Financial Planning
& Information Services, Inc.
FEE ONLY INVESTMENT ADVISOR

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Holiday Newsletter for Clients and Friends

Points of Interest:

- Where do we go from here…
- Investment Themes
- Taxes and Estate
- COVID
- New Team Members
- Enclosures (Scams are on the Rise and Money: A Love Story)

- Thursday and Friday—November 26th and 27th
- Thursday and Friday—December 24th and 25th
- Thursday December 31st and Friday January 1st

Where do we go from here…

Despite the numerous events our country has faced in the past 12 months, chaos and uncertainty brings eventual opportunity.

As you all know, we remain optimistic through most environments and owning shares of companies is a productive way to build long-term wealth. It comes with a certain degree of risk, but for those willing to look past the media, headline news, social media opinions and simply stay the course are generally rewarded.

The election is now past us and despite all the fears and predictions of any outcomes, we are once again seeing that there is more to investing than any one time event. We all know where the market has been over the past year, but where can things can go from here?

The Federal Reserve is accommodating the economy with favorable policies, mainly low interest rates. In the past, the Federal Reserve has increased rates when they worried about inflation. This time around they are going to take the "guardrails" off inflation and allow money to circulate in the hopes of providing an economic boost.

Although it is not 100% certain yet, it appears we will have a **divided government.** This is a good thing. It appears the stock market approves of the election results. With a divided government not as much can change regarding taxes, spending, etc. Although there will be new policies, a dramatic change is unlikely. Stocks like this kind of certainty and predictability vs. significant change in policy.

COVID continues to weigh on economic activity but better treatment and a vaccine will allow the economy to move back to a new normal in the near future. When this happens you are likely to see certain sectors in the stock market rebound nicely.

Government stimulus is likely to continue, helping bring the economy out of the COVID crises. With a divided government the next stimulus may take a little longer, but more money is on the way. The money supply from the trillions of dollars in government stimulus, along with the policies from the Federal Reserve are going to be good catalysts for economic activity and stocks should benefit. Not every area of the economy will necessarily advance, but this is why we maintain a diversified approach to investing. Growth stocks have benefited from the stay at home economy as technology and health care survived COIVD rather well; however, when the economy moves forward small companies, travel and leisure and value oriented economies should rebound. Predicting all these moving pieces is a challenge which is why we diversify and rebalance to take advantage of market peaks and troughs.

Record Levels of cash are sitting in consumer bank accounts earning very little. These dollars were building up from government stimulus and people forced to stay home. Hesitation to invest was common among many given all the uncertainty in the world over the past 6 months. However, these dollars will be invested or spent in the coming months/years and should boost economic activity.

Cabin fever demand should be another catalyst for equity markets to rise as people go back to some version of normal. Whether this be long road trips in cars, vacations, flying, dining out, sporting events and other entertainment, all these activities create jobs for our economy and as this comes back, the economy should benefit.

Despite this optimistic overview, there are always hurdles that can present themselves. For this reason we still believe in diversification, discipline and rebalancing. It has not been perfect every quarter, but in the long-term it has been a sound strategy with productive results.

Investment Themes

Value vs Growth

We have always favored a value oriented approach with our long-term investment strategy and still do; however, as "old value companies" in certain sectors look to have less desirable catalysts for long-term growth we are considering making a couple changes to our overall long-term sector allocations.

We are likely to exit our "specialty" sector moving forward. This sector was composed of real estate or materials (sometimes both). Although there is still a place for real estate, changes are likely to occur in certain areas of the real estate market. Real estate is also more correlated to value and increasing growth exposure will improve diversification. We are not going to be making any large adjustments, but adding exposure into small growth companies should be a productive theme in the long-term. Small growth tends to carry a little more risk, but it gives us exposure to the next innovative companies. Shifting some additional dollars into growth funds will help more evenly balance out growth vs. value, yet still maintain our value "lean" with our core portfolio philosophy.

Large Caps vs Small Caps

Small caps have underperformed large caps recently, especially during COVID. However, we feel strongly that small caps are setting up for a nice rebound as the economy opens back up in the coming months/year. We have been adding to small cap value in recent rebalancing efforts with gains from large growth. Eventually this cycle will reverse. With big technology driving the market returns recently, we feel maintaining a position in small value and incorporating some small growth will enhance overall diversification.

Active (Mutual Funds) vs Passive (Index Funds)

Passive index funds have been our favorite due to broad exposure and low expenses. However, active mutual funds are still important and a good "marriage" to the passive index funds during times of market volatility, uncertainty or rich stock valuations. We continue to maintain a balance between passive and active because both have a purpose in the portfolio. At this time we are leaning more on active mutual funds in both ex-US exposure and fixed income. We feel managers should be able to navigate the interest rate environment better than a passive index and we also feel managers have done better overseas since this type of management incurs more than just stock picking (e.g. currency risk, political risk, country specific risk).

Fixed Income

With interest rates at record lows and the Federal Reserve willing to keep rates low into the foreseeable future, the bond environment may experience lower returns for the time being. There is no easy way to combat this because fixed income is necessary to provide the portfolio with stability and rebalancing power. We will be diversifying our fixed income exposure into additional areas within bond categories such as lower grade bonds with higher yields and some longer duration. Despite the lower expected returns of various fixed income funds, performance of a bond fund should still provide much better return options than CD's, money markets and savings accounts. If your cash reserves have built up over the past year, you may want to consider investing these dollars to give some of your cash an opportunity to keep pace with general purchasing power (e.g. inflation).

Fee Only Planning since 1985

Financial Planning & Information Services, Inc. is committed to providing quality financial advice that is in the best interest of the client. We identify the important financial goals for each client and help each achieve these goals through a variety of services. Our staff works together as a team to satisfy each client's objectives with professionalism, integrity, and utmost good faith, always putting the interest of the client ahead of their own.

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Investments are not insured and market results will vary over time. Past performance is not indicative of future investment results.

Feedback

If you have any feedback for our advisor team regarding services or processes, we are always interested in your thoughts or ideas. They make us better!

Referrals

As many of you know, we don't do any marketing and with the exception of a website, our social media presence is very limited. Our belief has always been if you provide good service, answer client questions and work hard for them, they will say good things about you to family, friends and co-workers. If you know of anyone whom could benefit from our services, we appreciate referrals.

Taxes and Estate Planning

2020 Tax Filing Season

We will begin working on our regular processes for 2020 tax preparation. Kayla and Gavin will be working hard to mail out all tax profile documents by mid January. Remember, organized tax documents are very helpful for our tax team and please have all parties sign all disclosures.

We will be staffing seasonal tax preparers and interns as usual. These are not full time staff so please remember that they may ask additional questions to get information that you may feel our team should already know.

If you have questions about your tax return or funding Roth IRA's, health savings accounts, IRA's, college savings, etc. at tax time, please don't hesitate to ask our preparers or advisors about your options, especially for young investors who want to build up more savings.

2021 Tax Year

We continue to emphasize the importance of tax planning. We realize this is different for everyone and for some, tax planning is not that involved, but it's important in the financial planning process. As a general reminder, make sure you are using all avenues of savings that you can (Roth IRA's, 401k/403b Plans, Health Savings Accounts, College Savings, etc.). For those in retirement we continue to focus on tax bracket management, Medicare Income Thresholds for those 63 and older, health insurance "gap" years while on Affordable Care Health Plans, etc.

For young savers, it is good to build a nest egg with proper investment diversification but also a diversified tax allocation. This includes savings in a mix of pre-tax accounts, post-tax accounts and tax free accounts. A diversified tax allocation means greater control of your income in retirement. This will help hedge against possible changes in tax laws in future years.

For clients who are close to retirement or early in retirement, we need to focus on planning for healthcare "gap" years (if retiring before 65) such as build up savings in non-taxable accounts so we can keep income low for healthcare subsidies. We also need to look at future required minimum withdrawals (age 72 now) and make sure we are using up lower brackets now if income is going to be higher when forced to draw from retirement accounts. Due to the Secure Act passed in January of 2020, which accelerated withdrawals for non-spouse beneficiaries, Roth conversions have become popular for those with higher net worth that hope to leave money behind for heirs. Qualified charitable distributions and gifting appreciated funds to a Donor Advised Fund have been popular amongst those whom have philanthropic goals.

It is our job to bring value to your financial life and make sure that your financial goals are within reach, on track or if adjustments need to be made. We welcome clients to contact us annually at minimum to go over their financial plan, portfolio and general topics.

Estate Planning

We will be sending out trusted contact forms in 2021. These forms will give FPIS, Inc. authorization to contact a person whom you trust in the event of an unusual request.

As always, make sure beneficiary information is up to date and according to your wishes. When things change or a family member or loved one passes away, an update of your estate plan is important.

Account consolidation is helpful for a variety of reasons (taxes, investment strategy, estate planning). If you have small accounts hanging around it is important to simplify things. Changing a beneficiary on one account is much easier than five small accounts with different banks.

COVID—Office Procedures

At this point in time, we are still playing things safe given the rise in COVID-19 cases within the state of Wisconsin. We are taking in person meetings on a limited basis by appointment only and we are limiting client traffic within the office.

We are doing most meetings via ZOOM video conferencing and will continue to do so until we can move forward with more certainty.

Things can change daily and if another lock down occurs, we will follow the guidelines of our health officials and/or state officials.

Thanks for your cooperation and understanding. Stay safe and healthy!

New Team Members

Gavin Lamers joined our firm a couple months ago and will be working with our tax team to collect client information, work on plans, prepare taxes and help build out our processes for our tax services.

Gavin graduated from the University of Wisconsin, Steven Point with a Bachelor of Science Degree. He holds the CPA designation. He previously worked for Fleet Farm in corporate accounting, but in the past worked with an accounting firm where he gained experience in individual tax preparation and tax planning. Gavin wanted to get back into helping clients vs. corporate accounting.

Gavin was born and raised in the area. He enjoys spending time with his fiance, family and friends. He is an active person and loves watching and following sports of all kinds, including basketball, football and baseball.

Nick Fameree also joined our firm a couple months ago and will be working on operations, client reporting and investment research for the firm. He is very interested in furthering his career in the financial planning industry.

Nick graduated from the University of Wisconsin, Oshkosh with a Bachelor's degree of Business Administration in Finance. Nick was a portfolio analyst on the Student Managed Endowment Fund at UW Oshkosh and has interned with advisory firms in the past. Nick is enrolled in the Certified Fund Specialist designation.

Nick is a member of the United States Marine Corps Reserves. He is a very active person and enjoys time with his girlfriend, family and friends.

Many of you may have already been introduced to Gavin or Nick via phone. We are grateful to have both Gavin and Nick join FPIS, Inc. and welcome them to the team.

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Schwab and TD Ameritrade

We still don't know much about the merger, but expect to start having discussions with Schwab representatives soon. We don't anticipate any hurdles and are excited to begin working under the Schwab platform. We will inform clients of any upcoming changes once we know more. Thanks for your patience.

Please return our new Investment Advisory Agreement when you get them.
All contracts will be delivered by year end. We will not be able to provide services or give advice to those clients without a new contract on file effective January 1st, 2021. Thanks for your business and loyalty to our firm.