PERSPECTIVES

Fall 2016

Dear Clients, Advisors and Friends,

We hope you are enjoying the crisp days of October. In this edition of our quarterly newsletter, we provide our market commentary and opine on year end expectations. In our education section, we highlight cyber security attentiveness and best practices for ongoing peace of mind. In the spirit of National Estate Planning Awareness Week, we are featuring two articles: "Life Cycles of Estate Planning and "Are You Prepared for Digital Death."

Wishing you all a healthy and prosperous fall season,

Deirdre, Rob, Jennifer, Kelley, Sherm, Toni, Courtney and Suellen

In This Newsletter

Ebbs & Flows

Dear Clients, Advisors and Friends:

We hope you are enjoying the crisp days of October and are looking forward to the not-too-distant holiday season! In this edition of our quarterly newsletter, our CIO Rob Reilly will provide our market commentary and opine on year end expectations. In our education section, we highlight cyber security attentiveness and best practices for ongoing peace of mind. In the spirit of National Estate Planning Awareness Week, we are featuring two articles: “Life Cycles of Estate Planning and “Are You Prepared for Digital Death.”

It has been a busy summer and fall at Sandy Cove Advisors. In late August, the Sandy Cove Advisors team held a two day outing in Newport, Rhode Island. Our meeting was focused on our short and long-term firm goals, strategic initiatives and refining our client experience, all while building our strength and comradery as a team.

Involvement with the South Shore and Greater Boston communities, both professionally and on a voluntary basis, is an important focus for Sandy Cove Advisors. Deirdre is an active member of the Norwell NVA and Hospice Campaign Cabinet, SheGives and sits on Providence College’s Greater Boston President’s Council. Rob is Co-Chair of Providence College’s Boston President’s Council and involved with the South Shore Chamber. Kelley recently joined the Board of Directors of A Company Theater in Norwell, and is Secretary of the Hingham Newcomers Club. The Sandy Cove team is continuously open to community involvement, and looks forward to sharing and developing our associations with our clients, advisors and friends.

It has been an exciting year for the firm as we continue to expand and grow our client base. We are proud of our 30% growth in assets under management over the last year and our family office practice remains strong with a deep pipeline of families and partnerships seeking our guidance and experience. The enthusiasm is set to continue as we hope to move into our new office location by February 1st, 2017. Sandy Cove Advisors is proud to maintain our Hingham roots, and we will be moving from our current location at 169 Lincoln Street to Derby Street. More information to follow!

We look forward to advising and servicing our outstanding clients. Our goal, as always, is to offer sound investment advice, guide our clients and help simplify the management of their financial affairs. Please feel welcome to introduce us to like-minded friends, family and advisors that may benefit from our services.

Wishing you all a healthy and prosperous fall season.

Warmly,

Deirdre, Rob, Jennifer, Kelley, Sherm, Toni, Courtney and Suellen

Market Commentary

The Three E's: Earnings, Elections, Economy

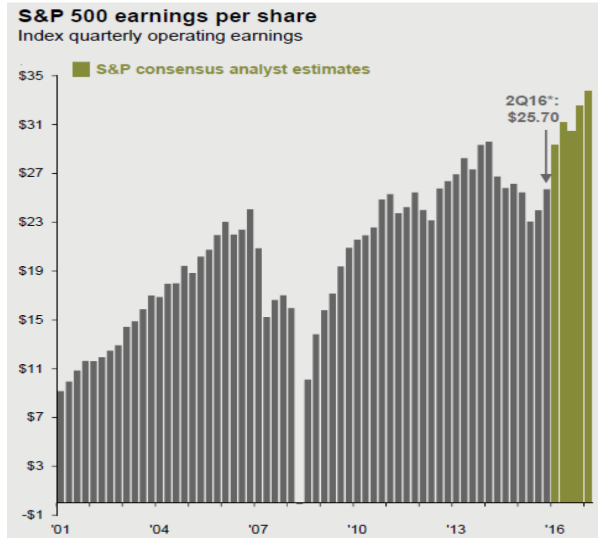
As we turn the corner for the home stretch of 2016 there are a bevy of issues that will effect asset prices prior to closing out the year. But before we get there, let's recap the current state of affairs as it relates to the 2016 investor experience.

3Q16 INDEX TOTAL RETURN PERFORMANCE					
	YTD 2016 As of 9/30/16	1 YEAR As of 9/30/16	3 YEAR As of 9/30/16	5 YEAR As of 9/30/16	10 YEAR As of 9/30/16
US EQUITY INDEX					
S&P 500 Large Cap	7.84%	15.43%	11.16%	16.37%	7.24%
Russell Mid Cap	10.26%	14.25%	9.70%	16.67%	8.32%
Russell 2000 Small Cap	11.46%	15.47%	6.71%	15.82%	7.07%
WORLD EQUITY INDEX					
MSCI ACWI All World	6.60%	11.96%	5.17%	10.63%	4.34%
MSCI EAFE Established Markets	1.73%	6.52%	0.48%	7.39%	1.82%
MSCI EM Emerging Markets	16.02%	16.78%	-0.56%	3.03%	3.95%
FIXED INCOME					
Barclays Municipal Bond	4.01%	5.58%	5.54%	4.48%	4.75%
Barclays US Aggregate Bond	5.80%	5.19%	4.03%	3.08%	4.79%
Barclays US Corporate High Yield	15.11%	12.73%	5.28%	8.34%	7.71%
OTHER					
Dow Jones REIT	9.21%	17.35%	13.98%	15.28%	5.62%
S&P GSCI Commodities	5.30%	-12.21%	-22.16%	-12.61%	-9.04%
Alerian MLP Index	15.94%	12.74%	-4.82%	4.96%	9.01%

The third quarter began with a sharp rally in risk assets, a surprising development given the UK's decision to leave the European Union. For the most part, these gains have been maintained into October as the S&P 500 holds on to a 7% gain. A broad measure of bonds (the Barclays Agg) has also posted a healthy 5% gain. Since the Brexit vote, volatility has been low as investors have been confident that growth would remain slow and steady with a backdrop of accommodative monetary policy. Equities generally have performed well led by Emerging Markets (up 16% at quarter end). Within the U.S., both Small Caps stocks (up 11+%), Mid Cap stocks (up 10%) and Real Estate Investment Trusts (up 9%) have outperformed Large Caps. So far this year investors generally have been rewarded for reaching for higher yielding, more defensive areas of the stock market. Dividend focused funds have all done quite well. However, as the Fed looks to raise rates post-election, we are increasingly leery of this trend. Dividend Income funds can behave like bond funds which are adversely effected in rising rate scenarios. Consequently, in our portfolios, we are emphasizing all weather Dividend Growth funds over Dividend Income funds. So far, 2016 asset returns have been a good advertisement for well-diversified portfolios as bonds have performed well, and several equity asset classes have outperformed the healthy returns of the S&P 500.

Earnings

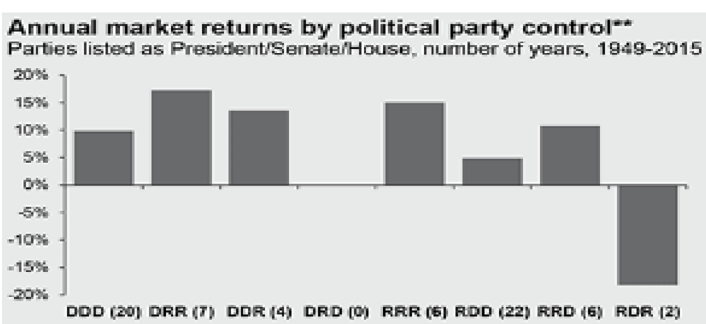
Ultimately stock prices will rise and fall based on the earnings per share that companies generate. Higher earnings, all else being equal, will lead to higher stock prices. Currently stock prices, based on their Price/Earnings ratios, are at elevated levels. The S&P 500's forward price-to-earnings ratio (P/E) sits at 16.5, above its long-term average of 15. However, if earnings grow and P/E ratios decline, investors then see better relative value and shares can advance higher. According to Reuters, if the current projections turn out to be correct, the third quarter will be the first period since the fourth quarter of 2014 of both profit and revenue growth for S&P 500 companies. A change in the revenue and earnings tide could be very important psychologically for investors. Stock market prices are often a leading indicator, discounting the future by six to eight months. If the chart (to the left) of higher earnings projections holds true, equity prices may stay firm in anticipation of a stronger 2017.



Election

We have written a lot about this election in past quarterly reports and we are all weary at this juncture. Won't we all be psyched when this is finally over? Regardless of our political sentiments, it is worth noting, as the chart below indicates, that in an average year the market has returned just over 9% since 1900. The average election year, though more volatile, has produced a slightly better return with a stronger fourth quarter rally.

To us, it looks like the end result will be a Clinton presidency along with a divided Congress. Republicans now have a 24 seat advantage in the House and a 4 seat advantage in the Senate. Markets will focus on these seats as much, if not more, than the race for the White House which may be seen as a foregone conclusion. As the chart to the left (courtesy of Goldman Sachs) illustrates, a divided government has not been such a bad outcome for the market. A Democratic presidency along with the checks and balances of a Republican House and Senate has historically produced the highest stock market returns (north of 15% annually). Control of the House of Representatives has proven to be very important under a Democratic president. Republican House control in the past has led to 12-15% returns while Democratic control of the House has produced returns at the 10% level.

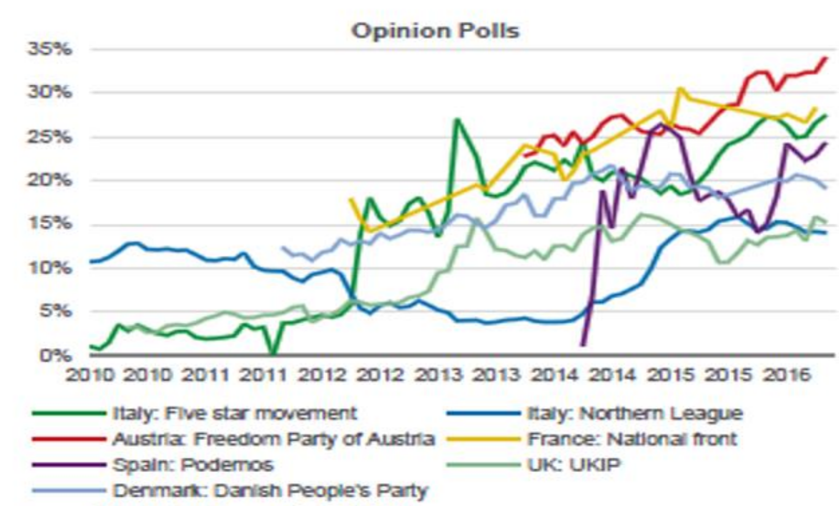


The graphic below, from our partners at Blackrock, aptly confirms historical data and also outlines a growing consensus market view on election outcomes. A Democratic sweep or a Trump win (unlikely scenarios) could lead to higher interest rates and lower stock prices. A Clinton win along with GOP control of the House (most likely scenario) would keep rates neutral and perhaps provide a relief rally for stocks.

	Potential Implications		
Democratic Sweep (less likely)	Higher rates (over the medium term)	Lower Equities	More spending, larger deficit, infrastructure spend, negative healthcare & pharma cos, negative banks, positive multinational cos & exporters to the US
Clinton Win; GOP House (most likely outcome)	Neutral rates	Neutral Equities (relief rally?)	More spending, marginally larger deficit, infrastructure spend, neutral for Health Care & Pharma cos, neutral banks, positive multinational cos & exporters to the US
Trump Win (less likely)	Higher rates	Lower Equities	Much more spending, much larger deficit, infrastructure spend, positive healthcare & pharma cos, negative banks, negative multinational cos & exporters to the US

Getting past our November 8th election will undoubtedly be a relief for the markets in some form. Markets hate uncertainty. Internationally, we will contend with a great deal of additional election uncertainty in the coming months which can certainly increase volatility (remember Brexit!). Italy holds an important referendum on Dec 4th and there are a series of major Presidential and general elections occurring in Germany, the Netherlands, France, Portugal, Denmark and Finland all throughout 2017. Market participants have not dealt with the ramifications of so many populist movements ala Trump/Sanders in modern history. The chart below highlights the ongoing rise in opinion polls of the world's populist parties.

This volatility spill-over from economies to politics to markets (and back again) is likely to be with us for a while [2]



BlackRock as of 10/2016

Economy:

The last picture we will leave you with is a snap shot of the global economy through the lens of the PMI (Global Purchasing Manager's Index). The PMI is an indicator of the economic health of the manufacturing sector and tracks major indicators such as new orders, inventory levels, production and the employment environment. It provides information about current business conditions to company decision makers. Readings above 50.0 indicate an expanding economy (green) while contraction is indicated in red. Currently the picture looks to be indicating a fairly positive expansionary mode.

Global Purchasing Managers' Index for manufacturing

	Oct'14	Nov'14	Dec'14	Jan'15	Feb'15	Mar'15	Apr'15	May'15	Jun'15	Jul'15	Aug'15	Sep'15	Oct'15	Nov'15	Dec'15	Jan'16	Feb'16	Mar'16	Apr'16	May'16	Jun'16	Jul'16	Aug'16	Sep'16
Global	52.0	51.7	51.4	51.6	51.8	51.5	50.8	51.0	50.9	50.8	50.5	50.4	51.1	51.0	50.7	50.9	50.0	50.6	50.2	50.0	50.4	51.0	50.8	51.0
Developed Markets	53.4	52.8	52.4	52.5	52.8	53.0	52.1	52.4	52.1	52.5	52.3	52.1	53.0	52.6	52.0	52.3	50.9	50.9	50.4	50.2	50.9	51.5	51.3	51.6
Emerging Markets	50.5	50.6	50.4	50.8	50.9	49.8	49.3	49.4	49.2	48.8	48.3	48.3	48.9	49.0	49.2	49.2	48.8	50.0	49.5	49.5	49.3	50.1	49.8	-
U.S.	55.9	54.8	53.9	53.9	55.1	55.7	54.1	54.0	53.6	53.8	53.0	53.1	54.1	52.8	51.2	52.4	51.3	51.5	50.8	50.7	51.3	52.9	52.0	51.5
Canada	55.3	55.3	53.9	51.0	48.7	48.9	49.0	49.8	51.3	50.8	49.4	48.6	48.0	48.6	47.5	49.3	49.4	51.5	52.2	52.1	51.8	51.9	51.1	50.3
U.K.	52.9	53.1	52.6	52.9	54.1	53.7	52.2	52.0	51.2	52.3	51.7	51.5	55.1	52.3	51.7	53.0	50.8	51.0	49.5	50.4	52.1	48.2	53.4	55.4
Euro Area	50.6	50.1	50.6	51.0	51.0	52.2	52.0	52.2	52.5	52.4	52.3	52.0	52.3	52.8	53.2	52.3	51.2	51.6	51.7	51.5	52.8	52.0	51.7	52.6
Germany	51.4	49.5	51.2	50.9	51.1	52.8	52.1	51.1	51.9	51.8	53.3	52.3	52.1	52.9	53.2	52.3	50.5	50.7	51.8	52.1	54.5	53.8	53.6	54.3
France	48.5	48.4	47.5	49.2	47.6	48.8	48.0	49.4	50.7	49.6	48.3	50.6	50.6	50.6	51.4	50.0	50.2	49.6	48.0	48.4	48.3	48.6	48.3	49.7
Italy	49.0	49.0	48.4	49.9	51.9	53.3	53.8	54.8	54.1	55.3	53.8	52.7	54.1	54.9	55.6	53.2	52.2	53.5	53.9	52.4	53.5	51.2	49.8	51.0
Spain	52.6	54.7	53.8	54.7	54.2	54.3	54.2	55.8	54.5	53.6	53.2	51.7	51.3	53.1	53.0	55.4	54.1	53.4	53.5	51.8	52.2	51.0	51.0	52.3
Greece	48.8	49.1	49.4	48.3	48.4	48.9	46.5	48.0	46.9	30.2	39.1	43.3	47.3	48.1	50.2	50.0	48.4	49.0	49.7	48.4	50.4	48.7	50.4	49.2
Ireland	56.6	56.2	56.9	55.1	57.5	56.8	55.8	57.1	54.6	56.7	53.6	53.8	53.6	53.3	54.2	54.3	52.9	54.9	52.6	51.5	53.0	50.2	51.7	51.3
Australia	49.4	50.1	46.9	49.0	45.4	46.3	48.0	52.3	44.2	50.4	51.7	52.1	50.2	52.5	51.9	51.5	53.5	58.1	53.4	51.0	51.8	56.4	46.9	49.8
Japan	52.4	52.0	52.0	52.2	51.6	50.3	49.9	50.9	50.1	51.2	51.7	51.0	52.4	52.6	52.6	52.3	50.1	49.1	48.2	47.7	48.1	49.3	49.5	50.4
China	50.4	50.0	49.6	49.7	50.7	49.6	48.9	49.2	49.4	47.8	47.3	47.2	48.3	48.6	48.2	48.4	48.0	49.7	49.4	49.2	48.6	50.6	50.0	50.1
Indonesia	49.2	48.0	47.6	48.5	47.5	46.4	46.7	47.1	47.8	47.3	48.4	47.4	47.8	46.9	47.8	48.9	48.7	50.6	50.9	50.6	51.9	48.4	50.4	50.9
Korea	48.7	49.0	49.9	51.1	51.1	49.2	48.8	47.8	46.1	47.6	47.9	49.2	49.1	49.1	50.7	49.5	48.7	49.5	50.0	50.1	50.5	50.1	48.6	47.6
Taiwan	52.0	51.4	50.0	51.7	52.1	51.0	49.2	49.3	46.3	47.1	46.1	46.9	47.8	49.5	51.7	50.6	49.4	51.1	49.7	48.5	50.5	51.0	51.8	52.2
India	51.6	53.3	54.5	52.9	51.2	52.1	51.3	52.6	51.3	52.7	52.3	51.2	50.7	50.3	49.1	51.1	51.1	52.4	50.5	50.7	51.7	51.8	52.6	52.1
Brazil	49.1	48.7	50.2	50.7	49.6	46.2	46.0	45.9	46.5	47.2	45.8	47.0	44.1	43.8	45.6	47.4	44.5	46.0	42.6	41.6	43.2	46.0	45.7	46.0
Mexico	53.3	54.3	55.3	56.6	54.4	53.8	53.8	53.3	52.0	52.9	52.4	52.1	53.0	53.0	52.4	52.2	53.1	53.2	52.4	53.6	51.1	50.6	50.9	51.9
Russia	50.3	51.7	48.9	47.6	49.7	48.1	48.9	47.6	48.7	48.3	47.9	49.1	50.2	50.1	48.7	49.8	49.3	48.3	48.0	49.6	51.5	49.5	50.8	51.1

Turning from the global economy to the U.S. economy, the latest report from the 12 Federal Reserve Districts (Beige Book) indicates that the U.S. economy maintained a steady growth pace between late August and early October, as a tight labor market with nascent wage pressures contributed to a "mostly positive" outlook. Economic growth is expected to continue at a slight to moderate pace. In addition to the positive Beige Book report, another key economic gauge rebounded in September: The Leading Economic Index (LEI). This index tracks 10 components including manufacturer' new orders, stock prices and average weekly initial claims for unemployment insurance. The September results suggest the economy should continue to expand at a moderate pace through early 2017.

Wrapping it up, the three E's (Earnings, Elections, Economy) suggest that 2016's course of incrementally positive asset prices and economic growth could continue through year end. So far, as third quarter earnings reports continue to stream in, we are noting both top line (revenue) growth and bottom line earnings growth for the first time in several quarters. As for the U.S. Presidential election, it merits close watching, but right now it looks like a Democratic President and a Republican Congress. This political mix has been supportive for asset prices in the past. Whether voters like it or not, the market seems to be happy with gridlock in Washington that perhaps does no harm to the economy. Seasonally speaking, the fourth quarter tends to be positive, especially in election years. As noted, the latest broad measure of the world and U.S. economies are also supportive. One major development to watch will be the course of potential interest rate increases from our Federal Reserve. If continued positive economic reports are posted between now and the Fed's December meeting, expect an interest rate hike. The number of future hikes into 2017 is one of the biggest factors for investors to focus on going forward.

So far, 2016 has been a respectable year for investor portfolios, especially those that are properly diversified. We are always here as a resource and we look forward to discussing strategy and any concerns you may have as we head into the holiday season.

EDUCATION

Cyber Security

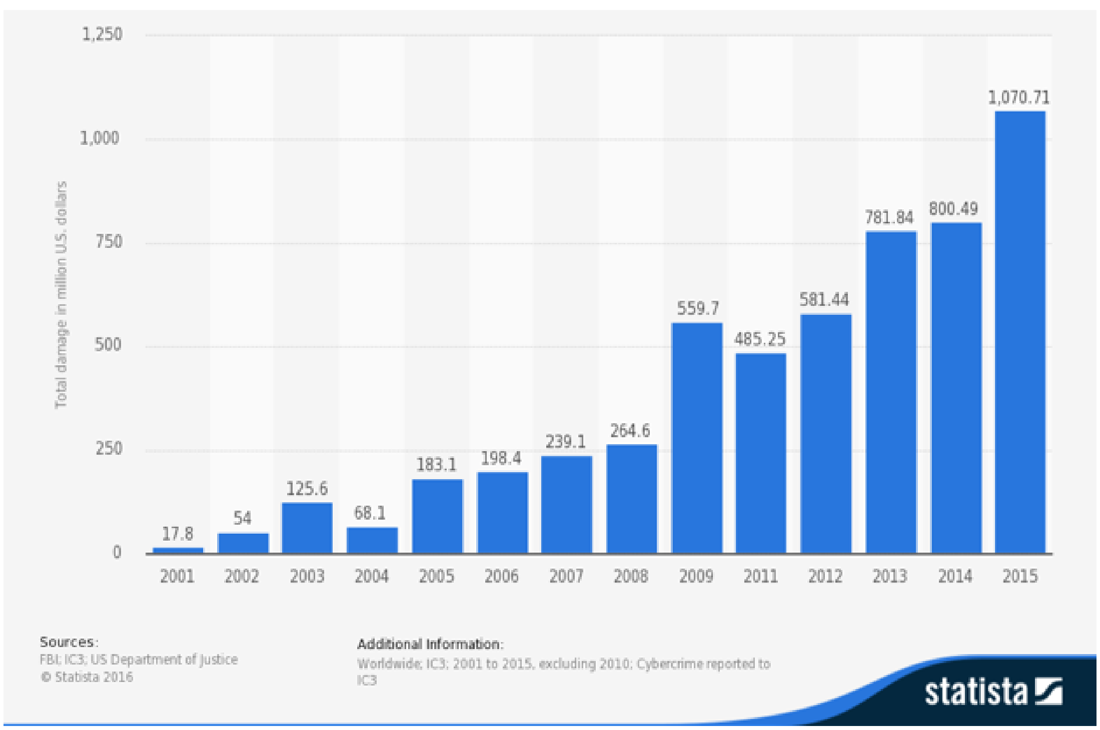
Best Practices for Sandy Cove Advisors, our Clients and Friends

At Sandy Cove Advisors, we are constantly reviewing, researching and evaluating how to protect the security and privacy of our clients. According to Juniper Networks, global cybercrime is now more profitable than the drug trade. Cyber Security is a hot topic for every financial advisor, and we are all asking the same thing, “How do we keep our client’s information safe?”

October is ***National Cyber Security Awareness Month***, so we thought it timely to remind our clients and friends about best practices in this area. Recently, we had a discussion with our Information Technologies provider, about this burning topic. We reviewed best practices for Sandy Cove and strategies that our clients’ can employ to ensure ongoing protection against possible cyber threats. We also attended a seminar hosted by Charles Schwab and have listened to cyber security experts opine on the largest issues consumers are facing.

The greatest area of concern is currently the movement of cash. Criminals are targeting wealthy individuals who might frequently move money in between accounts, make private investments or gifts to family members. We were given the example of a criminal enterprise that went so far as to monitor a client’s email for months in anticipation of a real estate transaction. At the 11th hour, when the client emailed wire instructions for this transaction, the criminals intercepted the email and inserted their specific wire instructions.

Monetary Damage Caused by Reported Cyber Crime from 2001 to 2015 (in $MM)



Another scenario outlined how criminals would "spoof" a client's email account, which means they would create an email that looked like it was coming directly from the client. They would then email the advisor asking for funds to be wired. These types of crimes continue to evolve, and criminals consistently elevate their level of sophistication – and even personalization. It is for these reasons that we are constantly researching and employing extra security measures and adapting our protocols.

We understand these security measures may mean extra time and headaches for you, but rest assured we will do everything in our power to keep these to a minimum. Our goal has been and always will be to do our best to protect you and your family.

Sandy Cove Advisors' Security Measures:

- Phone calls will be placed to confirm requests for wires and money movement with a conversation to confirm your identity.
- Internal Approval for all money movement requires a double approval process.
- Encrypted email will be used when sending personally identifiable information.
- Computers go into sleep mode and are locked after 10 minutes.
- Backup all firm date remotely and manually on a daily basis.
- Annual review with IT provider to ensure following industry standard protocols.
- Stay informed and educated on the evolving trends in cyber-crime.

We believe if we both work together and employ these security measures we can stay ahead of the curve in keeping your information safe.

What You Can Do:

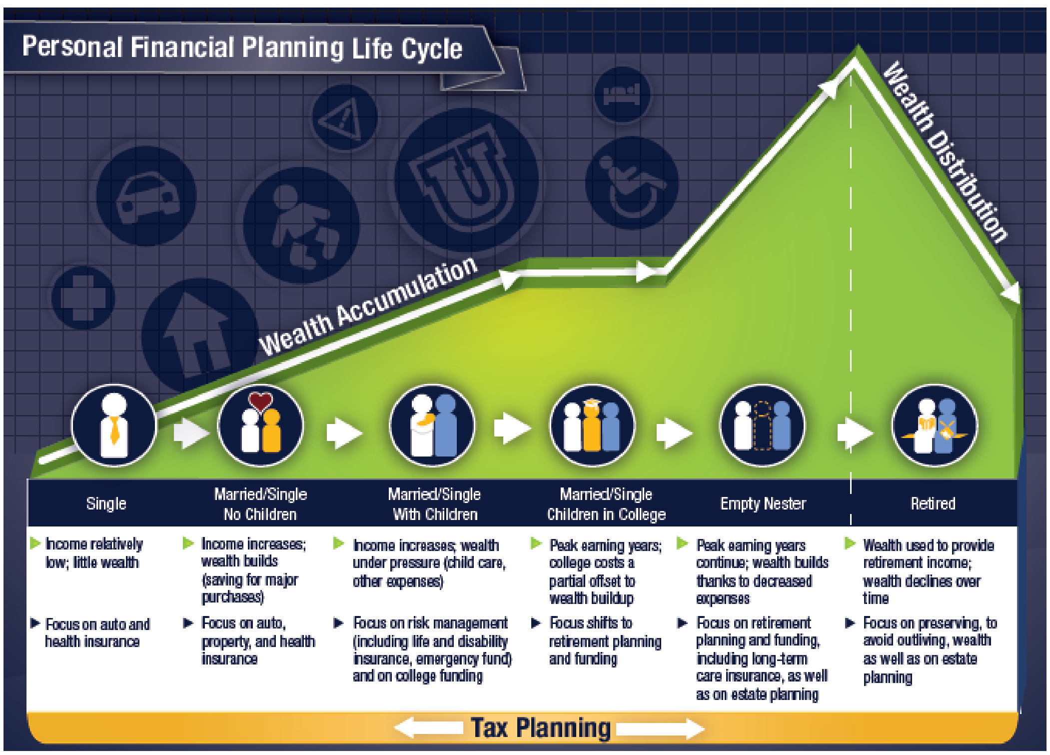
- Do not email statements or documents with personally identifiable information (i.e. social security numbers or account numbers).
- Be vigilant about emails received, if it does not sound like us… it might not be!
- Change your passwords every 3 months, if not every month.
- Do not use the same password for multiple websites and log-ins.
- Change your security questions. For example, consider selecting security questions where the answers cannot be googled or found on social media.
- Add a second type of authentication on your accounts, many institutions are offering this… just ask.
- Scan your outgoing email folder for suspicious activity.
- When you are out and about turn off your Bluetooth and Wi-Fi.

As always, please feel welcome to call us if you have any questions or would like to further discuss any of these security measures.

Life Cycle of Estate Planning

Your age, health, wealth, lifestyle, life stage, goals and other personal factors determine your particular estate planning needs. When you're 40, chances are you're not the same person you were at 20, and your estate plan should reflect the changes you've experienced. By definition, estate planning is a process designed to help you manage and preserve your assets while you are alive, and to conserve and control the distribution of your assets according to your goals and objectives after your death.

What estate planning means to you specifically depends on your stage in life and your circumstances. To help you understand what estate planning means to you, the following "life stages" address various estate planning needs and tools that are common among very broad groups of individuals. We encourage you to think of these tools as suggestions or a point in the right direction, and advise you to seek professional guidance to implement the right plan for you and your situation.



Foundational Estate Planning Documents

All adults over the age of 18 years old should consider establishing a basic estate plan. If you own something of value that you would like to pass on to someone else upon your death, you have an estate. Below are foundational estate planning documents that we encourage all adults to establish and revise from time to time depending on your stage in life and current situation.

- **Durable Power of Attorney**: This document lets you name someone to manage your property and finances for you in case you become incapacitated and cannot do so.

- **Advanced Medical Directive**: The three main types of advance medical directives are (1) a living will, (2) a durable power of attorney for health care or health-care proxy and (3) a Do Not Resuscitate (DNR) order. These documents essentially designate who will make medical decisions on your behalf, and lay out your wishes regarding life-sustaining medical treatment. Not all states allow each kind of medical directive, so make sure you execute one that will be effective for you.
- **Health Insurance Portability and Accountability Act (HIPAA) Release**: This document allows your designated agent to discuss your medical condition without violating patient privacy laws.
- **Will**: A will is a legal document that sets forth your wishes regarding the distribution of your property and the care of any minor children. If you are a younger adult with sizable personal investment accounts, a will is something you should consider drafting. If you don't currently have a will, your loved ones may not receive the assets you wish to leave them in the event of your death.

Early Adult: Young and Single

Once your child or loved one turns 18 years old, a parent no longer has the legal right to make financial and medical decisions. Since incapacity can strike anyone at any time, all adults should consider establishing their foundational estate planning documents. If you have material possessions or property, establishing a will is of utmost importance. A will lets you leave your possessions to anyone you choose (e.g., your significant other, siblings, other relatives, or favorite charity). If you die and you do not have a will, the assets you leave behind will be parceled out to your nearest relatives based on the state of residence's intestate succession laws.

Unmarried Couples

You've committed to a life partner but aren't legally married. In this situation, a will is essential if you want your property and possessions to pass to your partner at your death. Without a will, state law directs that only your closest relatives will inherit your property, and your partner may get nothing. If you share certain property, such as a house or car, you may consider owning the property as Joint Tenants with Rights of Survivorship (JTWROS) as jointly held property will pass to the surviving partner automatically.

We also strongly suggest each partner review their outstanding estate planning documents such as durable power of attorney, advanced medical directive and HIPAA release to reflect their wishes and give authority to your partner. While not an estate planning document per se, you may want to update your beneficiary designations on such things as health insurance, bank accounts, retirement plans and investment accounts so they may pass to your partner.

Married Couples

For married couples with or without children: first you will want to name your spouse to be your durable power of attorney, health care proxy and HIPAA release if you want there to be no question as to who should control your financial and medical decisions if you become incapacitated. Also, consider changing your beneficiary designations on such things as life insurance, bank accounts and retirement plans so they may pass directly to your spouse. If you don't already have one, this is also the time to consider a will or trust to definitively state who should receive your assets.

Some couples may consider additional estate planning tools in order to take advantage of their combined federal estate tax exclusions. A new law passed in 2010 now allows the executor of a deceased spouse's estate to transfer any unused estate tax exclusion amount to the surviving spouse. This provision, known as portability, is effective for estates of decedents dying after December 31, 2010. You may be inclined to rely on these portability rules for estate tax avoidance, however, portability should not be relied upon solely for utilization of the first to die's estate tax exemption, and a credit shelter trust created at the first spouse's death may be advantageous for several reasons:

- Portability may be lost if the surviving spouse remarries and is later widowed again
- The trust can protect any appreciation of assets from estate tax at the second spouse's death
- The trust can provide protection of assets from the reach of the surviving spouse's creditors
- Portability does not apply to the generation-skipping transfer (GST) tax, so the trust may be needed to fully leverage the GST exemptions of both spouses

- Portability does not apply to state estate tax exemptions

Married with Children

If you're married and have children, you and your spouse should each have your own will to nominate a guardian for your minor children in case both of you die simultaneously. If you fail to name a guardian in your will, a court may appoint someone that you might not have chosen.

Additionally, a revocable trust should be established to avoid the situation in which your child inherits a substantial amount of assets at the age of 18. A revocable trust allows you to appoint a trustee to handle any money your child inherits. The trustee can use the funds to support your child as the child ages, and you may specify specific ages and reasons for when your child can receive the money. We suggest including spendthrift clauses in the trust that may specify when the trustee has the power to withhold distributions if the beneficiary has an addiction problem, is in the midst of a divorce, or another unfortunate situation.

Each time you have another child, be sure your estate planning documents address all of your children. Also, if you have a special-needs child, you may want to set up a special-needs trust which allows you to provide for your child without disqualifying the child from government benefits. Another consideration is life insurance if a spouse passes. Your surviving spouse may not be able to support the family on his or her own and may need to replace your earnings to maintain the family's lifestyle.

Divorced

If you're separating or divorcing, you will want to revoke documents such as durable power of attorney and healthcare proxy to limit your former spouse's authority to make decisions on your behalf and access your medical and financial information. Additionally, you will want to change beneficiary designations and bank and investment account titles as a divorce decree will not simultaneously do it for you. You should also consider revising your will and trust to reflect your individually owned assets.

If you remarry, revise your will and trust documents to reflect the current beneficiaries such as your new spouse and your children. You may want to designate which assets you want to leave to your spouse and which to leave to your children at your death. We also recommend pre-nuptial agreements for second marriages to ensure that your assets go to your heirs.

Comfortable and Looking Forward to Retirement

If you are an empty nester in your 40s and 50s, you may be feeling comfortable. Perhaps you've accumulated some wealth and you're thinking about retirement. This is when your estate planning strategy and retirement planning efforts must complement one another. It's just as important to plan to care for yourself during your retirement as it is to plan to provide for your beneficiaries after your death. Consider saving some of your accumulated wealth using other retirement and deferred vehicles, such as an individual retirement account (IRA) or voluntary deferred compensation if available through your employer. Additionally, you may consider gifting to your children and grandchildren up to the annual exclusion amount of $14,000 per donee (or $28,000 per couple). Setting up college savings plans such as a 529 Plan for your grandchildren is a great vehicle to begin accumulating college savings. If you are able, you can also assist with your grandchildren's education expenses by paying tuition directly without impacting your ability to gift annually (at the $14,000 per donee rate).

Wealthy and Worried

Depending on the size of your estate, you may need to be concerned about estate taxes. For 2016, $5,450,000 is effectively exempt per person from the federal gift and estate tax. For married couples, the exemption doubles to $10,900,000. Estates over that amount may be subject to the tax at a top rate of 40%. Whether your estate will be subject to state death taxes depends on the size of your estate and the tax laws in effect in the state in which you are domiciled. For example, in Massachusetts this exemption is $1,000,000 per individual, or $2,000,000 per married couple. While the federal exemption covers an overwhelming majority of the US population, it is important to put together a strategy for a state estate tax. These strategies may involve sophisticated estate planning techniques such as domiciling your residency to a more favorable estate tax regulations.

Similarly, there is another tax, called the generation-skipping transfer (GST) tax, which is imposed on transfers of wealth made to grandchildren (and lower generations). For 2016, the GST tax exemption is also $5,450,000, and the top tax rate is 40%. Above this level of wealth, you may see more sophisticated estate planning techniques implemented to minimize estate taxes. Some of these vehicles include Irrevocable Life Insurance Trusts (ILIT), Limited Liability Company (LLC) and Intentional Defector Grantor Trusts (IDGT), just to name a few.

If you consider yourself to be wealthy and worried, we strongly urge you to strategize with your financial advisor and estate planning attorney to implement sophisticated estate planning techniques available to you and your family.

Elderly or Ill

If you're elderly or ill – or have parents that are in this life stage – you will want to be sure your estate planning documents are up to date and reflect your current assets. Many elderly people have multiple accounts spread around different banks and custodians. We advise you to put together a balance sheet of all account to look for opportunities to simplify and consolidate. Additionally, consider drafting a revocable living trust and placing property and investment and banking accounts into the name of the trust. This will help your executor and family avoid the lengthy probate process, and ensure your wishes are kept upon your passing. If you have a taxable estate from a federal ($5,450,000) and or state perspective ($1,000,000 in Massachusetts), you may want to give consideration to accelerating your gifting strategy to family members such as children, grandchildren, nieces and nephews to avoid hefty estate taxes.

This is also the time to have frank yet informative discussions with your family about your wishes, and make sure they have copies of your important papers or know where to locate them. It's also helpful to share your final wishes for religious, funeral and burial services.

If you believe you are in one of the life stages – or about to move into a different situation – please follow up with your estate planning attorney or your Sandy Cove Advisor to explore next steps and strategy.

Sources: Broadridge/Forefield, Everbank, Sandy Cove Advisors

ESTATE PLANNING

Are You Prepared for Digital Death?

"Digital Death" refers to how we manage our digital assets after death. In today's digital world, designating the fate of your physical assets after death is not enough. For example, the average household in the US has 6 or more Internet connected devices, and approximately 60% of Americans do their banking online, often by smartphone. What happens to all that digital data when someone dies? For clients, families and trusted advisors, the ability to manage a post-mortem digital presence over both personal and business assets is becoming a significant concern as we move more of our lives into the Internet.

This topic of Digital Death encompasses the myriad of issues presented when our digital lives continue after our mortal life has ended. It includes issues of access to digital data, in all its forms, as well as the problems associated with collecting, valuing, or transferring digital assets. Digital assets include obvious items such as smartphones, tablets and thumb drives, but it also <u>includes the apps on your device and the content</u> – such as photos, videos, emails and messages and social network accounts – stored through the app in the "cloud."

In the US, the law has not kept pace with the evolution of our digital lives. State laws regarding digital assets are evolving, but they are all over the place in terms of who has a right to access what. Plus, many online companies and sites have terms of service contracts that limit access, and deny users the ability to transfer digital assets after death.

What Can You Do Now To Ensure Your Digital Assets Are Protected?

Step 1: Get Authorization Added to All Relevant Documents

> *Work with your estate planning attorneys, advisors and family members to add digital authorization to all estate documents, including wills, revocable trusts, powers of attorney and even health care proxies that addresses digital assets and the ability to access and manage these assets. You may also consider providing a Trustee, executor or personal representative with the power to delete or destroy data, and the ability to do so without repercussion.*

Step 2: Organize Your Digital Assets and Accounts

> *This doesn't mean just writing authorization for one person to access the accounts. This means doing a thorough inventory of every digital account you have, along with the necessary information needed to access them.*
>
> *In the old days, we received statement in the mail. With electronic delivery being the preferred method of distribution, these statements are going to various email accounts. Some of these email addresses may be legacy and inactive (e.g. AOL, Yahoo!, Hotmail) or are going to an email address to which you no longer have access, such as a prior employer. For one client, she was unable to access her family's personal financial information as it was affiliated with her late husband's work email address. Within our client base, we have encountered many situations in which an account statement was going to an email address of which the widow was not aware. In one situation, a fund company eventually contacted the widow 18 months following her husband's passing regarding an unknown investment account.*
>
> *To avoid these situations, we recommend investing in a password keeper and providing a list of accounts and respective passwords to a trusted advisor or a designated individual. This list should be reviewed on a*

regular basis to make sure it is kept current. Don't forget about the security questions and answers! Also consider having a look at the email address or home addresses attached to personal accounts.

Outside the US, there is also an increasing focus on digital asset management in a fiduciary or estate context. Globally, most digital asset laws relate to preserving confidentiality or protecting intellectual property rights of a provider (e.g., Facebook, Instagram, Gmail, etc.) and take significant steps to limit access to information, while this access is exactly what the fiduciary or personal representative needs! At the same time, information is now stored globally and those ubiquitous "terms of service" contracts that pop up when you access an application often set jurisdiction for disputes in foreign jurisdictions.

Many companies are taking digital access after death issues into their own hands. Recently, Facebook announced that it will allow users to select an executor, or Legacy Contact, to manage their Facebook page after death. Yahoo! has implemented Yahoo! Ending (but only in certain countries, such as Japan) and Google allows users to designate a trusted contact to access their account data after three months of inactivity.

While this is definitely a step in the right direction, the fractured changes create a confusing system where each digital account is managed differently. Without uniform laws in place, it can be nearly impossible for estate practitioners to keep track of applicable terms of service for various platforms as well as constantly changing laws and practices globally.

The US Uniform Fiduciary Access to Digital Assets Act (UFADAA) is model legislation that would ensure a consistent approach across state jurisdictions, allowing for the access to digital assets by fiduciaries or personal representatives, but limiting their rights to those of the decedent. As of June 2016, this legislation has been enacted in 4 states and has been introduced in 22 other states, although timing of enactment will vary by state legislature as will the scope of the legislation. Currently some of the existing laws provide only for access to email accounts of a minor, while Delaware's law goes the farthest, presuming authorization of fiduciary access unless otherwise stated in the estate documentation. As such, it's important for clients and their advisors to know the laws of the applicable jurisdiction and encourage families and individuals to take pre-emptive action by adding authorization (or de-authorizing access) in their estate documents.

The more information you can provide to your family and trusted advisors, the better chance that they'll be able to access the digital information they need, even in a legal environment that hasn't quite caught up with our digital lives.

If you'd like more information on what Digital Death is, or further tips on how to organize your clients' assets, please visit www.digitaldeath.com. This is a website founded by Holly Isdale and dedicated to providing information and tools to ensure you can control your digital legacy.

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