



FINANCIAL
ADVISORS, INC.

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Points of Interest:

- Don't fall for IRS scams
- Tax deadline extended
- Probate costs
- Springtime!

THE PRICE OF NOT HAVING
AN ESTATE PLAN

We often talk to clients about the importance of having an estate plan. According to the California State Bar, an estate plan is used to determine:

- How and by whom your assets will be managed for your benefit during your life if you ever become unable to manage them yourself.
- How and to whom your assets will be distributed after your death.
- When and under what circumstances it makes sense to distribute your assets during your lifetime.
- How and by whom your personal care will be managed and how health care decisions will be made during your lifetime if you become unable to care for yourself.

Within your estate plan, you are very likely to work with an attorney to create a will, a revocable living trust, and powers of attorney for financial mat-

ters and health care. Virtually every person needs to have some sort of estate plan so that they have control over how their assets are disbursed at their death. In addition, any person that has minor children will need, at a minimum, a will that nominates a guardian for their children.

If you die without an estate plan in California, your estate will go through the probate process. This is a court process where your estate will be distributed as required by California Probate Code. The Probate Code will typically distribute your assets to your closest relatives; if you had any intention to leave money to others or to charity, these intentions will not be considered during the probate process.

While the California probate process is reportedly less onerous than some

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A REMINDER ABOUT IRS SCAMS

As we strive to complete our 2015 tax returns by the April 18, 2016 deadline, it is a good time to remember that fraudsters have introduced a number of scams to try to scare and fleece you during this tax season.

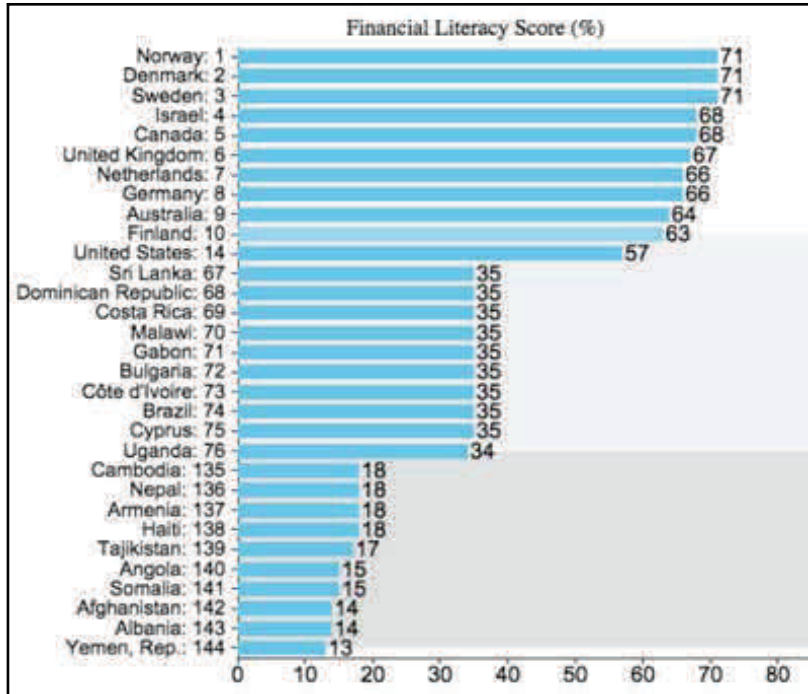
One of the most common scams today is one where a caller calls claiming to be an IRS agent and demanding action that requires you to provide sensitive and personal information (typically your Social Security number, your bank account information, etc.).

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GLOBAL FINANCIAL LITERACY

How does financial literacy correlate with wealth and abundance?

A new survey by the S&P organization—the S&P Global FinLit Survey—measured financial literacy across a wide spectrum of countries around the world. More than 150,000 randomly selected individuals in 140 countries were asked to answer five multiple choice questions regarding investment diversification, the ability of income to stay on par with spending (or vice versa), interest payments and compounding investment returns. If individuals could correctly answer three out of the five questions, they were deemed to be financially literate.



14 behind Finland (#10), Australia (#9), Germany (#8), the Netherlands (#7), the UK (#6), Canada (#5), Israel (#4) and the three top-scoring countries:

Sweden, Denmark and Norway—all Scandinavian, which probably means they cheat by actually including financial literacy in their regular educational curriculum.

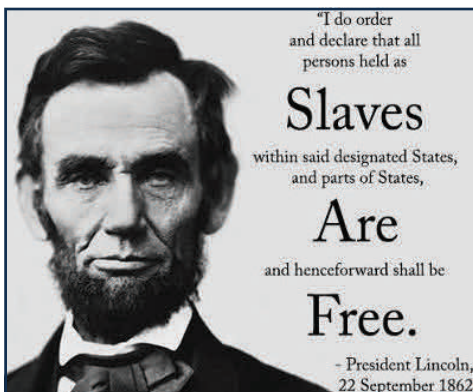
Not surprisingly, poorer countries tended to be less financially literate, and the survey found wide discrepancies between adults living in the richest 60% of households in each country vs. those in the poorest 40%.

So how did we do? Only 57% of the Americans surveyed were able to correctly answer three out of the five questions. But as you'll see from the accompanying chart, that put the U.S. in the upper echelon of nations overall, ranking number

For instance, the U.S. saw a disparity of 64% literate (wealthiest households) vs. 47% (poorest). The conclusion: financial ignorance can carry an invisible lifetime cost.

Source: bobveres.com

FILING DEADLINE EXTENDED THANKS TO EMANCIPATION DAY IN WASHINGTON D.C.



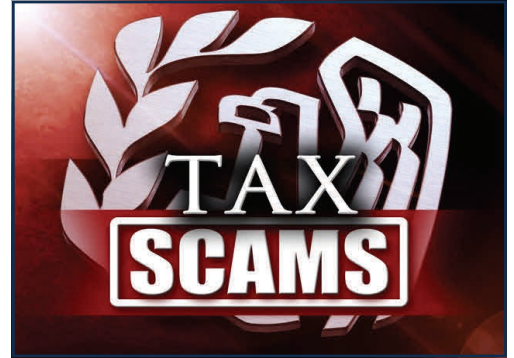
The deadline for filing 2015 federal income tax returns is April 18, 2016, instead of April 15. You can thank Emancipation Day for the extra few days.

Emancipation Day is a legal holiday in Washington D.C., which is observed annually on April 16. However, if the 16th falls on a weekend, Emancipation Day is observed on the nearest weekday. Since April 16 falls on a Saturday in 2016, it will be observed on Friday, April 15. The IRS will be closed, giving taxpayers until Monday, the 18th, to file their taxes.

A REMINDER ABOUT IRS SCAMS (CONTINUED)

The IRS has stated they have seen criminals try to contact you by:

- An unsolicited phone call - A person will call claiming to be an IRS official demanding payment of a bogus tax bill. They may leave “urgent” call back requests or send phishing emails (emails that usually have a link deceiving you into providing your personal information).
- Callers trying to scare the victim – some callers use threats or intimidation to bully a victim into paying. They may threaten to arrest or to deport.
- Caller ID Spoofing – Scammers alter caller ID to make it look like the IRS is calling. The caller may try to use official sounding titles and use fake badge numbers to sound official.



As of October 2015, the IRS estimates that \$23 million has been lost to IRS scams. The IRS has published an article which states it will not:

- Call to demand an immediate payment. The IRS will not call you about owing taxes unless it has first sent you a bill in the mail.
- Demand that you pay taxes immediately and not allow you to question or appeal the amount owed.
- Require that you pay a certain way. Many frauds will occur because a caller demands the victim pay their IRS debt with cash or with a prepaid debit card.
- Ask for credit card numbers over the phone.
- Threaten to bring in police or other agencies to arrest you for not paying.

If you receive a suspicious call, hang up immediately. If you receive a suspicious email, do not click on any links. Call the IRS to report the fraud at (800) 366-4484. Also report this activity to the Federal Trade Commission at ftc.gov.

If you DO owe taxes and want to verify the amount, please call the IRS directly at (800) 829-1040.



Just two weeks ago, the IRS posted that they have seen a 400% increase in email schemes and fraud this tax season. Most often a person clicks on an email link and is taken to an official looking website where they are asked to provide personal information. That information is then used to file false tax returns. The IRS has reiterated that it does not initiate contact with taxpayers via email to request personal or financial information. If you feel you have received a fraudulent email, you should forward it to phishing@IRS.gov.



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ABOUT HC FINANCIAL ADVISORS, INC.

HC Financial Advisors, Inc. is a fee-only investment advisory firm offering full financial management services to individuals and their families. We offer ongoing investment management and financial planning services for an annual fee based on assets managed.

Our current minimum annual fee for investment management clients is \$10,000 (\$1,000,000 under management). This fee includes the management of all assets as well as financial planning services.

We welcome your referrals to our firm. There is no charge for a preliminary, one hour informational meeting to find out more about our services, investment philosophy, and backgrounds. You can also find us at our website www.hcfinancial.com.

THE PRICE OF NOT HAVING AN ESTATE PLAN (CONTINUED)

other states, it is typically more costly than having an estate plan completed during your life to avoid the probate process. California allows attorneys to charge a "statutory fee" for probate work; this means they charge a percentage of the value of assets that pass through probate. The current rates are:

- 4% of the first \$100,000 of gross value of the probate estate
- 3% of the next \$100,000
- 2% of the next \$800,000
- 1% of the next \$9 million
- 0.5% of the next \$15 million

Suppose a person dies without an estate plan and owns a home valued at \$600,000 as well as \$300,000 in other assets. Their total probatable estate is \$900,000. Since a mortgage on the home is NOT deducted to determine the probate estate, the probate value of the estate is the full \$900,000. As such, the attorney's statutory fee would be \$21,000. There are also probate court fees in addition to the statutory fee. While many people will try to argue that the costs to create an estate plan are high, they are not nearly as high as the cost of probate fees.

For the benefit of your heirs and to preserve the highest value of your estate, it makes good financial sense to develop a comprehensive estate plan to avoid the probate process all together.