

DIVERSIFICATION AND TIME IN THE MARKET

February 2021

“At our Firm,
Your Estate Plan
is Not Business,
it’s Personal...”



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“Nature does not ask your permission, she has nothing to do with your wishes, and whether you like her laws or dislike them, you are bound to accept her as she is, and consequently all her conclusions”.
Fyodor Dostoyevsky

At this point, saying we live in a volatile time may be understated. The incredible changes we have seen in the last year alone, from our economy, politics, and the health industry has left the majority of us scratching our head. With all these changes around us, it is difficult knowing where to put your safety nest into? Should it be real estate, stocks, bonds, cryptocurrencies? Well, at least the options are there.

Historically speaking, Warren Buffet said it best when he was quoted with the famous line “Only when the tide goes out do you discover who’s been swimming naked.” Besides an incredibly comedic statement, we saw this quote come into play when the real estate bubble burst back in 2008. For all intended purposes, it appears we are moving in the same direction. The challenge however is all the indicators keep moving upward, leaving us to fear that we are missing out. That is a justifiable concern in all fairness.

The unintended consequence of that concern is that it causes people to simply not invest. Most will hold onto their cash, and wait until a ‘calmer’ market, if there is such a thing. One has to wonder whether that is the right approach. Such an act will not risk you to losing your principal, which is great. However, with the return rates available at banks today, you realize that doing so also causes you to lose to inflation, thus a long term proposition in the long run.

In remaining a student of all things, it is imperative to keep a white belt mentality. Thus, I make it a point to always read and learn from different industries, investments being one of them. And in doing so, I came across what I believe is a very wise approach, one recommended by none other than Tom Gardner. For the uninitiated, he is one of the founders of Motley Fool, an incredible platform where tips and recommendations are made in the investment world.

The reason he is great is not simply because of the track record he holds, though it is impressive, but rather the principles he uses despite what the economy will do. One point he emphasized was the importance of diversification. In that, he didn’t simply mean having a varied portfolio account, that goes without saying. What he also implied is that it is more important to make investing a habit, something that you practice on a regular basis. He said it best when he said “Time in the market is more important than timing the market.” The former will breed consistency, the latter can either bring you a great loss or fortune, but that is rather a question of luck.

Practicing a principled approach in your investment strategy will lead to long term success. This is a concept that can be used not just in the financial world, but in a well thought out lifestyle as well. Nothing beats consistency, no matter what your field of interest may be.

Every month, I try to push our community to expand on limitations that, if we knew better, are nothing short of artificial or self-imposed. As the great David Goggins once said, “When you think

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SPECIAL ANNOUNCEMENT

Happy Valentine’s Month Everyone!

Did you know that the word February comes from the Latin word “*februum*”? It means purification. February is also the shortest month of the year, with 28 and 29 days per year. The 29th day occurs only every 4 years during leap years. The days of February were fixed when Julius Caesar remade the Roman calendar and assigned the month 28 days and 29 days. February was added to the Roman calendar in 713 B.C. After some time, the length of February continued changing. At one point, it had only 23 days. That was a little history for the month 😊.

Hopefully, professionally and personally, you are starting to hit a stride. It is imperative that you stick to your goals, especially in 2021. Last year hit a great deal of small businesses very hard, and it will take a concerted effort if you are to thrive. Goals have a way of shaping your life. You have to live your life according to your wishes or according to your master. To achieve your goals, you need the right motivation, a touch of potential, and the grit to do something, no matter what the circumstances.

We can see the world of politics is creating a very divisive nation. It appears a differing view on certain subject matters is now equivalent to being an outcast. Remember, we can’t make everyone happy and we are all bad in someone’s story. As we meet new people in the coming year we should do so with a positive approach! In order to do that, we need to be educated about the behavior of people and how “nature” plays into that. There are so many self-help books that can teach us how to better deal with people and teach us about the laws of nature and how each affects the other. So, in this month, we will discuss the book *The Laws of Nature*.

Enjoy this short month. We hope it is full of the love and that you continue to move toward the goals you set for yourself this year!

THE GOOD AND THE BAD OF PROPOSITION 19

If you read last month's article, we discussed the new law which may be applicable by the time you read this newsletter, Prop. 19. For elders, having the ability to carry one's primary residence tax basis up to three times will be a great benefit. There is no argument there!

What happens at inheritance? Parents or Grandparents can transfer their property's tax assessment, thus preserving the initial low-cost basis. But again, this does come with limitations. It applies to the first one million dollars. Anything above that can get reassessed to the current market rate. Now granted, I am speaking from an estate planning perspective, so it is fairly predictable that I would see the downside to this new law.

Truth be told, for the more than 650,000 Californians receiving a relative's low property tax basis, this may no longer be an option. This will leave a large segment of the population who are counting on that inheritance as a potential income stream (i.e. rental property), with a losing proposition. Many of the new generation will now find California's cost of living to be an impossible task. Not that it was that affordable to begin with if we are to be honest!

Again, there will be many benefits from Prop. 19. It will free up much needed inventory in the state. Because it will protect senior homeowners from a heavy tax exposure, they will more likely be open to selling their primary residence because they will be able to carry their initial tax exemption.

In theory, Prop. 19 will deliver a massive funding for cities, counties, and school districts; which are all in dire need of a financial boost. It is also anticipated to generate hundreds of millions in annual revenue for affordable housing, homeless programs, safer drinking water, and fire departments to name a few. Now, unless you operate in a vacuum, you cannot help but be happy about the potential revenue stream that will be created, as the virus has not helped California's already dire debt position, despite being the fifth largest economy of the world.

The last month at the firm, my partner has been flooded with requests about this new law change. Those that took action may have saved their loved ones hundreds of thousands of dollars in this transfer. For others, they will have to deal with the aftermath of facing a much larger tax bill than anticipated.

To say the least, this new change in the law will be a game-changer. It remains to see whether the people will like it or not. To appeal the new rule is always an option. However, at the micro level (meaning in regard to your particular family), it may be wise to just go ahead and prepare that property transfer to its necessary trust to preserve the exemption.

Thus far, 2021 sure has been active! No complaint on our part. But, it just goes to show that, as we've always preached – no matter what the world throws at you, it is imperative that you take care of your immediate circle. Whether the changes are in your favor or not, the prepared mind always wins.

Now that the new administration is in, we anticipate quite a few tax laws to change, which will very likely implicate higher tax brackets. We hope you, your family and your business have been off to a good start. If there is anything we can do to help you achieve your goals faster, don't hesitate to reach out to us, we're here to help!

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you've hit your limit, you're only at 40% of your capacity." Think about that for a minute. That is a powerful statement!

2021 does not promise to be an easy year by any stretch of the imagination. But if you arm yourself with the proper state of mind, a good objective, putting your head down and continuing to grind can only do wonders. Get your legal and financial affairs in order, and let 2021 be the year where your path leads to internal peace, no matter where you are in the journey.

The Laws of Human Nature

by Robert Greene

On a day-to-day basis, we may be so busy with our lives that we do not take notice of certain automated behaviors we exhibit, nor of those around us. Renowned author, Robert Greene, dives into what lies behind people's actions and what motivates them. The Laws of Human Nature provides a complete guide as to what causes certain acts from people, and a 'how to' format on dealing with such individuals effectively. We are social animals. Our very lives go in the direction of relationships with people who have different mindsets. Why people do what they do is a valuable tool to have to better understand your social circle.

Author Greene does a deep historical dive as well. From the lives of Pericles, Ruler Elizabeth I, Martin Luther Lord Jr, and many others, Greene concludes that the ideas of these rulers gave us a lesson in how to remove ourselves from our feelings and control ourselves in every circumstance. How to develop the understanding that leads to insight. How to see the reality of people and their faces behind the masks. And most importantly, how to deal with the people who stand in the way of your goals. Needless to say, patience and a positive attitude are necessary in order to surpass such obstacles.

In the modern age, people ruin their lives through self-sabotage. They often times choose a wrong path and compound their problems by associating with a social circle that worsens their situation. Life is hard enough without adding unnecessary obstacles. However, sometimes, it is not possible to rid yourselves easily from the social circle you have created. Thus, it is in your best interest to acknowledge with incredible respect and admiration what you learned from these individuals and minimize your exposure.

Generational values can play an important role in shaping our lives without us recognizing how much that influence has on us. *Ibn Khaldun* was the sociologist who described the coherent theory of generational cycles. He defined four types of generations.

- The revolutionaries, who upend a settled system causing great changes.
- The orderlies, who have the will to do something and take the organization to the next level and bring new structure.
- The pragmatists, who enjoy this new order and feel comfort.
- The sceptics, who have queries about their parents' lives of relaxation.

When you follow your goal with determination and perseverance, it is extremely likely that you will succeed. And once you become successful, the work possibilities that come your way inevitably expand and take more of your time. You can facilitate your journey a great deal by understanding your surroundings better. Keep focusing on your work in which you have the skill and never forget Robert's model – concentrate on the actions that will lead to success and don't muddy the waters by attempting to master each and every trade.

Now we talk about Business

If you want to achieve a financially stable life this year, you need to have a steady income stream. That is imperative! Most of us go about it by getting a job or starting a small business. This month, let's look into the latter and see what options it can provide.

Do not be fool! Or as today's youngsters may say, "Don't get it twisted!" (I always wanted to say that. Having a steady paycheck from a company is an incredible asset. However, some people must determine whether the time sacrifice and lack of fulfillment is worth the trade. Thus, owning their own company/business is well worth looking into. Having your own business (speaking from personal experience), is incredibly challenging. The lack of consistency, waiting for that call to order your products/services, being responsible for every single aspect of your company; it is challenging!

Nevertheless, if your business is in an arena that you are passionate about, the rewards are simply incredible, and not to mention empowering. There is nothing like that feeling of being in control of your financial destiny. Knowing that, in whatever small way, you are also contributing to the lives of your employees and their families, that you are creating a small community around a shared goal. Very few things in life can compare!

Entrepreneurship provides a greater chance of achieving impressive financial rewards than having a job in which you work for someone else. Freedom is the golden promise of entrepreneurship. When you have your own business you become independent. You can follow your passion. You can innovate new ideas and new things which lead to the betterment of society and help to improve the lives of your customers. When you know that it is your own business and you are working for yourself, that mindset gives you the boost to do something more, and you work with your whole heart.

Your goal should not only be to earn money. Your main focus should be on truly providing a satisfying experience to your customer. 2020 has unfortunately put many people out of work. Some are collecting unemployment, not sure what their next step should be. This may be the time to reflect and contemplate striking out on your own. There are no participation trophies in entrepreneurship, but when you succeed, you'll know it's worth celebrating.

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February is the month of love. May your Valentine's Day be a blessed one. In this month, promise yourself to spread the love with everyone irrespective of the chaos going because of this virus. Take this opportunity to spread some positivity to the people around you.

Also, ensure that you will follow your goal with determination and perseverance. People, life, and circumstances may create hurdles; but you have to face these hardships. 2021 really has the opportunity for you and your family to really thrive. Take full advantage of this window of regrowth for the entire country. If you are one of those that spend too much time watching the news, now is a good time to stop!

Hopefully the new president is a done deal by the time you read this! If so, we all need to get on board with it, irrespective of whom you would have preferred in office, if we are to come together as a nation. Stay focused on your life and your work. As usual, we are here for all your legal needs. Make it a great month, and reach out to us at (714) 966-2646, we'd love to hear from you!