NORTHSTAR
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Client Newsletter

"Buy when everyone else is selling and hold until everyone else is buying. That's not just a catchy slogan. It's the very essence of successful investing."

J. Paul Getty

In This Issue:

Now and Then

Dave Goetsch, Executive Producer of The Big Bang Theory, reflects on his investment experience in the recent market downturn and contrasts his new perspective with memories of the 2008-2009 financial crisis.

Seeing all the recent headlines about the sudden downturn in the stock market has transported me back to February of 2009, when I was close to despair. It's striking how different I feel now.

In February 2009, the stock market was down around 50% from its high, and everyone seemed to feel like the sky was falling. I was familiar with this state of panic because my relationship to the financial markets was that I didn't trust them.

They were always going up and down in ways no one could predict, and I couldn't trust those folks who said that they could anticipate what was going to happen. So, when the market went down, I went down with it—sinking into a depression, knowing there was nothing I could do.

What a difference nine years make. I haven't changed because the stock market rebounded. I changed because I learned that there was a different way to think about investing. I was right not to trust those people who thought they could predict what was going to happen in the markets, but I was wrong in thinking that there was nothing to do. I've learned that I can have a great investment experience if I just accept a few simple truths.

I have to understand the uncertainty of the market. The stock market, as measured by the S&P 500 Index, has returned about 10% per year over the last 90 years, but there are very few individual years in which it has ever actually returned that amount. In fact, how many of those 90 years do you think the

S&P 500 was up more than 20% or down more than 20% for that year?

The answer is 40. Astounding, right? I wish somebody had explained that to me decades ago. Then I would have known to look at stock market returns in terms of decades—not years, months, days, or hours. I would understand that so many of those articles and cable news pieces are just noise, designed to keep an audience obsessed and unsettled.

In order to be a long-term investor, you have to have a long-time horizon. This can be hard to remember when you're being assaulted by noise, but if you can stay strong, the results are stunning. By results, I don't mean the investment returns, which hopefully are good. The return I'm talking about is how I feel every day. I worry less—not just about the future, but also about the present. Of course, I know that there are no guarantees when it comes to investing, but I feel like I'm going to be okay. I have a plan.

There's no way I could've done this without a financial advisor. I needed someone who could not just talk me through what my asset allocation should be, but also help me work through how I felt about investing and what exactly I could do to change my perspective.

I was a mess nine years ago. Now, my outlook is totally different. The markets haven't changed; they still go up and down. The difference is, I don't anymore.

Dave Goetsch

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Five Mistakes Executors Make and How

to Avoid Them

Being named the executor of a family member's (or other loved one's) estate is, in many ways, an honor. The decision shows that the person saw you as a highly trustworthy, capable person of integrity.

But it's also a major responsibility that can quickly become a burden if you aren't set up to do your job properly. The fact is, administering an estate comes with plenty of potential pitfalls that can threaten your loved one's wealth—and your peace of mind. That goes double if the death is unexpected and leaves you reeling emotionally as you try to take on the legally required duties of an executor.

The good news: You can take steps to avoid some of the biggest mistakes that executors often make and to ensure that the process goes as smoothly as possible.

First, a few basics. At death, everything a person owns becomes part of his or her taxable estate. Estate administration is the process of managing the estate at this time—including paying off debts and any taxes due, and distributing the property to heirs in accordance with the deceased person's wishes (or by state law if the deceased did not leave a will).

The executor is the person responsible for estate administration. If you have been named the executor of an estate, you are legally required to wrap up its affairs, arrange for the payment of any income and estate taxes and distribute the assets of the estate.

All too often, executors without quality legal guidance make mistakes during the process of carrying out these responsibilities—mistakes that expose the estate to litigation, increased tax liability and other potentially serious consequences.

Below we discuss the five biggest mistakes:

Mistake #1: Making distributions too early

As executor, you are liable for the estate and its distributions. If you make distributions from the estate—handing out money to family members, for example—before taxes and other liabilities are paid, you are personally responsible. The same is true if you make disproportionate payments to family members. Such distributions, known as "at risk" distributions, should be avoided. That's not to say you can't make these distributions. But a miscalculation or unexpected claim puts you at risk—if, say, you need to get money back from a family member to pay a tax bill, but that person has already spent it all.

Mistake #2: Failing to make the "portability election"

The concept of portability means a surviving spouse can make use of both his or her individual federal estate tax exemption and the unused exemption of the first-to-die spouse. Because every decedent is allowed a federal exemption of $11.2 million in 2018, this allows a married couple to shelter a combined $22.4 million from any federal estate tax liability.

However, this estate tax exemption can often cause a problem for surviving spouses when the entire estate of the first-to-die spouse is sheltered from estate tax. This key requirement is commonly overlooked because you have to ask for it. Even if no estate tax is due upon the death of a first-to-die spouse, the executor of the estate must elect portability by filing an estate tax return on Form 706 within 15 months of the death, with the filing of a proper extension. And if you don't use it, you lose it.

Mistake #3: Failing to properly advertise the estate

The appointment of an executor and the existence of the estate may need to be advertised in a local newspaper. If there are debts owed, creditors need to be notified so they can make claims against the estate if necessary. Each state has different laws that govern the advertisement of an estate. Failure to satisfy a notice requirement may expose you personally to the estate's creditors.

Mistake #4: Failing to liquidate securities through a market downturn

As executor, you would be responsible for managing the estate's assets—including any stock portfolio. While you don't necessarily need to have the financial and business acumen of Warren Buffett, failing to monitor the markets and estate investments could seriously damage the estate's value. As an executor, you're also a fiduciary—someone who is legally required to act in the best interests of the heirs or other beneficiaries of the deceased person and to follow the instructions the deceased person spelled out for you. That means it falls on your shoulders to ensure the estate's financial health. That job may involve buying and selling stocks or other securities in response to bull and bear markets.

Mistake #5: Failing to properly conclude the estate

Executors who have properly distributed most of the estate's assets often fail to properly close the estate. This may involve filing a family settlement agreement with the court showing that all beneficiaries agree that they received their share of the estate or going through a court accounting process where a judge ultimately approves of the distributions.

To avoid potential mistakes, consider consulting with a professional during estate administration. Here are three reasons why:

1. **To file the proper forms to protect the estate.** Estate administration requires familiarity with the complex process, applicable statutes, and tax forms. To protect an estate against costly mistakes, such as failing to file a state or federal estate tax return, consider engaging a professional to help navigate the administration process.

2. **To be protected.** There are many actions you take as an executor that can put you at personal risk. To avoid these at-risk distributions, a professional can assist you by ensuring state probate and tax formalities and federal tax law are fulfilled.

3. **To protect the estate's value.** If you don't properly protect the estate assets' value, you could be in breach of your fiduciary duty. Consulting with a professional will help you to properly react to market conditions as they change. These actions can include selling a home, performing an estate sale, or engaging a financial professional to manage the investment portfolio.

It is also recommended to work with an accountant (or an estate administration lawyer in more complicated cases) to ensure all tax matters are concluded before the estate is finished with administration.

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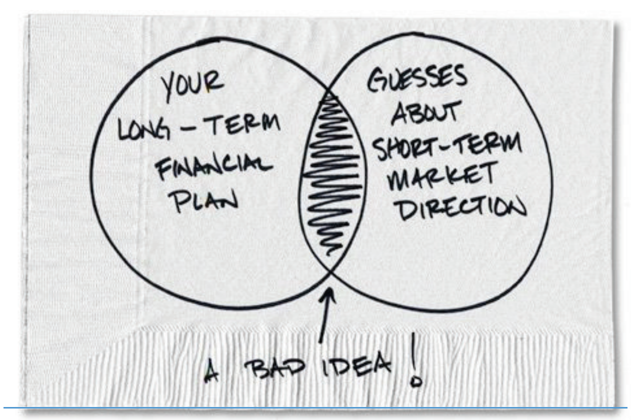
From Carl Richard's Napkin Blog



Final Thought