Wealth Builder

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LEGACY WEALTH MANAGEMENT, LLC

Strength and Resiliency By Mike Berry, CFP®

A few nights ago, Deb and I were watching a PBS documentary on the 1976 Big Thompson Flood. The flash flood killed 143 people and destroyed millions and millions of dollars of property. Deb and I were jeeping that day outside of Lyons, CO, in the rain. We remember the rain and how hard it was coming down. We were pretty much fair-weather jeepers, so we turned tail and headed back to our Boulder apartment. All that rain that we encountered was flowing right down the Big Thompson River that night taking lives and property with it. The show interviewed survivors and you heard of their strength and resiliency. Little by little, all returned to a new normal.

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Plan Accordingly By Jeff Funderburk, CFP®

We all know that having an estate plan in place is important. And yet I come across people almost weekly that will say they understand how important it is, but always seem to have a reason why they have nothing in place. And it makes sense to me; it's not a fun process to contemplate your death and how your family will carry on once you're gone. It's not a fun process, but it is one of THE most important things you can do for your family and loved ones.

I'm writing about it now because I've recently come across a few situations where the estate plan was lacking in one way or another. It leaves family members, who are in the process of dealing with the grief of losing a loved one, to scramble to figure out what needs to be done. They are left to determine who is the personal representative, where all the assets are held, how all the assets are titled, who the beneficiaries are (if any were listed). They often will have to deal

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STRENGTH AND RESILIENCY *Continued from pg. 1*

> *“ …capitalism and free enterprise rewards creativity, ingenuity, perseverance and resiliency.”*

“Strength” and “resiliency” are two words that I think define our economy. This year marks the 20th anniversary of the worst attack on the U.S. in our history. The country came to a halt. No planes in the sky. [1]The banks and financial markets closed for three days. The overall economy ground to a slow crawl. The third quarter 2001 economy was the worst quarter in the previous ten years. Due to the strength and resiliency of our economy, and quick action in the war on terrorism, the economy avoided a bad recession.

We are in the middle of a crazy housing market all over our country. Some areas are crazier than others. We’ve all heard the stories of houses being sold within moments of going on the market for amounts far above the asking price. We had a real estate bubble in 2008 too. Easy credit and no money down brought people into the housing market in droves. No job? No problem! We’ve got a mortgage loan for you! Consider our 120% loan! We will lend you 20% more than your house appraises for and you can use that money for whatever you want! All this speculation and questionable lending practices eventually brought us into the 2008 financial crisis and the Great Recession. An economy so bad, only the Great Depression of the 1930’s was worse. Stock prices dropped by 50% over a two year period. Our economy was flat on it’s back. But with resolve and perseverance, it got up off the mat and we entered into a long period of economic expansion.

As of this writing, we are now in month 18 of the COVID pandemic. Our economy was totally shut down for weeks and weeks in early to mid-2020. The economy went into a recession and stock prices took a 40% tumble before stabilizing and mounting a comeback. Our economy only survived through creativity and ingenuity. Businesses had to look at alternative ways to serve their customers. Rapid advancements in technology allowed people to work from home. Business plans had to be adjusted to account for the new reality. New ways to operate and navigate in this new era were being built on the fly.

Our economy has survived and grown through some pretty tough times just in the last 20 years. One reason is because capitalism and free enterprise rewards creativity, ingenuity, perseverance and resiliency. Our economic system is not perfect by any means. But, my observation over the last 40 years or so is that when things get tough, businesses in the U.S. get busy adapting so they can survive and thrive.♦

[1] *https://money.cnn.com/2001/10/31/economy/economy/*

A New Risk by Dan Funderburk, CFP®, CKA®

There's a new financial trend emerging, and a new risk is coming with it. I think it's worth drawing attention to.

Technology in the financial industry has evolved an amazing amount over the last few decades, and it has accelerated substantially in the last couple of years. As with everything, this evolution has its pros and cons. In the early '90s, Mike and Linda remember listening to the radio at the end of each business day to see what the markets had done. In the early 2000s, Peggy remembers manually entering mutual fund and stock prices into spreadsheets before client meetings. Thank God we don't do that anymore. Just think about the time saved and typos avoided now that all of that is handled automatically.

More recently, we've had tools become available that enable us to better help the families we serve. We have incredible research tools to analyze investments quickly and thoroughly. Now we're able to rebalance an account in a handful of minutes; a task that used to take the better part of a morning. We have software that intuitively shows our clients how much risk they're taking. Our clients can now schedule appointments online. Every year our technology budget increases, and I'm happy about that. We're better equipped than we've ever been to do our job well.

There are also tools that were designed with the consumer in mind. There are fantastic budgeting apps, and online banking has never been easier. For those who like the idea of investing without the help of an advisor, there are apps like *Robinhood* or *Coinbase* that allow you set up an account and start trading in minutes. It's with these new tools where I see the risk emerging.

Don't get me wrong – I'm not against individuals managing their own portfolios. I'm well aware that a segment of the population prefers to manage investments personally, and I'm fine with that. We're not trying to help everyone in the world – only those who genuinely see value in the advice we provide. If you are reasonably intelligent and have the time, the knowledge, and the desire to manage your own investments, I think you should do so (with the caveat that you need to be able to keep your emotions in check when the markets get crazy). If you lack any one of the three (time, knowledge, or desire), it's well worth the cost to out-source the investment management to a professional, and that's where we come in.

These tools are so readily accessible and easy to use that people (especially younger people) are jumping into the investing world without knowledge of what they're actually doing – and that's the new risk I'm talking about. They're getting their investment tips from online forums and friends. Often these "tips" have

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Plan Accordingly *Continued from pg. 1*

with unhappy family members, and even engage lawyers and the courts. I can tell you from helping folks through this that it is a heart-wrenching process.

Estate plans can be very complex, but they don't need to be. Most complicated plans are that way because they are for estates large enough to be subject to estate tax. Those plans need to be designed to get assets to the desired beneficiaries while at the same time minimizing estate taxes, so they are more extensive and expensive. However, most of us aren't going to have estates large enough to owe estate taxes, at least under the current law. The government of course could change that, as they've done several times in the past, but as it is now many aren't under threat of estate taxes and don't require overly complex or expensive plans.

Estate planning can be basic and simple. First, ask yourself, "who takes care of my people?" This would include spouses, minor children, disabled dependents, etc. Second, ask yourself, "Who gets my stuff?" *That's it.*

The vehicle you use to document and accomplish these goals is situation-dependent, but at the most basic an estate plan should include:

- ◊ Last will and testament (and/or a trust, depending on your situation). This will document who takes care of your people and who gets your stuff.
- ◊ An advisor or estate lawyer can be consulted on if a will or a trust is appropriate for your situation.
- ◊ Financial power of attorney (POA) and living will (advance healthcare directive). These document the people who can act for you regarding your finances and your medical care should you not be able to for yourself.

If you have those in place, and you keep it current, then you've blessed your loved ones with a much easier path. There are other things you can do, like listing beneficiaries on accounts and titling accounts properly, that can make it even simpler, but getting the basics in place now is the most important.

Plan accordingly – and don't put it off any longer.♦

> ***"It's not a fun process, but it is one of THE most important things you can do for your family and loved ones."***

A New Risk *Continued from pg. 3*

nothing to do with fundamentals of the companies they buy, but rather a headline they read or some online influencer trying to manipulate the stock price of a company he bought (i.e., Roaring Kitty – the Reddit user who led the ridiculous GameStop price surge). The so-called "meme stocks" of GameStop and AMC show that the combination of easy trading tools and social media create a perfect storm that turns the stock market into a Vegas craps table.

The allure of getting rich quick by simply tapping a few buttons on your phone is too hard to pass up for younger people. These apps just feel like another video game that they grew up playing. They read the stories of those who got lucky, timed it right, and became millionaires overnight. What they don't read about is how much money those people risked, or about the thousands of others who tried the same thing but got the timing wrong, resulting in substantial losses. To make matters worse, these trading apps allow new investors to use margin, which means they are borrowing money to invest. This increases their cost and magnifies the potential gains and losses exponentially. Historically, margin was only offered to sophisticated investors with deep pockets. Now it's offered to anyone with a smartphone.

Abuse of these tools has even led to suicide. Through a glitch in their software, *Robinhood* showed a 20-year-old user that he was $730,000 in the hole from his trading activity. After unsuccessfully trying to contact customer service, Alex Kearns took his own life over the supposed losses. 20-years old! He was just a kid! It gets worse. Just recently, Fidelity began allowing teenagers (13 to 17 years old) to open their own brokerage accounts. You can't vote or buy tobacco, but you can trade fractional shares of stocks commission free! On the surface it seems harmless enough. Let your kids begin dabbling in the stock market while they're still at home and you can supervise their activity. However, I view it as giving them access to something that requires a mature countenance to use well. Even adults show time and time again that we make investing mistakes because of our greed and fear. Teenagers are dealing with crazy emotions from hormones and still have a ton of growing up to do. It's our job to protect them. Our brains don't stop developing until our early 20s, so giving them full access to these tools so early can certainly do more harm than good. Teach them to budget. Open a savings account for them. Help them get a job. But giving them their own trading account before they can drive? No, thank you. I see that as exposing them to one of the most addictive things on this planet – money and the allure of getting rich – before they have the ability to see through the fluff.

As with all tools, these trading apps can be used for good or for evil. Let's make sure that we and those we love are mature (and informed) enough to use them for good.♦

"These apps just feel like another video game that they grew up playing."

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