The Israelite Group Monthly Newsletter

The Israelite Group of
Oppenheimer & Co. Inc.
Oppenheimer & Co. Inc.
500 W Madison Suite 4000 • Chicago • IL • 60661
312-360-5624
dan.israelite@opco.com

The markets continue their slow recovery as more and more cities, states and countries begin to reopen. Memorial Day weekend festivities will help determine the path the virus takes as we track hotspots around the country.

Meanwhile the most massive, collaborative human endeavor in the history of our planet continues as human trials of treatments and vaccines moves into the next phases:

https://www.bloomberg.com/features/2020-coronavirus-drug-vaccine-status/

Businesses are busy planning how to return to work and school systems are making contingency plans if classrooms remain online in the fall.

Please give us a call or email any time to discuss the markets or your personal investments.

Stay safe

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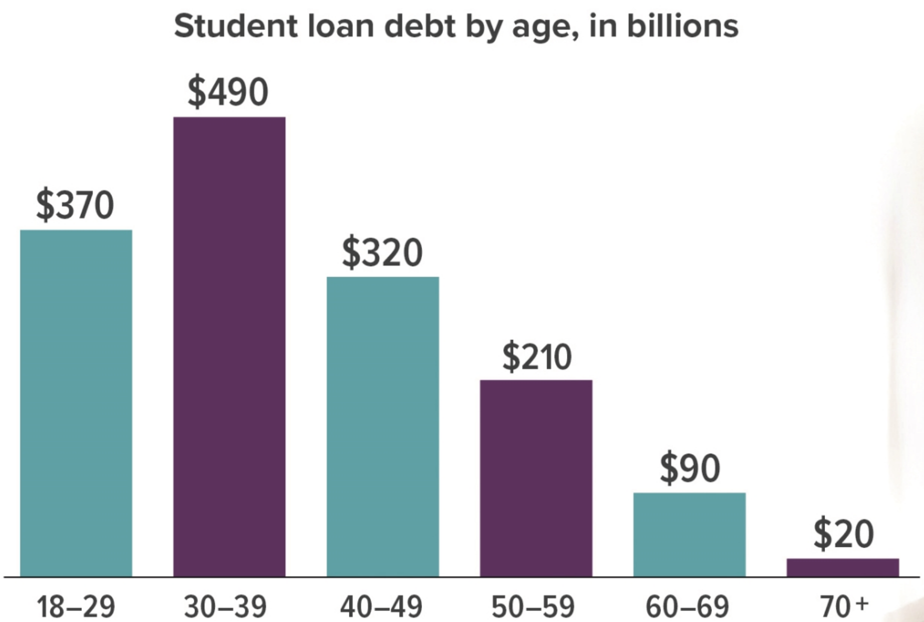
Student Debt: It's Not Just for Young Adults

Recent college graduates aren't the only ones carrying student loan debt. A significant number of older Americans have student debt, too. In fact, student loan debt is the second-highest consumer debt category after mortgage debt. In total, outstanding student loan debt in the United States now stands at approximately $1.5 trillion, with the age 30 to 39 group carrying the highest load.



Source: New York Fed Consumer Credit Panel/Equifax (Q3 2019 data)

Investor Psychology: Behavioral Biases That Can Lead to Costly Mistakes

The field of behavioral finance focuses on the emotional and cognitive aspects of investing. In recent decades, well-known economists have advanced the theory that investors' decisions can be driven by human emotions such as greed and fear, which helps explain why asset prices sometimes fluctuate erratically.[1]

It can be difficult to act rationally when your financial future is at stake, especially when unexpected events upset the markets. But understanding certain aspects of human nature, and your own vulnerabilities, might help you stay levelheaded in the heat of the moment.

Every investment decision should take your financial goals, time horizon, and risk tolerance into account. That's why it's important to slow down and try to consider all relevant factors and possible outcomes.

Here are six behavioral biases, which could also be called mental shortcuts or blind spots, that might lead you to make regrettable portfolio decisions.

1. Herd mentality. Many people can be convinced by their peers to follow trends, even if it's not in their own best interests. When investors chase returns and follow the herd into "hot" investments, it can drive up prices to unsustainable levels and create asset bubbles that eventually burst. Joining the crowd and fleeing the stock market after it falls, and/or waiting too long (until prices have already risen) to reinvest, could harm your long-term portfolio returns.

2. Availability bias. People tend to base their judgments on information that immediately comes to mind. This could cause you to miscalculate risks or expected returns. In the same way that watching a movie about sharks can make it seem more dangerous to swim in the ocean, a recent news article can shape how you perceive the quality of an investment opportunity.

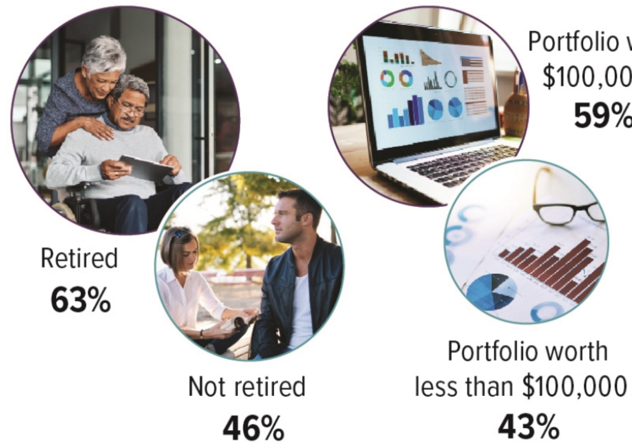
3. Confirmation bias. People also have a tendency to search out and remember information that confirms, rather than challenges, their current beliefs. If you have a good feeling about a certain investment, you may be more likely to ignore critical facts and focus on data that supports your opinion.

4. Overconfidence. Some individuals overestimate their skills, knowledge, and ability to predict probable outcomes. When it comes to investing, overconfidence may cause you to trade excessively and/or downplay potential risks.

5. Loss aversion. Many investors dislike losses much more than they enjoy gains. Because it actually feels bad to experience a financial loss, you might avoid selling an investment that would realize a loss, even though it might be an appropriate course of action. An intense fear of losing money may even be paralyzing.

Market Moods

Retirees and higher-net-worth investors were more likely than other groups to say that their daily mood is sensitive to changes in their investment portfolios. The following chart illustrates the percentage of U.S. investors who say the performance of their investments affects their daily mood (a little or a lot).



Source: Gallup, 2019

6. Anchoring effect. When making decisions, people often depend heavily on the first information they receive, then adjust from that starting point based on new data. For investors, this translates into placing too much emphasis on an initial value (or purchase price) or on recent market performance. Investors who were "anchored" to the financial crisis may still be fearful of the stock market, even after years of strong returns. Another investor who has only experienced years of gains might be inclined to take on too much risk.

Even the most experienced investors can fall into these psychological traps. Having a long-term perspective and a thoughtfully crafted investing strategy may help you avoid expensive, emotion-driven mistakes. It might also be wise to consult an objective third party, such as a qualified financial professional, who can help you detect any biases that may be clouding your judgment.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful. Although there is no assurance that working with a financial professional will improve investment results, a financial professional can provide education, identify strategies, and help you consider options that could have a substantial effect on your long-term financial prospects.

1) "From Efficient Markets Theory to Behavioral Finance," *Journal of Economic Perspectives* , Winter 2003

Will vs. Trust: Know the Difference

Wills and trusts are common documents used in estate planning. While each can help in the distribution of assets at death, there are important differences between the two.

What Is a Will? A last will and testament is a legal document that lets you direct how your property will be dispersed (among other things) when you die. It becomes effective only after your death. It also allows you to name a personal representative (executor) as the legal representative who will carry out your wishes.

What Is a Trust? A trust is a legal relationship in which you, the grantor or trustor, set up a trust, which holds property managed by a trustee for the benefit of another, the beneficiary. A revocable living trust is the type of trust used most often as part of a basic estate plan. "Revocable" means you can make changes to the trust or even revoke it at any time.

A living trust is created while you're living and takes effect immediately. You may transfer title or ownership of assets, such as a house, boat, automobile, jewelry, or investments, to the trust. You can add assets to the trust and remove assets thereafter.

How Do They Compare? While both a will and a revocable living trust enable you to direct the distribution of your assets and property to your beneficiaries at your death, there are several differences between these documents. Here are some important ones.

1. A will generally requires probate, which is a public process that may be time-consuming and expensive. A trust may avoid the probate process.

2. A will can only control the disposition of assets that you own at your death, including property you held as tenancy in common. It cannot govern the distribution of assets that pass directly to a beneficiary by contract (such as life insurance, annuities, and employer retirement plans) or by law (such as property held in joint tenancy).

3. Your revocable trust can only control the distribution of assets held by the trust. This means you must transfer assets to your revocable trust while you're living, which may be a costly, complicated, and tedious process.

4. Unlike a will, a trust may be used to manage your financial affairs if you become incapacitated.

5. If you own real estate or hold property in more than one state, your will would have to be filed for probate in each state where you own property or assets. Generally, this is not necessary with a revocable living trust.

6. A trust can be used to manage and administer assets you leave to minor children or dependents after your death.

7. In a will, you can name a guardian for minor children or dependents, which you cannot do with a trust.

Generally, most estate plans that use a revocable trust also include a will to handle the distribution of assets not included in the trust and to name a guardian for minor children. In any case, there are costs and expenses associated with the creation and ongoing maintenance of these documents. Keep in mind that wills and trusts are legal documents generally governed by state law, which may differ from one state to the next. You should consider the counsel of an experienced estate planning professional and your legal and tax advisers before implementing a trust strategy.

Different Documents, Different Features

Even if you have a revocable living trust, you should have a will to control assets not captured in the trust.

Features	Will	Revocable living trust
Control distribution of assets	Yes	Yes
Assets included	Only probate assets	Assets transferred to the trust
Effective date	At death	Immediately
Avoid probate	No	Yes*
Public record	Yes	No*
Creditors' claims	Limited time to file claims	Claims may be made at any time
Avoid estate taxes	No	No
Appoint guardian for minor-age children	Yes	No

*Depends on applicable state laws.

The ABCs of Finance: Teaching Kids About Money

It's never too soon to start teaching children about money. Whether they're tagging along with you to the grocery store or watching you make purchases online, children quickly realize that we use money to buy the things we want. You can teach some simple lessons today that will give them a solid foundation for making a lifetime of sound financial decisions.

Start with an Allowance. An allowance is often a child's first brush with financial independence and a good way to begin learning how to save money and budget for the things they want. How much you give your children will depend in part on what you expect them to buy and how much you want them to save. Make allowance day a routine, like payday, by giving them a set amount on the same day each week or month.

Help Them Set Financial Goals. Children might not always appreciate the value of putting money away for the future. Help them set age-appropriate short- and long-term financial goals that will serve as incentives for saving money. Write down each goal and the amount that must be saved each day, week, or month to reach it.

Teach younger children some simple lessons today that will give them a solid foundation for making a lifetime of sound financial decisions.

Let Them Practice. As children get older, they can become more responsible for paying other expenses (e.g., clothing, entertainment). The possibility of running out of money between allowance days might make them think more carefully about their spending habits and choices and encourage them to budget more effectively.

Take It to the Bank. Piggy banks are a great way to start teaching young children to save money, but opening a bank savings account will reinforce lessons on basic investing principles such as earning interest and the power of compounding. Encourage your children to deposit a portion of any money they receive from an allowance, gift, or job into their accounts.