

# INVESTOR'S Edge

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## Are alternative investments right for you?

As an investor, you may be looking for ways to diversify your long-term financial health throughout periods of economic expansion, downturn and recovery.

Alternative investments seek to provide strategies that differ from traditional investments in a portfolio.

Since alternative investments can access different parts of the market, they may complement traditional investments and wealth planning solutions. Often, they access private markets by investing in securities that are not publicly traded, which may offer less liquidity, but in turn, can provide diversity. Other examples exist too.

### More about alternative investing

Alternative investments offer more than just portfolio diversification and the potential for enhanced returns. They also provide a growing opportunity to align wealth with values.

Many alternative investment strategies now apply the principles of responsible investing. Several fall under the ESG category by integrating environmental, social and governance (ESG) factors in

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**Are alternative investments right for you?**, continued from page 1

investing considerations. There's also a growing number of impact investing products where the goal is to make a positive impact on causes that matter to you, alongside your intention of receiving a financial return. This could look like investing in clean energy infrastructure, affordable housing projects, private equity funds that prioritize diverse leadership and/or sustainable practices, as well as many other options.

**Benefits of alternative investments**

Some of the benefits that may come from employing alternative investment strategies include:

**Enhance risk-adjusted returns**

Alternatives generally strive to produce attractive returns that are not correlated with (or are largely independent from) traditional asset classes. As a result, they may perform well (or zig) when other investments in a portfolio struggle (or zag). When thoughtfully paired with stocks and bonds, these strategies may help improve the overall risk-adjusted returns of your portfolio.

**Create higher yield opportunities**

Alternatives can include investments that often pay attractive and stable income streams. These assets are not typically easy for the average investor to invest in but can provide another source of income, particularly at times when bond yields are low.

**Improve portfolio diversification and stability**

Given their unique nature, alternatives can add new sources of returns, improving overall portfolio diversification. When successfully implemented, alternative strategies may help dampen volatility and improve portfolio resiliency and stability, especially in tough markets.

**Risks of alternatives**

Some alternatives invest in stocks and bonds but apply higher risk investing strategies to generate returns. As a result, alternatives may have certain drawbacks, which include:

**Restrictions**

Higher investment minimums and other requirements may limit access to alternatives for some investors.

**Lower liquidity**

Some alternatives do not trade daily, but rather weekly, monthly or quarterly. In some cases, your money may be locked into the investment for a set period.

**Higher risk**

Many alternatives carry additional risks, such as leverage (borrowing to invest).

**Higher complexity**

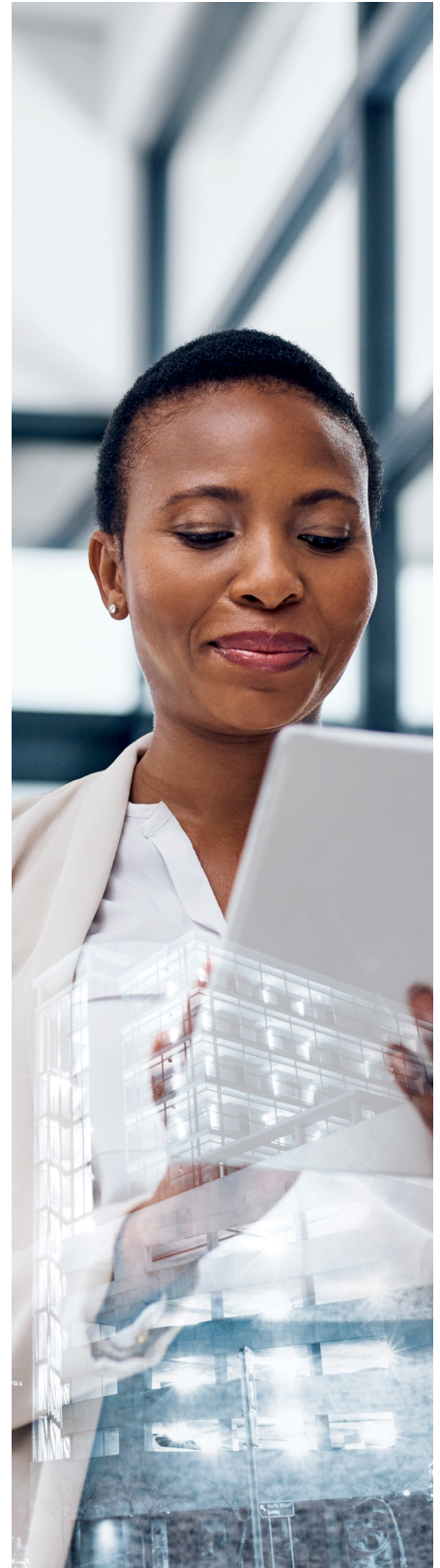
Some alternative investments employ complex trading strategies that require a higher level of due diligence and understanding.

**Higher cost**

Given the unique nature of alternatives and the special expertise required to manage them, they tend to be more expensive.

Because alternative investments may be more difficult for the average investor to obtain and hold, they may make more sense for individuals and families that have more significant wealth and already have substantial traditional assets.

**Working with a financial professional can help determine if alternative investments might be suitable with your current financial position, along with your risk tolerance and timetable.**



## Review, measure, adjust—three key steps for budgeting

Amid conversations about economic ups and downs, market uncertainty and costs for goods and services, it's prudent to focus on some basics like budgeting. What does your budget look like or has it fallen by the wayside?

When it comes to budgeting, visiting or revisiting the 50/30/20 rule—recommending that necessities account for 50% of your income, while 30% goes toward wants and the remaining 20% is set aside for savings—can be a great starting point or helpful reminder.

And what do you do when your budget has fallen by the wayside or it isn't working optimally?

Review, measure and adjust are three key principles of budgeting.

**1. Review** — Your circumstances are not set in stone and that means your budget shouldn't be either. Have your mortgage and insurance payments gone up? Has inflation increased the cost of groceries and other necessities? If so, then you ought to reevaluate your budget. If your necessities consistently exceed the 50% threshold, it

stands to reason that you either have to find ways to reduce your expenses (spend less on groceries, for example) and/or lower the amount you spend toward your wants—while preserving the 20% of your income savings that's setting you up for success in the future.

**2. Measure** — One of the most common reasons budgets don't work is the failure to establish measurable goals. A budget is always great in theory, but if your budget is rarely (or ever) actually met, or if it isn't even being tracked regularly, then it's little more than an aspirational concept—the “all bark, no bite” of wealth planning. Instead, take the time and effort to track your spending monthly to know when you've overspent and when an unplanned expense is going to throw your financial equilibrium out of whack.

**3. Adjust** — This is the “rinse, repeat” step of budgeting. Since circumstances change, it is important to adjust your budget when your situation or goals change. And when inflation and volatile markets make life more expensive, the only way to keep pace may be to cut back (on needs and wants) and to save more. It's not enough to have a plan; you also need to keep track of it and make adjustments as life circumstances change.

Budgeting may not be your favorite thing to do, yet it's an important step in helping achieve your goals and feel more at ease during market swings.

Reach out to your financial professional for guidance and tips on budgeting.





## Top financial considerations during a divorce

A host of questions and emotions surface when facing a divorce. While you may have already decided upon some major items—like custody of children, alimony and dividing marital assets—read on for some top financial considerations during this trying time.

If your marriage is on the rocks or you're already in the process of a divorce, there are a few primary financial items to consider in regard to your wealth plan and marital savings accounts.

### Retirement assets and employer stock options

Retirement plans, like 401(k)s, may not immediately jump to mind when you start to list all your joint assets, but it is an important and potentially complicated asset type to split as retirement assets come with special considerations.

A qualified domestic relations order (QDRO) is often used to divide certain employer retirement and pension plans; it does so by recognizing joint

marital interest and giving the ex-spouse a share of those assets.

In a similar vein, if you or your spouse hold stock incentives from an employer, this may also require additional analysis before the assets can be divided. Valuing stock options is complex as they often carry vesting periods, unique tax considerations and various risks.

It's important to talk with your financial professional and other professionals when considering your individual case.

### Education and savings plans

If you have children currently enrolled in college (or it's on the horizon), you may have already discussed splitting tuition and other costs with your soon-

to-be-ex-spouse. But there are a couple of potential wrinkles worth considering.

For example, if you have a 529 educational savings plan it's important to recognize that it may not have more than one custodian (depending on the state). This can potentially lead to inequities within divorce agreements pertaining to 529 plans.

Going through a divorce has challenges, but you're not alone when it comes to the financial considerations.

**Invite your financial professional to join in the conversations you're having with your accounting and legal professionals.**

## Women's sports and opportunities

While there are a multitude of opportunities to invest in causes or ventures that support positive social change, the burgeoning business of women's sports may impact future wealth planning.

The women's sports industry is booming—exciting women's sports fans and women athletes alike—and showing an economic impact.

### Research on women's sports

Some recent research helps shed light on the potential economic impact of the growth in women's sports. The Economy of Sports unpacks the value of women's professional sports in a two-part report released in 2024.

In regard to the rapidly expanding women's sports ecosystem, below are some nuggets from the RBC-launched research in partnership with Wasserman and The Collective:

- Women athletes have a passionate, purpose-driven fanbase that rewards brands, teams and owners. Live gameday attendance for the Women's National Basketball Association (WNBA) increased by 48% and attendance for the National Women's Soccer League (NWSL) rose 42%.
- Growth isn't limited to game attendance. Each league's broadcast viewership is projected to increase in three years by over 32% for the WNBA and over 24% for the NWSL. The organic expansion of live and broadcast audiences will drive over 63% of the new value for league teams.
- Based on analysis of over 40 characteristics, total team valuations for the WNBA and the NWSL are predicted to increase from \$2.6 billion in 2023–2024 to \$4.3 billion in 2027—a gain of over \$1.6 billion with more room for growth as the estimated forecast

does not include infrastructure development nor media rights deals.

- Another driver in these valuations is high-value sponsorship. For example, a jersey patch sponsorship for a high-value WNBA or NWSL team can sell for \$1.7 to \$2.1 million annually.

### Game-changing

Also according to The New Economy of Sports, fans are 89% more likely to have been inspired by a woman athlete to take some form of action. Through their positive impact on highly engaged fan bases, women athletes have the power to positively

influence brand perception and drive social change.

This provides investors, sponsors and brands with an opportunity to embrace the unique value model offered by women athletes.

Historically, professional women's sports have not had the same access to mainstream platforms and financial resources as their male counterparts, yet there's a change occurring in the multi-billion-dollar global sports ecosystem. With attendance and viewership booming, the landscape for women athletes, franchises and leagues is evolving and positioned for unparalleled expansion.



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