

# WEALTH MANAGEMENT REPORT

## Going Out On Your Own Terms: Six Key Documents In An Estate Plan

**E**veryone's estate plan is unique, but these six documents are key in ensuring your final wishes are carried out and you end life on terms you have set out.

### 1. Financial power of attorney.

This document authorizes an "attorney-in-fact" to act on your behalf in financial matters. The most common power of attorney, a "durable" one, remains in effect if you're incapacitated. Another variation, which is known as a "springing" power of attorney, transfers control to the designated person only if you're incapacitated.

The attorney-in-fact may have broad powers. They may be enabled to buy or sell personal property, for example, or the role may be limited to specified tasks. This power of attorney expires when you die.

### 2. Health-care power of attorney.

This also authorizes another person to make decisions on your behalf if you're unable to do so—in this case, involving medical care, carrying out your end-of-life wishes, and related matters. Here, the attorney-in-fact is typically your spouse, a child, or a sibling. Like a financial power of attorney, it may be broad or limited and expires at your death.

**3. Living Will.** While a health-care power of attorney may authorize someone to help with end-of-life decisions, establishing what will happen when you're dying is the sole purpose of a living will. Depending on the laws of your state, you may be able to use a living will to say whether or not you want life-sustaining

treatment if you are terminally ill or grievously injured.

Also depending on state law, a health-care power of attorney and a living will may be combined into one document. In other states, a living will may supplement a health-care power of attorney, and both documents can be coordinated with other medical directives or proxies.

**4. Trusts.** There are many reasons for creating and funding trusts. A trust could be used to prevent family squabbles or impose restraints on spendthrift family members. One variation, a living trust, often supplements a will. Because assets in a living trust don't go through probate court proceedings, it keeps the disposition of your final affairs private and asset transfers through a trust are harder to contest than assets that go through the public probate process. The probate process can also be lengthy.

Though there are a myriad of variations, all trusts are either revocable or irrevocable. With a revocable trust, you retain control over the assets. While that's not the case with an irrevocable trust, it can protect assets from creditors and remove them from your taxable estate.

**5. Final Letter.** A final letter can be used to write down a plan for your funeral arrangements, who is to inherit precious family heirlooms, works of art, personal items, and to bestow final blessings and salutations to the people who matter most to you.

**6. Will.** Your will establishes how your assets will be distributed after you

## Your Financial Psychology Under Current Conditions

**A**re you a risk taker? Will you follow through on a long-term plan? Or maybe your natural tendencies make you prone to spend impulsively and let short-term emotions control your budget and investing decisions. These are financial personality traits that behavioral economics helps you identify and manage.

The psychological dimension of financial planning is part of the knowledge learned from the burgeoning social science of behavioral economics, a field recognized for its contribution in helping to improve society through knowledge in 2002 with the award of a Nobel Prize in Economics to Daniel Kahneman, and again in 2017 with the Economics Prize awarded to Richard Thaler.

A practical benefit of behavioral economics is that investors can take assessments to understand their personal financial personality traits.

With concerns about a bubbly market, it is important to keep the speculative nature of excitement-seekers in check. Meanwhile, risk-averse individuals cannot allow their natural tendencies to make them so fearful that they avoid stocks and risk assets.

The current economic boom, unprecedented government stimulus, inflation scare, and record-breaking stock prices make this a good time to assess your unique investor personality traits. Understanding your financial personality can help you make better decisions.

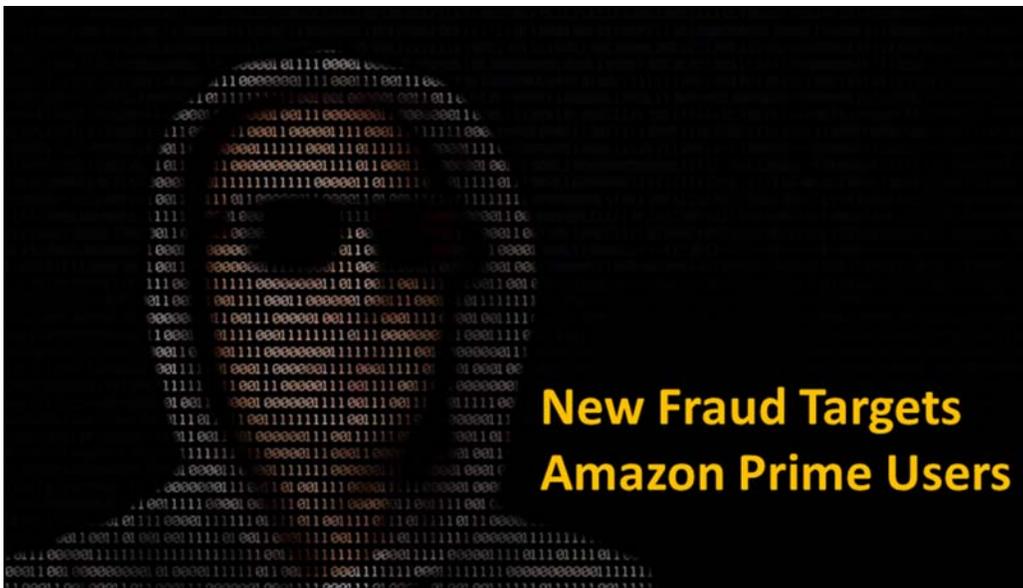
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# New Identity Fraud Tactic Targets Amazon Prime Users

If you receive an email update on an order from Amazon that you did not place, beware; it's likely an attempt to steal your credit card information.

Unlike emails from Nigerian royalty and other obvious scams, this fraudulent email contains none of the telltale spelling or grammatical mistakes. It's not yet filtered by Microsoft and spam protection software. It is a new and sophisticated financial fraud threat.

The fake Amazon Prime email



order is billed to you but shipped to a strange name and address unfamiliar to you. A toll-free number is provided.

“Thank you for calling Amazon,” says the person who answers and gives you his name. “How may I help you today?”

This is where the sophistication of the fraudsters is most frightening. With the din of a call center in the background, the fake Amazon representative never asks you for your account password after you explain why you are calling.

Adding credibility, the fake rep tells you to check your email because he is sending you a one-time password. Even a skeptic now is likely to believe this is a real Amazon representative!

The fake Amazon rep is careful to never ask for your full credit card numbers but eventually connects you to another department to cancel the fake order. To be clear, the fake email and fake representative was all a setup. The final stage of the fraud is still yet to come.

To generate the one-time password, the fake Amazon rep simply used your email address to request a new password for your Amazon account. That generates an email to you, but makes it seem legitimately sent by the fake Amazon rep you are talking to.

Now that the fraudster has gained your trust, he or she will attempt to extract personal information from you, instruct you to download malware or have you log in to a website that looks legitimate but is instead designed to steal your data. ●

## Starting A Business? Plan To Succeed

In America's capitalist system, an economic cycle entails destruction of businesses and their replacement with better businesses. It's survival-of-the-fittest, a process in which the ranks of businesses are periodically thinned by recessions.

The Covid recession, early evidence suggests, is leading to a boom in entrepreneurialism. “The pandemic has had all sorts of unexpected consequences, from a boom in sourdough-bread

baking to more people listening to nostalgic music on Spotify,” according to The Economist on

October 10, 2020. “Less noticed is a once-in-a-generation surge in startups.”



The Economist  
United States  
Oct 10th 2020 edition >

### The number of new businesses in America is booming

No other rich-world country is experiencing the same rise in entrepreneurship

So here's an important strategic tax tip for anyone who just started a business or who's about to do so: Plan now to transfer your ownership to your family.

To be clear, your new business may succeed! Capitalism is dynamic, which keeps the American dream alive. Businesses that

## Two Observations That May Make Higher Taxes Easier To Bear

For the first time since the administration of President Ronald Reagan, federal government tax policy is changing significantly. Tax cuts were in vogue for nearly four decades, but the current administration hopes to implement higher federal taxes on corporations as well as high-income and high net-worth individuals in 2021.

As Congress debates the Biden administration's proposal for a massive increase in federal infrastructure spending, which would require an increase in taxes and government borrowing, here are two key observations.

This chart shows how the United States Government spent its revenue over the half-century ended with the 2019 fiscal year. It's from the non-partisan Congressional Budget Office. Priorities shifted. Health care spending and Social Security are receiving a greater share of revenue, while defense spending has been judged a lower priority since the fall of the Soviet Union.

In the decade ahead, spending on Medicare, Medicaid, and other federal health programs, along with Social Security and the interest payments on the national debt, are expected to continue to

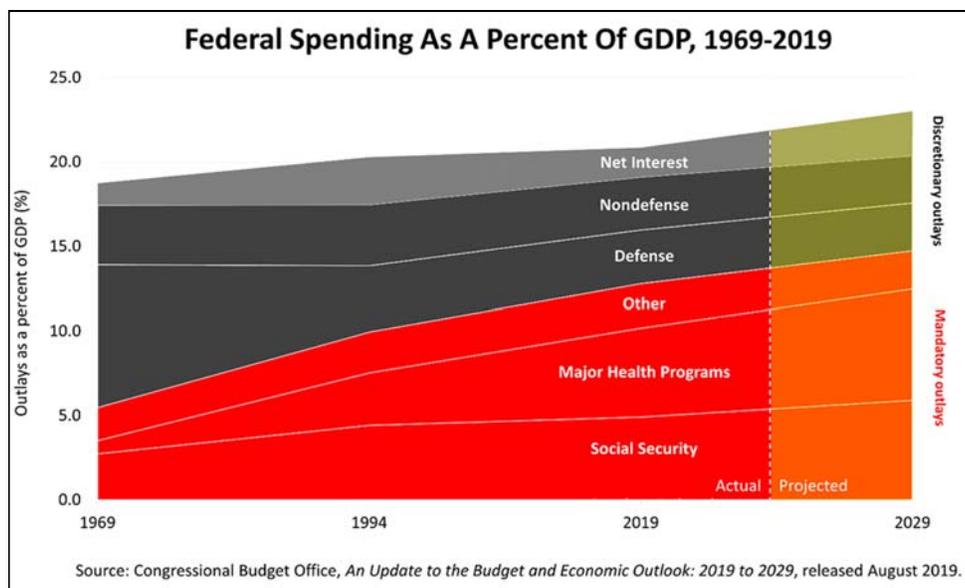


steadily increase as a percentage of the total economy.

**Observation:** The nondefense

spending category, outlays for maintaining the nation's infrastructure – roads, mass transit, communication, buildings, and basic functions of American society, has been allocated a shrinking share of gross domestic product as the population grew. Federal highway, mass transit, and communication systems

make America the envy of most of the world, but it has taken a backseat to other priorities.



failed in the Covid crisis are going to spawn the launch of new businesses that will succeed and ride the wave of growth in the next economic cycle. If you plan to succeed, and, if your business does indeed boom in the new expansion cycle, it is wise to plan now to transfer assets to your children, charities, and what's important to you. You can set up your company tax-efficiently right now to minimize taxes many years from now for your heirs.

Under President Biden, the amount exempt from estate tax may change from \$11.58 million to \$5.75 million, or lower. By forming the company and managing the selection of shareholders with this in mind

from the time of initial formation of your company, you will have more control over the tax-efficient transfer of your business.

Planning now for the success of a new business by minimizing taxes on its transfer to the next generation could result in considerable tax savings, under a Biden Administration.

In the excitement of starting a new venture, it is rare to plan an exit strategy. However, the entrepreneurial eruption currently under way, in combination with the expected expansion of the estate tax to millions of more families, may make a little planning today an extremely shrewd tax saving tactic years from now. ●

Including all forms of taxes – federal, state, and local; income, sales, value-added, estate, and property taxes – the U.S. has one of the lowest total tax burdens among the 37 developed nations that are members of the Organization of Economic Cooperation and Development (OECD). Countries, such as China, Brazil, India, and Russia, are not OECD members and excluded here.

**Observation:** The comparatively low tax burden of the U.S. allows some flexibility in solving the country's long-term spending problems.

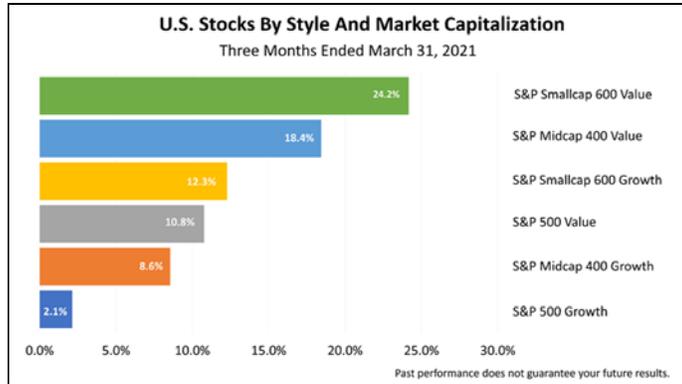
Nobody wants to pay more taxes, but these two observations might make the series of tax hikes that may be enacted easier to bear. ●

# Stock Market Trend Report

While a single quarter of data is usually not elucidating – it’s just not enough time and data to make a sweeping conclusion – sometimes a single quarter tips you off to a shift in investor preferences. That’s true in this three-month snapshot. It shows the stock market investments classifying companies by market capitalization and style.

The fact that small-cap value led the market last quarter marked a reversal of the pandemic boom in which the super-cap growth stocks, like Amazon, Apple, Facebook, Microsoft, Netflix, and Google, dominated returns and temporarily distorted the performance of the S&P 500 index.

Many stocks in the blue-chip Standard & Poor’s 500 index were weak relative to the tech giants earlier in the pandemic. The tech giants grew stronger during the pandemic because their solutions were used more than expected, triggering larger than expected profits in a handful of super-large



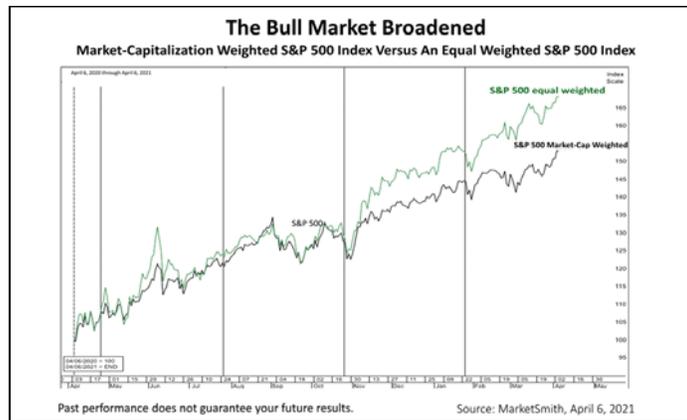
cap stocks.

Since the S&P 500 index is market-weighted, the price surge in the super-large tech companies became more

S&P 500 index, which is commonly quoted and the main benchmark of U.S. stock performance.

Investors have viewed the election of

President Biden in very positive terms, undoubtedly because of the enormous fiscal stimulus the new administration is pursuing. The larger role played by the government in responding to the Covid economic crisis will be subject to political debate. No matter your politics, however, the broadening of the bull market is a good trend for stock market investors. ●



## Six Key Documents

(Continued from page 1)

die and who will have custody of any minor children. You also could use it for other purposes such as making charitable donations and creating trusts.

If you die without a will—“intestate,” in legal parlance—the laws of your state will determine who gets your assets and assumes guardianship of young children. As the centerpiece of your estate plan, this is definitely one tool you can’t be without.

Drawing up documents is left to legal professionals but coordinating the drafting of these documents with your attorney to ensure your final objectives in life are met after your death is often

the province of a trusted financial advice professional, as is assuming powers over your financial affairs should you ever become incapacitated and quarterbacking a team of professionals.

How to best invest your final assets in the people and beliefs you hold most dear requires your most careful consideration and planning and is not a responsibility we take on lightly. If you have questions about going out on your own terms that you set out, please don’t hesitate to contact us. ●

