Financial focus

ACP Alliance of Comprehensive Planners

WINTER 2021

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Financial Planning for Individuals with Special Needs

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The growing number of Americans living with disabilities has sparked big changes in our society over the past few decades. The Census Bureau estimates almost one in five individuals has a significant disability—that's 60 million people. Healthier lifestyles, better health care, and medical advances mean more of us live long enough to become disabled. In addition, people of all ages are surviving conditions that were previously fatal, finding that a birth defect or car accident profoundly changes, but doesn't end life. Even if you don't have a disability, you are almost certainly close to someone who does. How people with disabilities are perceived and treated by society is something that should concern everyone, because we are all just a blood clot or banana peel away from joining their ranks.

Landmark legislation has improved access to special education, outlawed discrimination based on disability, and even created special savings plans for people with disabilities. Two generations of children have attended public schools alongside their peers with intellectual and developmental disabilities. Children are therefore more familiar with disability issues than those who grew up in an era where people with disabilities were typically segregated and excluded from public life. It's becoming increasingly common for people with disabilities to attend post-secondary school, have careers, and live independently. Things have never been better for family members who have loved ones with disabilities, but that doesn't mean it's easy.

Unique Challenges of Financial Planning for Individuals with Special Needs

As the father of a person with Down syndrome and an advisor to other families like mine, I know that people are often overwhelmed by the challenges posed by having a loved one with a disability. And while we are flooded with information and resources about traditional financial planning, John W. Nadworny and Cynthia R. Haddad, the authors of *The Special Needs Planning Guide,* one of the few books about special needs planning, note that in this realm "…there are no simple solutions, no easy answers, and no general guidelines or statistics." Financial planning for families like ours is just like ordinary planning, but you do it standing on your head, with one hand tied behind your back.

One thing that makes special needs planning an upside-down world is the fact that some of the most important public benefits that provide financial support for people with disabilities are "means-tested." In order to qualify for programs such as Supplemental Security Income and Medicaid, you can have financial assets of no more than $2,000. Receipt of this vital support also creates a long-term liability of sorts. If a person with a disability wins the lottery or receives an inheritance, for example, the state will want to reclaim benefits previously paid. This makes providing support and making financial decisions for a disabled person after the parents' death far more complicated than one might think.

Another thing that makes special needs planning significantly different from traditional planning is the extension of the timeline of support for a person with disabilities, compared to that for their siblings. Most families have two major financial goals:

1. Help their children become self-supporting
2. Accumulate enough to fund an enjoyable retirement for themselves

Parents with children who have a disability need to plan for an additional retiree and possibly another residence in their retirement plans. So, if every household could benefit from having a sound financial plan, families that include people with disabilities need a financial plan on steroids. This includes a robust estate plan with careful thought on who you assign as a trustee. The good news is that creative solutions are being worked out by families across the country. If this affects you or someone you care about, stay tuned, share your story, and help spread the word to everyone who can benefit.

Two Years Later: Micro Investing with Acorns

By Michelle Morris, CFP®, EA
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I have always been obsessed with spare change. This dates back to counting the spare change and "egg money" in my grandmother's chipped gravy boat in the '70s, and it continues today.

But here in the 21st century, especially during a pandemic, I don't have a lot of cash transactions, and therefore not a lot of spare change. Enter the micro investing app Acorns which invests your digital spare change.

Two years ago, I signed up for Acorns and linked my checking account. The checking account is my "funding source". Then I linked my credit card. You can link more than one card including debit cards. For every transaction on the linked card, Acorns "rounds up".

For example, yesterday I bought a Kindle e-book (one of my guilty pleasures) and used my credit card. The total was $8.79. The round-up will be 21 cents. When the round-up total gets to $5.00 it is withdrawn from the funding source account and invested in the low-cost ETF portfolio of my choice at Acorns.

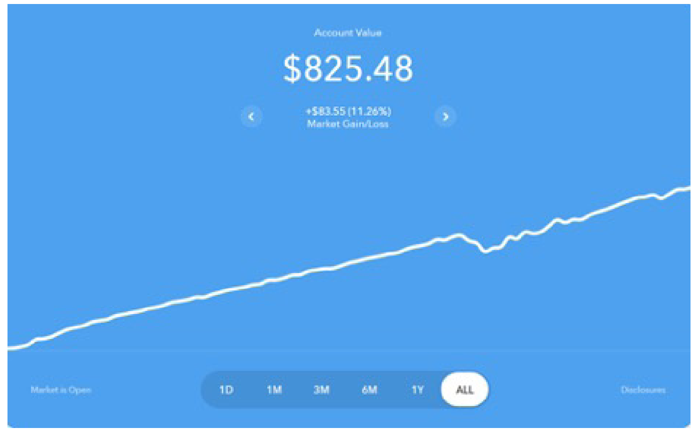
If I have an even-dollar transaction, for example, $40.00, the Acorns default is to round up a whole dollar. This didn't make any sense to me—a dollar is not spare change! But this amount is adjustable. I changed the whole dollar transactions to round up 10 cents.

The fee is $1/month. This is deducted from my checking account. It does not reduce the balance in my Acorns portfolio.

Two years later, this is my Acorns account value history: My account value is $825.48. $83.55 (11.26%) of that balance is market gain since I began the account two years ago. This gain includes reinvested dividends and appreciation of the shares. This data does not take into account the $1/month fee.

The balance did take a dip earlier this year when markets dropped at the beginning of the pandemic. It's never pleasant to see a decrease in your balance, but the upside is buying shares at bargain prices. There are five ETF portfolios to choose from ranging from "Conservative" to "Aggressive". I chose "Moderate" which is 60% stocks and 40% bonds. The portfolio is well diversified across several asset classes. The stock ETFs hold 11,000+ different stocks! Plus, Acorns rebalances regularly.

I'm pretty tickled with this. I have $825.48! Beyond the initial set up and adjustment of the whole dollar round ups, I've done absolutely nothing. I rarely look at it. Everything is automatic. Automaticity is one of the keys to successful saving and investing.



Now obviously I'm not going to get wealthy doing this. But I love the idea of automatically saving and investing amounts so small that I don't even notice. Acorns says the average user invests over $30 a month through Round-ups. My average is about this.

Of course, there will be another huge market downturn and my balance will drop. (I don't know when this will happen and neither does anyone else!) Then I will be buying stocks on sale again.

I don't have a plan for this money yet. Maybe I will wait until it reaches a certain dollar amount and cash it in to do something really "splurgy". This will incur some capital gains tax. But for now I'm content to keep rounding up and auto investing.

It's a glorious age we live in when a mere $5 gets you a diversified stake in the wealth-creating power of the global capital markets! This certainly was not the case in the '70s when I was counting egg money on the shag carpet at my grandmother's house.

Use Money Transfer Services with Care

By Jane Young, CFP®, EA, MBA
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If you are not already using a service to transfer money between friends and family, you have probably been invited to create an account to transfer money. Mobile Peer to Peer(P2P) payment services are an easy and inexpensive way to transfer money between people who know each other. Typically, the application allows you to create a profile that is linked to your bank account or credit card. Once your account is established you can locate another person on the app, or invite them to create an account, and transfer money into their account.

P2P payment services are frequently used to split a restaurant bill or travel expenses, pay for work done around the house, pay a landlord, or transfer money to children. The most frequently used services, listed below, are generally considered safe.

When you process a transfer with a P2P app you need to be especially careful to accurately enter the recipient's information. The transfer is like cash, once it is transferred it is gone. If you send money to the wrong account, you have no recourse to get it back. After you make a transfer, verify the transaction in your bank account. Limit transfers to people you know and do not use P2P apps for business—use a service like PayPal for business. Avoid using your P2P app on public WiFi where hackers may try to access your financial data and be on the alert for email scams.

Consumer Reports and *USA Today* have recently conducted in-depth reviews on the top P2P payment services including Venmo, Zelle (standalone), Apple Pay, Cash App, and Facebook Pay. *Consumer Reports* rated each of the five services as good enough to use. In addition to the apps listed above, *USA Today* also reviewed Google Pay and PayPal Mobile Cash and gave them all passing grades of B or higher with exception to Venmo which was given a D. They stated that Venmo, which is owned by PayPal, does not respect the privacy rights of its customers because their default setting allows transactions to be viewed by the public.

USA Today found that Cash App by Square was easy to use but had poor customer service. *USA Today* also reported that Venmo, PayPal, and Zelle shared data with third parties. Apple Pay received high marks in both reviews but is limited to use on the Apple platform.

Consumer Reports gave Venmo and Zelle an acceptable but below average rating on data security and privacy because they did a poor job of explaining how they protect user data. Additionally, Zelle, which is owed by a consortium of major US banks, did not have enough safeguards to prevent transfers to the wrong person. Subsequently, Zelle added a message asking senders to confirm the recipient before sending money. They also added an alert when an attempt is made to transfer money to someone who is not in your contact list.

What Do Financial Planners Do?

By Mike Ryan, CFP®, MBA
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Employing a financial planner is not an inexpensive proposition, so the obvious question is "Are they worth it?" There have been some recent studies that indicate that they likely are. One study found that those who use financial advisors realize nearly 2% per year more, net of fees, on their investments than those who go it alone. This could easily amount to as much as $200,000 during a 25-year period for a retirement portfolio. Other studies have found that those who use planners save more, are better equipped to face unexpected financial events, and are better prepared for retirement than those who do not. But what do financial planners actually do for their clients? Well, here are some of the things that certified financial planners (CFP®) do for their clients.

1) They help you evaluate how well you are preparing for retirement, what your retirement income needs may be, and help you develop a plan to reach your retirement goals.

2) They help you assess the risk of your current portfolio and determine an acceptable level of risk for your particular situation.

3) They can help you determine an appropriate allocation for your portfolio. In other words, how much should be invested in stocks, bonds, or other asset classes.

4) They can answer questions about which investments may be appropriate for your portfolio.

5) They can help you determine what a realistic expectation may be for your portfolio's return in the years ahead.

6) Many planners will help you assess the impact that taxes may have on your portfolio and your overall financial plan, and some will even prepare your tax return.

7) Many planners will offer guidance for estate planning issues.

8) They can help you determine appropriate moves for your retirement accounts like 401k plans and IRAs. For example, would you be well served by rolling your 401k into an IRA at some point, and what custodian should you use? These types of moves can easily go awry and cost you many precious dollars if done incorrectly.

9) They can offer budgeting tips and guidelines for your financial life stage.

10) Fee-only planners who are acting as a fiduciary for their clients will also guide them to the least expensive investments that will meet their goals, as fee-only planners receive no commissions.

Many folks want a trusted, objective advisor to look over their shoulders; someone knowledgeable with whom to have frank discussions; someone who will, when the situation warrants it, say "Don't do that—not a good idea." Financial planners fill many roles for their clients because we talk with people about some of the most important aspects of their lives, their hopes and dreams. Occasionally I find that I have to tell someone that their goal is unrealistic and needs to be reconsidered. But more often I get to tell someone that yes, you can spend that money and check that item off your bucket list. That is when it is really fun for me! But I am always careful to remind my clients that money is never the most important thing, but still, it is an inescapable fact of life; money matters!