

QUARTERLY UPDATE



“Why is Monday so far from Friday, and Friday so close to Monday?”

-Unknown



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2023 TAX SEASON

It seems like tax season gets here a little faster every year. The last 8 months have been something of a blur. The work we do for clients is among the most important things I do and the heavy lifting of that work will be done in the next 2 months.

Service Model

About five years ago, we changed from a transactional model where clients pay for services as they need them, to a relationship based model where clients pay a single annual fee for a year's worth of advice and service. The services are unique to each client and specific to what they need at the point where they are in their financial lives.

Almost without exception, when you go to a financial professional you will find one that just does finances and investments, or just tax and accounting, or only life insurance and annuities. There are books on financial planning written by 'financial gurus' who have never met the families they're trying to help. I don't believe that leads to the best outcome.

A financial professional needs to take into account the complete picture. They need to get to know their clients and understand the unique circumstances of their situation. That's the only proper way to help families meet their financial goals and that's the service we strive to provide.

Income Tax Preparation Process

In order to provide better service and a higher level of accuracy and competency, we have been transitioning from a single provider office to multiple providers. That means our clients will have interactions with more of our employees apart from just me.

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Income Tax Preparation Process (cont.)

When we prepare a tax return, we try to have different people doing data entry and quality control. Generally, one of us will do the data entry, I will review and complete the return, and a 3rd person will obtain signature authorizations, receive payment and do a quality review prior to efilg. To the extent we are able, our clients will know the outcome and are done with their part by the time they leave our office. It's not one of those things people want to last longer than necessary.

Tax Planning

Another important aspect of tax preparation is tax planning. Once the work is done and the outcome known, we want to address what could be done to make next year better. We will also discuss financial planning, addressing such topics as trusts and estate planning, insurance, retirement planning and debt.

MARKETS AND INVESTMENTS

The economy is entering the last phase of the economic cycle - recession. Interest rates are the primary driver here, but there are many other contributing factors. People may think 5% isn't that high but it's relative. The fed funds rate went from zero to around 5% in less than a year. The zero rate led to asset bubbles of many types, but the real estate bubble is the most visible.

What does that mean for our portfolios? The simple answer is: we get more defensive. But how do we do that? Once upon a time it simply meant more bonds and less stock. In 2022 bonds lost 14% - hardly safe or defensive. We have transitioned the portfolios we manage to alternatives, which is a catch-all term meaning investments other than public stock and bonds.

ESG (Environmental, Social and Governance)

An ESG Fund is a broad term used to describe any investment vehicle for which the fund manager(s) used environmental, social, and governance (ESG) to inform its composition and allocation strategy. ESG funds are a new fad that has hit the investing world in a big way. It's stated purpose is to consider factors other than profit and returns into the investment selections. Things like fossil fuels, racial and gender make up of the boards, and commitment to green energy is what they're looking for. I have come to the conclusion that it's just another way for Wall Street to make money from investors. 90% of companies in the S&P 500 qualify as "good" by whomever is making these judgements. That means an ESG fund acts a lot like an index fund. The main difference is the fees charged are 10-100x higher than what you might pay in an index fund. So consider me skeptical when it comes to the true motives of these funds. As a Registered Investment Advisor, we don't use any ESG funds in our clients accounts. Even if I did believe investing this way could have a positive impact in the world, I don't think it's our place as investment professionals to make value judgements on behalf of our clients.

Copies of our newsletters are available on our website and in our office. As always, please reach out if you'd like clarification or if you have any other questions.
