



Client Conversations – Winter 2023

Q: What are digital assets, and what role do they play in estate planning?

A digital asset is any item or information that is stored electronically. Most commonly, this means your logins, passwords, PINs, and anything contained within an online account. What happens to these accounts when you die? The answer depends on the type of account and whether you have included its assets as part of your estate plan.

To add digital assets to your estate plan, start by making a list of all accounts. If you are already using a password management application, such as 1Password, LastPass, NordPass, or Keeper, a master list will be included as part of the service. Internet browsers can also show a list of saved logins and passwords. Check under settings and search for passwords.

Next, determine which accounts are valuable to you. Even if the asset has no financial value, its emotional significance might mean it's worth saving. For instance, you may save your photo storage accounts and movie or music collections. In general, don't bother creating plans for online shopping accounts, since these are likely to be deactivated on their own after a certain period of inactivity.

Most social media and email accounts have end-of-life provisions that can automatically transfer the account to a designated person after a specific number of days without access. But you must make sure you set these up.

For cryptocurrency, there are various digital asset inheritance services, such as Inheriti by Safe Haven and Covenant by Casa, that will guide your beneficiary through the transfer process.

Financial institutions do not recommend letting anyone else access your account using your credentials, whether you are dead or alive. Usually, your spouse or executor will simply need to contact the company and let them know you are deceased to begin the closure process. All financial accounts, including credit and debit cards, should be shut down soon after death to prevent fraud.

One digital asset worth preserving: Your frequent flyer accounts. Most airlines will transfer miles to a spouse or child.

As part of your estate planning, you will want to designate a specific person and provide them with authority to manage your digital assets. However, this does not mean you should include your passcodes or other access information in your will. When you die, your will becomes a public document, which means anyone can read it.

One solution is to reference an outside document in your will that contains all the necessary information to settle your digital estate. This way, you can continue to revise and update the outside document without having to either change your will or put your digital assets at risk.

By including digital assets as part of your estate plan, you make things easier for your loved ones, who would otherwise be responsible for tracking down and managing these accounts.

Yes, it means getting organized now, but doing so will protect you both in the short term and long after you are gone.

Q: Last year was challenging for my fixed income investments, but I hear 2023 might be a good time to buy bonds, specifically municipal bonds. Is that true?

From an investment perspective, 2022 was a wild ride. Just as quickly as interest rates rose, bond prices fell. You probably saw the headlines that said fixed income isn't working anymore. Now, the same media outlets are saying it's a good time to invest in bonds. At first, those comments may seem at odds, but the truth is that they're intertwined because 2022 market conditions created an attractive environment for future returns on bonds.

As with most areas of investing, deciding if tax-exempt municipal bonds are a good fit for your portfolio will depend on your unique circumstances. However, for those who are considering buying bonds, it may be helpful to understand what makes an attractive municipal bond environment. In 2023, tax-exempt bonds, such as municipal bonds, may offer a compelling opportunity for four reasons:

- 1. Attractive yields.** The yield on any bond is the expected return on investment over its remaining life. Today, both tax-equivalent yields and overall yields on core municipal bonds are near decade highs.
- 2. Improved financial conditions.** Historically, credit defaults on investment-grade municipal bonds are exceptionally low. In the past few years, many municipalities have further

strengthened their financial positions, accumulating cash reserves through federal stimulus programs and robust tax collections.

3. **Increased demand.** With a divided Congress, significant changes to individual tax rates are unlikely. The combination of stable tax rates and improved credit fundamentals is likely to increase investor demand for tax-exempt municipal bonds.
4. **Limited supply.** Typically, the supply of new municipal bonds is driven by entities that are refinancing existing debt. With the recent surge in bond yields, refinancing is significantly more expensive, thereby limiting the overall supply of bonds. Also, with increased cash reserves, municipalities may choose to delay additional capital raises in hopes of lower future rates. While there will always be exceptions to every rule, in this case, most investors are likely to be rewarded for locking in decade- high yields for the foreseeable future, even if the journey remains a little bumpy.

Q: I am the primary financial decision maker in my household. How do I encourage my spouse to be more engaged in our finances?

When it comes to financial matters, having two informed and active partners is almost always better than one. You'll make stronger decisions, and you can ensure that neither of you ends up lost or overwhelmed with financial business when the other partner is disabled, is incapacitated, or dies.

It is common for spouses to have different financial personalities—for instance, different perspectives on spending, philanthropy, or risk. You don't need to be completely aligned to have a unified financial life. What's more important is that both people participate in reaching decisions. Here are a few steps you might consider to get your partner more engaged.

First, let them know why you want their involvement and perspective. Think of your financial life as a road trip. You will only need one driver at a time, but it's helpful when the person in the passenger's seat knows where you are headed and can be excited about it. If your partner can also help you navigate the turns, that's even better.

If you don't have a will, this can be a great first step to take together. Developing a will and an estate plan often involves dozens of decisions that will jump-start conversations about financial goals and desires. For instance, do you both have contact information for your tax, legal, and financial advisors? Does your spouse know the access code for your phone and where the keys to your safe are located?

It's common for the less-engaged spouse to feel embarrassed, frustrated, or overwhelmed at first. Be patient as your partner learns the ropes.

You may also want to consider a similar process with your adult children and parents. By handing over financial knowledge before it is truly necessary, you can minimize emotional decision-making and avoid traditional pitfalls in the generational transfer of wealth.

It may be helpful to create a visual map of your financial life—including assets, accounts, and

advisors—to illustrate how your money moves around and who else is involved in the process. Connecting family members with professional advisors is a critical piece of the puzzle, even if only by email.

And remember: Working as a financial team is like dancing together. For your partner to take a step forward, you'll need to take at least a small step back.

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