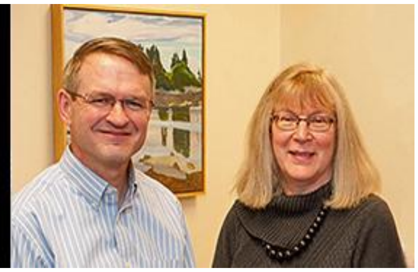
PFPG Fee-only Advisors

PORTLAND FINANCIAL PLANNING GROUP, LLC



**News & Views / July 2019**
www.pfpg.com

**In this issue: Estate tax, gifts for grads, student loans, fiduciary standard, PFPG news, most clicked link**

## No change to Maine estate tax for now

In a bipartisan vote, the Maine House voted to reject Bill LD 420 that would have lowered the amount of an inheritance excluded from Maine taxation from $5.6 million to $2 million. Critics of the bill believe it would place a burden on family-owned small businesses which might exceed a $2 million cutoff and leave heirs with difficulty paying the tax, and also encourage higher net worth individuals to move to a tax-friendlier state.

## Graduation gifts

As graduates prepare to make their way in the world, are they well-equipped to handle the financial tasks that are part of adult life? In “A Financial Checklist for Your Newly Minted High School Graduate,” Ron Lieber suggests topics for both you and your grad to discuss that range from the obvious (balancing a checkbook, budgeting, making doctor appointments, establishing credit, insurance matters, retirement accounts, and employer benefits) to a few that you want to make sure you take care of as well (credit report freezes, establishing privacy rights regarding your child’s college grades, health care powers of attorney, protecting yourself against ID theft). If your child plans to enlist in the military, they can consult the branch’s website to learn about salary, benefits, savings programs, and further education through the G.I. Bill.

A short lesson in what Lieber calls “the eighth wonder of the world,” compound interest, is provided in this chart that Lieber claimed changed his life. For a more interactive approach, take a look at the Compound Interest Calculator on the SEC’s website, plug in sample scenarios, and it will make the point about the value of beginning a regular savings plan as early as possible.

## As long as we're on the subject

Good news: federal student loans are about to get cheaper. Interest rates will go down 10% for federal undergraduate student loans (from 5.05% to 4.53%) as of July 1. Graduate students will see a drop of 8% for federal direct unsubsidized loans, and PLUS Loans for both graduate and undergraduate students will decrease by 7%.

Not such good news: these decreases apply to new loans only, not existing loans. Though the figures look encouraging (this is the first time in the past three years there has been a decrease), the actual impact on one’s monthly interest payments will not be consequential.

Those with existing loans can investigate refinancing and prepayment options with *Forbes* contributor Zack Friedman’s list of Top 4 Free Student Loan Calculators to Save Money.

## More on the fiduciary debate

If you’ve followed the stories about the Department of Labor’s efforts to assure the fiduciary standard for investors over the past few years, there’s a new chapter. The Securities and Exchange Commission has issued a new set of rules for brokers and investment advisors (like PFPG). The new rules appear to advocate solely for the benefit of the customer, but the devil is in the details.

Previously brokers had to recommend “suitable” investments, whereas investment advisors were fiduciaries, required to putting the customer’s best interests first and avoiding conflicts of interest. The new SEC rules changed “suitable” to say that brokers can’t put their own interests *ahead* of the customer’s – sounds better, but not quite the same as putting the customer *first*. As for investment advisers, as long as they *disclose* conflicts of interest, they don’t have to *avoid* them. A *Forbes* contributor characterized the new regulations as a “watering down of the highest legal standard of care” and a “big win for brokers and large financial services.”

“Advisers remain the best bet,” writes *New York Times* money columnist Tara Seigel Bernard in “S.E.C. Tells Brokers to Work for You, but Don’t Skip the Fine Print.” Her recommendation: use an independent fee-only advisor or a CFP® certified financial planner who is willing to put it in writing that they will act as a fiduciary on your behalf with all of your investment accounts.

## PFPG news

Brian recently attended the NAPFA 2019 National Conference in Austin, TX. Besides having a “blast” taking in some of the Austin music scene, he attended workshops about the latest research on maximizing after-tax retirement income, and spending, on a sustainable basis; how to apply provisions of the new tax code to reduce income taxes paid by clients; and a briefing on how the new CFP® code of ethics requires all CFP®s to put their client’s interests before their own – whatever the advisory relationship. The broader advisor community is catching up to what fee-only advisors like PFPG have always championed: a fiduciary standard that applies to *all* financial advisers. We’re inching closer to that goal!

Brian’s 21st Trek Across Maine to benefit the American Lung Association was blessed by superior weather and an all-new route from Brunswick, through Lewiston and Waterville, and then back to Brunswick again, full of beautiful scenery and camaraderie along the way. Debra has been celebrating the one-year anniversary of her “trek across Russia” by creating a series of exciting new paintings.

## Favorite News & Views link

The most popular link we’ve ever posted in this newsletter was not about personal finance issues, but the story about the ad for a cat caretaker on a Greek island. In Pakistan, a social media cat “filter” (a filter is an application to enhance or alter an online image) was accidentally turned on during a live cabinet meeting press conference. It could have been a CATastrophe – but luckily humor saved the day.

Have a great summer,

Brian Debra

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