FINANCIAL PLAN INC.

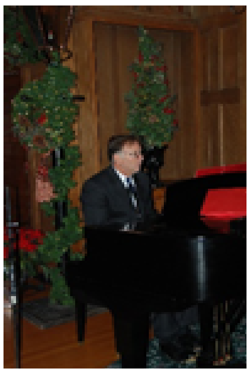
THE PLAN

Fall 2020

Annual Christmas Brunch Update

For the past 20 years in December we have held a Christmas brunch to celebrate the season and express our deep appreciation for you, our wonderful clients.

As with so many things this year, we must take a pause from the usual. While the Christmas brunch will not be held this December, please know that your financial advisor, operations team and the entire staff at FP Inc. is thinking of you and sending the warmest wishes for a very Merry Christmas and blessed New Year.



Fond memories of past Christmas brunches as we look forward to their joyful return in 2021!

Congratulations Drew!

We are incredibly proud to announce that our very own Drew Zender has passed the grueling CFP® (Certified Financial Planner) Exam and is now a CFP® Practitioner!

The two-year course of study required to pass this 6+ hour exam is a testament to the committment and diligence of the test taker. The depth of knowledge required to pass goes beyond what would be considered common among financial advisors.

FP Inc is proud to now employ a whopping 7(!) CFP® Practitioners. Congratulations Drew!

CFP®

The ETF Rule

By James B. Twining, CFP®

We typically do not get "into the weeds" too much on this page. Most of our clients would rather leave the details to us; trusting that we are staying on top of complex financial issues. However, once in a blue moon, something occurs that changes the way we invest, and we think it best to keep you informed regarding these changes. For those of you who dislike financial details, feel free to flip the page over now and read about my adventures with a ringtail cat! For everyone else, here is the change:

Blue moon, Halloween 2020

The SEC has adopted the ETF Rule, which allows ETFs to exchange securities within their portfolios for different securities on a tax free "like kind" basis with investors such as market makers.

What this means is that ETFs can now purge their funds of low cost basis securities without realizing capital gains, and will rarely be making capital gains distributions in the future. This is a tax deferral advantage over mutual funds that are held in taxable accounts.

Consider also the difference in trading costs:
When you buy mutual fund shares, you are sending cash to the mutual fund itself. The mutual fund uses your cash to purchase securities. This trading carries hidden costs, which are borne by all of the mutual fund shareholders. Likewise when you sell, the mutual fund must sell securities to meet your demand for cash, resulting in trading costs for all shareholders*. In other words, a mutual fund shareholder is paying ongoing trading costs, even if they are simply holding the shares.

Contrast that with ETF trading. When you buy ETF shares, you are not transacting with the ETF itself; rather you are buying the ETF from another existing shareholder. You pay your own one-time trading cost through a bid-ask spread, but your activity has no affect on other ETF shareholders. The holder of ETFs does not pay trading costs as a result of the activity of other shareholders.

In summary, all else equal, the concepts outlined here give ETFs a tax and trading cost advantage over mutual funds. For a more complete discussion, see our website under What To Know/ Blog/ the ETF rule and Custom Baskets.

There can be legitimate reasons to stay with mutual funds, especially mutual funds that are already as tax and cost efficient as the ones we utilize in your accounts. However, in the coming years expect to see your accounts populated with more ETFs, especially your taxable accounts.

**Individual purchases and sales do not necessarily result in mutual fund trading, as mutual funds have cash positions and can offset purchases and sales. However in aggregate, purchases and sales result in trading.*