PERSPECTIVES

SUMMER 2021 EDITION

Pandemic-Proof Your Finances

Three Ways to Prepare for Life's Storms

The Great Wealth Transfer

The largest transfer of wealth in US history

See the World from Your Sofa

ONLINE TOURISM

How to Stock an Emergency Kit

Packing for a Trip You'll (Hopefully) Never Take

WMG

WEALTH MANAGEMENT GROUP LLC

Summer Welcome

Dear Client,

Although many of us have found ways to stay connected this year, summertime helps us look forward to the day when we can gather in person over a barbecue and a cold glass of lemonade. Plus, this season does have some silver linings.

With so many of us staying closer to home this summer, technology is making it possible to still enjoy the outside world, as you'll read in "Online Tourism: See the World from Your Sofa." Building a kit for emergencies can also be an excellent summer activity, and you can read more about how to make your own "go bag" in this issue.

In "The Great Wealth Transfer," you'll learn about how several generations are already experiencing one of history's largest intergenerational wealth transfers. Whether you're making decisions about your legacy or thinking about how to responsibly receive an inheritance, you don't want to miss this article.

How will COVID-19 affect your financial strategy over the long term? In "Pandemic-Proof Your Finances," we'll explore how to possibly protect yourself from unforeseen circumstances.

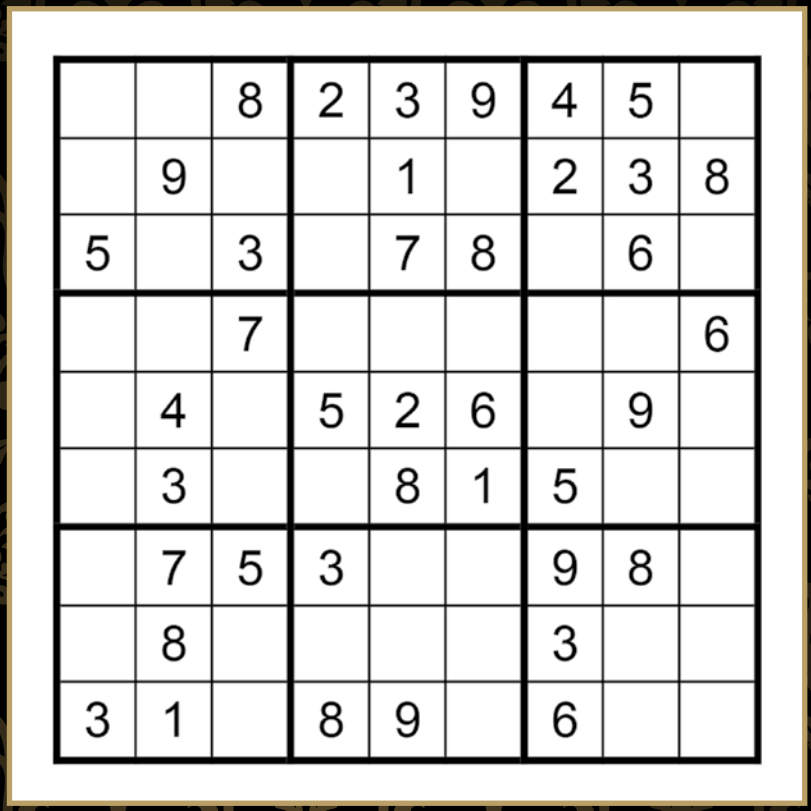
Come what may, we're here to support you through this season and beyond. Please feel free to reach out to us anytime for any reason.

Warmly,

Craig G. Bolanos Jr.

Craig G. Bolanos, Jr. CMFC, AIF®
Founding Partner, CEO
Wealth Advisor

SUDOKU



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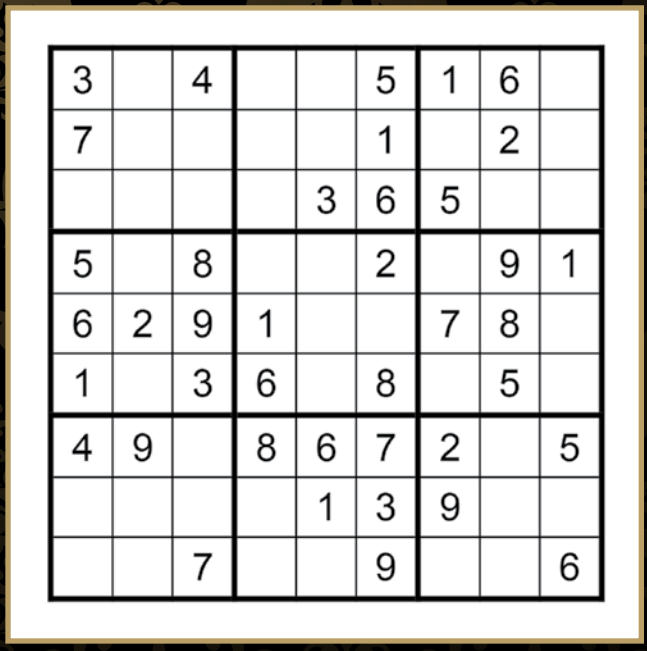
SUDOKU

Sudoku, or "single number," is a logic based number-placement puzzle. The objective is to fill a 9x9 grid with digits so that each column, row, and 3x3 sub-grid contains all the digits from 1 to 9 only once.



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Pandemic-Proof Your Finances

THREE WAYS TO PREPARE FOR LIFE'S STORMS

The year 2020 was unprecedented in recent memory. No one expected that COVID-19 would quickly transform into a global pandemic; nor did anyone expect that life as we knew it would be so upended. With the economic shutdown touching all sectors of the economy, perhaps your lifestyle—and your financial picture—has changed in significant ways over the past 18 months.[1]

However, there are many reasons to be hopeful. A retirement confidence survey conducted by SimplyWise reveals that two out of three Americans are confident about their finances. The Federal Reserve has suggested that it plans to keep its easy monetary policy in place for some time, with inflation and unemployment below its target goals. The Fed believes that its work is far from over, as the economic rebound appears uneven and far from complete.[2,3]

Having a sense of control over your financial life is reassuring and can help make your future brighter. As always, it's a good idea to talk with your financial professional before making any big decisions, but it's also important to talk to them about the little choices that can add up to big results.

1

HAVE AN EMERGENCY FUND

An emergency fund is one of the most touted and important pieces of financial advice, but many people still don't have one.[2]

If the hot water heater in your home broke today, how would you pay for it? Many people would just put it on their credit card and forget about it until the bill came. It's important to remember that a credit card is not a substitute for having an emergency fund. Having enough cash available to cover unforeseen expenses will give you a choice between using your credit card or tapping your cash.[3]

If you don't have an emergency fund yet, the first step is to establish one, ideally in an account that you trust yourself not to dip into. If you already have an emergency fund, take a look at the balance and consider how far your savings can take you. Consider setting aside three to six months of living expenses, but you shouldn't stop saving once you've reached that number. Your ultimate goal should be to create an account that is designed to address your individual needs. The best part is that having this cash on hand means you have more flexibility—no matter how the winds are howling.[4]

2 STRESS TEST YOUR BUDGET

The Federal Reserve and the State of Utah have created fiscal toolkits to prepare for unexpected economic downturns, such as what happened during the first few months of the pandemic. For example, the stress test plan for Utah has line items that include working rainy day reserves, operating reserves, cash flow management, and revenue enhancement. When faced with an economic issue, it has prepared plans in place to avoid the stress of crisis-driven decision making.[5,6]

But stress testing budgets isn't just for large corporations and government organizations. Here are some ways you can test your own preparedness. Start by asking yourself the following: How drastically would your lifestyle change if your income dropped by half? What luxuries or optional expenses would you be able to cut? Would you be able to maintain your standard of living if you lost your job? Would your budget be able to cover open-market health insurance? If these kinds of questions make you uneasy, it's time to work with your financial professional and create some hypothetical game plans.

Remember, even if none of these worst-case scenarios ever comes to fruition, it never hurts to have a strategy in place.

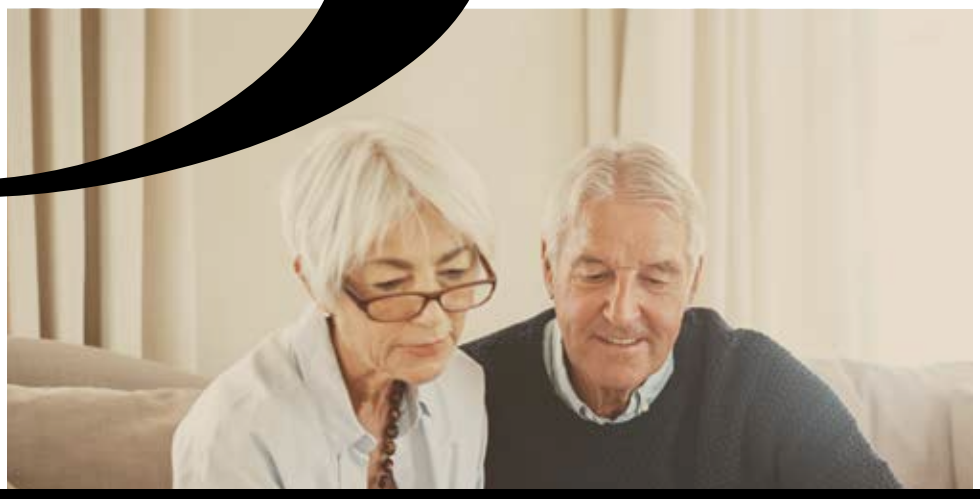
3

REVIEW AND UPDATE YOUR ESTATE STRATEGY

Regardless of age, you need to consider your estate strategy. Some estate building blocks may include a medical and financial power of attorney and a recently updated will. Your will determines what happens to your estate after your death and helps ensure that your wishes are carried out. A medical and financial power of attorney helps ensure that if you become incapacitated, someone you trust can make healthcare and financial decisions on your behalf.[4,7]

Keep in mind that power of attorney laws can vary from state to state. An estate strategy that includes trusts may involve a complex web of tax rules and regulations. Before moving forward with a trust, consider working with a professional who is familiar with the rules and regulations.

It's important to remember that estate laws are constantly changing, so it's best to view your estate strategy as a living document that needs to be updated on a regular basis. Any change in your family (marriage, divorce, deaths, and births or adoptions) may call for an estate strategy review. But some items can slip through the cracks. Is your former partner still listed as the beneficiary of your life insurance policy? Or maybe your estate strategy has changed drastically, and you need to designate a new executor who's better equipped to handle the needs of your estate. Taking some extra time to review these designations now may ensure that your wishes are carried out after you're gone.[7]



No one wants to think about the end of their life, but it's easier to be prepared now than when in the middle of an emergency.

Emergencies and crises are bound to happen. But by taking some proactive steps, you may be in a position to handle any financial uncertainties or rough weather that comes your way.

1. S&P Global Market Intelligence, September 21, 2020
2. SimpyWise.com, January 18, 2021
3. CNBC.com, February 10, 2021
4. Investopedia.com, November 12, 2020
5. PewTrusts.org, December 14, 2020
6. FederalReserve.gov, February 16, 2021
7. Yahoo.com, February 8, 2021

The Great Wealth Transfer

The Largest Transfer of Wealth in US History

Right now, a massive generational transfer of wealth is underway. By the time you finish reading this article, another 70 Americans will have just turned 65. Although estimates vary, most experts presume that the amount of wealth to be transferred will start at $15 trillion. One thing's for certain—this shift in wealth will have an enormous impact.[1]

Baby boomers (those born between 1946 and 1964) have done quite well for themselves. For the first time in US history, a generational group has lived better, more prosperous lives than their children. Many estimates show that baby boomers hold approximately 57% of all the wealth and assets in the US economy. By contrast, their children (typically categorized as Generation X and millennials) own roughly 3%.[2]

Historically speaking, that's pretty amazing. One way to understand this phenomenon is by looking to the past. By 1990, baby boomers had accumulated about 21% of the nation's wealth. Never before or since has so much of America's wealth been in the hands of a single generation. This extraordinary amount of wealth continued to grow until it reached the trillions—trillions that are poised to be transferred in the coming years.[3]

Prime Beneficiaries

Although some believe that Generation X (those born between 1965 and 1980) stands to inherit a large amount of this transfer, the majority of it will still go to millennials (those born between 1981 and 1996), as Generation X has already begun inheriting wealth from their parents and families. It's important to note that the financial data for those born between 1965 and 1980 can sometimes be misleading or sparse. Several reasons for this have been suggested, but some researchers believe that it stems from Generation X's resistance to being categorized. Others point to the financial industry consistently overlooking these key consumers in the wealth space. However, considering that by 2028, Gen X will overtake their parents' generation from a population standpoint of 64.4 million versus 63.7 million projected baby boomers, it's almost certain that future research will further clarify the generational landscape.[4]

Much has been written about the financial habits of the millennial generation, but in truth, most millennials are practicing positive financial behaviors, such as budgeting, saving, decreasing their debt, and investing.

Consider this: for millennials who are saving, it's not just nickels and dimes. Almost a quarter of millennials who save have $100,000 or more put away, with three-quarters also saving for retirement and one-third saving to buy homes.[5]

Saving Despite Debt

The fact is that millennials have come of age and are more responsible with their money than ever. However, massive debt has also shaped this group's approach to their finances. More than three-quarters of millennials have revolving or unsecured debt of some kind, including student loans, credit card debt, auto loans, personal loans, or medical debt.

As a result, roughly 75% of millennials feel insecure about their current and future financial stability. This insecurity is especially felt among millennial parents, as the majority have experienced firsthand the additional expense of raising a family.

However, for those concerned about how their legacy will be used, there's great news. Despite these challenges, millennials are practicing positive money habits and pursuing financial goals such as boosting their credit scores and putting more away for retirement. These behaviors seem to point to a strengthened desire to be fiscally responsible.

Based on a recent survey, a majority of people aged 25 to 40 said they would use increased wealth to do the following:

- Fund down payments on homes rather than have big weddings
- Buy smaller, more affordable homes with smaller mortgages rather than larger, more expensive homes with more debt
- Opt for minimalist lifestyles in order to save for the future rather than living extravagantly now
- Cut back on dining out, cable and streaming services, gym memberships, and vacations in order to reduce debt[6]

How to Prepare

When thinking about transferring or receiving wealth, you need to remember that financial knowledge is crucial for avoiding potentially critical mistakes. There are some areas that inheritors or those preparing an estate transfer should be aware of.

One of the first questions that baby boomers, Generation X, and millennials should ask is whether the inheritance will result in an income tax. The simple answer is no. While federal estate taxes, state-level estate taxes, or inheritance taxes may apply to estates that exceed certain thresholds—for example, in 2021, the federal estate tax exemption amount is $11.7 million for an individual—receipt of an inheritance does not result in taxable income for federal or state income tax purposes.[7]

Keep in mind that this article is for informational purposes only and is not a replacement for real-life advice, so make sure to consult your tax, legal, and accounting professionals as you prepare or update your inheritance strategy.

To make well-informed decisions and handle an inheritance prudently, you need to understand the type of assets you're giving or receiving.

In general, you can think of inherited assets in six general categories:[7]

- Cash and Securities
- Retirement Accounts
- Real Estate
- Art and Collectibles
- Life Insurance and Annuities[8]
- Interests in Trust

A clear financial strategy is essential for leveraging an inheritance in a way that can help the inheritor pursue their goals. This is a situation in which a financial professional is not only helpful but possibly essential. Along with the many investment vehicles at their disposal, a financial professional can be a valuable sounding board for all your financial questions. Their guidance during the transfer of wealth can be an invaluable resource.

Will You Be Ready?

After the events of 2020, many generational investors are more anxious than ever about the future. The best thing families can do right now is to communicate openly and honestly about their estate and inheritance goals. Involving a financial professional early can show you investment strategies that you may not have normally considered.

1. Thehealthcareinsights.com, 2020
2. Smartasset.com, December 9, 2019
3. Finance.yahoo.com, March 13, 2020
4. Forbes.com, January 23, 2019
5. About.bankofamerica.com. 2020
6. About.bankofamerica.com. 2020
7. Fiduciarytrust.com, January 15, 2021
8. The guarantees of an annuity contract depend on the issuing company's claims-paying ability. Annuities have contract limitations, fees, and charges, including account and administrative fees, underlying investment management fees, mortality and expense fees, and charges for optional benefits. Most annuities have surrender fees that are usually highest if you take out the money in the initial years of the annuity contact. Withdrawals and income payments are taxed as ordinary income. If a withdrawal is made prior to age 59 ½, a 10% federal income tax penalty may apply (unless an exception applies).

Several factors affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder may also pay surrender charges and have income tax implications. You should consider determining whether you're insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy depend on the ability of the issuing insurance company to continue making claim payments.

Art and collectables can be affected by a variety of developments, such as appraisals and liquidity. There's no guarantee that art and other collectables will maintain their value in the future. Art, collectables, and other speculative investments are not appropriate for every investor.

Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional who's familiar with the rules and regulations.

HOW TO STOCK AN EMERGENCY KIT

PACKING FOR A TRIP YOU'LL (HOPEFULLY) NEVER TAKE

A CNN report from 2020 says that only 35% of Americans are ready for an event that either limits or eliminates their ability to access normal services. Preparation includes keeping an emergency kit on hand, one that can be carried should it become necessary to leave home for a day or more. Putting together such a kit can be something of a relief, not to mention a bit of fun. Think of it as preparing for a camping trip you hope you never have to take.[1]

KNOW YOUR AREA

As you're putting your kit together, it's important to keep your surroundings firmly in mind. Wherever you live in the US, you may have your own recurring regional event that might escalate rapidly into an emergency. Floods, earthquakes, wildfires, hurricanes, and other events might be familiar to you and your neighbors. While you could be able to grab your kit, get in the car, and drive to safety, you should also consider a situation in which you might be on foot for a considerable amount of time.

CHOOSE YOUR CONTAINER

For our purposes, a "kit" means a "container." It doesn't matter whether you use a backpack, suitcase, or anything else. However, you should keep plenty of scenarios in mind when making your choice. Is your kit durable? Is it something you can carry on your own? Thinking about these factors now will save you hassle should you ever need the kit.

PACK THE ESSENTIALS

You've selected your container. Now, what do you put in it? Plan to be gone and potentially away from services (from electricity to first responders) for three days. For each person, pack three days' worth of the following:

- ☐ Nonperishable food
- ☐ Pet food (if applicable)
- ☐ Water (ideally a gallon of water per day per person)
- ☐ Iodine tablets for purifying water, if needed
- ☐ Medications for yourself and those in your household, including pets
- ☐ Radio that can be operated with batteries or a hand crank
- ☐ First-aid kit
- ☐ Flashlight
- ☐ Emergency blanket (those silver foil wraps you see people wearing after marathons)
- ☐ Solar phone charger
- ☐ A wrench (to turn off utilities)
- ☐ Multitool/Swiss Army knife
- ☐ Copies of important documents
- ☐ Spare cash in small bills (you can't put things on your plastic if the power's out)

TAKE A YEARLY INVENTORY

Once you have your kit together, remember to check on the supplies from time to time. Water in plastic bottles will eventually expire, as will any food items, meds, and batteries you have packed. Be sure to keep track of when those items should be rotated out. Set aside a day each year to rotate items.

BE READY FOR ANYTHING

Some retailers offer kits that will eliminate some of the work but be sure that they meet your particular needs. You'll need to provide your own prescription medication, for instance, and you should ensure that the food being provided meets your dietary needs. Assembling and maintaining your own emergency kit allows you to be productive about your concerns, and it just feels good to be prepared for anything. Consider making (or taking an inventory of) your own kit today. With a bit of luck, you'll never have to use it.

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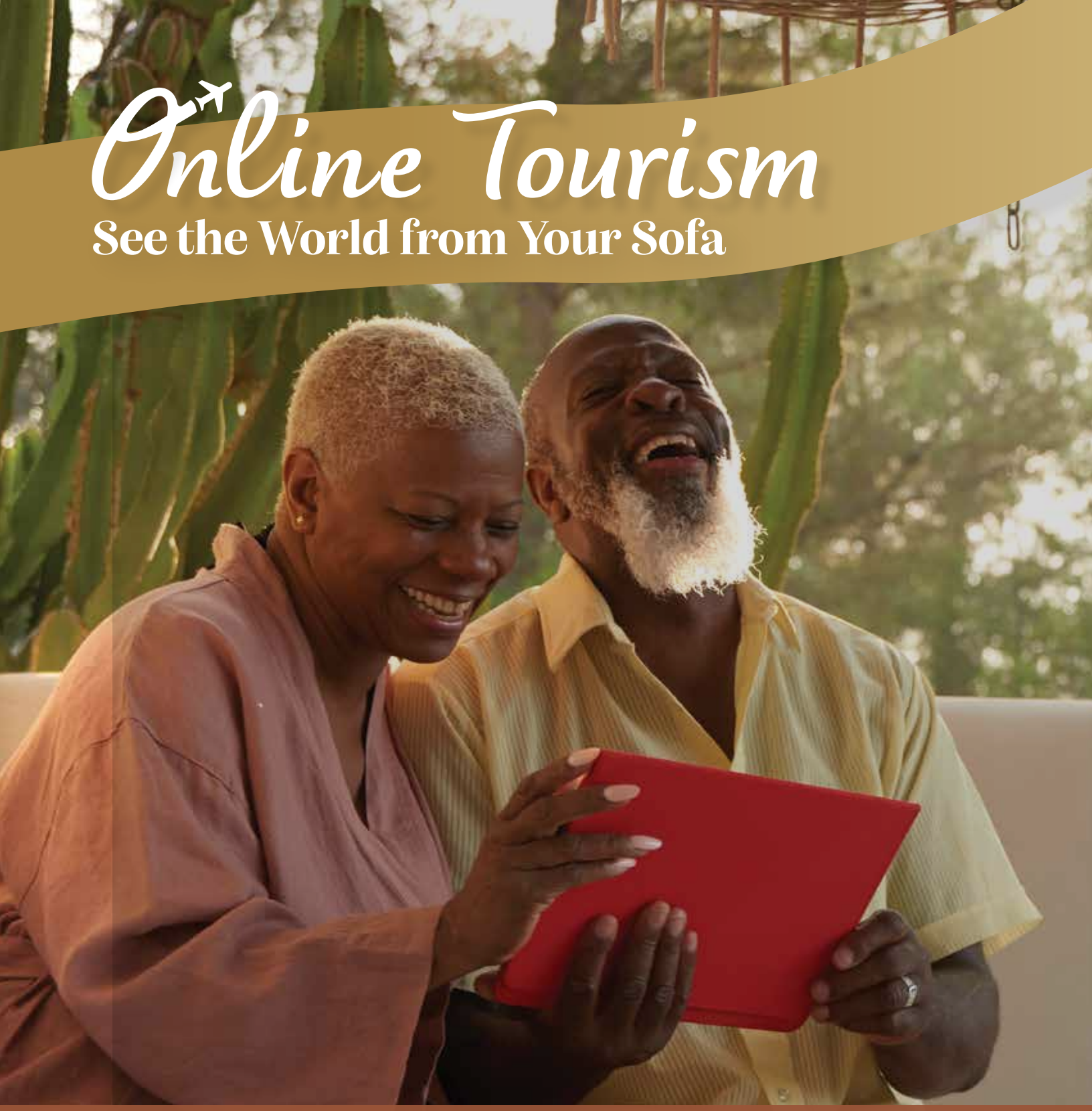
1. CNN.com, August 28, 2020

Online Tourism

See the World from Your Sofa



2020 put a damper on travel, as a global pandemic upended life as we knew it. Fortunately, creative uses of technology have made virtual tourism easier than ever. Many attractions have taken to the internet with gusto, creating digital versions of experiences you can't have in person. If you have the travel bug but are still waiting for the all-clear, indulge your curiosity from the comfort and safety of home.

If You're Missing Live Music

Live music is one of the joys that many are missing these days. Thanks to the internet, you can attend concerts without the crowds. Symphonies, operas, and even big-name music acts are taking to venues like Facebook Live and YouTube to stream concerts right to you. Some live music venues are embracing a "drive-in" option, with concerts performed outdoors and attendees listening to music from the comfort of their vehicles.

If You're Craving Some Culture

If museums and art exhibits are your reasons for traveling, look no further than your computer. Many museums have online tours that allow you to browse at your leisure. You can even make a stay-at-home travel-themed day of it. Complement your online tour from the country you're "visiting" by either ordering from a local restaurant or getting creative in the kitchen.

If You're Angling for Adventure

If you like your travel to be more adventurous, we've got you covered. A quick Google search will reveal wildlife preserves in Africa that have digital tours or live cams that allow you to get up close and personal with gazelles, lions, and zebras in the wild.

The beauty of this last year is that we've been shown what we can do with technology when we adapt and get creative. So what are you waiting for? Do some searching and plan your own international staycation.

Here's What to Search For

Looking for something new? Simply type the following terms into your internet search engine and let yourself be whisked away.

Arts & Culture

- The Louvre Museum
- Virtual walk: The Great Wall of China
- Tour Jane Austen's home in Chawton, Hampshire, England
- Virtually visit the Rani Ki Vav stepwell in Gujarat, India

Music

- Kennedy Center Virtual Concerts
- Billboard.com Virtual Concerts
- YouTube: LSO (London Symphony Orchestra)

Getting Out in Nature

- Under the Canopy, Conservation International
- Digital dog sled tour, Fairbanks, Alaska
- Tembe Elephant Park, Explore.org

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