VOLUME 103

the envisionary

FALL 2020 EDITION

FEES

What Are We Paying, Or What Are We Buying?

INVESTING *in* EDUCATION

3 DAYS OF THANKS AND GIVING

Share it Now *or* Share it Later?

To Pay or NOT To Pay

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WEALTH MANAGEMENT

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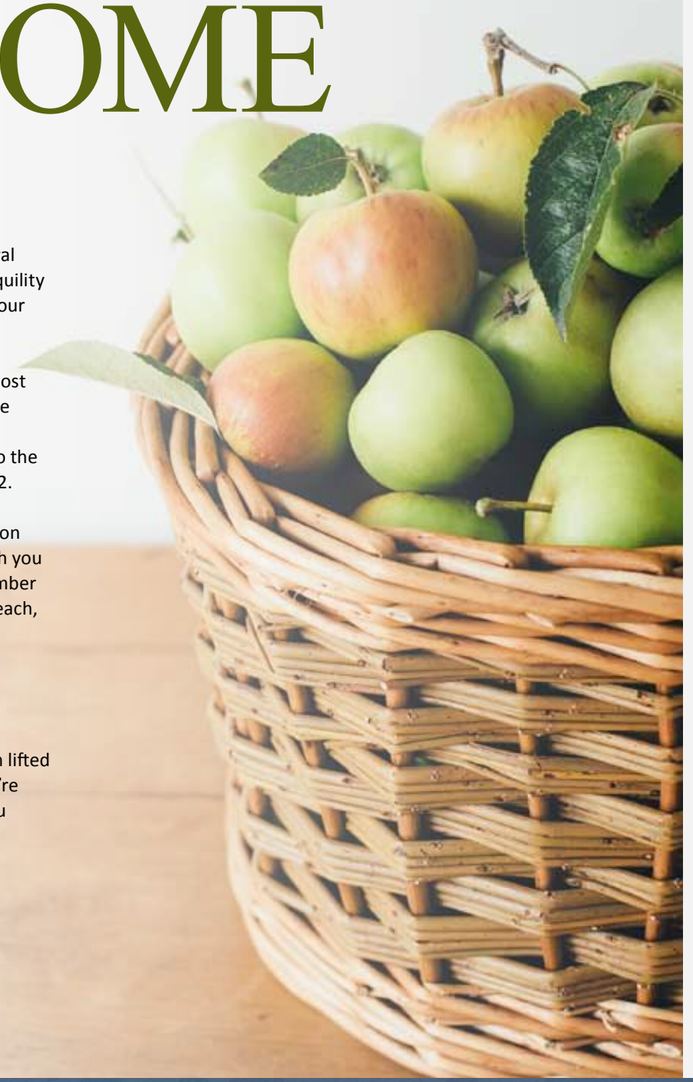
Autumn WELCOME



Dear Clients and Friends,

Autumn is a such a beautiful season of change. As we've all experienced so much change in our lives over the past several months, my wish for you this season is one of peaceful tranquility and reflection. Enjoy the season and this special time with your loved ones.

In this issue, we cover several of the questions we receive most often from clients. I write about advisor fees (page 3) and the considerations surrounding sharing wealth with family now, rather than later (page 8). Andrew Roth adds commentary to the often-asked question regarding mortgage pay-off on page 12.

Although we unfortunately had to cancel our annual in-person November client party this year, we are excited to share with you the plans for our 3 Days of Thanks & Giving event this November 17th through 19th. With our charitable partner, Valley Outreach, we hope to make a positive and meaningful impact in our community while celebrating our wonderful clients at the same time. Be sure to see the full details on page 6.

These past several months have been very challenging on a variety of levels. Despite the uncertainty, our team has been lifted up by the positive events happening in our client's lives. We're happy to share some of these unexpected blessings with you on page 14.

All my best,

Lee Stoerzinger, CFP®

President

Fees

What Are We Paying, Or What Are We Buying?

Written by Lee Stoerzinger, CFP®

There are not many things in the financial world that get discussed more than the fees investors pay. The retail world is in a race to tell you how low their fees are. The regulatory side is focused like a laser on the disclosure. And fees are always at the top of the list of questions to ask a financial advisor when engaging in a relationship. While we would be the first to agree that the amount of compensation earned by someone in our industry should be fair and fully disclosed, we also believe there is room for a much larger and needed discussion.

VALUE

I have to admit that being in business over 25 years, I have always been intrigued by the fact that one of the first questions people ask is how much our fees are. This is often before they hear our story or even learn what we can do for them. It's almost cultural, where we all seem trained to ask the question. Fair enough, I get it. It's coming from everywhere. However, if I dare say, I think it could be healthy to shift the global conversation from not just what are we paying, but what are we actually buying? Our industry has many different types of people offering various service levels. Some just do investments. Others do comprehensive planning. In addition, and very importantly, there are different ways in which we get compensated. Yet, we often seem to get lumped into one similar group. It is our belief that if you drill down on what you need most and find the team of people you trust to serve you, the clarity in compensation will become more meaningful and you will be better able to determine value.

THE INVESTMENT SIDE

When we look to investments specifically, there is another layer of discussion which arises. While we are all for keeping investment management fees as low as possible, there are many different types of investments and they all come with different costs. For example, passive investing has very little cost because there is not management associated with it. Active investing costs more because you are paying managers to do research, pick individual holdings, etc. It may cost more to manage through international markets or certain sectors. So again, we need to be mindful not only of how much we are paying the people we hire, but what it is we are actually investing in. In addition, we take it a step further. We believe that various economic conditions call for different resources at different times. While we always take cost into account, we also want to be sure we are using the right tool for the job. Performance net of cost is always a good rule.

TWO CHANNELS

There is one last thing worth mentioning which may provide some guidance on how our industry operates. There are mainly two ways to access the world of investing; either direct or via an advisor relationship. For those interested in investing on their own, one can access markets pretty much anywhere, 24 hours a day. It's what we believe is the commoditized side of the business. You may see commercials telling you about their low cost or online trading and you can directly gain access to their offerings. The advisor channel is where you engage a company like ours and go through a comprehensive approach, with investments being part of an overall plan. Having access to a box of tools can be fine for some. But for many, showing up to an empty lot to build a home with just tools and no blueprint can prove difficult. For those individuals, having comprehensive guidance may make more sense. But know this, despite what perceptions may be, someone is being compensated somewhere on both sides.

When it comes down to it, financial planning can be one of the most important and comprehensive things we go through in our lives. The compensation we pay the people we entrust with our money and personal goals is always to be in the open. We just wanted to expand the conversation and explore the ways in which it is viewed, as we believe there are increased benefits in discussing value as an equal partner in cost.

INVESTING *in* EDUCATION

Written by Andrew Roth, Operations Manager

My wife and I recently joined some friends for dinner after they purchased their first home. As the night rolled on, we discussed (and solved) the world's most pressing issues. An area of universal agreement was the lack of financial topics in K-12 education. Looking back on our experiences, we realized that after spending years learning about cell structures, advanced math, and several courses on the history of ancient civilizations—only a few weeks were spent covering how to balance a checkbook.

Aside from the fact that the trajectory of our nation might be different if there was less money confusion, we agreed that today's students are not well equipped to deal with the numerous financial decisions they're forced to make as adults. This creates a pattern of ill-informed decisions that can have a negative impact on individuals and communities.

Putting things in perspective, Champlain College's Center for Financial Literacy conducted a 2017 survey of all 50 states to understand how they graded in working personal finance concepts into their K-12 curriculum. Minnesota was given a "B." For reference, Minnesota only started requiring a half-year economics course for high schoolers in 2013. Only a few months of broad economics curriculum was deemed an above-average grade, and more than half of all states fall short of this threshold.

Financial education should be a focus for students well before they reach junior or senior year with some topics incorporated as early as elementary school. While I appreciate a well-balanced curriculum, sacrificing one year of science and an elective somewhere along the way could provide space for two years of financial education. Among these topics could be the basics like "What is Money?," how credit cards work, compound interest, and the more advanced stuff: saving for retirement, taxes, governance and fiscal policy, the basics of financial markets, and economics. Most students would be better prepared for adult life. Few people grow up to be physicists, but all of us try to balance income with expenses, buy a car, debate how to save for the future, and have the power to vote on financial initiatives that impact our communities.

While there are numerous organizations committed to the cause of financial empowerment, it is important that we do our best to instill some financial experience and knowledge in our own children independently.

For inspiration, maybe next summer you decide to buy a few copies of a children's-oriented book on money topics and discuss it as a family? As children get older, perhaps you offer to reduce their allowance in exchange for matching funds deposited into a higher-yielding savings account? You could then watch this money grow over time, comparing its value to what was deposited and discussing how banks work. If you have a child earning income with a part-time job and there's some extra money in your budget, maybe you offer to match contributions to a custodial Roth IRA with them—highlighting the value of investing and deferred gratification. If you are buying a car for a teenage driver, include them in the buying process. Walk your kids through how you budget for household expenses. While these are just some ideas, it will take a lifetime of familiarity to prepare our children for the decisions that will impact their future.

If we can put a spotlight on this long-overlooked aspect of education, it's possible that the world we find will be a happier and more prosperous one!

If our team can help in this discussion by recommending resources, brainstorming ways to get involved, or sharing what we do as part of our industry, simply ask. Knowledge is power.

Source: https://www.champlain.edu/centers-of-experience/center-for-financial-literacy/report-national-high-school-financial-literacy

3 DAYS OF THANKS AND GIVING

NOVEMBER 17TH, 18TH, & 19TH

Even though our annual, in person, **November Client Party** has been canceled this year, the spirit of the event – grateful and giving hearts – remains very much a part of who we are.

Please join us this November 17th through 19th, as we celebrate our clients and support our community in a new way.

THANKS

In gratitude to our wonderful clients for your business, we are excited to continue our long-standing tradition of gifting delicious holiday pies. Pies will be available for pick-up at our office between the hours of 10:00 a.m. and 4:00 p.m. on November 17th, 18th, and 19th.

Reserve your pie and schedule pick-up:

By **October 26th**, contact us (651-578-1600 or advice@leestoerzinger.com) to provide:

1. Your choice of **pumpkin**, **apple** or **pecan pie**
2. Your preferred **pick-up date** (November 17th, 18th or 19th)

Dorothy Ann Bakery & Cafe
"A Tradition of Good Taste"

GIVING

Valley Outreach

Also from November 17th to 19th, we will be collecting food and monetary donations to support our charitable partner, Valley Outreach, the only nonprofit in the Stillwater area providing a wide range of assistance including a food shelf, clothing program and client support services.

In the recent challenging times, the demand for these services has dramatically increased. We are committed to supporting Valley Outreach and encourage all clients and friends of Lee Stoerzinger Wealth Management to participate in any way they can.

TWO WAYS TO GIVE:

1. FOOD DRIVE

We will be collecting shelf-stable, non-perishable food items at our office on November 17th, 18th and 19th. You may stop by our office anytime between 10:00 a.m. - 4:00 p.m. on those days to drop-off your donation (**and pick up your pie!**). See the Top 20 in 2020 listing on the right side of this page for the most needed items.

2. MONETARY DONATION

You may alternatively choose to make a monetary donation either by check, payable to 'Valley Outreach' (mailed or brought to our office) or through our online donation site at **www.givemn.org/LSWM-VO**. Monetary donations can be made at any time but must be received by November 20th. **Lee Stoerzinger Wealth Management will match up to $2,500** in monetary donations.

Let's Make It Better. Together.

VALLEY OUTREACH'S MOST NEEDED ITEMS

TOP 20 in 2020

1. Ready-to-Eat Soups
2. Cooking Soups
3. 100% Fruit Juices
4. Condiments (e.g., ketchup, mustard, salad dressing)
5. Pasta
6. Meal Sides (e.g., mac and cheese, scalloped potatoes)
7. Canned Fruits
8. Canned Tomato Products
9. Canned Protein (e.g., tuna, black beans, chicken, baked beans)
10. Cereals
11. Canned Vegetables
12. Pantry Items (e.g., oil, flour, sugar)
13. Spices (e.g., cumin, cinnamon, salt)
14. Gluten-Free Flours
15. Gluten-Free Snacks
16. Personal Care Items (e.g., shampoo, toothpaste, soap)
17. Household Paper Items (e.g., toilet paper, paper towels)
18. Baby Supplies (e.g., diapers, wipes, baby food)
19. Feminine Hygiene Products
20. Pet Food

Share it Now *or* Share it Later?

Written by Lee Stoerzinger, CFP®

One of the things most often discussed as we guide people through wealth and legacy planning is the topic of sharing assets with the next generation. There are many things to think about and it can be one of the more complex pieces of the puzzle. We thought it would be valuable to go through some of the issues people often face, as well as share some thoughts on best practices.

There comes a time in life when we are all forced to think about what we wish to do with our wealth when we are no longer here. The first stage might be concerns about making sure a surviving spouse is going to be okay financially, have health care, etc. Once that is determined and satisfied, the topic often turns to providing for surviving children. Do we give them any of our assets now to help our estate plan? What if some of the children are not emotionally prepared to deal with the funds? But what if some are and could really use it? Where does charitable planning fit in? And what if it turns out that we need the funds ourselves? Often the greatest fear is having to depend on others for our well-being. As you can see the conversation can often turn in different directions as these are some of the most important decisions we will ever make in our lives.

All of the items above are good questions that need to be addressed along the way. Planning to be sure we have "enough" as we define it for our needs is of primary importance. Plus, making sure adult children are in a place where they will be good stewards of all we build could be an entire discussion by itself. In addition, sometimes there are minor children or special needs that need to be accounted through complex legal agreements. Charitable planning needs to be outlined and hopefully explained to all involved so there are no surprises and expectations are met. However, when all of these items fall into place, then what?

Determining whether to share wealth with our children is an emotional venture with varying dynamics. So many things come into play. However, when the time is right and the opportunities present themselves, we have found that they can literally be life changing for all involved. The chance to help a child fund their first home, assist in the education of grandchildren, or even just provide financial support along the way can fill gaps that can change the projection of your children's lives. Much of the time, they may need the funds more now than through your estate, as they will more than likely be in a good situation by then. As a matter of fact, your gift now just might guarantee it.

There will always be ways we can fill our hearts with doubt about how things might happen when we share our gifts. We have all heard stories. Maybe they won't use the funds exactly how we wished, or even make really bad decisions. Maybe. One thing which may help is getting together with your family, sharing your vision, and allowing them to be involved in what you want your legacy to be. Then, when the chance to share your wealth with them arises, you will be prepared both financially and emotionally to carry them into the future. There are not many things in life more powerful than that. We have seen it in action many times, and it is a joy to watch.

9 BEST FALL FOLIAGE *Getaways* IN THE MIDWEST

Marquette
MICHIGAN

Mackinac Island
MICHIGAN

Hocking Hills State Park
OHIO

Custer State Park
SOUTH DAKOTA

Eureka Springs
ARKANSAS

Lake Geneva
WISCONSIN

Sleeping Bear Dunes
MICHIGAN

Door County
WISCONSIN

North Shore of Lake Superior
MINNESOTA

Source: TripstoDiscover.com

TRIVIUM

Definition: Studies intended to provide general knowledge and intellectual skills.

Since October derives from 'octo,' the Roman word for 'eighth,' why is it the 10th month of the year?

Email your answer to advice@leestoerzinger.com or call us at 651-578-1600. All who contact us with the correct answer will be placed in a drawing for a $30 gift certificate.

Congratulations to Jim K., who was chosen as our Trivium winner from last quarter. Jim correctly answered "Sirius" to the question: Which star, from the constellation Canis Major, is responsible for the origin of the expression "dog days of summer?" Cheryl H. and Jerry S. also answered the question correctly.

Walk a Mile In Your Shoes

Written by Lee Stoerzinger, CFP®

It has long been said that in order to really understand someone, you must walk a mile in their shoes. This is timeless advice upon which we can all agree and following it can help us to regard others with sympathy and patience. Well, how about this – have you ever thought about what someone's experience would be if they had to walk a mile in your shoes?

We spend our lives building perceptions which are influenced by those around us, our culture, and what we choose to learn. So if someone had to live as you for a week, what would they think? Would they understand all that concerns you? Would you be comfortable with someone else knowing who you really are? Do you think your perceptions are accurate?

At any time, we can take inventory of who we truly are. Through this process, incredible things can be learned. We can never change unfair perceptions, nor should we. It's not what others think about us that's important, but what we personally understand about ourselves. Walking a mile in someone else's shoes can bring a great sense of understanding. Walking a mile in your own just may prevent you from having to wear so many pairs of other people's shoes.

See you on the trails!

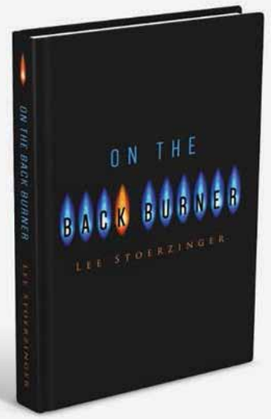
> "Each day when we arise, life presents us with a blank page to make our own."

(excerpt taken from Lee's book, *On The Back Burner*)

Check out Lee's book…
On The Back Burner

It's a timely read uncovering the things we say are most important, but have put on the back burner of our lives.

amazon.com BARNES&NOBLE BOOKSELLERS



To Pay or NOT To Pay

Written by Andrew Roth, Operations Manager

One of the more common questions we run across with clients of all ages is whether they should accelerate paying down their mortgage or invest. This is a question that my wife and I have wrestled with personally. These questions typically arise after a pay raise, re-evaluation of lifestyle and budgeting, or during times of stress as people consider their goals and try to crunch the numbers. People wonder how to best use their money. Fundamentally, this is a question about alternatives and opportunity cost.

Looking at this academically, it seems like a simple question. For example, suppose you have $200 left in the budget each month, your mortgage rate is 4%, and you assume that your investments can return 7%. It's a no-brainier in this case, just put your $200 into your investments and take that extra 3%! Unfortunately, this is an over-simplification of the question. The question is more complex because financial planning and individual psychology can't always be simplified into a math problem.

There is a myriad of factors that might affect how we could address this question. Firstly, we have concrete details like age (and time horizon), mortgage and tax rates, and how long one might expect to be in their home. On top of this, we have some basic hurdles like whether a person already has an emergency fund and is contributing to retirement savings in tax-deferred accounts. We then have variables like expected rate of return on investments, risk tolerance, future tax and interest rates, and even inflation. Finally, we have the most complex consideration—the human variable. Some people are "allergic" to debt, while other people don't mind it as much. It's difficult to quantify the relief or pride someone might get by being mortgage free.

For younger individuals with a higher appetite for risk, we might recommend investing excess cash instead of paying down the mortgage—especially if they don't plan on being in their home forever. Long term it might be easier to assume that their investment portfolio could out-perform their mortgage interest rate and they will see the benefits as time marches on. Additionally, the liquidity provided by the invested assets could help in the future.

To muddy the waters a little, what about a risk-averse younger couple? Maybe they're fine taking risk in their retirement portfolios, but are much more conservative in their taxable and liquid "non-retirement" accounts. In this case the opportunity cost of expected returns might be much closer to their mortgage rate. This risk-averse couple may also argue that no one knows what the health of the economy will be in five or ten years or what markets will do, but their mortgage payments will stay the same. This argument supports the idea of paying off a mortgage more aggressively. I see the validity in this argument too—debts don't care about employment status or portfolio returns.

For couples with retirement on the horizon, we might more closely consider their expected income in retirement. There could be scenarios where we recommend paying down a mortgage aggressively while still employed, because that burden can be harder to manage in retirement on a fixed income from pensions and social security.

Conversely, maybe we have a couple who aspires to retire in their mid-fifties (meaning they can't access IRA monies without penalty) who are considering either investing in a taxable and more liquid account, or paying down their mortgage. While we understand the attraction of being mortgage free, we might recommend investing rather than paying down the mortgage because that liquidity will be a valuable tool as we try to achieve their goals of an early retirement. In this case it's about maximizing alternatives. Being mortgage free is wonderful, but that money is not accessible once it's locked up in the equity of your home.

These are just a few examples of the multitude of scenarios and variables to consider. This is before we even throw in the idea of re-financing! The allure of "the market" outperforming your mortgage rate is appealing, but the idea of accumulated interest on a 30-year mortgage can also be eye-watering. Both sides of the coin are understandable. Keep these few examples in mind as you consider your situation. The solution may be different than the assumed "best thinking," and that's okay. Everyone has different priorities.

Unexpected Blessings

This year has certainly been an interesting one on many levels. While many things have been taken away, including our "normal" day-to-day lives, there have also been many graces bestowed. We asked some of our clients what unexpected blessings they've received or experienced amidst the uncertainty.

This poem, shared with us by Elizabeth B., client since 2016, demonstrates her feelings about our current times.

And the people stayed home.
And read books, and listened, and rested,
and exercised, and made art, and played games,
and learned new ways of being, and were still.
And listened more deeply.
Some meditated, some prayed, some danced.
Some met their shadows.
And the people began to think differently.
And the people healed.
And, in the absence of people living in ignorant, dangerous,
mindless, and heartless ways, the earth began to heal.
And when the danger passed, and the people joined together again,
they grieved their losses, and made new choices, and dreamed new images,
and created new ways to live and heal the earth fully,
as they had been healed.

— KITTY O'MEARA

Joe and Claudia D., clients since 2016, were overjoyed to welcome their "beautiful, perfect-in-every-way" granddaughter, McKenna this past July. McKenna, her big brother Xander and their entire family, are constant reminders of how blessed and fortunate Joe and Claudia are. Says Joe, "In 2020, as unrest and political views divide us, our family unites us and brings us hope."

Lynn and Gary H., clients since 2007, recently moved Lynn's mom out of assisted living and into their own home. They found some inspiration to make this decision from the book "If You Want to Walk on Water You've Got to Get Out of the Boat." "Having Mom here allows us to spend more time with her, take her for drives, and Gary makes awesome meals for us," said Lynn. "And she's able to see her grandchildren, great-grandchildren and her newly born great-great granddaughter."

Have you experienced an unexpected blessing recently? We'd love to hear about it. Please share with us at advice@leestoerzinger.com

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Since 1993, Lee Stoerzinger Wealth Management has been helping individuals and families plan for what matters most. Through the unique approach of merging personal values with financial goals, Lee and his team create customized wealth management solutions that are meaningful, comprehensive and designed for optimization. Our pride and success derive from our trusted relationships, best-in-class processes, and our unwavering commitment to helping clients realize their life and legacy goals.