Spring 2020

# Financial planner

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***Spring 2020 Newsletter Topics***



***"We can't help everyone, but everyone can help someone" – Ronald Reagan***

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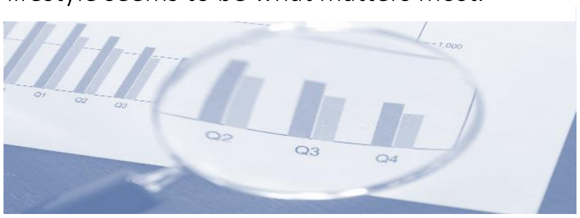
## First Quarter Challenges of 2020

The quarter started strong then markets quickly plummeted as COVID-19 gripped the nation.

Markets peaked on Feb. 19, then dropped -33.8% in 23 days for the fastest bear in history. That was followed by the fastest bull in history with an increase of +24.8% in 13 days. (Vanguard S&P 500 Index total return including dividends.)

While working together to examine your goals, targeting your time horizon and long-term spending plan, fluctuations in the market can help if we stay with a plan. Time honored methods of saving and/or spending with dollar cost averaging almost always comes out ahead.

A good friend used the analogy of thinking of your money like riding an up escalator, while making a yo-yo go up and down. Looking at history, the up escalator has been the experience, but we have been seeing the yo-yo volatility in this economy. Patience truly is the key. At the end of the day, being able to live your life with dignity and comfort, with choice, and be able to dictate the terms of your lifestyle seems to be what matters most.




## When Good Markets Go Bad

*We know markets will cycle – we just don't know when. Having professional advice and an investment plan can keep emotions in check when panic and confusion threaten.*

History tells us the markets will cycle down again eventually; we just don't know exactly when. When that downturn comes, a financial plan (the big picture), an investment strategy (how you get to the big picture) and a trusted financial professional can make the difference between staying the course and bailing out too soon.

Not surprisingly, researchers have found that the human brain wants to be happy and will, in fact, bend our perceptions of reality to that end. Faced with evidence that we have made a mistake in judgment, our brain denies, rationalizes, blames and defends, because admitting mistakes damages our self-esteem and makes us unhappy.

Faced with investment decisions, our brain goes looking for ways to support its quest for happiness. We envelop ourselves with information – from the media, from the stock ticker, from cocktail party conversations – and gain a sense of satisfaction that we have superior knowledge. We don't. We have a glut of information.

That false sense of knowledge may lead us to make an investment based on past *(continued..)*

performance – despite prospectus disclaimers warning us that past performance does not guarantee future gain. We buy what's popular – because our brain tells us that many people can't be wrong. We resist selling investments when performance indicates we should – because we don't want to admit we were wrong. And we invest in stocks simply because we recognize the name or, worse yet, because we work for the company.

If you've fallen victim to these financial foibles in the past, now is the time to evaluate your financial strategy. That starts with a financial professional you can trust to be a sounding board – maybe even the voice of reason – when you start to panic about your portfolio. That trusted financial professional should be helping you develop a financial plan that starts with determining your life goals, not just a target amount for your investments. Be upfront about your assets, your liabilities, your hopes and your fears so your financial professional gets a comprehensive picture of what you hope to accomplish.

To implement your plan, you need an investment strategy that fits your time frame, money needs and risk tolerance. With your financial professional, determine which investment vehicles are most suitable to your profile. That includes understanding what criteria or scenario should prompt you to sell an investment, hold it or buy more.

When the inevitable happens and the markets retreat, don't look to the media, your friends or even the major indexes for your next move. Look to the financial plan and investment strategy you and your financial professional developed and evaluate if those should change in the current climate. Good markets will always eventually go bad. With preparation, planning and professional financial counsel, that doesn't have to be true of your portfolio.

# Conquering Your Financial Fears

*A short guide to overcoming your worries.*

An unusually helpful bit of pop psychology holds that we should worry only about things we can control or affect and put aside anxieties we cannot. That advice holds true for worrying about money and investing. Although some fears cannot be controlled by the individual or have little likelihood of happening, addressing a related fear that can be controlled may alleviate some of the anxiety.

### *Fear: Stock Market Crash*

While visions of the 2008 market crash still in our minds, the reality is, your biggest worry should be following your instinct instead of your logic. People often abandon the buy-low, sell-high principle when they need it most. Good markets make many investors feel invincible so they don't sell or rebalance. When markets decrease and prices are low, investors get scared that they will lose out on potential gains. They jump ship figuring a small return is better than none but ignoring the potential upside if the stock price rises again.

Diversification and dollar-cost averaging may help address some risks of market volatility and keep your investment plan on an even keel. Diversification is a strategy designed to reduce exposure to risk by spreading your investment dollars over a variety of asset classes. By making sure your portfolio is invested for the long haul across a variety of markets, countries and investment vehicles, you may reduce your risk exposure. Although diversification is designed to reduce risk, it does not guarantee greater returns nor protect against loss in a declining market.

Dollar-cost averaging simply means putting the same amount of money to work at regular intervals. For example, an individual might choose to invest $250 or more on the first of every month. Regardless of whether the investment is doing well or poorly, the person continues to invest $250 at the same time each month. The idea is to invest consistently and take advantage of market fluctuations. In effect, this method allows people to purchase some shares when the prices are low and some when share *(continued..)*

prices are high and some when the price is in the middle. This technique can reduce the risk that a person will repeatedly purchase shares when the price is high by attempting to time the market. Purchasing shares only when the price begins to show growth may mean missing out on lower prices.

When choosing an investment strategy, it is important to remain focused on your goals and objectives. Dollar-cost averaging requires an individual to adhere to a disciplined approach of investing on a regular basis, even in a declining market. One also needs to consider their ability to continue to dollar-cost average through changing market cycles. Of course, this strategy does not ensure a profit or protect from a loss.

*Fear: Identity Theft*

Americans greatly fear identity theft and for good reason. It can wreak havoc on your personal finances. Mistakes on your credit report, however, are far more likely and can severely damage credit ratings.

One in five consumers identified an error in a credit report issued by a major agency according to a recent study by The Federal Trade Commission. The study found that as many as 40 million people have a mistake listed on their credit report, and 20 million have significant mistakes. Mistakes can range from minor to inaccurate or false delinquencies that can ruin your credit. Be cautious about giving out your Social Security number and check your credit report once a year for inaccuracies.

*Fear: A Failing Economy*

High energy prices, terrorism and natural disasters are all enough to make Chicken Little look rational. With our penchant to view the future as a continuation of the past, it's no surprise that many Americans fear another 1930s-style depression or worse.

By investing in a wide variety of investment vehicles, you can help increase the chances that if one major world economy starts to sputter, you're gaining another one that is booming. For those in retirement, where income distribution is so important, having a strategy that generates an income in good times and bad is critical.

Many of us fear the worst on a consistent basis, and we all face risks every day. The real task is rooting out which financial fears can be controlled and then working with your financial professional to reduce your risk.

## Protecting an Aging Parent From Fraud

As a youngster, your parent repeatedly warned you not to trust strangers. When your parent grows older, it's time to return the favor. Seniors are frequent targets for financial scams. Many have considerable assets and excellent credit. Growing up, they were taught to be polite and trusting. Extra time on their hands accompanied by loneliness can cause them to listen to pitches, read direct mail pieces and check out unsolicited emails. Thanks to impaired hearing, seniors may believe a stranger on the phone posing as a grandchild needing help with an unexpected expense. They are also less likely to report a crime.

Some of the most common cons involve: fake cemetery plots or funeral arrangements, counterfeit medications, worthless anti-aging products, phony charity appeals, home repair fraud, lottery scams, investment schemes and a thief posing as a Medicare representative to obtain personal information.

Years ago, your parent did their best to keep you safe. Now, there are things you can do to protect them. Visit your parent regularly. Get involved with their finances and review statements. Use a credit monitoring service and *(continued..)*

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get annual credit reports. Add them to the "Do Not Call" registry and ask them to be extremely skeptical of telemarketers who still call.

Urge your parent not to give strangers any personal information or to make quick decisions, especially when pressured. Ask them to share requests and solicitations so you can look into them. If they express enthusiasm about a risky investment, ask if they think you should participate; this may cause them to view it more objectively.

After your parent receives a questionable call or letter, discuss the potential red flags.

Know who they see and talk to. Carefully screen home caregivers. And to be extra safe, lock your parent's driver's license, valuables and credit cards in a safe. This also provides a safeguard from persons hired to make necessary home repairs. Ask questions if they become withdrawn. If they've been victimized, encourage them to alert authorities to protect others.

Approaching an aging parent about their ability to keep making wise financial decisions can be difficult for adult children. A financial services professional can create opportunities to educate your parent about potential dangers and encourage them to take steps to prevent future problems.


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