CURRENTS SUMMER 2023

HOW FAMILY MEETINGS MAY HELP YOUR PEACE OF MIND

By Jill Fopiano and Lis Zimmerman

For many, money is a difficult topic to discuss – particularly with your children. Despite the potentially uncomfortable topic, having a discussion with future generations about your assets and wishes before you become ill or incapacitated is often a smart idea. Among other benefits, such talks may help minimize any potential family issues, facilitate the transfer of assets, and clarify the roles the next generation may inherit vis-à-vis your estate plan. There are many topics that are important to cover without having to delve into specific dollar values. We also find that, by being part of this meeting, we are able to bring up uncomfortable topics, facilitate the discussion, and provide our guidance from over 30 years of working with families.

First and foremost, your children as beneficiaries may be completely unprepared for the loss of their parents and the necessary steps that follow. Compound this with the emotional distress they are experiencing and it can sometimes feel nearly paralyzing. If your children are prepared and understand their roles and who to talk to, it can relieve some of the stress at a very difficult time. While each family meeting is unique and tailored to your particular situation, the most common topics we are asked to discuss are the following:

Roles and responsibilities

Frequently, family members have no idea they are named as successor trustee, durable power of attorney, or health care proxy. At a minimum it should be clear to each named party what their designated role is and what responsibilities and decisions the role entails. As part of this discussion, it is important to clearly convey your wishes so they feel less conflicted about the decisions they may make. This discussion can also help educate designated parties on what to do and who to call should they need assistance in their roles. Understanding the resources that are available to help can bring some peace of mind.

"If your children are prepared and understand their roles and who to talk to, it can relieve some of the stress at a very difficult time."

Discussions about asset division

There are many ways to divide assets, but it usually comes down to a choice between equal and equitable division. Some prefer to keep things equal; others prefer to give a bit more to the child who needs it most. Some see the need to control the asset transfer to non-beneficiaries by form of a trust and trustee; others may leave very little or nothing to their children, choosing to give their assets to charity instead. However you are leaning, we have found that sharing your plans saves much potential conflict when the time to pass on those assets comes.

Some additional complexity may arise in the following situations:

- The transition of real estate and other non-financial assets
- Children living in different geographic locations
- Children having different financial situations

Permission to enjoy the money

We often see beneficiaries struggle with the emotional side of inherited assets as well. Whether it is part of the discussion or communicated at a later time, telling your beneficiaries that you left the assets for them to enjoy can relieve a lot of stress and anxiety. Without this explicit permission, many beneficiaries develop emotional issues around their inheritances that preclude them from spending the money, which is probably counter to the intent of the gift.

Cognitive issues

This is one of the more sensitive areas as it is the grayest; however, it is an area where we feel we can offer insight from our on-going interactions with the family members. We like to establish an understanding with family members that it is ok to talk to the children if we observe atypical behavior by the parents. Behaviors such as unusual charitable giving patterns to conversations we experience that may seem "off" – anything that seems outside of the norm could be a red flag. Making sure that the appropriate powers of attorney or controls are in place before issues occur is the goal.

There are many complexities and subtleties around families and money. No matter what your goal is, it is important to establish and maintain lines of communication as we age.

"No matter what your goal is, it is important to establish and maintain lines of communication as we age."

Setting the stage for continued open communication with a formal family meeting is a great first step. If you are interested in exploring whether a family meeting may be right for you, please reach out to us.

Jill Fopiano, CFA, CFP®
President, CEO, and CIO

Lis M. Zimmerman, CFP®, CASL®, CRPC®
Managing Director
Principal

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- By using DocuSign since July 2021 we have:
  - Reduced **3,412 lb** of carbon emissions
  - Conserved **4,280 gal** of water
  - Saved **1,453 lb** of wood
  - Eliminated **236 lb** of waste
  - Saved **24,385 pages** of paper
- By using our Bevi drink system in the office since April 2023 we have saved 645 bottles

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CASH ISN'T ALWAYS KING

By Tim Pilczak

For the first time in decades, cash is providing a meaningful return on investment (roughly 5% as of the writing of this article). This new-found yield, in turn, raises the question of whether the role cash plays in a financial plan has changed. Below we review how we advise clients to consider cash in their financial plans.

Where Cash is King

Emergency Funds: This bucket of assets is earmarked to cover unforeseen expenses and should bear no risk. While there are several rules of thumb for calculating emergency funds, we suggest letting individual cash flow needs dictate the size of an emergency fund while considering variables such as stage of life and career. These funds tend to cover unforeseen expenses like health events, car needs, home repairs and improvements, or bridging a gap in employment. While interest rates on bank accounts have made the experience of holding cash in this bucket more rewarding, the purpose of these assets is not to generate returns, but rather mitigate cash flow risks.

Known Upcoming Expenses & Liabilities:

Like Emergency Funds, this bucket should bear no risk and is earmarked for cash needs in the not-too-distant future. These could include expenses such as a new home, boat, investment property, wedding, or college tuition.

While it might feel tempting to invest these funds if the expense is further down the line, we are hesitant to expose these funds to investment risk because we do not want volatility to jeopardize purchasing power. For example, if a client wants to buy a home in two years and needs funds as a down payment, we wouldn't want a last-minute bout of market volatility to erode the value and derail the real estate plan. The goal is to cover the known liabilities rather than generating excess returns. Cash and cash equivalents remain king here as well, regardless of where interest rates are.

For the two buckets above, the best vehicles to consider for more favorable yield are high yield savings accounts, money market savings accounts, money market mutual funds, certificates of deposit (CDs) – depending on maturity, and potentially treasury bills.

Where Cash is Not King

Investments: Given the yield on cash and cash equivalents over the past year, we have been asked if a yield of 5% changes our view on whether cash is a viable investment option as a holding in our best thinking portfolio. The answer, for long-term investors, is no. While 5% yields are more attractive than 0%, when you compare these cash rates to inflation, you run the risk of eroding the purchasing power of investment portfolios over time. Also, those 5% yields are unlikely to stick around for the long term. At some point the Federal Reserve (Fed) will begin to cut rates, and the yield on cash will start to fall.

While investing in cash removes the risk of losing money (and can therefore be useful in an environment such as last year where stocks and bonds were both selling off), it also caps the appreciation potential for those funds. Doing so can prohibit investors from remaining invested through market ebbs and flows, which is essential to obtain a preferable long-term average return.

As the table below shows, over the past 96 years stocks have outperformed cash by almost seven percentage points per year and roughly eight percent per year over the last 40 years. The same dynamic is seen when owning long-duration treasury bonds versus cash, albeit on a smaller scale.

Owning cash long term has also barely outpaced inflation over both of those time periods, essentially just preserving the purchasing power of the portfolio. If there is a need to draw on the portfolio to meet living expenses, owning cash as a long-term investment therefore raises the risk of outliving your retirement portfolio.

So, while cash has many uses in a financial plan, its value as an investment option is still limited, even with its current yield. If you have any questions or would like to talk more, please reach out to your advisor.

Annualized Return				
	U.S. Large Cap Stocks	Long Duration Treasuries	Cash	Inflation
1926-2022	10.1%	5.2%	3.2%	2.9%
1982-2022	11.5%	8.2%	3.6%	2.8%

Past performance is no guarantee of future returns. You cannot invest in an index. Source: Source: Stocks, Bonds, Bills, and Inflation (SBBI®) dataset, Morningstar Direct, CFA Research Institute, O'Brien Wealth Partners, as of 12/31/22.

Tim Pilczak, CFP®, EA

Senior Advisor

5 QUESTIONS ON DIVERSITY, EQUITY, & INCLUSION (DEI)

By Jonathan Smith

Following years of difficult health crises, racial divisions and societal unrest, and the emergence of a strengthened workforce amid labor shortages and inflation, "social" expectations for environmental, social and governance (ESG) investing have heightened. Diversity, equity, and inclusion (DEI) are three broad themes that corporations increasingly must consider when making workforce-related decisions. Accordingly, we feel it is important to determine how the fund managers in our sustainable portfolio consider DEI criteria in their work. We posed various questions to them and summarized their responses.

1. How do you **increase opportunities for underrepresented groups?**

For many of your managers, the idea of advancing underrepresented groups is driven by their hiring process. Some have taken steps to broaden the sources of potential candidates and improve the diversity of their interviewers. Others have gone so far as to create a "blind recruitment" process by removing identification details from resumes and applications. One of your equity managers created a reverse mentorship program and partnerships with Historically Black Colleges and Universities.

2. Do you have written **DEI policies?** What are the main tenants and steps for implementation?

About half of your managers have written DEI policy, and all incorporate DEI into their Code of Conduct or equivalent internal initiatives. Some policies focus on developing programs to hire, retain, and promote female and multicultural talent, as well as expanding awareness of opportunities for all employees. Others emphasize learning and gathering investment research from diverse mindsets inside and outside of the firm.

3. How are DEI criteria considered in the **investment selection** process?

When thinking about DEI in investments, your managers focus on analyzing human capital management within a company. For DEI initiatives to make a material difference in corporate fundamental analysis, they need to impact how companies attract and retain the best talent. Additionally, your fund managers emphasize diversity at the board level, and often vote against boards where they see inadequate gender or racial diversity.

4. What **investment opportunities** do you see presented by integrating DEI analysis?

Many of your managers see a link between greater gender diversity in corporate leadership and improved levels of innovation and productivity. More diverse management can encourage more unique ideas, more effective problem solving, and can lower employee turnover, as well as legal, reputational, and regulatory risks.

5. How do you adjust and encourage DEI policies given the **large discrepancies between different investments?**

Your fund managers do not apply a universal standard to their portfolios. They customize their investment criteria to different sectors, countries, and regions to account for differences in demographics, cultures, and materiality. That said, your managers emphasize greater transparency across all their holdings, whether through conversations with management teams or proxy voting. For example, Calvert Investments has worked for years to encourage their largest holdings to release their Equal Employment Opportunity reports to the public to get a better sense of how corporate DEI proposals translate into real-world results.

As part of this survey we also asked ourselves how O'Brien Wealth Partners might answer some of these questions. While we are a majority women-owned company with a diverse workforce relative to our industry and size, there are additional steps we are taking to enhance our DEI culture. Our CEO, Jill Fopiano, received her certification in Diversity, Equity, and Inclusion from the National Association of Personal Financial Advisors (NAPFA). As part of that certification our firm is committed to updating our DEI policy and promoting on-going dialogue around equity and inclusion. As we move forward, we continue to assess how we can improve our own DEI standards.

Jonathan Smith, CIMA®

Investment Research Analyst

DON'T OVERLOOK INTERNATIONAL STOCKS

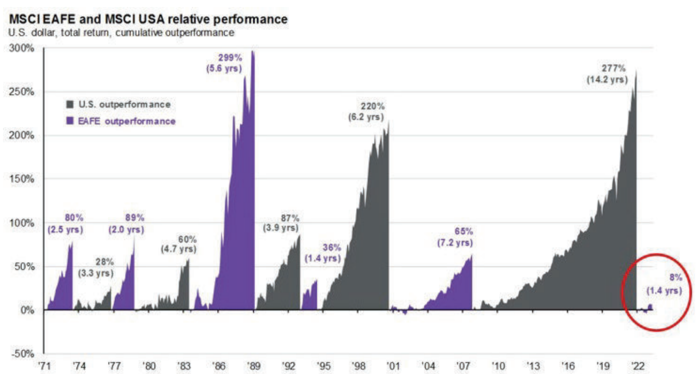
By Austin Litvak

Since the start of last year, financial markets have experienced significant shifts in dynamics that have been in place, in some cases, for decades. The most recognized of these was the – likely temporary – breakdown in diversification between stocks and high-quality bonds under the pressure of the Federal Reserve's (Fed) torrid pace of tightening.

Perhaps almost as well recognized was the significantly improved returns on cash-like investment vehicles and the outperformance over that same time period of those assets versus both stocks and bonds – but, importantly, not inflation – for just the third calendar year in the past thirty-three in 2022.

While those developments have taken center stage in financial news – and in many conversations with clients – there was another shift that occurred last year that has continued into 2023. For the first time since before the Global Financial Crisis, international developed market stocks have been sustainably outperforming their U.S. brethren.

As highlighted by the red circle in the chart below, international developed stocks in Europe, Australasia, and the Far East (EAFE) have outperformed U.S. stocks by 8% over the past 17 months.[1]



Regime change determined when cumulative outperformance peaks and is not reached again in the subsequent 12-month period. Source: JPMorgan Guide to the Markets, O'Brien Wealth Partners, as of 5/23/23.

To be sure, this 8% outperformance follows on the heels of U.S. stocks outperforming by almost 280% over that prior 14-year period.

It remains to be seen how durable this recent outperformance will prove to be. But the chart above is a reminder that just because a trend has existed for years – or even decades – does not mean it will continue indefinitely.

In addition to the recent improved relative returns from EAFE stocks, there is also the potential for those stocks to add greater diversification going forward due to the apparent peak of globalization. Global trade flows as a share of the global economy peaked a decade ago.

Globalization has been a significant positive for parts of the economy and workforce in developed markets for decades. But there are also portions of those economies and workforces that have not benefitted and may thrive in more insulated marketplaces.

If economies and societies are going to increasingly act independently, then there is the potential for economic and market performance to de-couple as well. In that scenario, owning stock exposure to different economies will likely provide better diversification in the future.

Our most recent experience with globalization began in the late 1980s with the collapse of the Soviet Union, accelerated following the creation of the World Trade Organization (WTO) in 1995, and hit the proverbial afterburners with the admission of China into the WTO in 2001.

Since China's admittance, the diversification benefits from owning EAFE stocks has been lackluster. For starters, the correlation between US and EAFE stocks has been a relatively high .87 (see table below). Put differently, roughly 87% of the time the two markets moved in the same direction (either higher or lower) at the same time.

Moreover, in the months when U.S. large cap stocks have been down at least -2% (i.e. when you've need diversification the most) EAFE stocks have only outperformed (i.e. fallen less than the U.S.) roughly 50% of the time and posted an outright gain just 8% of the time.

U.S. and EAFE Monthly Stock Performance Since 1971

	Correlation	When U.S. is Down ≤ -2%	
		EAFE Outperforms	EAFE Positive
Post-China WTO Entry	.87	52%	8%
Pre-China WTO Entry	.52	66%	34%

Source: MSCI, Bloomberg Finance, LP, O'Brien Wealth Partners, as of 4/30/23.

Yet while recent experience is punctuated by that lackluster diversification, history suggests that hasn't always been the case. During the three decades preceding China's WTO entry, the correlation between the regions' stock markets was a much lower .52, EAFE outperformed the U.S. when the U.S. was down at least -2% in a month 66% of the time, and EAFE posted an outright gain in 34% of those months.

While developed international stocks have been relative laggards over recent history, the past year has shown once again that past performance is no guarantee of future returns. Future performance patterns may prove to be quite different, and correctly timing those pattern shifts is virtually impossible. As such, we believe that long-term investors should maintain a strategic allocation to multiple asset classes, at appropriate weightings, as the most effective way to meet their long-run goals.

[1] Past performance is no guarantee of future returns. You cannot invest in an index.

Austin Litvak,
CFA, CFP®, CBE®, CAIA

Director of Investment Research

TAKE A CLOSER LOOK...

Audrey Keohane, CFP®, NSSA®

Associate Advisor

What did you do before O'Brien?

I began my career at the Boston Marriott Copley in the Accounting and Finance department after graduating from Bentley University in 2019. Of course, March of 2020 brought some unusual difficulties for the hospitality industry, and I was put on furlough for "two weeks." After 5 months, I decided to pursue my real interest. Ever since I learned what a financial planner was, I've known that's where my passion lies. It is the perfect mix for me as someone with a fascination of both people and numbers. This led me to work for a small investment advisory firm in Lexington, MA for 2 ½ years. There I earned my CERTIFIED FINANCIAL PLANNER™ designation and National Social Security Advisor (NSSA™) certification before I made my transition to O'Brien.

What drew you to O'Brien?

Within our industry, the people and culture are important to a company's success. O'Brien is a rare case where everyone has a passion for what they do and the drive to continue learning every day. Even as someone who has recently joined the team, they value my input as much as anyone else. The firm continues to evolve as a business while keeping the needs of their clients the priority. I feel proud to be a part of the O'Brien family.

What is your role?

My role as Associate Advisor means that I am part of the client advisory team and support the Senior Advisors at the firm. I join client meetings and assist with the planning, investment, and operational needs of the clients I help support. The area of expertise that I bring is with Social Security benefits and strategies.

Tell us more about you...

I grew up in a very small town in central Massachusetts. As a kid, I was always surrounded by nature and loved nothing more than playing outside in any and all weather. I now live in the city but will find any excuse to get away to the outdoors whenever I can. Whether it is going to the south shore for a beach day, or to North Conway for a weekend in the mountains, I'm always looking to get back to my "roots." I've also recently taken up golfing which is as fun as it is frustrating!

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LIFE EVENTS OF EMPLOYEES AT O'BRIEN

- On December 12th, **Leah McCormack** joined O'Brien as an Associate Advisor. Leah has six years of experience in the financial services industry and is a CERTIFIED FINANCIAL PLANNER™. She enjoys hiking, traveling, and going to Duxbury beach in her spare time.
- On March 9th, **Lauren Higgins** and her husband Chris welcomed their 3rd child, Callum Ritter to the family. "He joins big brother Grady and big sister Pippa in keeping us on our toes and feeling very lucky. Who needs sleep anyway!"
- On March 21st, **Audrey Keohane** joined O'Brien as our newest Associate Advisor. Audrey obtained her CERTIFIED FINANCIAL PLANNER™ certification in December 2022 and her National Social Security Advisor certification in July of 2021. She loves being outdoors whenever possible and anything involving her three family dogs.
- On April 27th, **Tim Pilczak** and his wife Emily purchased their first home in Weymouth, MA. After navigating a difficult real estate market, they finally closed on their ideal home, less than a mile to the water!
- We are thrilled to announce that **Austin Litvak** and **Tim Pilczak** have been named Partners of OWP. We congratulate them on this achievement and celebrate their hard work and commitment to our firm, our clients and our team.

OWP FUN FACTS!

Draw a line to guess which fun fact belongs to each O'Brien employee! The correct answers are listed below.

1. Leah McCormack	**A. I once had a pet python named Kitty**
2. Tim Pilczak	**B. I am trying to visit every baseball stadium in the US**
3. Qing Yang	**C. I wanted to be a weatherman when I was a kid**
4. Addy Magee	**D. I was homecoming king in high school**
5. Jill Fopiano	**E. I was a competitive speed skater growing up**
6. Joel Sciabarrasi	**F. I lived in Milan, Italy as a child**
7. Richard Davies	**G. My favorite food is McDonald's from other countries**
8. Alena Taylor	**H. I was in a local ad as a child**
9. Lis Zimmerman	**I. I am trying to run a half marathon in every state**
10. Austin Litvak	**J. My high school job was milking goats on a farm**
11. Lauren Higgins	**K. I am related to the first female poet in the US**
12. Jonathan Smith	**L. I caught a hammerhead shark while fishing**
13. Audrey Keohane	**M. I once entered a beauty pageant**
14. Patrick Murray	**N. I planned and ran a kids summer camp in high school**

A. Jill, B. Lis, C. Richard, D. Tim, E. Pat, F. Austin, G. Qing, H. Joel, I. Jonathan, J. Audrey, K. Leah, L. Addy, M. Alena, N. Lauren

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