PFPG Fee-only Advisors

PORTLAND FINANCIAL PLANNING GROUP, LLC

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Lower RMDs in 2022

For the first time in 20 years, the IRS has updated their life expectancy tables. RMDs (required minimum distributions) from IRAs will decrease to reflect a two-year increase in life expectancy. Ironically, the update doesn't take into consideration the effects of the coronavirus, but don't expect another revision any time soon.

The three new tables will apply to anyone taking RMDs, including those taking distributions from inherited IRA accounts. (The only exception is for those who turned 72 in 2021 and planned to delay their first RMD until 2022.)

How might this play out? Sophie turns 77 in 2022 and has a $1M IRA balance as of 12/31/21. Her beneficiary is her spouse, who is not more than 10 years younger than Sophie, so the new *uniform lifetime table* factor of 22.9 would apply. The previous table would have resulted in an RMD of $47,170; her updated RMD is $43,668.

To see how the change will affect your account(s), grab your 12/31/21 statement or portfolio report and try the SEC RMD calculator here.

Dos and don'ts for college financial aid

If the letter awarding your college student financial aid was a disappointment, make haste and request a review based on any changes in your financial or household circumstances since you applied. The financial aid office most likely based their award on the 2020 tax return information supplied, and would have no way of knowing if your family's financial situation was adversely affected by the pandemic, for example. Here are five mistakes to avoid:

1. Not asking for a review at all. Inquire about deadline dates for such requests now.

2. Be clear about what kind of review you are requesting: a *need-based* review, for changes in your family's financial situation; or a *merit-based* review if the aid was based on academic merit, and the applicant has since garnered additional achievements such as test scores, extracurricular activities, or academic awards.

3. Understand what might qualify for more need-based aid. Not only the loss of a job or other drops in earnings, but exceptional medical expenses, divorce or separation, a spouse's death, or effects of a natural disaster may be considered as a change in circumstances for federal aid awards.

4. Follow the school's review procedure exactly by first checking the financial aid office's website for forms and deadlines. Applicants should assemble documents that support the request (see #3). If the school doesn't have an online form, find a free template on SwiftStudent to prepare an appeal letter.

5. The student should follow up by phone if they haven't received a reply in a week. Also, be sure to inquire about program-specific scholarships.

Investing games for kids - good idea?

We'd probably all agree that it's important for our kids to learn financial literacy and the basics of investing. But are the popular stock-picking games taught in many schools the best tool for the task of preparing responsible and successful investors? Author Jason Zweig's article in *The Wall Street Journal*, "What Teenagers Really Learn from Stock-Market Games," suggests otherwise.

It's widely accepted that the most dependable way to do well as an investor is to invest for the long term, hold a broadly diversified portfolio, trade infrequently, and avoid unnecessary risk, by selecting less volatile assets like index funds, for example.

But that's no *fun*! And fun, excitement, plus the thrill of competing in state and national championships, are what drive some investing programs taught in grades K – 12. Some programs permit teachers to set limits on how much or how often students can trade (with play money, of course), restrict margin borrowing, or prohibit short selling.

Others permit students to take extreme risks that can result in dramatic gains as well as devastating losses. The Stock Market Game, sponsored by the Securities Industry and Financial Markets Association and played by over 600,000 students each year, culminates in a 14-week competition (hardly long-term investing).

In the long run, who benefits the most from influencing a generation of future frequent traders? Hmm.

"What we've got here is a failure to communicate"

Financial planners and their clients may hold diverging opinions about how well they communicate, according to a report published by the Financial Planning Association.

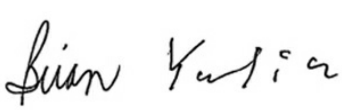
Fifteen years ago, a study revealed that the participating planners' perceptions of how well they understood their clients' values and goals was a close match to their clients' evaluation. However, a recent repeat of the study using more respondents had a strikingly different result: the planners rated themselves 15 – 36% higher in every category than their clients did.

That leads us to ask: how are we at PFPG doing in the following areas, and how can we do better?

- Do we try to get to know you, and learn about your values, personality, attitudes about money, and family history around money matters?
- Do we communicate our recommendations in an understandable way, and explain the pros and cons of investment choices?
- Do we keep you well informed about your investments' performance?
- Do we have an ongoing discussion of your values, priorities, and personal goals?

We encourage you to share your own evaluations with us, especially during a time when we've all been more isolated than we might prefer to be. As always, we appreciate hearing our clients' candid feedback. Unlike the characters in *Cool Hand Luke*, we can be reached!

Happy and healthy spring,



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