

# CHECK THE MIRROR

FOR THE RIGHT INVESTMENT



Typically, most investors look in many different places for potential investment opportunities. A quick look in the mirror, however, may offer a more accurate look at potential investments for you personally. As part of the elite 50+ group, your age may offer a great investment prospect: healthcare.

Experience shows that investors rotate into more defensive industries like healthcare during economic contractions where the demand for products or services is inelastic. For example, a patient who takes blood pressure medication will need to remain on the medication regardless of the current economic state.



As the U.S. grows older and the demand for healthcare products and services increases, this sector offers a unique investor opportunity. Between 2010 and 2030, the over-65 segment will increase from 13% to 20%, resulting in “defensive growth characteristics” and demand for medical products and services.

Defensive stocks remain stable or perform well during economic expansions or contractions.

## THE AGING ASSET

The U.S. healthcare sector already is a multi-billion-dollar market. The ‘graying of America’ will be more visible in the future and drive the demand up even more. Research shows the gross domestic product (% of GDP) in healthcare expenditures has increased from 9.1% in 1980 to 16% in 2006. Another example of growth in healthcare is that the American



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Hospital Association estimates that hospitals employ more than five million people and are the second largest private sector employer behind restaurants.

Once you've made the decision to allocate capital, remember to fine-tune your investment thesis. Strategies may include allocating funds to healthcare mutual funds, an index fund or investing in individual stocks.

You may need assistance from a wealth-management specialist to develop a clinical investment thesis on a specific company. This includes factors that will drive demand for the company's products or services. The U.S. National Center for Health Statistics lists heart disease as the leading cause of death in the U.S., with cancer second. Companies that focus on these treatments may offer an attractive investment opportunity. As the population ages and life expectancies

increase with advancements in medicine, more adults will require orthopedic implants to function in society. Check out the orthopedic industry.

#### **DIVERSIFY YOUR INVESTMENTS.**

Allocation decisions could be made across several healthcare segments: cardiac disease, oncology, and orthopedics as well as the medical device and pharmaceutical sectors.

#### **INVESTIGATE THE CORPORATION**

Select individual companies based on multiple variables like balance-sheet strength, quality of management, core business momentum, and visibility into the new product pipeline.

#### **EVALUATE RISKS.**

All investments include risks. A professional investor should make sure potential risks are communicated.

Specific risks correlated with

healthcare may include:

- President Obama's healthcare plan may cause future harm to healthcare stocks. Stay informed on plan details that are passed by Congress.
- Products defined as "devices" or "drugs" are subject to regulation by the Food and Drug Administration (FDA). Approval delays or rejection will have an adverse affect on the price of the stock.
- Products may be subject to recall or product liability claims. Costs associated with recall or litigation could adversely affect the price of the stock.
- Often, difficult economic times present a good chance for defensive investment growth. Remember, what you see in your looking glass may reflect the ideal economic venture for you.