We send our thoughts and best wishes as we are all coping with the coronavirus situation. We thought you might be interested in some information that lends some perspective on a personal level, along with some thoughts on the market and opportunities it presents. Hope you find this newsletter update useful!

Perspective

Many helpful things have crossed our desks, but the following TED talks were noteworthy as a source of information and a reminder to take care of ourselves, emotionally as well as physically.

The first is a question-and-answer session by a public health expert, providing some useful information and **answers** about the coronavirus pandemic.

The second offers simple ways to stay healthy through the stress we all face right now – both physically and emotionally. It's the first of the **talks** listed here.

Hope you find these talks useful and informative!

Market Comments, March 2020

In light of recent events, we wanted to also share some thoughts about the current market.

"This time is different"

These are unique times in many ways, and in other ways not. In our lifetimes, there has never been something quite like the coronavirus pandemic, nor the global interruption of economic life it's created. Nor has the stock market gone from a new all-time high into a bear market in just 16 trading days. In that narrow sense, "this time is different".

We would not be human if we didn't feel fear in a situation such as this. But *feeling* fear and *acting* on it are two different things. To not act on fears, we'd encourage considering: the 57% drop in S&P 500 stocks in 2008-09; the terrorist attacks of Sept 11, 2001 when for several days, the stock market itself was closed; or the greatest one-day percentage drop in stock market history on Oct 18, 1987.

And there are plenty of other examples. Stocks don't go down over 30% on a whim; it takes a genuinely serious economic and/or financial crisis to frighten so many people into selling. In our lifetimes, this is an unprecedented global medical and economic crisis. At the same time, it pays to keep in mind that **each such unprecedented crisis felt extremely frightening as we were going through it.**

"This too will pass"

Each crisis has eventually been resolved, economic activity began again, and earnings of the great companies of the world resumed their upward *long-term* trend. As remote as it may sound, this is a golden opportunity. As long-term, goal-focused investors, we can choose to remain disciplined through the short-term *fear,* to avoid the long-term *regret* of selling in a down market and irreparably damaging our retirement portfolios. No one can consistently forecast markets, but we have **prepared** for times precisely like these with several years of withdrawal needs from a portfolio in money market and short-term investment-grade bonds, combined with a diversified equity portfolio and tax planning.

Opportunities

Depending on each individual's situation, we are taking advantage of the down market to add value to our long-term financial plans by carrying out:

- Similar-investment tax-loss harvesting
- Dollar-cost averaging into the market with earnings, dividends, and cash, while stocks are "on sale"
- Reallocating some of our rainy-day bonds into equities to *rebalance* portfolios
- IRA-to-Roth conversions, while the taxes per share are lower

Right now, the dividend yield on the S&P 500 is over double that of the 10-year Treasury yields.* From our experience, this outsized difference is rare and presents significant opportunities for equities vs. bonds.

Focus on *history*, not *headlines*

Historically, the permanent advance of equities has always triumphed over temporary declines and shown that volatility in the markets is normal (an *average* 30% temporary decrease every 5 years since the end of WWII).* Because of this, we have planned for volatility and have an allocation in bonds precisely for times like these. We do not forecast markets, and certainly not market bottoms, but the opportunities during times like these, as discussed above, are valuable for taking advantage of down markets before the rapid recovery in values that usually follows (e.g., the 65% rise in the S&P 500 in 2009 alone, after the bottom on March 9th)*.

Some of these strategies need to be carried out carefully, however, especially the tax strategies because the securities and tax laws are fairly complex. On a personal note, proactive tax savings is our specialty (Lisa worked 9 years with a CPA, and we've both completed many hours of continuing education on savings strategies with the recent tax laws). In crisis, there is opportunity.

We are here for you if you have any questions and have been thinking about how to optimize the current markets for each of your individual situations. We are meeting virtually with clients, for the time being, and will continue with our scheduled meetings as planned. We send our heartfelt best wishes that you and your families stay healthy and safe!

With warm regards,
Jack and Lisa

"Every decade or so, dark clouds will fill the economic skies, and they will briefly rain gold."
-- Buffett, in Berkshire Hathaway's 2016 annual report

* Sources: Yahoo! Finance; https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield