NORTHSTAR
FINANCIAL PLANNERS INC.

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FINANCIAL PLANNING NOTES
CLIENT NEWSLETTER

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A YEAR LIKE NO OTHER

We just passed the one-year anniversary of the pandemic's bear market low. On March 23, 2020, the S&P 500 was trading below 2,200. Today, as I write, the S&P 500 is at 4,155—nearly double in about 13 months! There were a great many people who wanted to sell back in March 2020, and many out there did. With a couple of statistically inevitable exceptions, our clients did not.

We continuously counsel *faith, patience,* and *discipline,* acting on our plan and not reacting to markets. In retrospect we see, over and over again and not just with last year's market drop, how that approach prevails.

Somewhere, deep down, we all knew that the right advice back in those dark days of March 2020 was to stay focused on the long term and not be driven by the short term, even though we couldn't begin to tell how, where, or even why a sell-off or decline was going to burn itself out. Back on March 23, 2020, the Federal Reserve supplied the answer: that there would, in effect, be no limit to the extent that it would supply liquidity, directly or indirectly, to the credit function and the broader economy. ***We could not possibly have known they were going to do that. No one did.*** Yet our counsel to stay the course, focused on long-term goals, relying on our principles, inevitably proved right, as it consistently has.

Can you imagine—or perhaps I should say can you remember, for many of you have been there—the ceaseless anxiety tied to investing whose value proposition is tangled up in the spider's web of picking the right kind of stocks and being in or out of the market at the right time? Being constantly focused on conflicting economic forecasting and market prognostication that more times than not turns out to be wrong? Being focused on "hot picks" and piling in only to see them decline?

That is, to some extent, the way the majority of investors (and advisors) live. And why? Because they've been led down the wrong path of understanding how markets actually work by a financial services system that is designed to make money off of investors first, and allow them to gain wealth second (if there's any wealth left to be gained).

So to all of you who stood your ground, invested based on your principles of faith, patience, and discipline, we applaud you! Your real reward is not just a healthier investment account and more rewarding investment experience, but the absence of the anxiety that comes with an investment philosophy built around false pretenses and principles of how global capital markets deliver returns.

—Allen Giese

BEWARE FREE WI-FI

Airline travel is coming back. People are starting to crowd up airports and hotels, as well as the 21st century's most important public space: Starbucks. If you find yourself in one of those spaces, obviously your first concern should be proper COVID protocols. But don't forget, your personal data is also at risk.

Jim Farnes from Connections for Business says he receives two related questions from clients who travel a lot: "How do I protect computer, phone, tablet, and other mobile devices from getting hacked at an airport or hotel?" and "Is airline Wi-Fi safe?"[1]

When we travel, we want free and "safe" Wi-Fi. But Jim says free isn't safe. And if you have financial information on your device, or maybe a quick link to your bank account or investment account, you could be bearing a big risk if someone gains access. So here are some ways to protect your data and assets from hackers:

1. If you have an unlimited data plan on your phone, use it as a hotspot. Contact your provider to confirm your phone plan includes hotspot access. Some don't.
2. Purchase a WiMAX Wi-Fi Hotspot from your phone company. An AT&T WiMAX will run you about $25 month. It's a portable device a little thicker than six credit cards put together. You can attach multiple devices securely in any public place. It also serves as a backup internet service when your regular provider goes down.
3. Whether you work from a traditional office, home office, or on the road, a virtual private network (VPN) is one of the best ways to protect yourself on the internet.[2] When you are using public Wi-Fi, your computer or phone are not protected.

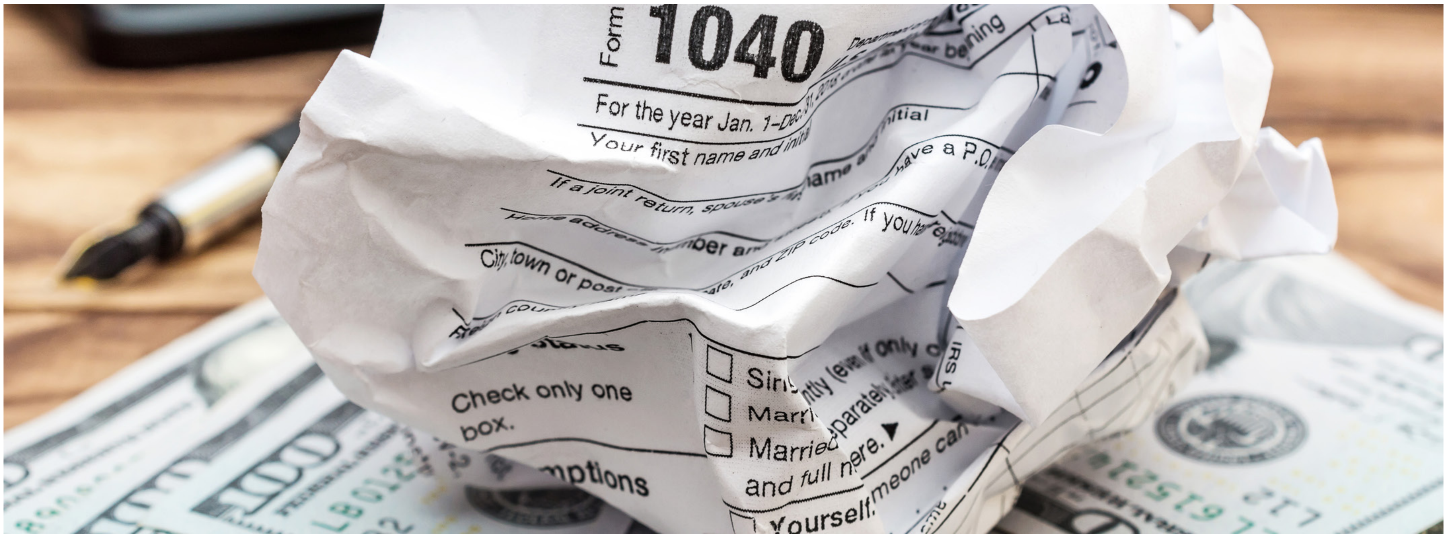
The current top six software VPNs are ExpressVPN, NordVPN, PrivateInternetAccess, Surfshark, CyberGhost, and IPVanishVPN. They all do the same thing: protect your data and "spoof" your location, making it more difficult for hackers to find you. Each VPN software has strengths and limitations. Some are better than others depending on your needs for streaming, P2P support, and the number of devices you can install it on.

Remember: If a device can be accessed, it can be compromised. An open Wi-Fi network requires no form of authorization or authentication. Any user with a device supporting Wi-Fi can access a Wi-Fi network. If a hacker can reach the device, he or she can compromise it.[3] Even if you are not flying yet but still use public Wi-Fi, you need to protect your company and personal data with your own private hotspot or VPN application.

— Northstar Financial Planners

Footnotes:

1. https://onemileatatime.com/is-airplane-wifi-safe
2. https://www.msn.com/en-us/money/other/what-is-a-vpn-and-why-do-you-need-one-everything-you-have-to-know/ar-BB1dm0nX
3. https://www.titanhq.com/blog/unsecured-airline-wi-fi-vulnerable-to-hacking-attacks



6 TAX MISTAKES TO AVOID NEXT YEAR

Did you end up getting dinged in taxes this year? Or maybe it was a whole lot more than dinged? Whether you paid out just a little or enough to cover the federal government for all those stimulus checks, you're probably wondering if you're making some tax mistakes.

Read on to find out six common mistakes that may be hurting your personal finances and how you can fix them to avoid paying extra taxes next year.

Mistake #1: Forgetting to Adjust Your W-4

No doubt, if you recently got married, the thing you were *not* thinking as you walked down the aisle was "I need to change my W-4!" But whenever you have a big life event—marriage, children, divorce, second job—take a look at your W-4.

Life transitions can change your tax status and rate and enable certain tax deductions and credits, such as the Child Tax Credit. Whenever your life changes, check to see if your W-4 needs to change too.

Mistake #2: Failing to Use Your 401(k)

If you have a 401(k) or another tax-deferred retirement account through your employer, then you have a way to save for retirement and reduce your taxes.

Your 401(k) contributions are made with pre-tax dollars, which means they end up reducing your taxable income. In 2021, you can contribute up to $19,500 to a 401(k), plus $6,500 more if you're 50 or older.

Just remember: Few things in life are tax-free, and that includes your 401(k). You'll pay taxes when you begin withdrawing money in retirement.

Mistake #3: Not Contributing to an IRA

Like your 401(k), a traditional IRA can also help build your retirement savings and catch a tax break—this time in the form of a tax deduction. But the IRS has rules about who is eligible for a tax deduction. (Note: Contributions to a Roth IRA are never tax-deductible.)

Even if you don't meet the deduction requirements, an IRA can still help increase your retirement nest egg. If you meet the income rules, you can contribute up to $6,000 in 2021, plus a "catch-up" contribution of $1,000 if you are 50 or older.

Mistake #4: Not Taking Advantage of Tax Loss Harvesting

If you're facing capital gains taxes because of some winning investments, a strategy called tax-loss harvesting may come to the rescue. With tax-loss harvesting you use losses to offset gains. You can also use your net loss to offset up to $3,000 in ordinary income.

Not only can you use harvesting in the year you sell the losing investments, you can carry forward any "excess" losses. That means you can continue to offset capital gains and reduce income taxes indefinitely, making this a potentially powerful addition to your tax-reducing toolkit.

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Mistake #5: Ignoring Your Charitable Instincts

The Tax Cuts and Jobs Act increased the standard deduction enough that a lot of people are no longer itemizing, which means they are no longer relying on a tax deduction for charitable giving to reduce their tax bill.

If that's you, you don't need to squelch your generosity. Instead, check into whether a "bunching" strategy will work for you. With bunching, you make two or more years' worth of donations in a single year—enough so that itemizing is a viable strategy to reduce your taxes. You then wait a year or two until you're ready to bunch your contributions again.

There's an issue with this strategy, though: Many nonprofits rely on regular, recurring contributions. But if you use a donor-advised fund, you can contribute to the fund one year, get the tax benefits, and then make grants to the nonprofits on your schedule.

Mistake #6: Waiting Until April to Think About Taxes

We'll close this article with a crucial mistake people make, and that's thinking of tax planning as a one-time activity, like spring cleaning. Instead, we recommend that you think of tax planning as a year-round activity.

By getting into the habit of reviewing potential tax strategies throughout the year, you'll be in a better position to seize opportunities when they come along. If you're waiting until you're right up on the tax filing deadline to think about your tax return, you're really too late.