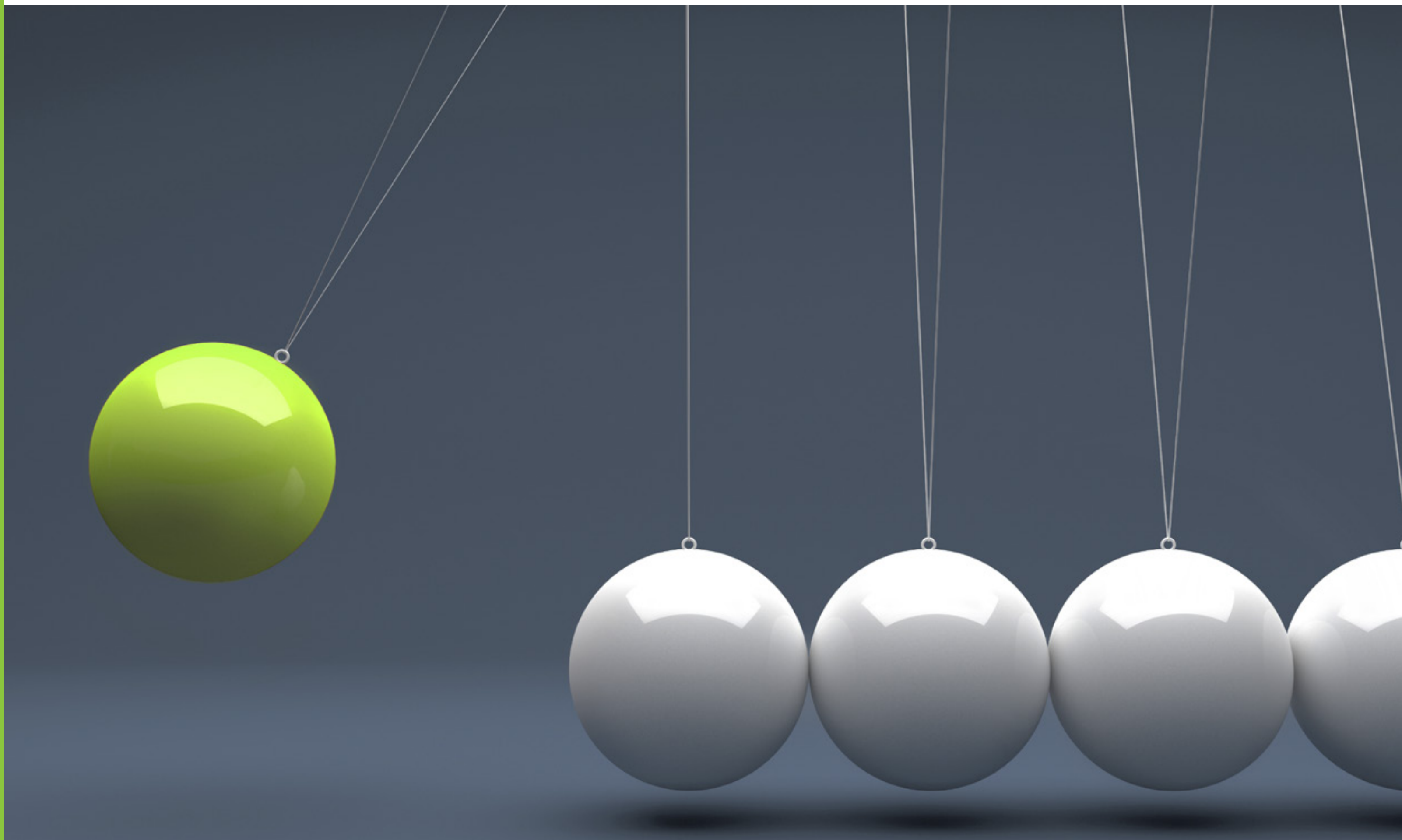
Commercial

Insights

STRATEGIES AND EXPERTISE FOR YOUR COMPANY

Winter 2018

REGIONS



STRATEGY + EXECUTION

(What Businesses Shouldn't Learn the Hard Way)

Welcome

If you're running a business, no matter its size, you're responsible for a daunting array of decisions. You have to keep your company's many moving parts humming along while you prepare for the future, adapt to change—and grow.

This issue of Regions *Commercial Insights* examines a few vital concerns that business leaders face every day. Starting with the big picture, "Strategy and Execution: What Businesses Shouldn't Learn the Hard Way" offers insights about the importance of being nimble when executing a strategic plan.

At the same time, business owners are always reacting to new regulations. In "The New Reality for Plan Sponsors," we look at new responsibilities—and exposure to risk— falling on retirement plan sponsors as a result of new U.S. Department of Labor rules. This issue also dives into business development in "Marketing Is *Not* Optional," delivering tips on how to get the most out of your company's public footprint, while "Should You Be Your Own Landlord?" weighs the pros and cons of owning versus renting the real estate where you operate. On a more personal note, "Be a Better Boss" looks into how your employees perceive you and its effect on all aspects of your business.

It's an issue as varied and rich as the life and responsibilities of any business owner, and a reflection of Regions' deep and abiding commitment to your success on every level.

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Should You Be Your Own Landlord?

The advantages—and disadvantages—of owning the building where you do business.

Regardless of your business, it's likely that you rent or lease the property where you operate. But maybe the last time you signed a lease, you wondered if it made more sense to own the property.

Perhaps you balked at the downside of ownership: things like the drain on working capital, the expense of maintaining and repairing the building, property taxes, insurance costs, and potential liability issues. Maybe you were put off by the upfront costs of purchasing commercial property, which can be higher than residential property, or the lengthy and complex purchase process. But there are some real advantages to being your own landlord, says Gregory Tabron, Senior Vice President and Dallas Commercial Banking Relationship Team Manager at Regions Bank.

Owning allows businesses to manage their expenses—and foresee future expenses—by avoiding the annual percentage increases in most leases. And if the building is bank-financed, then buying could allow a company to free up cash that had previously been earmarked for operating expenses.

At the same time, buildings can act as collateral when financing future acquisitions or growth initiatives. Plus, owning real estate offers the potential for both appreciation over time and rental income.

The costs involved in purchasing commercial property typically make ownership a smarter move for, say, healthcare and manufacturing businesses, as opposed to retailers and restaurants, says Tabron. The tax and accounting aspects of ownership also deserve close attention and vary widely with each transaction, he notes.

But perhaps the most important aspect to consider is time. "Do you have time to manage the facility? You need to determine how much time and energy you're willing to spend to make it successful," Tabron notes, "and to deal with situations should something go wrong." ▲

MORE ONLINE For additional resources, please visit **regions.com/commercialinsights**

OWNING YOUR OWN BUILDING GIVES YOU CONTROL OVER:

1. Increasing rents, as lease rates typically go up over time.

2. The condition of the property—you determine maintenance and improvements.

3. Who your neighbors are, if there are additional tenants in the building.

Business Intelligence

Be a Better Boss

Why employee feedback is crucial to improving your leadership skills.

Evaluating employees is critical to being an effective manager. But your staff's evaluation of *you* as a boss can affect everything from productivity and innovation to morale and turnover.

The problem is that accurately judging your own managerial performance is nearly impossible. "Even if you have an operating hypothesis about how you come across as a boss, you don't actually know," says Elaine Lin Hering, a senior consultant with Boston's Triad Consulting Group. The simplest way to assess yourself as a manager is to ask your employees what they think of you, says Shannon Knabb, Learning & Development Consultant for Engagement and Leadership at Regions Bank.

"To make a business decision, you need accurate data," notes Jon Studstill, Learning & Development Consultant for Regions' Corporate Bank. "To improve as a leader, you need the kind of data that comes with feedback from your staff." But having such frank conversations with staffers can be awkward. To help meetings run smoothly while still being effective, Knabb and Studstill suggest:

- **Look for specifics.** Asking employees for a critique of how you handled particular situations, rather than for a broad appraisal, can lead to clearer, more actionable information.
- **Talk to multiple people.** Don't rely on just one person's feedback—get a variety of opinions. You may be using strategies that work with the majority of the office, but sometimes still fail to connect with a sizable portion of your staff.
- **Be real.** Try to be approachable and humble. If you know you were less than perfect, then lead with an admission of past mistakes.

What you do after a meeting with your staff is just as important, Knabb adds. Thank your employees for sharing their perspective. And afterward, do something to show that you've incorporated their feedback into how you do your job. "At the heart of this is emotional intelligence. It's having the same perspective on your leadership behavior as others do," says Studstill. ▲

MORE ONLINE For additional resources, please visit **regions.com/commercialinsights**

Thriving at All Ages

Creating a solid plan is the first step toward building a secure financial future. It requires focusing on goals, assessing risk tolerance and making thoughtful strategic decisions for the future. Most of all, it isn't static. An effective financial plan is one that evolves, constantly responding to your changing life stages.

Our fall issue of Private Wealth *Insights* magazine highlights how financial plans and investment strategies might vary at different ages. Young savers might focus on taking advantage of retirement savings programs—and trying to get the full match, if their employer offers one—and on creating an emergency fund. Middle-age investors must consider how big-ticket items, such as a home and college tuition, might fit into their financial plans. And retirees can find advice on retirement drawdown strategies. The investing needs of each individual are unique, but if managed effectively, a financial plan can help you meet your financial goals now and in the future.

Regions Commercial Bankers and your Wealth Advisor can help you find ways to keep your financial plan aligned with your goals, no matter what stage of life you're in. Look for the fall issue of Private Wealth *Insights* at **regions.com/insightsmag.**

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GOING GREEN

The Long-Term Benefits of Becoming a Socially Responsible Business

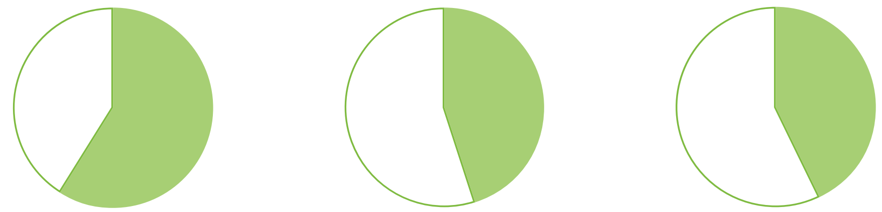
Improving the bottom line is just one of the ways it pays to go green.

Corporate social responsibility means making a positive economic, social and environmental impact. And having a green product or being known for social responsibility can increase consumer engagement and brand recognition.

While there's no exact first step to take toward becoming a more active company, going green may give consumers the green light to shop.

DOING GOOD CAN FUEL TOP-LINE GROWTH

Overall, consumers are more likely to choose brands that are and do "good"[1]



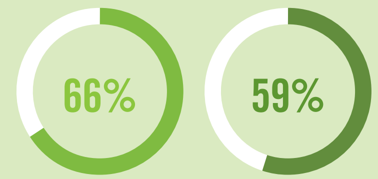
59% of consumers say a product that is beneficial to their health and wellness, such as organic food, is a key purchasing driver

45% say that being environmentally friendly is a key purchasing driver

43% say that a company's commitment to social values is a key purchasing driver

FOR YOUR CURRENT AND NEXT-GENERATION CONSUMERS, SUSTAINABILITY IS KEY TO YOUR BOTTOM LINE.

Portion of all consumers willing to pay more for sustainable brands:



2015 2014

91% of consumers ages 18 to 24 would stop buying a product if the business revealed deceptive or irresponsible practices[2]

87% ages 25 to 34 would do the same

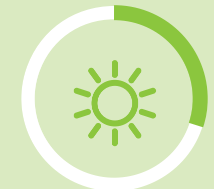
SOCIAL RESPONSIBILITY CAN BE A RECRUITING & MOTIVATIONAL TOOL

66% of job candidates consider the culture and values of your business

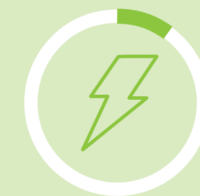
75% of millennials are willing to take a pay cut in order to work for a socially responsible company[3]

GOING GREEN TO SAVE GREEN

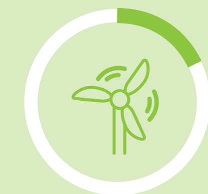
Tax breaks for 2018[4]



A 30% rebate for installing solar, fuel cells and wind equipment



A 10% rebate for installing geothermal electric equipment



An 18% rebate for installing large wind equipment

BIG SAVINGS ON UTILITIES

Since 1999, ENERGY STAR–certified commercial buildings have saved companies a combined $3.4 billion in energy consumption.[5]

GOVERNMENT GRANTS

The United States Environmental Protection Agency awards more than $4 billion to organizations wanting to achieve their "green" goals.[6]

SMART STRIPS TO BATTLE VAMPIRES

Using an advanced power strip can save you $100 per year by reducing "vampire loads," or idle-device energy consumption.[7]

Sources: [1] "Nielsen's 2015 Global Corporate Sustainability Report," Nielsen, 2015; [2] "2016 Global Talent Trends," LinkedIn, 2016; [3] "2015 Cone Communications Millennial CSR Study," Cone Communications, 2015; [4] Business Energy Investment Tax Credit (ITC), U.S. Department of Energy; [5] "ENERGY STAR for Commercial and Industrial Facilities," ENERGY STAR, 2015; [6] "Understanding, Managing, and Applying for EPA Grants," U.S. Environmental Protection Agency; [7] "Reducing Electricity Use and Costs," U.S. Department of Energy

KASINV/GETTY IMAGES

Marketing Is *Not* Optional

The odds that your small business will survive—and thrive—may ultimately depend on your commitment to marketing.

As a small-business owner, your daily to-do list is undoubtedly lengthy—and expands some days by the half-hour. You have employees to supervise, finances to track and suppliers to manage. Meanwhile, you need to maintain top quality for your products and services, and your customers' ongoing satisfaction remains paramount.

When you're coping with so many things, marketing may fall to the bottom of the list. But to ignore marketing tempts fate, no matter the size of your business.

"From the newest startup to the largest Fortune 10 companies, sales are the lifeblood of absolutely every company—and in order to get sales, marketing is essential," says Doug White, a partner with small-business advisory firm Whitestone Partners Inc.

"Yet one thing we see time and time again with younger companies is that they do some marketing, make some sales and get busy filling those orders," he says. "The marketing falls off, the company reaches the end of the current work, and they find that the pipeline is empty."

Getting started

At its core, marketing is the connective tissue that binds your company's products or services to your customers. Traditionally, marketing decisions have been driven by the four P's: product, price, place (distribution) and promotion.

Given the evolution of the marketplace, however, it's not enough to market on the four P's. It has become essential to define your ideal customers—knowing their buying personas, where you will find them, and the best ways to connect with them.

"You've got to follow the money—customers are everywhere, but you have to figure out how to reach them," says Gene Marks, president of customer relationship management consulting firm the Marks Group and a small-business advisor. "There's no magic potion."

Step one for smaller businesses is to connect personally with customers. One-on-one conversations with people who buy your product or service—despite your modest track record—will provide invaluable insight about what makes your company special.

"Early on, wowing customers is very doable," says Mike Michalowicz, a small-business consultant, author and lecturer. "Not only because you offer great services or have a great product, but also because you have time to connect with people individually and develop raving fans."

Additionally, Marks suggests that exceptional customer service—even beyond the customer service you already provide—for existing clients is a smart and cost-effective way to build upon your initial customer base. When you look out for your clients' best interests, referrals usually follow.

"[Client referrals] are the No. 1 source of leads," Marks says. "If, at first, you don't have enough money for marketing but you're awesome at doing what you do and provide good service, trust me, word will get around."

Time for a plan

As your business expands, the power of personal connections and word-of-mouth marketing may diminish. If your sales are flat and there's no buzz around your product, it's time to develop a marketing plan.

At a minimum, your initial marketing plan should provide answers to the following:

- **Your target market**: What is the ideal audience for your goods or services?
- **Your competitive advantage:** What is it about your offerings, location or market conditions that give you a leg up on the competition?
- **A sales plan:** How will you sell your goods or services, and what are the logistics behind your sales plan?
- **Your marketing and sales goals:** What measurable results should you aim for?
- **Your marketing action plan:** What are the tactics you'll employ in implementing your plan?
- **A marketing budget:** How much money and effort will you allocate to each tactic?

Without a marketing plan, you'll be taking a trip with no vehicle, no map and no idea of where you're going.

"It's going to be difficult to develop a message and determine the best place to reach a focused audience if you don't know why a prospective customer should purchase your service or product from you instead of a competitor; who values your product or service enough to purchase it at your price; and whether that audience is large enough to support your business," says Polly White, a partner with Whitestone Partners Inc.

Taking it to the streets

You'll be ready to develop messaging after developing a marketing plan. To stay out of the weeds when developing a marketing message, Polly White suggests not getting so wrapped up in describing your product or service that you forget to stress your offering's value.

"Too often with smaller companies, they want to say how fantastic their product or service is with all the details," she says. "But frankly, the client doesn't care. That's not what's important to them. You need to focus on what's important to the person you're pitching."

As for the best way to deliver your message, it will vary from one enterprise to another but will likely involve more than a single medium. For instance, a retail enterprise may best benefit from a combination of store promotions, social media, direct mail and community outreach. A B2B service firm is more likely to see positive results from targeted email and direct mail, according to Doug White. Marks works with a residential landscape company that has seen great results from Facebook advertising and posts of videos and photos. Polly White says that consumer-focused companies generally find search engine optimization valuable.

Consider any approach in the spirit of trial and error, all the while tracking the time, energy and money in relation to the number of new customers gained through the effort. Marks recommends that you give a campaign about 30 days—if it gains traction, keep it going; if it falls short, modify or toss it.

"People expect a blanket answer, but to all of the different marketing ideas, the answer is always 'maybe,'" Michalowicz says. "You need to figure out your conversion cost to measure what's working and then amplify what is."

> **"If, at first, you don't have enough money for marketing but you're awesome at doing what you do and provide good service, trust me, word will get around."**
>
> *GENE MARKS, President, the Marks Group*

An outside job?

One reason that marketing often falls to the bottom of small business priorities is that it can be time consuming. Given the ever-changing appetites and whims of the market, effective long-term marketing can't be achieved without ongoing customer research and insights, new marketing tactics, and measurement.

Moving past the do-everything demands of early-phase businesses, Michalowicz says that most small-business owners are great at either sales, marketing or operations. Assess your strengths honestly, and if you don't have the marketing chops, he advises outsourcing the role.

Marks goes a step further: He suggests small-business owners hand off marketing entirely—whether that means to a contractor or a full-time employee—as soon as they can afford it.

Do not, however, keep pushing it to the bottom of your task list, waiting for a slow day around the office.

"Always make sure that you're giving that marketing function to someone or an entity that can really market well because marketing feeds the sales funnel," Michalowicz says. "And if the funnel isn't being fed, it's only a matter of time before you run out of opportunities." ▲

MORE ONLINE at regions.com/commercialinsights

Speak to your Regions Commercial Banker about:

- Figuring out when and how to develop a marketing strategy
- How to finance your marketing efforts to boost growth
- When it's time to expand—and turn over marketing to a full-time pro

STRATEGY + EXECUTION

(What Businesses Shouldn't Learn the Hard Way)

TIERO/GETTY IMAGES

It's one thing to develop a business strategy, and another to execute it. Look closely, and you'll find the two can't be separated. Just ask any big business.

When strategic planning meets disciplined, flexible execution, the results can be inspiring. For leaders of most real-world organizations, that may seem like something you only hear about.

In fact, less than a third of executives believe their strategic planning produces winning business strategies, according to a Bain & Company report; and 61% of executives told *The Economist* that they struggle to implement their strategic initiatives.

But despite those struggles, strategic planning remains invaluable. That's why many companies have begun to overhaul their strategic planning and execution processes to better communicate, collaborate and support one another—because even the most dynamic implementation teams can't fix a poorly thought-out strategy, and even a genius strategy needs the means and flexibility to be implemented successfully.

"There's a big difference between crafting a plan on paper versus getting your people and resources aligned to make a change over time," says Megan Lawrence, Assistant Professor of Strategic Management at Vanderbilt University's Owen Graduate School of Management.

CHAD BAKER/GETTY IMAGES

Here are three principles that can steer your organization toward strategic success.

1. Define and Align

"Know thyself" isn't exactly cutting-edge wisdom. Yet it's easy to lose sight of your company's unique identity as you absorb and analyze a dizzying array of industry trends and competitors' strategies. It's valuable to recognize situations where your organization's particular identity and priorities mean that you should zig even when your competitors zag.

"Some of the most important strategic decisions you make are the things you decide not to do," says Hinton Taylor, a Senior Vice President of Corporate Strategic Planning at Regions.

When considering and executing a new strategic plan, a business should begin the process simply—with a list of the principles that sit at the core of its identity. These can be things like an emphasis on quality, customer focus or enhanced risk management. It's important to get these essential attributes right at the outset of creating a strategic plan. Every potential new initiative should align with those principles and priorities in order to be pursued, or else they should be discarded, Taylor says.

For example, many businesses have consolidated their brick-and-mortar locations in recent years as a cost-cutting initiative, and in reaction to the rise of ecommerce. But for some businesses, the personal relationships they've developed with customers, along with the higher levels of service and deeper customization, are a key differentiator and a competitive edge. Such companies should be careful about a strategic plan that might close too many locations and diminish their relationships with customers, or hinder their ability to offer the levels of service that are key to their identity in the marketplace.

> "You have to find a balance between your big-picture strategic plan and the detailed implementation plan. At the same time, you have to have some flexibility for that implementation, because you're going to learn as you go along."
>
> HINTON TAYLOR, *Senior Vice President, Corporate Strategic Planning, Regions*

2. Implement and Adapt

According to a survey by *The Economist*, 61% of respondents "struggle to fill the gap between strategy formulation and its day-to-day implementation."

That number alone points to a major shortfall between overarching strategy and the tactics necessary to make that vision a reality. And it's a gap that exists across industries.

"You have to find a balance between your big-picture strategic plan and the detailed implementation plan," Taylor says. "At the same time, you have to have some flexibility for that implementation, because you're going to learn as you go along."

To find that balance and to locate the places where your plan may not align with the realities on the ground, Vanderbilt's Lawrence recommends pilot programs. Smaller-scale implementations can be a useful tool for testing the assumptions that inspired and shaped your strategy in the first place. "Pilot programs can be a very effective way of soliciting feedback and making refinements but still maintaining the level of standardization that's often necessary," she says.

3. Retire the Old Ways of Doing Business

When crafting new incentives and training systems for their employees, business leaders must take special care to address the staff motivations that have been reinforced over many years. Even after a business has settled on a program that incentivizes the right goals, it may still have significant retraining ahead to refocus old behaviors.

It's important to remember that your company is, first and foremost, made up of people. And changing their mindset is essential to the success of any strategic initiative, according to Sam Hansen, Executive Advisor, Strategy, at Gartner Group.

Hansen tells the story of a Fortune 500 retail company shifting from a focus on operational excellence to a more customer-centric approach. But what the employees had learned over the years did not die out with the strategic shift. Those employees were ritually checking their in-store displays to make sure they conformed with corporate standards. As a result, their backs were often turned to customers looking for help.

"You have to understand that when you pivot your strategy, there are not only going to be new behaviors that need to be exhibited, but there will also be legacy behaviors that need to be retired," says Hansen. "Your line-level employees need permission to let go of those behaviors."

4. Flexibility, Humility, Discipline

Capitalizing on the full potential of a strategic plan requires more than smart market analysis and vision. Successful implementation involves flexibility, humility and discipline, just as it does creativity and insight. It's when all those elements are combined that organizations maximize their strategic efforts—and, ultimately, their competitive advantage.

"Without the right framework, as well as the organization of business and support units, your strategy can fail before it even gets started," says Houston Cook, Executive Vice President of Strategic Planning for Regions. "But if you get it right, you can get alignment across the organization to get outsized returns." ▲

> "You have to understand that when you pivot your strategy, there are not only going to be new behaviors that need to be exhibited, but there will also be legacy behaviors that need to be retired."
>
> SAM HANSEN, *Executive Advisor, Strategy, Gartner Group*

Speak to your Regions Commercial Banker about:

- Developing strategic plans that meet your business goals
- Guidance for properly implementing strategic plans
- Crafting a capital management strategy for expansion

Free Yourself from the Calendar

The scale and scope of a strategic plan should determine its timeframe, not the other way around.

Traditionally, many organizations have tied strategic planning to annual budgeting. It's convenient. On the surface, it appears logical. But doing so implicitly values initiatives that can be fully conceived, implemented and evaluated in a single year—and that don't require radical alterations to the existing budget.

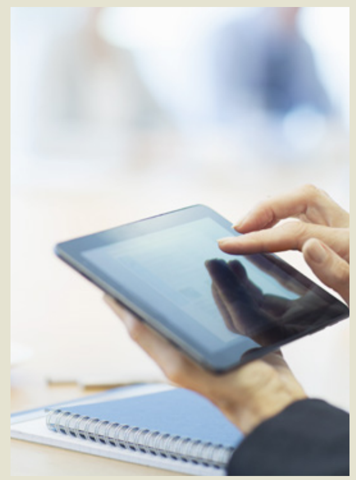
The year-by-year approach isn't effective because its horizon is too limited.

"It isn't real strategic planning—it's more like strategic budgeting," says Houston Cook, Executive Vice President of Strategic Planning for Regions. "You're stuck with this narrow, one-year view with a little bit of prioritization around what's more important to do first."

Implementing a rolling, three-year strategic-planning model can be an effective alternative. The model includes a major strategy exercise every three years with updates and refinements in the intervening years. This model combines the flexibility of long-term planning with the urgency and practicality of the year-by-year approach, according to Cook.

"The first year of planning is more holistic, and allows a business to look at where the rest of the industry is going—and how it can gain a competitive advantage," Cook says. "In the update years, it's more tactically focused on how the business is executing on those strategic priorities."

Those "update years" are still critical, as a business must discern whether its market projections still hold and whether the initiatives are being implemented according to plan.



SAM EDWARDS/GETTY IMAGES

Sometimes, it may make sense to kill a major initiative. Of course, canceling a major initiative is not easy. It can be hard to acknowledge defeat and politically sensitive for the business units involved. Making it even harder is that business-unit leaders spot trouble first. It's important to give them the chance to raise red flags without consequences rather than waiting for the next official strategic review.

"If your assumptions aren't validated, you need a quick process to be able to kill the associated projects, and that needs to be divorced from any particular kind of arbitrary timeline or metric," says Sam Hansen, Executive Advisor, Strategy, at Gartner Group. "Your business and functional leaders have to have that license to kill."

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Where to Find Income When Rates Stay Low

Until interest rates move higher, finding the income you need means choosing from a range of bonds, stocks and other investments.

The Fed's decisions to continue raising short-term interest rates is good news.

For those who've been waiting years for a decent source of investment income, the Federal Reserve's recent decisions to continue raising short-term interest rates have offered a hint of good news. Any upward pressure on yields is welcome, and the Fed's moves—hiking the federal funds rate by a total of one percentage point since late 2015—also underscore its confidence that the economy is on solid ground.

Yet immediate relief is unlikely, says Alan McKnight, Chief Investment Officer for Regions Asset Management. "We don't believe bond rates are going to go appreciably higher over the next year," he says. "Historically, bonds have returned roughly 5%. Now we expect them to generate 2% to 2.25% over the next seven to 10 years."

And so the search for yield continues. While looking for ways to squeeze the most out of various kinds of bonds, you might also consider stock dividends, as well as income from master limited partnerships (MLPs) and real estate investment trusts (REITs). Overcoming investors' persistent "home-country bias" and holding overseas investments could also help.

The combination of income-generating holdings that works for you depends on your needs and your ability to accept various kinds of risk. For bonds, this includes "credit risk"—the possibility that the company or government agency issuing the bonds won't meet its obligation to make regular interest payments and return your principal when the bonds mature. Whatever your situation, you're likely to choose from among these sources.

• **Investment-grade corporate bonds** "Investment-grade" means that these bonds have a lower credit risk than other bonds from corporations; they tend to offer better interest rates than government bonds of comparable maturities. "Yields on investment-grade corporates aren't as high as they once were, but this is still probably the most attractive place to invest in fixed income," says David Franklin, Portfolio Manager for Regions Asset Management. But their popularity tends to push up the prices of these bonds—and that will prevent yields from rising much, notes McKnight, because when bond prices go up, yields fall.

• **High-yield corporate bonds** Because these are rated below investment-grade bonds, companies have to issue them with higher initial interest rates to attract investors. That's appealing, but these bonds have the same potential problem that affects investment-grade bonds: Prices rise as money flows in, reducing yield.

There's another issue as well, says Brandon Thurber, Director of the Investment Research Group for Regions Asset Management. "High-yield bonds can be quite volatile and trade more like stocks than bonds," he explains. Good economic news tends to buoy both kinds of investments, but if the economy flags, the prices for both could decline.

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> **"You have to be comfortable with the fact that, in terms of generating income, there are going to be years when you won't meet your short-term goals."**
>
> *DAVID FRANKLIN, Portfolio Manager for Regions Asset Management*

• **Municipal bonds** Issued by state and local authorities, most municipal bonds pay interest that's exempt from federal income taxes and sometimes from state taxes as well. Although coupon rates on municipals are lower than those on comparable corporate bonds, munis' effective, after-tax yield may be higher. "There are still attractive municipals," says Franklin, "but you have to focus on quality."

• **Dividend-paying stocks** In recent years, investors searching for yield have frequently looked to stocks that pay dividends. Stocks are generally more volatile than bonds, and companies that issue dividends can choose to reduce or end the payouts. But they can also increase dividends, and seeking out such companies may be an effective strategy. "That's where we want to be—in the stocks that are continuing to grow their dividends," says Franklin. "These companies have balance sheets that remain incredibly strong, and they may decide to provide additional dividends down the road."

• **REITs and MLPs** REITs, which invest primarily in commercial real estate, and MLPs, which tend to hold assets related to energy production, have both performed well for investors looking for assets that produce income, says Franklin. "They've provided an income higher than what you can get from bonds, and prices have appreciated in certain time periods over the past five years," he says. But REITs and MLPs are tied to the fortunes of their respective industries, and REITs in particular have become relatively expensive—at the same time that some have been hurt by retail store closings that affected their properties. MLPs may be a better value now, says McKnight, although he notes that they could be affected by ongoing fluctuations in energy prices.

• **Bonds from overseas** "Home-country bias is alive and well," says McKnight, "even after decades of globalization." Yet, in the search for yield, staying at home could mean missing out on opportunities in the wider world. Also, in a global economy, a fully diversified portfolio needs to include international holdings. "The U.S. has outperformed global markets of late," says McKnight. "But international markets are expected to pick up again."

Given the low rates that still prevail in developed markets, emerging market bonds are more interesting, says Thurber, with some offering 5% or 6% coupons. But he notes that international investments bring additional risks—such as political upheaval that can affect financial markets, and fluctuating currencies that can cut into investment profits when they're converted back into U.S. dollars.

Finding the right combination. Your Wealth Advisor can help you consider how the characteristics of these investments fit your particular situation.

But as you wait for better opportunities to return, patience may be the greatest virtue. "You have to be comfortable with the fact that, in terms of generating income, there are going to be years when you won't meet your short-term goals," says Franklin. "You need to maintain your focus on your long-term goals and not just reach for every bit of yield you can get in the current environment." ▲

Speak to your Regions Commercial Banker about:

- Alternative investment vehicles that may help you reach your financial goals
- The pros and cons of international holdings, and how they may fit into your portfolio

Perspective

JAMES PURDIE
Senior Vice President,
Trust Officer, Regions Bank

The New Reality for Plan Sponsors

Lawsuits and the Department of Labor's new fiduciary rule have led to new responsibilities for retirement plan sponsors.

It used to be that employers sponsoring a retirement plan like a 401(k) had the option of handing things off to a plan provider, and that was that. But litigation and the U.S. Department of Labor's new fiduciary rules have put an end to those days.

As a result, retirement plan monitoring has become a high-stakes necessity for employers.

"Plan sponsors are now exposed to liability they may not be aware of," says James Purdie, Senior Vice President and Trust Officer at Regions Bank. "It's not something you can ignore."

Since the financial crisis that started in 2008, a spate of lawsuits against plan sponsors charged them with having plans with high fees, poor performance, or an unethical relationship with the investment company they hired. In July, American Airlines settled one such suit for $22 million. Principal Life and New York Life each settled claims for $3 million, while TIAA (Teachers Insurance and Annuity Association of America) settled a similar class-action suit for $5 million.

The Department of Labor's new fiduciary rule also puts retirement plan sponsorship under the microscope. The rule aims to better align the financial interests of investors, advisors and sponsors to protect the individual investors. It will put more responsibility on plan sponsors to ensure that they are meeting their fiduciary obligations. As the rule progresses through its staggered implementation phases, these duties will be more rigorous for plan sponsors and investment advisors.

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HUGE AMOUNTS, HUGE RESPONSIBILITIES

Of the $26 trillion Americans have set aside for retirement, 401(k) plans hold approximately $5 trillion in assets, belonging to 55 million workers and retirees. To eliminate conflicts of interest, the DOL fiduciary rule calls for greater transparency from broker-dealers, for example, and representatives from mutual-fund firms, who benefit by advocating particular investment vehicles. The initial phase of the rule affecting fiduciaries went into effect on June 9, 2017.

Employers and the employees involved with decision-making for the plans are now considered retirement-plan fiduciaries. And the new regulation's requirement that fiduciaries act in the "best interests" of their clients means they need to understand the specifics of the plans, including fee structures, any related commissions, and their full responsibilities under the rule.

"I WANT A LINEUP" WON'T CUT IT ANYMORE

In short, paying close attention to your employees' retirement plans is no longer optional—it's the law. "No longer can you just call up a mutual-fund company and say 'I want a lineup'—you have to do your own due diligence about the best funds in the market based on some criteria, and you have to repeat that due diligence on a regular basis and document it," Purdie says.

On the positive side, fiduciaries will better understand the fees in retirement plans, including fees for maintenance, management, advisory, marketing and redemption.

EDUCATE YOUR EDUCATORS

An additional implication of the DOL fiduciary rule is that retirement-plan sponsors must carefully review their investment-education materials to ensure that the content never strays into the territory of advice. If it does, the content would be subject to fiduciary-level scrutiny and vulnerable to lawsuits if the advice is deemed to be either unsound or not in the best interests of the employee. Plan fiduciaries should also review plan asset-rollover forms. And all personnel who interact with plan participants should be trained to make certain that what they tell employees can't be interpreted as investment advice.

The fiduciary rule promises better service and transparency to retirement-plan participants. The process of monitoring and evaluating fund performance, determining fees, and removing advice from plan materials creates extra work for retirement plan sponsors. But it's work that will ultimately be worthwhile, according to Purdie.

"This rule is going to be good for the business and good for the people who always have acted as true fiduciaries," he says. ▲

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Spotlight

Left to right: Company founder Milo Carlton; the expanded company headquarters; and Milo's famous peach tea

IMAGES COURTESY OF MILO'S TEA

How Sweet It Is

The newly minted CEO of Milo's Tea sensed the company's potential for major growth. Today, with Regions' help, her vision has come to fruition.

When Tricia Wallwork became CEO of Milo's Tea Company in 2012, the company had approximately 50 employees working in a 30,000-square-foot headquarters and production facility in Bessemer, Alabama.

In 2015, she approached Regions Bank with a plan to radically expand.

Nearly 70 years earlier, Milo Carlton's sweet tea debuted at his Birmingham, Alabama restaurant. Today, Wallwork—Milo Carlton's granddaughter—is set on making Milo's a national brand.

LEANING ON REGIONS

Regions provided financing for the expansion through Regions Equipment Finance Corp., and in early 2015, the company's capital expenditure was funded by Regions Commercial Equipment Finance, LLC. "We were able to use Milo's commercial line of credit at Regions for short-term financing while working on this expansion," Wallwork says.

The expansion, completed in the fall of 2017, increased the company's physical footprint to 150,000 square feet. Meanwhile, sales had quadrupled and Milo's workforce had surged to over 150. The company now brews and bottles more than 250 gallons of tea per minute, serving 13,000 retailers in 42 states.

MORE TEA, MORE SUSTAINABILITY

The recently announced *Milo's Makes a Difference* campaign will boost its corporate giving and donate seven tons a day of spent tea, the company's primary waste byproduct, to the city of Bessemer for composting, diverting thousands of tons of waste from landfill.

Milo's Tea's commitment to its product and customers includes using natural ingredients.

"We were natural before it was cool," Wallwork says, noting that Milo's Tea uses fresh ingredients and eschews added preservatives and acids.

GROWING WHILE CARRYING ON TRADITION

In 1989, Milo's began selling tea to groceries, ultimately selling the family restaurants. Wallwork, a lawyer by training, joined Milo's as general counsel and vice president in 2004, and ascended to CEO eight years later. Milo Carlton died in 1995, while his wife and co-founder, "Mama Bea" Carlton lived until 2015, long enough to see her granddaughter take the reins of the company.

"My family solidified our brand promise of all-natural, real ingredients," says Wallwork. "Our team is committed to this promise because it is what makes Milo's different." ▲

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