Financial *focus*

ACCRUENT WEALTH ADVISORS

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In This Issue

Thriving with Stocks – Is This Downturn Different?

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The stock market has given us some especially volatile days lately. The war in Ukraine, interest rates, high inflation (and the supply chain issues that contributed to it), and speculation about mid-term elections have all been in the news.

Each story has the potential to move investment markets. Is the news telling us anything we need to know about managing our savings and investments? Is this downturn different? And what do you do about it?

The answer is simple: you do the same thing you do when the market's rising. Understand that nothing lasts forever (including falling stock markets) and stick to your plan. Sure, this market sell-off was sparked by several issues we haven't seen in quite this combination before. But that's true of every prolonged downturn – each is caused by unique specific circumstances. And the stock market inevitably recovers and goes on to create new record highs based on the same foundation that makes stock markets work in the first place.

Stocks are still long-term, news is still short-term.

News moves stock markets, and then amplifies itself by reporting on those very same stock market moves. But it shouldn't move you. Remember that the job of the news media isn't to give you good financial guidance tailored to your situation. It's to sell advertising and thus focuses on the short-term. Stocks aren't designed for the short term. They work in the long term, a period measured in years.

Does the market react to news? Of course – that's practically all it does. But for the long-term investor, that doesn't matter. We expect stocks to continue to do what they've done for decades: provide notably better long-run returns than bonds, cash, or inflation, while behaving in the short-term something like an over-caffeinated ferret driving a racecar.

While some investors may try to profit from the stock market in the short-term, research suggests that any profits they receive are more likely the result of luck. A long-term investor doesn't have to rely on luck. They have a plan. The key is to stick to it, especially in times of uncertainty.

Look at every other stock market downturn in history. The market as a whole has always recovered. Not each individual stock – that's one reason we diversify – but stock markets cannot help but grow in the long run because businesses will continue to operate and make money and eventually set new record highs, despite the feeling that this time is unique.

Succeeding with stocks when the market stinks.

So, what should you do in this current stock market?

1. Ignore the news. It's short-term. Your stock funds are long-term. Don't fish with a crescent wrench.
2. Stop trying to predict what comes next. You're a human being and cannot predict the future any more reliably than you've been able to before. And by admitting you can't predict the future, you gain a tremendous advantage over those misguided souls who think prediction is the way to make money in stocks.
3. Focus on what you can control – like your risk and costs, and your income tax strategy around your investments.
4. Stick to your plan. Even a mediocre plan, executed decisively, is better than the best strategy that you abandon at the first sign of triumph or trouble.

We've been down this road before, and we remain very confident that stock markets will once again make many future record highs. That's the job of stock markets: reliably outperforming bonds, cash, and inflation in the long run.

But to do that job it cannot help but be erratic in the short run. The trick is to remember to use the right tool for the job. For the short-run, that's cash and bonds. If you make sure you have enough in those asset classes, that's all it takes to be confident you have the time for the stock market's inevitable – and inevitably unpredictable – recovery.

Align Your Financial Life
with the Dreams You Want to Protect

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"Let your dream devour your life, not your life devour your dream." ~ Antoine de Saint-Exupéry

Now that many people have the gift of flexibility and can work from anywhere, what they find this has turned into is they work from everywhere. "I'd like to go on a vacation that isn't consumed by my work." Sound familiar? If so, you are in good company.

This "flip side of the coin" phenomenon, where getting what we thought we wanted brings us something we don't like at all, is one of the challenging parts of planning for an ideal life. How do we anticipate the unintended consequences and how do we stay awake to the dreams when it is so much easier to take an alternate route, to go to sleep on them instead?

Sometimes the reason this is easier can be blamed on what Jerry Seinfeld calls "Tomorrow Guy." We stay up late because Today Guy wants to watch the TV show or finish the book and figures it's Tomorrow Guy's problem when we have to wake up and go to work.

This plays out in everyday decisions that affect our long-term health and wealth like increasing the cost of our entertainment subscription instead of the amount we defer to our 401k, or eating the bowl of ice cream instead of taking a walk after dinner.

When we experience thoughts and feelings that tell us something isn't right we are in an uncomfortable place. It's the chasm between where we are and where we want to be. When it comes to money choices, the bridge across it is recognizing that there are two sides to money, and they don't work the way we think they do.

We think the remedy out of our uncertainty and discomfort will be found in rational solutions and we ask ourselves technical questions. How can I pay less in taxes, what are the best investments to maximize return, how much and where should I save?

What most people don't do is look at the personal side of money. And what's unfortunate about that is that while both sides of money are equally important and complex, it's the personal side that drives decision-making.

It's the side that needs to have the conversation with Today Guy.

As a fiduciary, what I love most about the work I do, what I call Financial Life Planning, is helping people clarify what financial problems they want to solve and building solutions on the foundation we create first, which is to make vivid what is essential to have in a fulfilled life.

Fee-only financial planners offer a structured dialogue to organize their clients' thinking about living well and connecting their ideas to their money. This is one of the things that makes the experience of working with a fee-only planner feel unique.

Many of my fee-only colleagues hear things like, "I had no idea someone like you existed," or "You do things really differently," when they start working with new clients. That's because traditional financial advice often feels like the advisor doles out advice about the money, rather than putting the client's life at the center of the planning.

The advisor often takes over responsibility, instead of empowering the person. You. This is the essence of the difference between the traditional approach and what financial life planners do.

George Kinder, founder of the Kinder Institute which grants the RLP® designation, recalls his work as an accountant and financial planner in The Seven Stages of Money Maturity. He writes: "To become who we most truly are, we must be free first to dream, then to translate that dream into the practicalities that might allow it to be accomplished. Only then . . . should we consider compromises as we attach dollar signs—reality's most potently sobering symbol—to the dream. Right there, where dream and dollar cross, the surface and the soul connect."
And that's very different.

Five **Boring** but **Important** **Financial Chores** to Complete **Right Now**

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There is never a bad time to take care of some financial housekeeping chores. These chores are somewhat boring but essential to maintaining good financial health.

1. Get Your Social Security Statement

Get a copy of your Social Security statement that will show your estimated retirement benefits at age 62, at your full retirement age, and at age 70. The statement also shows whether you have earned enough credits to qualify for Medicare at age 65. Your earnings record is listed in the statement and you should double check the information each year because your retirement benefits are calculated based on your earnings record.

You can get your Social Security statement online at https://www.ssa.gov/myaccount.

For many people, Social Security will be the only guaranteed pension they will receive in retirement. The Social Security Administration reports that the average benefit replaces about 40% of pre-retirement income.

The age you start taking your Social Security benefit will also affect the amount you receive.

You can choose to delay taking your Social Security benefit past your full retirement age and get a higher benefit. Your benefit increases by 8% per year for each year you delay up to age 70. For example, if your full retirement age is 67 and you delay taking your benefit until age 70, then your benefit will be 24% higher than what it would have been at age 67.

Social Security is adjusted annually for inflation. This is called the cost-of-living adjustment or COLA. In some years, the COLA may be insignificant but in other years it may be substantial. For example, the increase was 1.6% in 2019, 1.3% in 2020, and 5.9% in 2021 (the increase goes into effect with the December benefit that is paid in January).

2. Get Your Credit Reports

By law, everyone is entitled to a free copy of their credit reports from the three major credit bureaus (TransUnion, Equifax, and Experian) each year. You can get your reports online from the three major bureaus at https://www.annualcreditreport.com.

You are also entitled to a free credit report from a fourth bureau that you may have never heard of by the name of Innovis.

You can request a report from Innovis by filling out a form at https://www.innovis.com/personal/creditReport. The Innovis report is not made available online and will be mailed to you instead.

Review your credit reports to ensure the correct information has been reported for your credit cards, car loans, mortgage loans, and any other loans. Make sure address information and other personal information is correct. If you find errors, follow the instructions given by each bureau for reporting and correcting errors.

3. Consider Freezing Your Credit Reports

One way to safeguard your identity and prevent someone from opening new accounts in your name is to place a credit freeze on your credit reports. Most creditors require that they see your credit report before granting new credit. If there is a freeze on your report, the creditor will not be able to access your report and will likely not grant the credit. By law, everyone is now entitled to freeze and unfreeze their credit for free. You can learn more about freezing your credit at

https://www.consumer.ftc.gov/articles/0497-credit-freeze-faqs.
Use the following links to freeze and unfreeze your credit at each of the bureaus.

Equifax: https://www.equifax.com/personal/credit-report-services
Experian: https://www.experian.com/freeze/center.html
TransUnion: https://www.transunion.com/credit-freeze
Innovis: https://www.innovis.com/personal/securityFreeze

4. Reduce Unsolicited Credit Offers in the Mail

Under current rules, credit-reporting companies may share your information with creditors and insurance companies. In turn, the companies use these lists to prescreen credit worthiness and mail you unsolicited offers for additional lines of credit and insurance. In addition to the annoyance of this junk mail, these pre-approved offers can pose an identity theft hazard. Thieves often steal these offers from your mailbox, complete the address, and open accounts in your name.

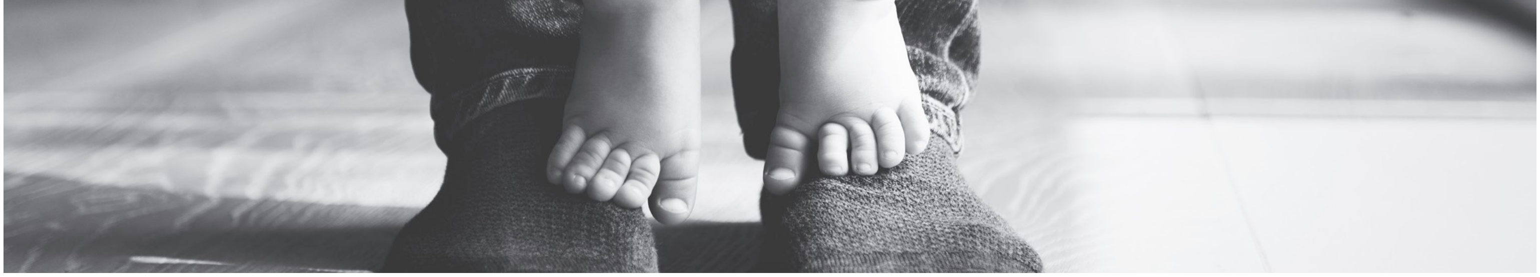
As part of the Fair Credit Reporting Act (FCRA), you are allowed to opt out of credit card offers, either for five years or permanently. By doing this, you prevent your name from appearing on these lists.

You can make your opt out or opt in choices at
https://www.optoutprescreen.com

5. Reduce Annoying Telemarketing Calls

Are you tired of annoying telemarketing calls? If so, register on the national Do Not Call registry. Once you have done this, most telemarketers should stop calling within 31 days.

Get on the Do Not Call registry at https://www.donotcall.gov



Where There's a Will, There's a Way – to Control what Happens!

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You worked hard for many years, saved well, and find yourself in a position to provide a legacy to loved ones after your death. The starting point for me is always the reminder that you have no obligation to provide an inheritance to anyone, even family (with a possible spousal exception), and therefore you can decide on an individual basis who gets what and whether there are any strings attached.

The simplest approach to leave a legacy to loved ones is to use your Will or Revocable Living Trust to name the individuals to whom you are providing an inheritance amount, either a percentage or specific dollar amount, with outright distribution to the beneficiary at your death and "no strings attached." But simple is not always the best approach in more complex situations.

Sadly, it is not an uncommon situation to have concerns about providing an inheritance to family members who may have a poor track record of handling money, are in a troubled marriage, or have substance abuse or gambling issues. As planners we are often asked by our clients what they should do in these cases.

Let's look at the case of Marge, a widow with no children of her own who wants to provide for her five nieces and nephews as well as some charities when she dies. Marge has a total estate of $1 million. Marge is thinking about a bequest of $100,000 each to her five nieces and nephews from the sale of her $500,000 home, with the remaining assets going to several charities. Marge is comfortable with three of her nieces and nephews getting their funds outright, but one niece is in a troubled marriage and one nephew has a history of substance abuse. Marge asks your advice on what she should do.

In coordination with Marge's estate planning attorney, we looked at her options. The simplest option of outright distributions is not feasible for the one niece and nephew with issues. Marge could consider creating a trust in her Will or a Revocable Living Trust. Either trust can appoint a trustee to manage the inherited funds for the niece and nephew with whatever terms and conditions Marge would like. The trust option does satisfy Marge's goal to provide for her family but not permit them to squander their inheritance. However, due to the cost of administering each trust, a trust may not be economically feasible for the $100,000 amount that Marge is considering for this legacy goal. Assuming it is feasible, who should she choose as her trustee? Marge is thinking that one of her nephews, a CPA, would be a good choice for that role, but a relative is not always the best idea. The trustee is put in a difficult position of being seen as standing between the beneficiary and his or her money. A professional trustee such as a bank, trust company, or financial/legal professional would be a good choice but may not be cost effective for this size legacy.

Another option for legacies too small to create a cost-effective trust is to include a provision in her Will or Trust to have her Executor/Personal Representative (likely her CPA nephew) use $200,000 from the proceeds of her home sale to purchase two $100,000 restricted single premium immediate annuities (SPIAs) for the benefit of her niece and nephew with issues. The restricted SPIA differs from other annuities in that the beneficiary has no ability to sell the annuity for cash or demand any payments beyond what the annuity provides. And, unlike a trust, there is no family member or other professional in charge of the funds in trust – just the annuity company making monthly, quarterly, or annual payments to the beneficiary. For the $100,000 legacy, it may not be feasible to have an annuity go on for longer than 10 years, but Marge is okay with that since neither her niece nor nephew can change anything, and they get the guaranteed payments under the terms of the annuity contract. What they do with the money once they get it is something Marge can't control! But that is the same for trust distributions as well. Control can only go so far.

Your situation may not be similar to Marge's, but it is important to understand that you have multiple options with providing a legacy – or not – and that your planning team can help you achieve your goals in often creative ways. The only plan that won't work is the plan that is never put in place!