financial Data from Hackers

Individuals can play an important role in keeping their financial information safe from hackers. In a recent article, Capital Group suggests taking the following simple steps to protect your information:

Most attacks start with phishing emails

Targeted phishing attacks on high net worth individuals and families (so-called “spear phishing” attacks) are the result of extensive research and reconnaissance. The emails will look very plausible and convincing because the potential prize is very large. Malicious links and attachments can collect your login credentials or install malware or ransomware.

- Be very cautious about clicking links or opening attachments, even if the email looks like it’s coming from someone you know. If you’re not expecting the communication, consider reaching out directly to the sender.
- Hover on links to see where they’re pointing to before you click.
- Educate family members about the risks of phishing attacks.

Protect access to your financial accounts

Most attacks on high net worth individuals are after the money, in whatever form it takes – credit, shares, cash, cryptocurrency, etc. Protect the accounts where these assets are stored.

- Use strong passwords (12 characters minimum, 16 or more for financial accounts). Some complexity (a mix of upper/lowercase, some digits, some special characters) is good, but longer is stronger.

- Do not reuse passwords across accounts. A data breach of one service will expose the password you are using across other services.
- Use a password manager to generate and store strong passwords.
- Use two-factor authentication wherever possible. It’s better to use an app (like Authy or Google Authenticator), but if there are no other options use your mobile phone number to get the two-factor authentication code.
- Do not accept wire instructions via email. Call the financial institution directly for instructions. Have the financial institution reconfirm the transaction in a second call before the wire is released.
- Limit the access you allow to your accounts by household staff and lower-level family office staff.
- Use a dedicated device or computer that you only use for your financial accounts, not for other web activities like email or web browsing.

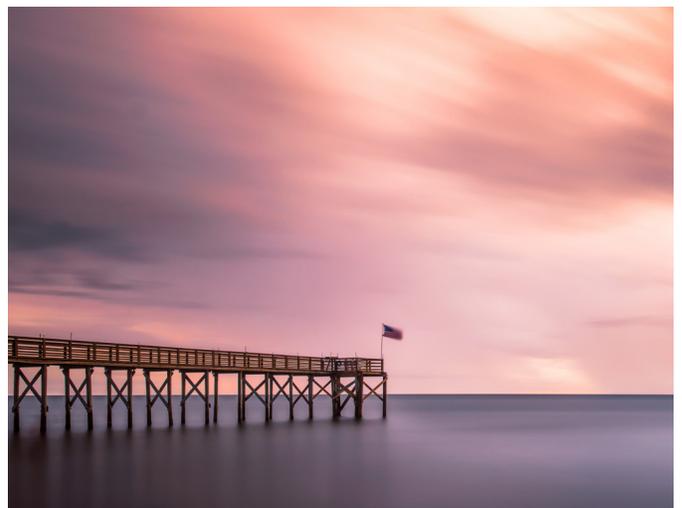
Protect access to your email accounts

Your email address is used everywhere as part of your login to various accounts. It is very valuable to attackers. With access to your email account, attackers can spy on you, take control of other accounts or phish your contacts.

- Use a strong, unique password on each of your email accounts.
- Use two-factor authentication.
- Use separate email accounts for different purposes.

Protect your privacy and personal data

Personal data can be used to impersonate you convincingly to financial institutions, family offices, service providers or mobile network providers to gain access to your accounts. Personal data



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can also be used to impersonate you fraudulently to would-be business partners, as your identity is used to exploit your reputation.

- Minimize social media presence, where it's easy to collect useful personal data.
- Control mobile apps access to location, camera and microphone to reduce opportunities for surveillance on where you are, who you're with and what you say.
- Use privacy controls and ad blockers in your browser.
- Educate family members and staff about the importance of not oversharing online.
- Request a credit freeze (from U.S. credit agencies) to prevent access to your personal and credit-related data. Put a credit freeze on family members. Securely store the PIN you'll need to unlock the credit freeze.
- Cover web-enabled cameras and smart speakers when not in use.

“Minimize social media presence, where it's easy to collect useful personal data.”

Protect access to your home network

Home networks present attackers another way to access your accounts, conduct corporate espionage, steal intellectual property and monitor your private space.

- Make sure the home routers have very strong, unique passwords – not the default passwords that came with the router.
- Put smart devices (TVs, security cameras, smart doorbells, thermostats, audio systems, etc.) on their own separate network to isolate them from your main home Wi-Fi. These types of devices are often less secure, so isolation from your primary Wi-Fi can protect against malware and eavesdropping.
- Check regularly for vulnerabilities in smart devices, and upgrade or replace when a vulnerability is reported.
- Set up a guest network for staff and visitors.
- Configure home routers to not broadcast the Wi-Fi network name.

Other ways to make it harder for attackers

- Don't use public Wi-Fi (hotels, restaurants/cafes, clubs, etc.). Instead, use the cellular data network or use a virtual private network (VPN) app to connect to a Wi-Fi network. It's very easy to eavesdrop on Wi-Fi data traffic and collect account login credentials, webpage URLs, searches and other personal information.
- Delete apps you don't use. They are only collecting your data.
- Back up important data regularly to recover from ransomware attacks.
- Keep the operating system and apps on all your devices up to date.
- Make sure you have antivirus software installed, enabled and up to date.

The original version of this article was written by Capital Group, © 2019.

In accordance with rule 204-3(c) of the Investment Advisors Act of 1940, Heritage Investment Group, Inc., hereby offers to deliver without charge, a copy of its brochure (ADV Part 2) upon request. In addition, upon request, Heritage will deliver, without charge, a copy of its corporate Code of Ethics.

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Heritage Investment Group would like to thank all of our clients for their continued support. We are here to help you plan for your future. If you have any family members or friends who might benefit from our help, we would welcome the opportunity to speak with them. Please contact us at 954-785-5400.

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