

## Where There's a Will, There's a Way

As a client of Rockwood, you know how strongly we believe that a current estate plan is a vital component of comprehensive financial planning. You've had these conversations with your advisory team and even taken steps to update and modernize your estate plan. That being said, it never hurts to go back to the basics and discuss the core components of a modern estate plan and explore reasons to potentially update those components.

### What exactly is an estate plan and why do I need one?

Generally, an estate plan includes documents that explain how you want your belongings to be given to others after you pass away. The plan also guides the decision-making process related to your healthcare and finances if you can't do it yourself. Essentially, an estate plan helps you protect and manage your assets while you're alive and ensures they go to the right people and institutions when you're gone.

### What are the components of an estate plan?

Several estate planning documents are essential for creating a comprehensive and effective estate plan. The specific documents you need may vary depending on your circumstances and goals, but here are some of the most important estate planning documents:

*Last Will and Testament:* A will is a legal document that outlines your wishes for the distribution of your assets after your death. It allows you to designate beneficiaries, name an executor to carry out your wishes, and appoint guardians for minor children if you have any.

*Revocable Living Trust:* A revocable living trust is a flexible estate planning tool that allows you to transfer assets to a trust during your lifetime. You can serve as the trustee and retain control over the assets, and upon your death or

incapacity, the trust assets can pass directly to your chosen beneficiaries without going through probate, providing privacy, and potentially reducing costs.

*Durable Power of Attorney:* A durable power of attorney grants someone you trust (known as your agent or attorney-in-fact) the authority to handle your financial and legal affairs on your behalf. This document ensures that someone can make important decisions and manage your finances if you are unable or unwilling to do so. These documents can also have springing powers for situational needs.

*Advance Healthcare Directive (Living Will):* An advance healthcare directive allows you to express your wishes regarding medical treatment and end-of-life care. It typically includes a living will, which outlines your preferences for life-sustaining treatments, and a healthcare proxy, which designates a trusted person or persons to make medical decisions on your behalf if you are unable to do so.

*Beneficiary Designations:* While not a document within the estate plan, beneficiary designations are crucial for assets such as life insurance policies, retirement accounts, and payable-on-death bank accounts. By designating beneficiaries, you ensure that these assets pass directly to the intended individuals or entities without going through probate. These beneficiary designations should be continually reviewed.

*Letter of Instruction:* Although not legally binding, a letter of instruction can be a helpful addition to your estate plan. It provides guidance to your loved ones regarding your funeral arrangements, important contacts, digital asset access, and any other personal preferences that may not be covered in other estate planning documents.

## If I already have an estate plan, when should I review it?

The great news is that your advisory team will keep the current estate plan design front and center for you. After all, that's why it is right there on your wealth management map! That being said, there are several life events that may require an update to your estate plan. Here are some common life events (admittedly not an exhaustive list) that may necessitate updates to your estate plan:

*Marriage or Divorce:* Getting married often prompts the need to create or update an estate plan to include your spouse as a beneficiary and potentially designate them as an executor or trustee. Conversely, going through a divorce may require revising your plan to remove an ex-spouse from your documents and adjust your asset distribution. At the very least, the entrance into or exit from a marriage necessitates a beneficiary review.

*Birth or Adoption of Children:* The addition of a child is a significant life event that typically triggers updates to estate plans. You may need to designate guardians for your children, establish trusts for their benefit, and ensure your assets are appropriately distributed to provide for their care and education.

*Death of a Family Member or Beneficiary:* If a beneficiary or a family member named in your estate plan passes away, you may need to revise your documents to reflect the changes in your beneficiaries or update your contingent beneficiaries accordingly.

*Change in Financial Situation:* If your financial circumstances change significantly, such as by receiving a substantial inheritance, starting a new business, or experiencing a significant increase or decrease in assets, you should review your estate plan to ensure it aligns with your current financial goals and incorporates

appropriate strategies for asset protection and distribution.

*Relocation to Another State or Country:* If you move to a different state or country, it's essential to review your estate plan with an attorney familiar with the laws of your new jurisdiction. Estate planning laws can vary by location, sometimes greatly, and updating your documents can help ensure they comply with the specific regulations and requirements of your new location.

*Changes in Tax Laws:* Tax laws can change over time, and significant changes may have an impact on your estate plan. Keeping track of tax law revisions and consulting with a professional can help you make any necessary adjustments to optimize your estate planning strategies and minimize potential tax liabilities.

## How can Rockwood guide me with estate planning?

As with all aspects of your comprehensive financial plan, your advisory team will advise you when it is appropriate to review your estate plan. While the appropriate time will depend on several factors, we will always consider (1) how long it has been since your last plan review (2) recent life changes including those outlined earlier – which is one of many reasons our regular progress meetings are critical to your plan, and (3) notable outside influences, such as tax law changes. While we cannot draft these documents for you, your advisory team will help you crystallize your estate planning goals, recommend a best-fit attorney to add to your team and ensure that account titling and beneficiary designations are aligned with your intentions.



## Why the Wisdom of the Market Beats AI

Can artificial intelligence help pick stocks? More specifically, can investors use AI to determine the fair price of a stock or a bond? We bet a lot of people right now would say yes, given recent advances that allow for the processing of ever greater amounts of information.

We think our AI is better than all the other ones out there. ***Our AI is the market.***

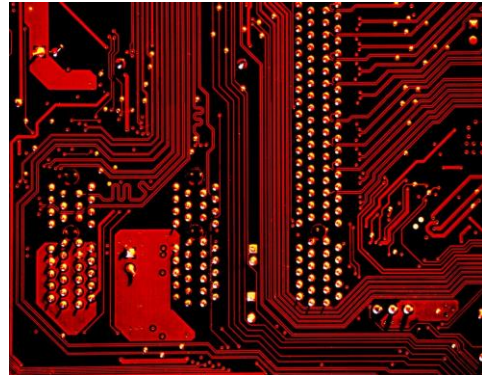
For example, pick a stock. Check the price. Why is it that exact price? Because an equal number of buyers and sellers think they are getting a good deal when they sell or buy it at exactly that time. They make those judgments using every piece of information available to them, both public and private. The market is the world's largest information processing machine, which creates a price for every publicly traded stock and bond.

These prices are set in an environment where no one knows what's going to happen. So, in that sense it is a giant model that is humanity's best and constantly evolving guess of how each company stock or bond will perform.

Despite all the promise of AI, we prefer to accept market prices rather than prices from algorithms. Large language models, the types of AI that power tools such as ChatGPT, are intended to generate text that seems as if it were made by humans, not to predict future outcomes.

They can generate potential scenarios based on learned patterns, but they struggle to account for unknown factors or real-world changes that come outside their training data. In that way, they are truly "artificial," while markets are composed of real, human intelligence and the millions of judgments market participants make.

Sure, AI and algorithmic trading can help the execution of trades. But there's no reason to think that AI will fundamentally influence the way people think about stock prices anytime soon.



The market is fantastically complex, so much so that no one knows exactly how much a particular piece of information impacts a price, because there are so many other simultaneous inputs. But the market ensures that a price is the most accurate current representation of the value of a stock or bond. It's free and available to all. How great is that?

This isn't just our opinion. There's plenty of evidence to support it. In fact, it's a 50-year-old theory that only becomes more proven with each passing year. Google "efficient market hypothesis." Better yet, ask ChatGPT to explain it.

Still don't believe us? Then let's ask another question: Do you think you can hire a manager to implement the strategy of using AI to pick stocks that ***consistently*** beat the market? After fees, probably not. If they had some cool AI that did predict stock prices better than the market can, why would they share the information with you?

What's the takeaway? You can have a good experience without worrying about all that stuff. Based on nearly a century's worth of data, the stock market has returned about 10 percent a year, which is 7 percent above historical inflation. That was true before and after computers, before and after the internet, and even before and after the Second World War. It makes sense to me that it will continue to be the case after AI. Because our AI is "aggregate

intelligence,” which includes artificial intelligence and betters it.

To be clear, we celebrate the innovation that this moment may represent. As we have collectively witnessed over and over during the past few decades, many players will try to take advantage of the newest advance in technology to improve their company and also to build new ones. By buying the market, you can have a piece of all the publicly traded companies.

And if we still haven’t convinced you, we asked ChatGPT, “Is it safer to trust the market price mechanism than rely on an AI model to find mispricing in stocks and bonds?”

Here’s what we got back the day we asked: “It is generally safer to trust the market price mechanism than to rely on an AI model to find mispricings in stocks and bonds. The market price mechanism is based on the collective actions of all market participants and incorporates all available information into asset prices. As a result, it is difficult for any single investor or AI model to consistently outperform the market by identifying mispricings.”

So if you don’t trust us, trust the AI that is telling you not to trust AI over the market.

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