

## DISCUSSING YOUR FINANCES WITH YOUR CHILDREN

Recently, a client that moved out of state passed away. We hadn't seen him for many years. It wasn't until his son called that we found out that Dad never told him about his finances before he died. And, though in hospice, Dad refused to resign as trustee. Now the son is trying to figure out what is in the estate. For example, he is trying to determine:

- ◆ What accounts did he have and with what institutions?
- ◆ What are the passwords since statements were sent electronically?
- ◆ Where are his financial papers?

While deceptively simple questions, put yourself in the son's place and it represents high stress, anxiety and not knowing where to turn, yet being responsible as successor trustee to distribute the estate.

According to a survey by the Merrill Lynch Center for Family Wealth, 66.7% of families with over \$3 million of investable assets have not discussed their finances with their children.

As Paul Sullivan, reporter for the *New York Times* wrote in his article on this topic, "Why parents, children must discuss money," parents discuss drinking and driving, drugs, bullying, and sex but not money.

While this study centered around discussing finances with your children, we see the issue as it relates to adult children inheriting. Some of the reasons given for not discussing their estate with their children are:

- ◆ Concern with children finding out too early what they will inherit will disincentivize them from being productive members of society
- ◆ Complaints about how the estate will be divided
- ◆ Talking about money will hurt our relationship
- ◆ I don't want them to know what I have

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## MAJOR SOFTWARE CONVERSION

Since 1987, before Jill started working with Gladstone Managed Investments (GMI), a software system was utilized to track client investments, returns and tax information. It is referred to as a Portfolio Management System (PMS). As technology changed, the software updated. In fact, Jill tested the system when it converted from DOS to Windows.

Years later, the company was sold to Schwab. As technology continued to evolve with the creation of the internet and later cloud computing, Schwab chose not to upgrade the software though we were told three years ago a new version was being built. Awaiting the new program, we hired a second company to take the data from the PMS system to provide client reports and client portals.

Last year we learned Schwab was not going to upgrade the product after all. We have been looking at alternatives for several years but couldn't quite find the right one that would be able to convert all of our data going back to 1987, provide the service level we expected plus offer our clients' their personal portal.

Finally, we found a company that fit our criteria. After working through the due diligence process including having our IT consultant review security, back-up procedures, etc., we made the decision.

We began the conversion this summer and will parallel both systems until the end of the year. All documents on your outgoing portal will be transferred to your new portal.

If you have bookmarked your portal, when we go live, you will need to go to the Financial Connections website to the Client Login. An updated link will be provided to your portal. This change applies to both Financial Connections and FCDigital clients.

Our selection and subsequent conversion was in the nick of time. Schwab sold the PMS software earlier this year.

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**Jill D. Hollander**, CFP®, CRPC™, ADPA™, Financial Advisor  
**Brian Pon**, EA, CFP®, Financial Advisor

EMAIL: [client@FinancialConnections.com](mailto:client@FinancialConnections.com)  
WEBSITE: <http://www.FinancialConnections.com>

Financial Connections Group, Inc.  
21 Tamal Vista Blvd., Suite 105  
Corte Madera, CA 94925  
415.924.1091

Berkeley Office:  
2608 Ninth Street, Suite 302  
Berkeley, CA 94710  
510.849.4667

San Francisco Office:  
201 Spear Street, Suite 1100  
San Francisco, CA 94105  
415.924.1091

## THE NOT SO CLEAR CRYSTAL BALL

About a year ago, most of us were celebrating the rise of interest rates and the pleasure of having a money market fund actually earning interest. Fast forward a year. At present, almost \$15 trillion of international government debt have negative yields (loan the government \$100; the negative interest rate is -2%; at maturity, you get \$98 back).

In the U.S., the interest rate dropped as the Fed lowered interest rates. At this time, the 10-year Treasury is yielding 1.675% compared to the week ending January 11, 2019, of 2.71%. According to James Bianco, head of Chicago-based advisory firm Bianco Research, "Two percent is now a big, fat yield. Most investors haven't adjusted to that."

Global growth continues to slow. The significant uncertainty adds to volatility over such concerns as:

- ◆ Trade tensions with China
- ◆ Tariffs
- ◆ Drone strikes on Saudi Arabia
- ◆ Brexit
- ◆ Trump impeachment
- ◆ Tight labor market
- ◆ Weak exports

The third quarter stock market indexes were marginally positive or negative. For the most part, positive returns for 2019 continue. Whether or not that will be true by the end of the year is unclear.

As is our practice, if you are withdrawing money, we keep some money in cash and/or short-term bonds. We try to correlate your

risk profile with your portfolio and in concert with your financial plan.

If you have not answered or recently reviewed the risk questions, we urge you to do so. Please give us a call. If you would like to create or update your plan, please don't hesitate to contact us.

### **DISCUSSING YOUR FINANCES WITH YOUR CHILDREN (Continued from first page)**

You can't be in the financial planning and investment profession without seeing clients pass away and helping the heirs. We have seen children being clueless about their parent's estate as well as those that are well informed. Needless to say, the transition of the estate when the heirs are informed what to expect is much more seamless with less emotional trauma. The heirs know about the investments, how the money is managed, where all the documents are located, etc.

Financial Connections frequently meets with the parents and adult children as a neutral party to facilitate the discussion about the estate. If you would like to set-up such a meeting, please give us a call.

## DATA COLLECTION ON YOUR ACTIVITIES

How companies use our personal information is an ongoing issue with privacy groups, governments, etc. Whether you are on Social Media, using an app or looking at an ad on your phone, a company is capturing your responses.

For example, if you are on Amazon and buy a science fiction book, algorithms (computer programs tracking your selections) will start showing you similar books saying 'You might also like...'

While that seems innocuous enough, the sophistication of these algorithms has:

- ◆ Impacted the lending to people of color at higher interest rates because of ethnic purchases signaling African-American or Latin borrowers.
- ◆ Screen job applicants to leave out women. Researchers found job-finding searches are less likely to refer opportunities for high-paying jobs for women because the job seekers don't match the typical profile of people already in the position – mostly white men.
- ◆ Facebook's sale of data to Cambridge Analytics provided enough information to identify voter preferences as well as what would turn voters on or off of candidates and products.
- ◆ Facebook algorithms initially blocked many Native Americans from opening accounts because the program thought names such as Browneyes and Lone Hill were fake.

Governments are taking notice. The Algorithmic Accountability Act of 2019 is being reviewed by the House and Senate. It would require algorithms be tested for bias. A U.K. government-commission that includes technology experts, policy makers and lawyers plan to issue a report that is expected to call for a universal code of ethics for algorithmic integrity.



Jill D. Hollander



Brian Pon

