

# Business

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Wilton Villager

Ed Hynes



## A look at the TIPS market

About a year ago I suggested that investors concerned about inflation should put some savings into Treasury Inflation Protected Securities, or TIPS.

Since that time the overall TIPS market's performance can be considered fair, at best. If we use the iShares TIPS ETF, which invests in all outstanding TIPS securities that have at least one year until maturity as a proxy for the market, the total return has been 1.73 percent for the past year.

Looking at the fund more closely we see that the price fell about 3.2 percent; while interest payments countered this fall by adding 4.93 percent; resulting in an overall return of 1.73 percent. For comparison, in the same period, a Vanguard bond fund which tracks regular U.S. government bonds of similar maturities returned about 3.55 percent.

Let's briefly review TIPS before discussing today's market in more detail.

The U.S. Treasury started issuing TIPS in 1997 to create a way for investors to own government debt securities that would be protected from inflation. TIPS effectively remove the inflation risk by paying holders extra interest and/or principal to compensate for actual inflation.

While the interest rates on each bond never change, the bond's principal is adjusted based on the inflation rate. Therefore the dollar amount of each interest payment increases with inflation. At maturity, the holder receives either the bond's adjusted principal or the original principal, whichever is greater.

TIPS are adjusted for inflation using the Consumer Price Index-Urban, or CPI-U which, unlike the core CPI, takes into account the volatile food and energy sectors. Over the past year though August the CPI-U is up 3.9 percent.

Let's look at a simplified example. Assume you bought \$1,000 of a two-year TIPS with an interest rate of 2 percent; paid annually [in reality interest is paid every six months].

If there is no inflation, after one year you would receive an interest payment equal to 2 percent of \$1,000, or \$20. At the end of the second year with no inflation you would receive another \$20 plus the principal of — \$1,000 for a total of \$1,020.

Now assume inflation was 10 percent the first year. In this case the principal of the bond would be adjusted 10 percent higher — from \$1,000 to \$1,100. The government would then pay 2 percent of the new principal of \$1,100 or \$22. You can see that although the interest rate did not change, both principal and payment rose by the inflation rate of 10 percent.

If inflation continued to increase at 10 percent in the second year, the principal would be adjusted to \$1,210 and the holder would receive 2 percent of \$1,210 or \$24.20. And since the bond is maturing, the holder would also receive the final principal amount — \$1,210.

Tax note: The changing principal is a pain in the neck since it has to be recognized on your tax return every year and taxes need to be paid on the gain. For that reason and because all bond interest payments are taxed as ordinary income, TIPS and other bond investments are best held in an IRA or other tax-qualified account.

Now let's look at real market numbers and compare 10-year TIPS with regular bonds. The yield to maturity on TIPS is around 2.25 percent and a regular bond yields 4.60 percent. The 2.35 percentage point difference is considered the bond market's implicit inflation forecast.

The implicit inflation forecast represents the break-even point to determine if the TIPS or a regular bond is a better investment. If inflation is less than 2.35 percent, the regular bonds will have the higher return; if inflation is over 2.35 percent, TIPS will have the superior return.

Going back to the relatively weak performance of the TIPS ETF compared to other Treasuries, most of the difference can be attributed to a changing inflation outlook, especially at the short end [under 5 years] of the curve. One year ago the market's implicit 5-year inflation forecast was 2.63 percent and has now fallen to 2.21 percent.

Are TIPS good investments now? For traders over the next couple of months or years, I am not sure. However for long-term investors and people living on a fixed income portfolio, I strongly recommend some allocation to TIPS. Yes, TIPS will under-perform Treasuries if inflation is less than 2.25 percent, but just in case inflation gets out of control TIPS are your only sure protection.

## Wilton landscaper earns top award

Staff Report

WILTON — Hoffman Landscapes was named Grand Award winner by the Professional Landcare Network, or PLANET, in the 37th Annual Environmental Improvement Awards Program. It is the third PLANET award for the Wilton-based landscaper.

Hoffman's winning design/build plan for a backcountry Greenwich property was one of more than 200 entries into the national judging competition. The awards program recognizes professionals in the landscape and lawn care industries who execute superior projects and consistently use quality materials and workmanship.

"Receiving a national honor like this for the third time is extremely gratifying," said Mike Hoffman, president of Hoffman Landscapes. "While the award was given for just one of our projects, we consider

this as recognition for the highly creative and professional work we do every day."

The award-winning project mixed traditional and modern techniques to transform a wooded estate into a design that complemented the old world European charm of the home, according to lead landscape designer Neil Brunetti. The projects included a series of multi-level terraces that created a courtyard effect that could play host to more than 100 guests.

"The owner had a distinct vision for his property," he said. "His directive was straightforward: 'Make it great.'"

Hoffman brought in its on-staff arborists to carefully preserve the root systems of mature trees on the property. Masses of flowering shrubs and perennial borders are prominent throughout the design, including specimen varieties that were hand-dug from a property 200 miles away. New stone walls were constructed

without visible mortar. In addition, moss covered stones that were salvaged from the old masonry were incorporated into the new walls.

The original design for the pool included a planting bed that would appear to be an island at the edge of the pool. During excavation, however, a 5,000 pound flat rock was unearthed. The landscape designer and the homeowner took the opportunity to substitute the rock for the planting bed. By pouring a concrete pillar to balance the stone near the pool's infinity edge, Hoffman was able to create the illusion that the stone is about to float off the top of the pool.

Hoffman also moved other rocks weighing up to 25,000 pounds and placed them strategically as visual accents.

The company won its first Grand Award in 2002, and a Merit Award in 2001.



Contributed photo

**HAPPY HALLOWEEN** Karen Strickland and Chris Reeb, co-chairs of the chamber's Halloween events, pose with children gearing up for the event.

## Chamber plans Halloween happenings

The Wilton Chamber of Commerce's annual Halloween events are coming once again to Wilton Center on Saturday, Oct. 28 and Sunday, Oct. 29.

The Halloween costume parade and trick or treating will be held on Saturday, Oct. 28 at the gazebo in Wilton Center. From 3 to 3:30 p.m., Robert the Guitar Guy will give a children's music program as the costume parade is assembling.

The parade starts at 3:30 p.m. and each child will receive a trick or treat bag along with a map of all the merchants who are

participating in the event. After a short parade in Wilton Center, children and their families can visit the stores on the map to receive a Halloween Treat. The event is free to the community.

On Sunday, Oct. 29, the Halloween Hustle 5K Road Race and Kids Fun Run sponsored by the Wilton Bank starts at the chamber office in Wilton Center. Check in starts at 9 a.m.; the 5K race at 10 a.m.; and the Kids Fun Run at 11 a.m.

Admission is \$18 on or before Oct. 20 and \$20 the day of for the 5K and \$10 for

children 12 and under for the 5K and the kids run. All participants will receive a free Halloween Hustle T-shirt. The 5K course starts at Wilton Bank, goes up Ridgefield Road to Lover's Lane, through the Merwin Meadows trail and the school complex with a turn around at the field house, and back to Merwin Meadows. Registration can be made on [www.active.com](http://www.active.com).

For more information on the chamber's Halloween costume parade and the road race, contact chamber Executive Director Stephanie Barksdale at 762-0567.

## Wilton contracting firm wins two HOBIS

Staff Report

WILTON — Benchmark Builders, a Wilton contracting and home restoration firm, has been presented with two 2006 Home Building Industry, or HOBI, awards by The Home Builders and Remodelers Association of Connecticut, it was announced recently.

Benchmark, owned by the husband-and-wife team of Andrew Payne and Laura Avery Payne, won HOBIs in the following categories: Best Remodeled Kitchen and Best Builder/Remodeler Web site.

Each year, the members of HBA may submit their finest work to be critiqued against one another. The HBA of Connecticut is a statewide professional trade organization of more than 1,300 members representing homebuilders, remodelers, developers.

"The categories of Best Kitchen and Best Web site are very competitive in Fairfield County," said Andrew Payne. "Winning the HOBI for Best Remodeled Kitchen is particularly satisfying since I had the opportunity to function as designer, architect, as well as craftsman on the project."

Benchmark Builders' work has won national awards and been published in magazines including Better Homes and Gardens, This Old House, and Woman's Day Specials: Remodeling and Makeovers.

## Local tech firms dominate Fast 50

By CHRIS BOSAK  
[cbosak@thestamfordtimes.com](mailto:cbosak@thestamfordtimes.com)

NORWALK — While Norwalk-based Webloyalty stole the spotlight for the second year in a row, Fairfield County was the real winner Thursday night at the Deloitte & Touche USA Connecticut Technology Fast 50 award event held at Chevrolet Theater in Wallingford.

The Connecticut Technology Fast 50 is an annual program that ranks technology, media, telecommunications and life sciences companies located in the state by revenue growth over five years.

Of the 50 recipients statewide, 24 are from Fairfield County, including five from Stamford and five from Norwalk. Hartford County had 12 companies and New Haven had 10.

"This year is higher than in previous years, but Fairfield County is typically the number one county," said Alex Discepolo, a director with Deloitte Tax LLP who oversees the Fast 50 program. "Fairfield County is close to New York and therefore close to resources such as engineering,

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## Business Briefs

### Wilton Chamber to hold dinner

The Wilton Chamber of Commerce will hold its 17th annual Installation Dinner at 5:30 p.m. on Thursday, Nov. 9, at Rolling Hills Country Club. The featured guest speaker will be magician Michael Chaut, producer of Monday Night Magic.

For more information call the Wilton Chamber of Commerce at 762-0567.

### Ring's End sets faux finish workshop

Ring's End Lumber will offer a faux finishing workshop at its Wilton Paint Center from 5:30 to 8:30 p.m. on Thursday, Oct. 26. Designed for do-it-yourself homeowners as well as professional designers, the workshop will feature step-by-step demonstrations and practice of techniques to easily transform plain surfaces into dramatic interior spaces using non-toxic Faux Like a Pro faux finishing products.

Alyda Karreman, owner of New Fairfield-based Alyda's Art & Faux LLC, will demonstrate and explore creative faux finishing techniques. There is a \$75 materials fee for the workshop.

Pizza will be served. Reservations are requested, as space is limited. Call (203) 761-1000 or visit [www.ringsend.com](http://www.ringsend.com).

### Insurance group to meet in Norwalk

The Insurance Womens Association of Southern Connecticut will hold its annual dinner dance at 6 p.m. on Thursday, Nov. 9, at Norwalk Inn and Conference Center. The theme will be a masquerade ball and costumes are optional [masks preferred.]

Tickets are \$50 per person and there will be open bar, door prizes and dancing.

For more information or to register call Helene Lewis at 655-6974.

### EWN to hold roundtable

The Entrepreneurial Woman's Network, or EWN, will hold a Morning Roundtable from 8:15 to 10 a.m., on Thursday, Nov. 9, at the Peppermill Restaurant, 1700 Post Road East.

A panel of four EWN members, all professional organizers, will share their expertise on organizing offices and homes to increase productivity and to relieve stress. Panelists will be Betsy Krobot, Jill McKean, Janet Sherwood and Anita Taylor.

The event is open to non-members as well as to EWN members. The cost of the event, which includes breakfast, is \$12 for members and \$15 for non-members, with a \$3 walk-in charge for those without a reservation.

Reservations may be made at [www.ewn-ct.org](http://www.ewn-ct.org) or by mailing a check to EWN, P. O. Box 683, Westport, CT 06881-0683. Registration deadline is noon Wednesday, Nov. 8.

-Staff and wire reports

## Real Estate

We re known for our terraces, Wendy Webski said the other day while preparing an open house for what she calls the most luxurious building in Stamford. Everybody has a terrace. Webski is the Corcoran Sunshine Marketing Group Manager for the 18 story building at 25 Forest Street named The Classic Condominiums. The Classic is billed as the ideal home for busy professionals and cultured individuals who appreciate the vitality and many offerings of downtown Stamford. **SEE PAGE D3**



## Inside Business

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