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IN THIS ISSUE:

WANT TO MOVE OUT OF FLORIDA? HERE'S WHAT TO CONSIDER

Florida can be a hard state to leave. It has lots of sunshine, warm weather, no state taxes on income, and many retirement income sources. But it also has hurricanes, alligators, and humidity. No matter your reason for leaving, you'll want to do some planning before you move out of Florida. Here are financial considerations to start your journey.

Where Do You Want to Live?

Many Floridians decide to head to nearby states, such as Georgia, North Carolina, or South Carolina. You may dream of going farther afield, such as New Mexico or Nevada. Regardless, it's time to do your research—both via the internet and in person.

Taxes: What kind of taxes will your new home state levy? No-income-tax states can sound attractive, but remember, every state charges some kind of tax to fund its programs.

A state with no income taxes may have higher-than-average sales taxes or property taxes. Social Security and pension benefits may be taxed in other states. And you'll also want to research how capital gains are taxed and whether there are inheritance or estate taxes.

Home prices: Research how much real estate will cost in your new home state and whether that's affordable. If you plan to rent, you'll want to do similar research. And if you own a home already, you'll need to determine whether you plan to keep it or sell it before you move.

Cost of living: It's important to understand whether living expenses in your new state will run less or more than what you pay now.

Some categories to investigate include utilities, groceries, insurance, health care, HOA fees, and transportation costs. A tool like Bankrate's calculator[1] can help you determine the cost-of-living difference between your current city and the one you are considering.

Lifestyle: Lifestyle isn't as quantifiable as cost of living, but it's essential since it helps provide fulfillment. You'll want to consider factors such as proximity to family and friends, availability of the amenities and activities that you enjoy, neighborhood safety, and access to health care.

Finally, try to visit your desired destination multiple times. Visit each season for at least a week at a time. Try to rent housing similar to your ideal home so that you can assure yourself that it's sized just right. Get out and try the recreational activities. Meet the community and maybe even start making friends.

By giving yourself the opportunity to visit on several occasions for extended periods, you can decide whether this location really is your home sweet home.

Make an Informed Decision About Relocating

Ideally, your move will improve your quality of life. But if the numbers show that the move will reduce it, you might rethink your desired destination. If you want more money available but your new home state is more expensive, then you may end up squeezed for cash in the long run.

If your new hometown lacks the entertainment venues and amenities that make life fun, you may want to do some soul searching. Could you easily replace these activities with other meaningful ones, or are they non-negotiable?

If you realize this location isn't the one for you, that's OK. Sometimes we need to explore multiple locales before we home in on one. Or sometimes, our search leads us to the realization that we're actually happy living in Florida.

Final Thoughts

Planning for a possible relocation requires more work than just winging it and moving. All that "up-front" work can save you money and heartache in the long run.

Determine your finances in your desired location and how they compare with your current cash flow. Understand the quality of life you can anticipate, and plan for an extended vacation in each of the seasons.

You'll then be able to make an informed decision about whether you want to leave the state of Florida and where your new home is.

We can help analyze your current and projected costs, provide tax strategy, update your investment portfolio, work with an attorney on your estate plan updates, and provide objective advice on the insurance policies you may need.

Source:

[1] https://www.bankrate.com/calculators/savings/moving-cost-of-living-calculator.aspx.

ANOTHER CAUTIONARY TALE FROM THE FRAUD DOCKET

In 2015, the world was on the precipice of a great leap forward: A rapid technological advance that would change the transportation industry forever. Or so it may have seemed at the time.

Failed entrepreneur Trevor Milton, an entrepreneur with an impressive record of three failed businesses by the age of 33, formed Nikola Motor Company that year and introduced an ambitious plan to produce hydrogen-powered tractor trailers and 700 fuel stations across the country.

The company unveiled three sharp-looking prototypes starting in 2016, along with lots of proprietary vehicle parts like engines, spark plugs, and rims. Prototypes for other vehicles ranging from pickup trucks to jet skis soon followed.

Nikola claimed they had quickly received more than $2 billion in pre-orders for their electric cargo truck (without having produced a working model), but as they didn't require any cash deposit, all those orders equaled $0 in revenue.

Next up for Nikola was the release of a video showing a fully operational hydrogen-powered truck driving down an empty, flat stretch of highway.

Nikola's IPO (initial public offering) came just last year, and investors were happy to throw massive cash at what looked like the next Tesla, resulting in a company valuation of $34 billion, higher than Ford or Nissan.

Just as Nikola hit the highest of highs, the wheels fell off (pardon the pun). Hindenberg Research, a market research company, discovered that the slick video of the operational truck was fake.

The truck had been rolled down a hill in neutral, and the camera angle adjusted to make the road look flat. They also discovered that the vehicle parts Nikola had presented as in-house designs were from other manufacturers. Apparently, nobody noticed the duct tape hiding other companies' logos!

There were some problems with the senior executives' bios as well. Their director of hydrogen production (would we agree that's a key job in a company that produces hydrogen-powered vehicles and builds hydrogen-fueling stations?) was Trevor Milton's brother, a former construction worker. Their chief engineer was a pinball machine repairman, and the head of infrastructure development was a golf course manager.

I'm not knocking construction, repair, and country club jobs. It's just a matter of the credentials of the executive staff at a $34 billion high-tech company that had yet to make a single sale. Nobody seemed to have the first qualification for the position they were in.

As Hindenberg released their findings to the public, Trevor Milton stepped down as CEO but not without pocketing $3 billion in stock. He could use that money to build a good legal team—he's been indicted on

multiple counts of securities fraud, and his company is involved in shareholder civil suits also alleging fraud.

If you got into Nikola at its peak, you're probably not happy with current performance. It's down about 85% from its high last June, but good news may be on the horizon: Going into 2021, the company was optimistic they could hit a sales goal for the year of … **100 trucks!**

No, that's not a typo. I didn't mean 100,000 or 1 million. **One hundred.** And they're a little off track on that, having sold (as of last quarter) **zero.** Still not a penny of revenue for the company. Maybe fourth quarter, or 2023, depending on which press release you read.

My final thought on this story is an all-too-familiar one. When you think about all the so-called "smart money" that flew to Nikola right out of the gate—venture capitalists, market analysts, people who would be best positioned to see the fraud but didn't—it makes the folly of stock picking all the more apparent. The experts do a rotten job … what chance do the rest of us have?

—Steve Tepper

EQUILIBRIUM MARKETS IN THE TIME OF COVID

The pandemic snuck up on investors. On December 31, 2019, the government in Wuhan, China, confirmed that dozens of people were being treated for a new virus. China reported its first death from the virus on January 11, 2020, the World Health Organization declared a global emergency on January 30, and the first death outside China occurred in the Philippines on February 1.

Financial markets took this news in stride. The UK's FTSE 100 fell 1%, for example, from December 31, 2019 to February 20, 2020 and the S&P 500 rose 5% over the same interval. Things changed quickly, however, after that. Over the next month, stock indices around the world plunged, with both the S&P 500 and the FTSE 100 dropping by a third.

The behavior of the Cboe Volatility Index (VIX)—the index that measures the expected volatility of the S&P 500 index over the next 30 days—is particularly interesting. The index started 2020 at about 14, below its long-run average of roughly 18.5, and it was still close to 14 on February 20. Then it exploded. The expected volatility of the S&P 500 rose by a factor of six in less than a month, to a high of over 85 on March 18.

Why did volatility go up so much? The short answer is, because there was so much to learn. This was a new virus that caused a new and potentially fatal disease. In early March, we did not know how contagious or lethal it was, who was most vulnerable, what one should do to avoid it, whether masks were an effective deterrent, or whether it would go away in the summer.

Every day brought new information—some accurate, some not so accurate—that investors tried to interpret and project into the future. When the news was better than expected, prices would shoot up. And when it was worse than expected, prices would plummet.

With all this uncertainty, why didn't everyone sell? Because no one can sell if no one is willing to buy. Market prices are constantly adjusting to keep the number of shares people want to sell in line with the number people want to buy.

After bad news about future cash flows, many investors would have been happy to sell at the old prices, but few investors wanted to buy there. Prices had to drop to attract buyers. And after good news, prices had to rise to attract sellers. Prices fell by one-third from February 20 to March 23 because, overall, the news was bad.

The high volatility in February and March 2020 almost certainly pushed prices down as well. The evidence is not conclusive about the effect of such great uncertainty

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because this high level of volatility is rare and because it obscures signals about expected returns—but both logic and experience suggest that expected returns go up when risk rises.

Since the expected return is also the discount rate, a higher expected return lowers the present value of the future expected cash flows, which drives prices down further. In fact, the S&P index hit its low for 2020 only five days after the VIX hit its high.

In short, in the early months of the pandemic, financial markets struggled to understand how COVID-19 would affect the economy, and volatility went through the roof. Prices dropped by about one-third, both because the overall news was bad and, almost certainly, because buyers demanded higher expected returns as compensation for their higher risk.

Stockholders who did not sell in February and March would have been rewarded for their fortitude. Although the market remained turbulent, with the VIX in the upper 20s through June and above 20 for the rest of the year, uncertainty gradually declined and many publicly traded firms prospered.

Presumably driven by higher expected cash flows and lower required returns, the S&P 500 rose 70% from the low on March 23, 2020 to December 31, 2020. Investors who weathered the pandemic's turbulent impact for all of 2020 would have been rewarded with a cumulative return of 18% on the S&P 500 and 24% on the broad U.S. market.*

—Kenneth French, Ph.D., Dimensional Fund Advisors

*U.S. market is defined as Fama/French Total US Market Research Index. The performance reflects the growth of a hypothetical $1 investment. Index data presented is hypothetical and assumes reinvestment of income and no transaction costs or taxes.

Notes: Ken French is a member of the Board of Directors of the general partner of, and provides consulting services to, Dimensional Fund Advisors LP.

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