



Challenges of Being an Executor

When you are asked to be an executor of someone's estate, what are those responsibilities?

An NerdWallet website article provides many insights into the various tasks you would be agreeing to take on. For example, the executor must find the deceased's relevant documents, inventory the assets and debts, and arrange appraisals for the tangible assets (think house or artwork) that the deceased may have owned. This is in addition to communicating with financial institutions, governmental agencies, managing property, and keeping records of everything. If the estate includes a home, the house may have to be emptied of possessions and readied for sale.

While one task, by itself may not be overwhelming they do start to add up. A survey by EstateExec, an online tool for executors, found that the typical estate takes about 16 months to settle, and requires 570 hours of effort. Estates worth \$5 million or more typically take 42 months to settle and 1,167 hours to complete. Some of those hours will be completed by outside professionals such as attorneys, accountants, and financial advisors. But it is the executor with the responsibility to watch over and coordinate everyone's efforts.

Disputes are not uncommon. The executor may be put in the role of referee when heirs disagree about the way the assets were divided. And the heirs may also disagree with some of your judgment calls -- such as whether to spend the estate's money to fix up a house for sale.

Before you accept the role of executor, you might insist on seeing the will or trust documents to ensure that there aren't any unpleasant surprises that could cause discord among the heirs and ensure that assets are inventoried. You can also insist that the documents name alternates in case you can't or decide you really don't want to serve in this complicated role.

Source:

- <https://www.nerdwallet.com/article/finance/why-you-may-not-want-to-be-an->



Costly States

Which state has the highest (lowest) taxes? The answer turns out to be surprisingly complicated.

If you look at state income taxes, and assuming a decent to high level of income, California immediately jumps to the bottom of the list. It's highest state income tax bracket is 13.3% -- higher than second-place Hawaii (11.0%). By this measure, you might want to avoid New Jersey (10.8%), Oregon (9.9%) and New York (8.8%). The most attractive states, based on the state income tax, are the ones that assess zero state taxes on your income: Florida, Texas, Washington, Nevada and South Dakota.

But every state must pay its bills, so in most cases you'll find yourself paying for your state services by other means. If you move to Texas, you avoid state income taxes only to find yourself paying the highest property taxes in the country, a median 1.81% of the value of your home or property. Other high-property-tax states include New Jersey (1.89%), New Hampshire (1.86%) and Nebraska (1.81%). California, meanwhile, assesses a relatively modest 0.74% median property tax rate, although Louisiana (0.18%), Alabama (0.33%) and West Virginia (0.49%) are lower still.

So far, Louisiana looks attractive, until you look at state sales taxes. In Louisiana, you would find yourself paying a combined 10.02% state and local sales tax rate on your purchases, which is the highest in the country. Tennessee (9.46%), Arkansas (9.41%), Washington (9.18%), and New York (8.49%) lead the nation in sales taxes, while Oregon, Montana and New Hampshire levy no sales taxes at all.

Is there any way to combine all these tax figures into one number? The WalletHub website ranks every state and the District of Columbia based on a total tax burden, by calculating total collected individual income taxes, sales, and property taxes as a share of the total personal income in each state. These rankings would probably change for higher-income individuals, but they give an idea of the interrelation among the different tax burdens.

By this calculation, New York is the most expensive state to live in, with taxes eating up 12.28% of its citizens' total income. Hawaii (11.48%), Vermont (10.73%), Maine (10.57%), Minnesota (10.19%), Connecticut (9.99%) and New Jersey (9.88%) are the most expensive states. Least expensive: Alaska (5.16%), Delaware (5.52%), Tennessee (6.18%), Wyoming (6.47%), Florida (6.82%), New Hampshire (6.85%) and Oklahoma (6.94%).

Sources:

- <https://wallethub.com/edu/states-with-highest-lowest-tax-burden/20494>

<https://www.bankrate.com/retirement/best-and-worst-states-for-retirement/>

<https://www.thebalance.com/state-income-tax-rates-3193320>

<https://www.thebalance.com/where-you-ll-pay-the-most-in-state-and-local-taxes-3193259>



ESG Investing

An increasing number of investors considering the social impact of their investment dollars – for a variety of reasons. Some investors want to avoid supporting companies or industries which, in their opinion, are not making the world a better place -- such as weapons manufacturers, tobacco companies, or firms that have a track record of polluting the environment or running sweatshop factories in third world countries.

Other ‘socially-responsible’ investors embrace companies they believe are enhancing our collective lives, which might include companies that produce solar, wind or other sustainable energy, embrace diversity in their workforce and on their corporate boards, bring clean water to global populations or provide lending services to impoverished communities around the world.

Whatever the reason, ESG (environmental, social, and governance) investing trends are enjoying rapid acceptance among investors. According to Morningstar’s fund research, \$21.4 billion in new funds flowed into what it calls “sustainable funds” last year. There are now 303 mutual funds and ETFs in what Morningstar considers to be its “sustainable universe”.

Source:

- <https://www.morningstar.com/insights/2020/03/18/sustainable-funds-in-6-charts>



Investments for the Long Run

A common tool used by financial advisors is something called the Callan Periodic Table of Investment Returns. As you can see from the following chart, the rank order of different asset classes (color coded; top is highest performers, lowest is worst returns), is generally random.

Annual Returns						Monthly Returns						
2014	2015	2016	2017	2018	2019	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	YTD 2020
Real Estate	Large Cap Equity	Small Cap Equity	Emerging Market Equity	U.S. Fixed Income	Large Cap Equity	U.S. Fixed Income	U.S. Fixed Income	U.S. Fixed Income	Small Cap Equity	Small Cap Equity	Emerging Market Equity	U.S. Fixed Income
15.02%	1.38%	21.31%	37.28%	0.01%	31.49%	1.92%	1.80%	-0.59%	13.74%	6.51%	7.35%	6.14%
Large Cap Equity	U.S. Fixed Income	High Yield	Dev ex-U.S. Equity	High Yield	Small Cap Equity	Real Estate	Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income	Large Cap Equity	Large Cap Equity	Small Cap Equity	Global ex-U.S. Fixed Income
13.69%	0.55%	17.13%	24.21%	-2.08%	25.52%	0.84%	-0.20%	-3.22%	12.82%	4.76%	3.53%	0.61%
U.S. Fixed Income	Real Estate	Large Cap Equity	Large Cap Equity	Global ex-U.S. Fixed Income	Dev ex-U.S. Equity	Global ex-U.S. Fixed Income	High Yield	High Yield	Emerging Market Equity	High Yield	Dev ex-U.S. Equity	Large Cap Equity
5.97%	-0.79%	11.96%	21.83%	-2.15%	22.49%	0.76%	-1.41%	-11.46%	9.16%	4.41%	3.42%	-3.08%
Small Cap Equity	Dev ex-U.S. Equity	Emerging Market Equity	Small Cap Equity	Large Cap Equity	Real Estate	High Yield	Emerging Market Equity	Large Cap Equity	Real Estate	Dev ex-U.S. Equity	Real Estate	High Yield
4.89%	-3.04%	11.19%	14.65%	-4.38%	21.91%	0.63%	-5.27%	-12.35%	7.06%	4.25%	2.57%	-3.80%
High Yield	Small Cap Equity	Real Estate	Global ex-U.S. Fixed Income	Real Estate	Emerging Market Equity	Large Cap Equity	Large Cap Equity	Dev ex-U.S. Equity	Dev ex-U.S. Equity	Emerging Market Equity	Large Cap Equity	Emerging Market Equity
2.45%	-4.41%	4.06%	10.51%	-5.63%	18.44%	-0.04%	-8.23%	-14.12%	6.97%	0.77%	1.99%	-9.78%
Emerging Market Equity	High Yield	Dev ex-U.S. Equity	Real Estate	Small Cap Equity	High Yield	Dev ex-U.S. Equity	Real Estate	Emerging Market Equity	High Yield	U.S. Fixed Income	Global ex-U.S. Fixed Income	Dev ex-U.S. Equity
-2.19%	-4.47%	2.75%	10.36%	-11.01%	14.32%	-1.94%	-8.24%	-15.40%	4.51%	0.47%	1.01%	-11.49%
Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income	U.S. Fixed Income	High Yield	Dev ex-U.S. Equity	U.S. Fixed Income	Small Cap Equity	Small Cap Equity	Small Cap Equity	Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income	High Yield	Small Cap Equity
-3.08%	-6.02%	2.65%	7.50%	-14.09%	8.72%	-3.21%	-8.42%	-21.73%	2.04%	0.30%	0.98%	-12.98%
Dev ex-U.S. Equity	Emerging Market Equity	Global ex-U.S. Fixed Income	U.S. Fixed Income	Emerging Market Equity	Global ex-U.S. Fixed Income	Emerging Market Equity	Dev ex-U.S. Equity	Real Estate	U.S. Fixed Income	Real Estate	U.S. Fixed Income	Real Estate
-4.32%	-14.92%	1.49%	3.54%	-14.57%	5.09%	-4.66%	-8.88%	-22.76%	1.78%	0.23%	0.63%	-21.33%

Sources:

● Bloomberg Barclays Aggregate

● Bloomberg Barclays Corp High Yield

● Bloomberg Barclays Global Aggregate ex US

● FTSE EPRA Nareit Developed

● MSCI World ex USA

● MSCI Emerging Markets

● Russell 2000

● S&P 500

See for yourself whether you can discern any pattern. The chart shows, better than words, that we really cannot predict whether international stocks will outperform domestic large cap or small cap stocks in any given year, or whether any of them will outperform various bond investments during the next 12 months. This explains why professionals recommend diversified portfolios. They simply don't know, from one year to the next, which is going to perform better than what.

But the interesting thing is that if you look out over longer time periods, the returns are not quite as random. In fact, Stephen Huxley, a professor of business analytics at the University of San Francisco, found that over rolling 30-year periods, small cap stocks and value stocks consistently finished with the highest returns.

While the below chart is a little difficult to read, real estate investment trusts consistently fell in the middle of the pack, and bond investments alternated places at the bottom of the long-term return chart.



Reading Benefits

Today, reading a book does not seem to be as common. Other forms of news, information, and entertainment such podcasts, TED talks and YouTube videos have become much more popular. With that said, there is a growing body of scientific literature that suggests reading books may be more important than we realize for enhancing certain parts of our brains and delaying the onset of dementia.

While the research is still in its early stages, when brain waves were scanned, scientists found that when you read about a character playing tennis, areas of your brain light up as if you were physically out there on the court yourself. When you read about fictional characters very different from yourself, it boosts areas of your brain associated with emotional intelligence, -- helping you to understand what others are thinking by reading their emotions. Researchers also found that deep reading, when you get really absorbed in a book, builds up our ability to focus and grasp complex ideas.

As a child, learning to read has profound impacts on brain development, creating a specialized area in your left ventral occipital temporal region, increased verbal memory and thickening your corpus callosum, which is the information highway that connects the left and right hemispheres of your brain. Exposure to vocabulary through reading leads to higher scores on general tests of intelligence for children.

Research published in Neurology suggests that regular reading may slow the inevitable decline in memory and brain function as we age. Frequent brain exercise -- deep reading, but also playing chess or working puzzles -- was shown to lower mental decline by 32 percent. And people who engaged in brain exercise were 2.5 times less likely to develop Alzheimer's disease than those who were not.

The bottom line is that continuous reading is a way to continuously rewire your brain to become more effective and efficient. It allows you to strengthen your ability to imagine alternative scenarios, remember details and think through complex problems. It doesn't just make you more knowledgeable -- you can get that from a TED talk. Reading makes us all functionally smarter.

Sources:

- <https://www.inc.com/jessica-stillman/reading-books-brain-chemistry.html>
- <https://www.realsimple.com/health/preventative-health/benefits-of-reading-real-books>