Wealth-Building Process: Key Year-End Actions

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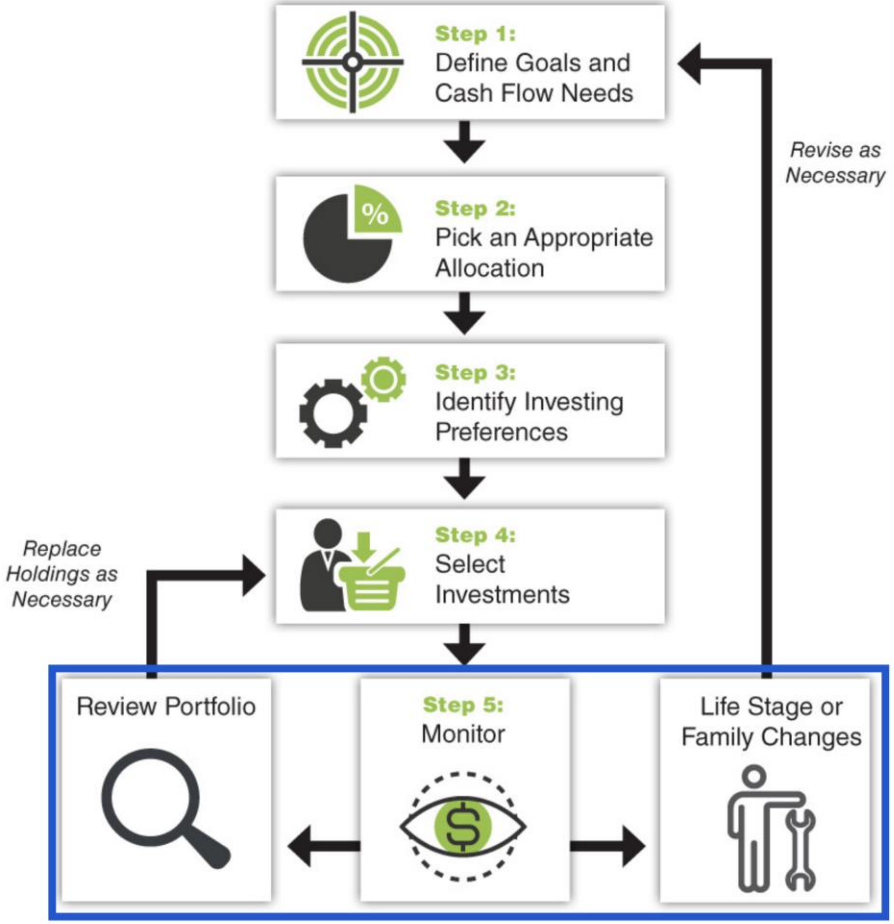
The end of the year is a good time to do a comprehensive review.

The Individual Investor Wealth-Building Process



We'll Start With Estate Planning

Estate Planning Inventory for a Couple With Two Kids

Bebeneficiaries*	
Account	**Names**
Joint Checking	Joe and Fiona
Joint Saving	Joe and Fiona
Allison - IRA	Joe and Fiona
Laura - IRA	Joe and Fiona

**Check against the Investment Account Inventory List:*
https://www.aaii.com/latest/article/12932-a-worksheet-for-listing-all-of-your-investment-accounts

Financial and Estate Planning Professionals		
Type	**Name**	**Phone Number and Email**
Estate Attorney	Frank Smith, ESQ	888-888-8888

Doctors**		
Type	**Name**	**Phone Number and Email**
Internist for Both	Nancy Jones	888-888-8888

Life Insurance Policies			
Type	**Company**	**Policy Number**	**Phone Number and Website**
Allison	Life Insurance Inc.	111-11111	888-888-8888
Laura	Life Insurance Inc.	111-11111	888-888-8888

Source: Individual Investor Wealth-Building Process.

Estate Planning Inventory

- List your key accounts, policies, contacts and documents
- Obvious items: Pensions, life insurance, wills, trusts, etc.
- Less obvious: Military ID, personal contacts, house and vehicle titles, final wishes
- Think about what information would help your spouse and heirs

Having This Type of Information Helped Me Immensely

Helpful Steps My Late Father-in-Law Took

Add your comment!

Thursday, March 23, 2017

Charles Rotblut, CFA
AAII Journal Editor

My father-in-law passed last week. Les was a person who was willing to take risks when the potential payoff seemed to warrant doing so. This led him to stop his graduate school studies at the University of Chicago and join what was then a brand-new government agency: NASA. His attitude toward risk carried over to investing where, like many investors, he realized profits and occasionally incurred some bad luck, such as the Enron bonds he owned. Though many of the conversations Les and I had involved non-financial topics, it was not unusual for him to discuss investing with me. Les even once gave me his copy of Benjamin Graham's "The Intelligent Investor" to read, not realizing I already owned a copy of it.

Among the best financial steps Les made didn't involve security selection or portfolio allocation, but rather the management of his finances. The process of assisting my mother-in-law with her finances has been greatly helped by what my father-in-law did before he passed. I'll share some of the actions Les took with you in the hope you'll consider following in his footsteps.

Conversations: I cannot begin to stress how helpful I am now finding the conversations Les and I had to be. My wife and I know about all the accounts my in-laws have, bank or brokerage. We also know about the sources of retirement income and the life insurance policy. There are also no disagreements about how to manage the money, since it was previously discussed. The simple act of conversing has allowed me to me quickly start on the transition, including making calls on my mother-in-law's behalf.

CONVERSATIONS
+
RECORD KEEPING
+
ESTATE PLANNING
=
LESS STRESS
FOR YOUR
FAMILY

Source: AAII Investor Update, March 23, 2017.

Were there any changes in your life or family that would affect your investment goals or estate plans?

Couple With a Newborn Daughter

Over the past year, have any of the following happened?

Family	Yes/No	Who	Does It Impact Your Goals?	Does It Impact Your Will, Life Insurance or Trusts?	Does It Change a Beneficiary?
Birth/Adoption	Yes	Daughter	Yes	Yes	Yes
Death	No				
Marriage	No				
Separation	No				
Divorce	No				
Start or Graduate From College	No				

Change in Health	Yes/No	Description	Does It Impact Your Goals?	Does It Impact Your Will, Life Insurance or Trusts?	Does It Change a Beneficiary?
You	No				
Spouse/Partner	No				
Dependent	No				
Other Close Relative	No				

Employment (You or Spouse/Partner)	Yes/No	Description	Does It Impact Your Goals?	Does It Impact Your Will, Life Insurance or Trusts?
New Job	No			
Change in Compensation	Yes	Promotion	No	No
Job Loss	No			
Retirement	No			

Source: Individual Investor Wealth-Building Process.

Think About What Significant Changes Have Occurred

- Was there a birth, death or divorce in your family?
- Has your or your spouse's health changed?
- Did your job status change? What about your compensation?
- Any big change in wealth? Inheritance? Sale of a business? Significant drop?

Not Making Written Changes Can Cause Problems

A Telephone Call Is Not Enough to Change a Beneficiary Designation

Merely calling to request a change in the beneficiary may not be enough to effectuate it. Rather, there must be compelling evidence proving a change was desired. A U.S. district court ruling potentially adds to case law about what is required to legally prove a change in beneficiary status. A few years ago, a U.S. circuit court of appeals found that merely designating a beneficiary in a prenuptial agreement is not enough to enact a spousal waiver in an employee benefit plan ("Prenuptial Agreements May Not Waive Beneficiary Rights," *AAII Journal*, September 2013).

The facts of the recent case highlight the importance of making changes to beneficiary designations in writing. Asa him that no change had been made because the forms were unsigned. Asa Sr. passed without signing the forms.

In issuing the court's opinion, U.S. District Judge Benjamin Settle viewed the lack of a signed authorization as "compelling evidence" of Asa Sr. ultimately not wanting to change his beneficiary designations. Settle further pointed to Asa Sr.'s ongoing "good relationship" with his ex-wife, Carmen, as signs of not wanting to alter to the designation.

There were also other factors that went against Asa Jr.'s assertion about his father's intentions regarding who should be the beneficiary. No username or password was set up with Xerox and the court could not identify who actually requested

Source: "A Telephone Call Is Not Enough to Change a Beneficiary Designation," *AAII Journal* Dispatches, May 2016.

Poll Question

How often do you check the beneficiary information on your accounts?

1. At least once a year
2. Once every few years
3. When there's a change (family, new account, etc.)
4. Infrequently/not sure when the last time was

Have a plan for reviewing your portfolio.

Portfolio Review Checklist Example

Stocks		
Frequency of reviewing	Monthly	(Weekly, monthly, quarterly, etc.)
Any meeting a sell rule?	No stocks with a Value Grade of F	(Y/N) (See sell rules; consider removing those meeting a sell rule)
Any change in strategy?	No, staying with AAII screens	(Y/N) (If yes, revise buy and sell rules)
Date for next review	Start of next month	(State date)
Reminder set for next review?	Yes, on Frank's phone	(Y/N)
Bonds		
Frequency of reviewing	N/A, none held	(Monthly, quarterly, annually, etc.)
Any meeting a sell rule?		(Y/N) (See sell rules; consider removing those meeting a sell rule)
Any change in strategy?		(Y/N) (If yes, revise buy and sell rules)
Date for next review		(State date)
Reminder set for next review?		(Y/N)
Mutual Funds		
Frequency of reviewing	Annually	(Monthly, quarterly, annually, etc.)
Any meeting a sell rule?		(Y/N) (See sell rules; consider removing those meeting a sell rule)
Any change in strategy?		(Y/N) (If yes, revise buy and sell rules)
Date for next review	January 1, 2021	(State Date)
Reminder set for next review?	Yes, on family calendar	(Y/N)
ETFs		
Frequency of reviewing	N/A, none held	(Monthly, quarterly, annually, etc.)
Any meeting a sell rule?		(Y/N) (See sell rules; consider removing those meeting a sell rule)
Any change in strategy?		(Y/N) (If yes, revise buy and sell rules)
Date for next review		(State date)
Reminder set for next review?		(Y/N)

Source: Individual Investor Wealth-Building Process.

Portfolio Review Considerations

- Look at only what you need to
- Is anything meeting a sell rule?
- Does your portfolio match your allocation?
- If withdrawals are needed, is there enough cash available?

Focus on the process, not the returns.

We don’t get to choose the market conditions we live through, only the decisions we make.

Poll Question

How would you describe your portfolio review process?

1. Structured
2. Not structured, but I know what to look at
3. Don’t have a process
4. Infrequently/rarely do it

More Year-End Ideas

FINANCIAL PLANNING

17 Financial and Investing Moves for 2020—Expanded Edition

Your tax picture may have changed this year because of the coronavirus, making it all the more essential to check for adjustments before 2021.

BY CHARLES ROTBLUT, CFA

December is a timely occasion to review your tax liabilities, portfolio and finances.

There is still an opportunity to take actions that can impact both current-year and future-year tax liabilities. You can also adjust retirement allocations and ensure your portfolio is on track to meet your goals. At the same time, reviewing your overall financial picture now allows you to plan for the year ahead and make any needed adjustments.

In this expanded edition, we provide more information about each step.

General Financial and Estate Planning

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reason to suspect your cognitive abilities have been impaired. It is particularly valuable for older adults as protection against potential elder fraud. After you are done, fill out the key estate planning information worksheet that is part of AAII's Individual Investor Wealth-Building Process (available at www.aaii.com/AAIIWay). Doing so will enable your spouse and heirs to quickly step in on your behalf.

2. Review and Freeze Your Credit Reports

Once a year, review your credit reports from the three major bureaus to identify any suspicious activity or incorrect information. Credit reports can be accessed, for free, through www.annualcreditreport.com.

For added protection, freeze your credit files. All three bureaus allow you to freeze and unfreeze your reports for free. Freezing your credit reports makes it harder for fraudsters to commit identity theft. While under a freeze, your personal data cannot be reported to creditors and lenders except those you already have relationships with. See the box on the following page for more details.

3. Review Spending and Budgets

Keeping track of where your money is going will help you take better control of it. This information will also assist with planning, such as determining how much you can realistically save and what you might need once in retirement.

Source: "17 Financial and Investing Moves for 2020," *AAII Journal*, December 2020.

Check Your Credit Report

Checking and Freezing Your Credit Report

Check your credit report with all three of the major credit bureaus once a year to ensure the information is correct and no accounts have been opened without your consent. Consumer Reports suggests using www.annualcreditreport.com to do so.

Freezing your credit report prevents it from being pulled when an application for a loan, a credit card or any other transaction requiring a credit check is made. The Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 required credit bureaus to allow consumers to freeze their credit reports at no cost.

EQUIFAX

Equifax:

www.equifax.com/personal/credit-report-services

experian

Experian:

www.experian.com/freeze/center.html

TransUnion

Transunion:

www.transunion.com/credit-freeze

Source: "17 Financial and Investing Moves for 2020," *AAII Journal*, December 2020

Upcoming Webinars

Register at
www.aaii.com/webinars

A Tribute to AAII Founder James Cloonan

Wednesday, January 6, 2021, 7:30 p.m. CST

Wayne Thorp Rebroadcast of Making the Grade: Highlighting New Features of A+ Investor

Wednesday, January 13, 2021, 7:30 p.m. CST