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The Wealth Advisor

WINTER 2020

Avoid These Estate-Planning Mistakes

When it comes to estate planning, Americans make a lot of mistakes. From putting off creation of key documents, forgetting to update their plan after a divorce or remarriage, or neglecting to leave instructions about what to do with certain assets, many people are leaving a legacy of frustration and confusion for their heirs. You can save those you leave behind money and time by avoiding these estate-planning mistakes.

Not Having a Will — Not having a will is probably the biggest estate-planning mistake you can make. It's also one of the easiest to fix. An attorney can help you draft a simple will that offers instructions on what to do with your assets and who should care for your minor children, among other matters. What happens if you don't have a will? The courts decide who gets your property and who will assume guardianship of your kids — and it may not be who you would have chosen.

Not Updating Your Estate Plan after Life Changes — Some people think that estate planning is a set-it-and-forget-it issue. But your estate plan needs to evolve with your life. If your family grows, a marriage ends, or you acquire new wealth, you may need to update your will, beneficiary designations, and other documents. One key thing to remember: Check your beneficiary designations on retirement plans and insurance polices periodically. The people listed on these forms will receive those assets, even if your will says otherwise. If you name one child as the beneficiary of your IRA and then neglect to add

Continued on page 2

When Should You Sell?

Most information about stock investing seems to discuss buying, but to actually profit from a stock investment, it must be sold. For many investors, selling a stock is the most difficult decision.

The reason selling is difficult for some investors is the fear of missing out on future profits. Let's say an investor purchases a stock at $30 per share and decides to sell when the stock reaches $35 per share. But when the stock reaches $35, the investor thinks it is doing so well that it will surely rise more. The stock then drops to $31 and the investor decides to wait until it reaches $35 again. Then the stock takes another tumble to $24 and the investor just lost all the profit, plus some of the initial investment.

If selling is dictated by emotion rather than a well-thought-out plan, it is very likely to play out as described in the example above. A good selling decision may leave some profit on the table, but it should be determined by a rational analysis of valuation and price. The most successful investors do not focus on market timing by trying to sell at the highest price; instead, they focus on buying at one price and selling at a higher price.

If you have a difficult time with selling, you should consider using a limit order. This type of order will automatically sell the stock when it reaches your target selling price.

When to Sell

You should decide when to sell stock at the time of purchase. Following are examples when you should consider selling based on your

Continued on page 3

FR2019-0808-0026

Avoid These

Continued from page 1

your second child to the form after her birth, you'll end up disinheriting one of your children.

Not Working with an Estate-Planning Attorney — Online legal sites and fill-in-the-blank documents have given many people the mistaken idea that estate planning is a do-it-yourself activity. Nothing could be further from the truth. The legal issues surrounding estates can be quite complicated. A skilled attorney (working in partnership with your other advisors) can help you avoid complications and design an estate plan that is complete without unintended consequences.

Not Thinking about Long-Term Care — The average 65-year-old has a 68% chance of becoming disabled and needing long-term care during their lifetime. If you don't have a plan for how you might pay for that care, you can quickly exhaust your savings, leaving little for your heirs when you do pass away. Smart planning strategies, like purchasing long-term-care insurance or certain types of life insurance, can allow you to protect your wealth for your loved ones while also helping you afford the care you need.

Not Taking Steps to Avoid Family Conflict — Disagreements among family members over how your assets are distributed after your death can lead to permanently damaged relationships and expensive litigation. A detailed, well-thought-out estate plan will help prevent conflict, as your wishes will be clear and there will be less opportunity for legal challenges. Even more important, however, is thinking about your unique family dynamics and taking steps to ensure everyone you love is treated fairly. For example, if you have children from a prior marriage, you may need to take special steps to make sure they aren't disinherited if you pass away. In some cases, you may be able to head off trouble by sitting down with your loved ones and explaining your plans, so no one is blindsided after your death.

Not Thinking about Digital Assets — These days, many of us live a significant portion of our lives online. As you develop your estate plan, you may want to include instructions for how to handle your digital assets. Putting together a master list of accounts and passwords (particularly for financial accounts) will make things easier on your family as they try to sort out your affairs. But you may also want to include information about your other online assets, like social media accounts, online photo albums, libraries of digital videos and music, and even online businesses, so that your family can gain access to that information.

Fortunately, it is fairly easy to avoid — or correct — any of these estate-planning mistakes. Working with an experienced estate-planning attorney, along with your financial advisor and other professionals, can allow you to create a comprehensive estate plan that protects you and your family. ❍❍❍

4 Reasons to Invest in Bonds

Here are four reasons why you might want to have a portion of your portfolio in bonds:

1. **Bonds are a way to diversify your portfolio.** Many financial experts recommend diversifying your portfolio to include a variety of asset classes, including bonds. This is a concept known as asset class diversification. Because different asset classes tend to perform differently at different times, you may be able to create a portfolio that generates more stable returns by investing across asset classes.

2. **Bonds are (usually) less risky than equities.** If you are looking to dial-down risk in your investment portfolio, increasing your allocation to bonds may be one way to do that. However, keep in mind that less risky doesn't mean risk free. Bond issuers can default. You also face inflation risk. Because bond payments are set in advance, you lose purchasing power due to inflation.

3. **Bonds can provide a steady, predictable source of income.** Stocks and other investments are unpredictable — you don't know with any certainty how well a given stock might perform in a certain year. Bonds are a bit different. They are debt investments, which means you are essentially agreeing to loan an entity, like the government or a corporation, money for a certain period of time. The entity you are lending money to agrees to pay you a certain amount of interest (known as the coupon) over the time they have your money, plus repay your initial investment when the bond reaches maturity. That means you have a pretty good idea of how much money you're going to see from your bond investments over the years.

4. **Bonds can provide valuable tax savings.** Depending on the types of bonds you own, you may be able to save on taxes. While you'll pay normal taxes on corporate bonds, income from Treasury bonds (which are issued by the U.S. federal government) is free of state and local tax. Then there are municipal bonds, or bonds issued by state and local governments. You won't pay federal tax on money you earn on these investments, and you may also be exempt from state and local tax. For anyone who is looking to minimize their tax burden, especially retirees, this can be an appealing proposition. ❍❍❍

When Should?

Continued from page 1

personal financial situation, as well as warning signs with the companies you are invested in:

- ❍ If you are losing sleep over a particular investment, it may be worth reducing your emotional distress to sell even at a small gain or loss.
- ❍ If you need money in the next three years to purchase a home or send a child to college, you should pull the money out while you know you have it.
- ❍ To help reduce tax payments, you may want to look for investment losses to offset other gains.
- ❍ If your portfolio is shifting from your original asset allocation, you will want to rebalance it to get back on track.
- ❍ Watch your stocks for a high price/earnings (P/E) ratio, which compares the company's recent earning to its stock price. If the P/E ratio is high, it can be an indicator that the stock is overpriced.
- ❍ Keep an eye on the company's competitive advantage. If others have come up with a new product or technology, they can take their market share.
- ❍ If the company makes a drastic change in direction or management, it may indicate a problem with its business model. Research the changes and follow your instincts about the company's future.
- ❍ If a company's sales are falling, it may be signaling a problem. While all companies will go through slumps, if other competitors are experiencing growth during the same time period, it may be time to sell.
- ❍ When there is a trend of shrinking profits, it means the company's expenses are rising faster than its revenues, and it's having a hard time keeping profits up.
- ❍ If a company cuts its dividend payment, it may be a signal that it is expecting lower earnings and less growth.

Please call if you would like to discuss this topic in more detail. ❍❍❍

A Portfolio Tune-Up

Over time, the weighting of asset classes in your portfolio can change. After spending a great deal of time to develop an asset allocation strategy, it can be frustrating to see these changes. However, a simple rebalancing of your portfolio may be all that is needed to get your portfolio back in line.

The need for rebalancing is part of the nature of investing. Since different investments earn different rates of return, their values grow at different rates, changing the weightings in your portfolio. These changes can cause your portfolio risk to increase or decrease, making rebalancing a necessary part of portfolio maintenance.

While you should definitely rebalance when your financial objectives or life circumstances change, you also want to rebalance on a regular basis. There are three basic methods to consider:

- ❍ **Rebalance annually.** Choose a date to rebalance, perhaps at the beginning of the year, when you receive your annual statements, or at the end of a quarter. On that date every year, compare your current allocation to your target allocation. Any allocations off by more than 5–10% would require rebalancing. Once you have rebalanced, don't be tempted to make other rebalancing changes during the year. Wait for your next rebalancing date.
- ❍ **Rebalance when your allocation differs from your target allocation by a designated percentage.** With this type of rebalancing, you monitor your portfolio more frequently, perhaps monthly. Once your allocation moves from your target allocation by a predetermined percentage, perhaps 5–10%, you should rebalance your portfolio.
- ❍ **Rebalance based on current market conditions.** With this approach, rather than one specific percentage for each asset class, you might have a target range. For instance, you might allocate anywhere from 30% to 50% of your portfolio to large-capitalization stocks. Depending on your views of the market, you might want to allocate near the low or high end of that range. Thus, your allocation will change as your views about the market change.

There are many ways to accomplish changing your allocation among investments. You can purchase additional amounts of the investment that is underrepresented in your portfolio. You can sell investments in overrepresented portions and invest the proceeds in underrepresented portions. Any withdrawals can be taken from overweighted investments. Income from your portfolio, such as dividends and interest, can be invested in underweighted investments. Ultimately, you need to consider tax ramifications and your own individual investment preferences. Please call if you'd like help rebalancing your portfolio. ❍❍❍

Financial Data

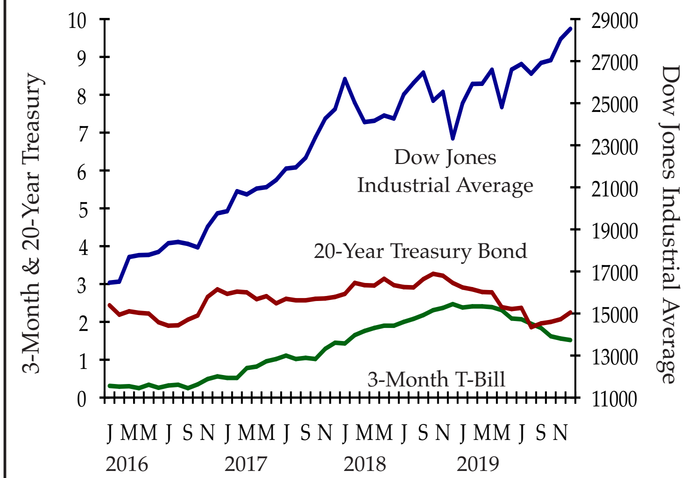
Indicator	Oct-19	Nov-19	Dec-19	Dec-18	Dec-17
	Month-end				
Prime rate	4.75	4.75	4.75	5.50	4.50
Money market rate	0.71	0.57	0.58	0.56	0.33
3-month T-bill yield	1.62	1.56	1.52	2.47	1.45
20-year T-bond yield	2.00	2.07	2.25	3.03	2.66
Dow Jones Corp.	2.90	2.85	2.84	4.40	3.13
30-year fixed mortgage	3.33	3.28	3.31	4.16	3.51
GDP (adj. annual rate)#	+3.10	+2.00	+2.10	+2.20	+3.40

	Month-end			% Change	
Indicator	Oct-19	Nov-19	Dec-19	2019	2018
Dow Jones Industrials	27046.23	28051.41	28538.44	22.3%	-5.6%
Standard & Poor's 500	3037.56	3140.98	3230.78	28.9%	-6.2%
Nasdaq Composite	8292.36	8665.47	8972.60	35.2%	-3.9%
Gold	1510.95	1460.15	1523.00	18.8%	-1.1%
Consumer price index@	256.76	257.35	257.21	2.1%	2.2%
Unemployment rate@	3.50	3.60	3.50	-5.4%	-9.8%

— 1st, 2nd, 3rd quarter @ — Sep, Oct, Nov Sources: *Barron's, Wall Street Journal*

4-Year Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield

January 2016 to December 2019



Past performance is not a guarantee of future results.

News and Announcements

Teaching Your Children to Handle Credit Cards

Credit cards reduce the need to carry cash; enable students to purchase books, clothing, and other incidentals; and provide a ready source for emergency funds. There is another advantage — students who handle their credit cards responsibly have a head start on establishing a good credit history.

However, young adults can't always be counted on to exercise caution when it comes to spending money. For a student using a parent's card, the risk may come in the form of a hefty unexpected bill that cuts into monthly cash flow or reserves. But for a student with his/her own card, the risks are even more far reaching: over-limit fees, late fees, and missed payments that can damage the student's credit rating. Consider the following tips to help your child manage credit responsibly:

❍ **Help your child select a credit card.** Try to convince your child to use a debit card instead of a credit card, so he/she won't get into debt. If your child insists on using a credit card, go through several offers with him/her, comparing interest rates, annual fees, grace periods, and penalties.

❍ **Explain the basics of credit card debt.** Make sure your child understands that not paying the balance in full every month can result in a significant amount of interest. Try to instill the concept of paying credit card balances in full every month.

❍ **Urge your child to only use credit cards for necessities, not to fund luxuries.** Credit cards can be used for items like book purchases and car repairs, but they should be avoided for clothing, dining out, and entertainment.

❍ **Go over your child's credit card statement every month.** Show your child how to compare receipts to credit card statements. Go over all purchases and explain how credit cards can increase impulse purchases. ❍❍❍ FR2019-0808-0026

CPA, PFS, AEP, CFP