



January 2021 Newsletter

Mistry's Musings – A New Year Message from Tina Mistry, CFP®



As we enter the New Year, we at Portfolio Advisors wish you and your loved ones a healthy and prosperous 2021! In looking forward to what is in store for us in 2021, I wanted to share a quick story of what has been and will forever be our focus, **YOU!**

If my memory serves me correctly, I attended one of my first industry conferences for the Financial Planning Association around 2010. During this conference, I was given a bright blue wrist band that had the words *Clients First* engraved on it. Those words resonated with me as I thought that they clearly summed up my primary role as a financial planner/advisor. This has been my guiding principle and philosophy ever since, and it continues to influence my decisions and interactions with our clients.

I am sad to say that my *Clients First* wristband has not withstood the test of time after suffering from numerous pushpin holes during my many attempts to secure it to my office corkboard. My wristband may have physically fallen apart, but as I embark on my 15th year at Portfolio Advisors with my strong and experienced team, and with the lessons learned from those that have come before me, those simple words, *Clients First*, now more than ever guide me in everything that I do.

Whether it be the stock market or life in general, there will always be events that ‘poke holes’ in our plans and make us feel like we are falling apart. However, having a guiding principle or philosophy helps to remind us of our purpose and why it is we do what we do. In addition to my family being a priority for me, my guiding principle for this firm is prioritizing **YOU**, *Clients First*, serving you to the best of our ability and forever looking to improve upon what we do for you. Your goals are our goals, your challenges are our challenges, and your legacy is our legacy. I look forward to seeing what the future holds for you as clients, our firm, and all that we will accomplish together. I thank you for being a part of the Portfolio Advisors family and encourage you to reach out to me if I can ever be of help to you.

Regards,

Tina Mistry, CFP®

Chief Operating Officer & Financial Advisor

Exciting Developments at Dimensional



In late 2020, Dimensional Fund Advisors, introduced exchange-traded funds



(ETFs) complementing their existing suite of mutual funds. In September 2019, the US Securities and Exchange Commission (the SEC) adopted a new ruling (Rule 6c-11) which streamlines regulations concerning ETFs, allowing for greater flexibility in ETF management. Along with this improved flexibility, Dimensional will apply its consistent investment philosophy of providing low-cost, broadly diversified investment solutions aimed at pursuing higher expected returns across all of its investment vehicles.

Before we dive deeper into Dimensional’s ETF lineup, let’s take a closer look at ETFs themselves. Introduced to the investor market in 1993, an ETF is a collection of securities, such as stocks, that can hold hundreds or thousands of companies across various industries and sectors, which is very similar to a mutual fund. However, ETFs are listed on exchanges and can be traded throughout the day like individual company stocks. This is unlike a mutual fund that is traded and priced only once a day after market close. (Source: www.investopedia.com)

Benefits of ETFs include:

- **Tax efficiency** – ETFs have greater control over the realization of capital gains to shareholders to help defer taxes. This can make ETFs optimal investment choices for non-retirement accounts.
- **Low cost** – Most ETFs, including Dimensional’s, incur \$0 transaction fees at custodians like TD Ameritrade & Charles Schwab.
- **Intra-day trading** – ETFs can be redeemed in the middle of the marketing trading day (as mentioned above).

It is important to remember that ETFs and mutual funds can each serve different purposes depending on the investor. Mutual funds can avoid some of the trading costs inherent of ETFs including bid/ask spreads and market impact. For the long-term investor, mutual funds continue to serve their purpose, especially in retirement accounts, as these funds are typically not traded often and can therefore avoid the volatile price swings that can occur with ETF trading.

Further, in Q1/Q2 of 2021, Dimensional will be converting their tax-managed/tax-advantaged mutual funds to ETFs. Below is a list of the funds that will be converted:

Tax-Managed Mutual Fund to be Converted	New ETF (After Conversion)	Tax-Managed Fund/ETF Management Fee (bps)	
		Pre Conversion	Post Conversion
Dimensional Tax-Managed US Small Cap (DFTSX)	Dimensional US Small Cap ETF (DFAS)	40	30
Dimensional Tax-Managed US Targeted Value (DTMVX)	Dimensional US Targeted Value ETF (DFAT)	40	30
Dimensional Tax-Managed US Equity (DTMEX)	Dimensional US Equity ETF (DFUS)	18	8
Dimensional TA US Core Equity 2 (DFTCX)	Dimensional US Core Equity 2 ETF (DFAC)	20	16
Dimensional Tax-Managed International Value (DTMIX)	Dimensional International Value ETF (DFIV)	45	30
Dimensional TA World ex US Core Equity (DFTWX)	Dimensional World ex U.S. Core Equity 2 ETF (DFAX)	30	25

(Source: www.dimensional.com)

Regarding this conversion, it is important to note the following:

- If your portfolio holds these funds, the conversion will not create a taxable event.
- The ETFs being introduced are also expected to have, on average, a 27% reduction in expenses (fund management fee/expense ratio) when compared to the mutual funds being replaced. For example, as illustrated in the table, the Dimensional Tax-Managed US Small Cap fund (ticker: DFTSX) with an expense ratio of 40 basis points (or 0.40%) will be converted to the US Small Cap ETF (ticker: DFAS) with an expense ratio of 30 basis points (or 0.30%).
- No action is needed on your part as your financial advisor will continue to monitor the expected time frame of the conversion.

Last, but certainly not least, in late 2020, Dimensional announced a fee reduction across 33 of its equity (stock)

mutual funds that will go into effect February 28th, 2021. A full list of mutual funds and their respective reductions can be found [here](#).

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We are excited about these investment enhancements that our clients will benefit from. If you hold any of these investments in your portfolio, you will receive additional communication regarding the fund conversion. In the meantime, please feel free to reach out to your financial advisor with any questions.

(Contributions to this article were made by Jordan Naffa, LUTCF®, AJ Flores, CFP®, Devin Watts CFP®, & Tina Mistry, CFP®)

Results & Takeaways from 2020 Investor Survey



Thank you to all of our clients who participated in our Investor Survey in September/October 2020.

First, we are excited to share that your participation generated a donation of **\$400 to the Central Valley Community Food Bank**. Portfolio Advisors, Inc. is proud to make this donation on behalf of our clients!

Second, our survey results conveyed that our clients obtain a high sense of security and peace of mind in working with us and that they primarily value that we work with clients like them. We have a clear sense that this is why people choose to work with us and we aim to gear future communication keeping this in mind, along with continuing to build our expertise to better serve clients like you.

Third, *trust* was a common theme in survey responses. Our clients demonstrate their trust through their long-term relationships with our firm and demonstrate their confidence in us in referring friends and loved ones. For those of you who have referred a family member or friend, we want to express our sincere gratitude, as most of our new client relationships are a result of referrals from existing clients. The trust and confidence that you exhibit by referring clients is not lost on us, and we promise to work very hard to make sure that you never regret your decision to do so.

An additional key takeaway from the survey responses included our clients' desire to learn more about ESG (Environmental, Social, & Governance) or sustainable investing. Stay tuned for future newsletters that share more on this topic.

With that said, you have given us valuable information of how we can serve our clients better as well as reinforced the things we are doing right. Your feedback is greatly appreciated and we will use this knowledge to continue to grow as a firm and continue to put our clients first.

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Give us a call and learn more today!
