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THE ADVISOR

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Ongoing Crisis Illustrates Exactly Why Protection Should Be Priority Number One

In late March the U.S. surpassed every country in the world in reported cases of the coronavirus.[1] If you think about it, that's not surprising. The social distancing measures health experts recommend for slowing the spread of the virus have been more difficult to enforce here. We're "the land of the free and the home of the brave", and we're not accustomed to having our government tell us what we can and can't do. It's a classic example of how a great strength can also be a weakness under certain circumstances.

Unfortunately, we'll probably be dealing with social distancing for some time. On March 30th the White House announced it was extending its coronavirus guidelines, meaning people are now urged to avoid crowds and stay home as much as possible through the end of April.[2] Naturally, that means the economic shutdown resulting from these guidelines will also continue for at least that much longer.

The toll taken by the shutdown has already been massive. In the final week of March, a record 3 million-plus American workers filed unemployment claims.[3] Meanwhile, Goldman Sachs forecast growth could fall by as much as 24% in the second quarter.[4] With so much uncertainty, it's little wonder the stock market has seen record high volatility since the crisis started. Investors have been bouncing rapidly back and forth between extreme fear and cautious optimism because they just don't know what to expect. No one does.

That's true despite historic response measures taken by the government, which include a $2 trillion congressional relief package — the CARES Act — and emergency actions by the Federal Reserve.[5] The Fed slashed its benchmark interest rate to zero and launched open-ended quantitative easing, among other steps. Will it help? A bit, probably. Ultimately, though, we believe all these efforts have their limits, and that the long-overdue major correction we've been forecasting for years can no longer be artificially held off by the government. Even if Wall Street manages to gain back much of the 20 to 30% it's already lost, we believe several more down-waves are likely in the months ahead, culminating in the 50% or greater correction that market history tells us is overdue.

'Utterly Ridiculous'

While certain measures of the government's relief plan will genuinely help offset the mounting impacts of the economic shutdown, others are impractical, ill-conceived, or clearly designed just to try and keep stock investors hopeful. Take the Fed's plan for example. Lowering short-term rates to zero was smart and necessary to maintain liquidity in the banking system. As for unchecked quantitative easing, however, that move is utterly ridiculous.

We believe the overuse of QE ever since the Financial Crisis is responsible for much of the economic instability in the world today; using more now isn't going to fix anything — certainly not in

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4 Steps to Boost Financial Confidence

Confidence is one of the most important attributes you can have when dealing with your money. But many people lack that confidence. Below are four simple suggestions that can help you increase your financial confidence, so you'll know you're making smart decisions for yourself, your family, and your future.

1. Get organized. Not too long ago, it didn't take much work to organize your finances. Unless you were very wealthy, money matters were fairly straightforward — you might have had checking and savings accounts, an insurance policy, maybe some stock investments and bonds, and a mortgage. If you were lucky, you had a pension. You could easily store all your financial information in a single accordion file.

Today, things are more complicated. Credit cards, home equity lines of

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Ongoing Crisis

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this situation. Easing is all about flooding the market with cheap money for consumers and businesses to spend because that's how you jump start the economy, according to all the textbooks. However, the textbooks fail to address one important question: what if nobody spends the money? What if they save it or pay down debt because they're too scared to spend? That's the fatal flaw in quantitative easing. We saw it demonstrated through three rounds of QE during the long, slow recovery from the Great Recession, and we'll see it again in this instance.

This same flaw exists in the main component of the CARES Act: mailing one-time $1,200 checks to millions of workers below a certain income level. For workers who have already lost their jobs, that money will probably be used to pay essential bills. But even for those fortunate enough to still be working, how likely are they to spend their check on something that really helps the struggling economy? How much more likely are they to save it or pay down debt because they're afraid things are going to get worse? Again, it's the same flaw at the heart of quantitative easing, and it won't really help the economy. Nor will it fool Wall Street enough to stave off a major correction — not this time!

Why Protection is Priority Number One

With all this said, it's important to keep in mind that this crisis offers a perfect illustration of why it's so important for investors in or nearing retirement to reduce their stock market risk by switching their strategic focus from growth to income. If you are investing for income, odds are your portfolio has seen less negative impact so far than if you were still invested in stock-based strategies. Yes, the bond market has been rocked by this crisis too, with yields at historic lows, but remember three things. First, any insured items in your portfolio (such as CDs, annuities and government bonds) have not been adversely affected by market volatility. Second, non-insured items such as corporate bonds and bond-like instruments may be down in value on your statement, but the dollar amount of your income hasn't changed. Finally, the loss is only a paper loss because these instruments have a par value that guarantees your investment will be paid back in full whenever the bond gets called or paid off, provided there is no default.

While the current economic crisis may increase the risk of default for some companies, we don't see it as a significant risk in our portfolios. What's more, actively managed income strategies like ours make it possible for account managers to continually minimize that risk while also taking advantage of new opportunities — and such opportunities are, in fact, emerging as a direct result of the coronavirus crisis, even amid all the challenges.

Keep all this in mind each time you get your statement in the months ahead. Even if values on your bond and bond-like instruments drop further in April than they did in March, your interest and dividend payment (your income) and your par value on most holdings haven't changed. At the same time, if you do have questions or concerns about anything in your portfolio, reach out to us so we can schedule a meeting — by phone, of course. Most importantly, do all you can to stay safe and healthy as we all work through this crisis together!

[1] "US Now Leads the World in Confirmed Coronavirus Cases," MSN.com, March 27, 2020

[2] "White House Extends Social Distancing Guidelines to the End of April," Wall Street Journal, March 30, 2020

[3] "Millions More Jobless Claims to Show Reeling US Economy," Bloomberg, March 30, 2020

[4] "Goldman Sees Unprecedented Stop in Economic Activity," CNBC, March 20, 2020

[5] "Fed Announces Vast New Emergency Effort to Boost the Economy, Politico, March 23, 2020

Cut Financial Clutter

Below are six tips to help you cut financial clutter.

1. Prepare an inventory. First, make a list of all your financial accounts. Then gather all your financial paperwork in one place and organize it into three piles: One to keep hard copies of, one to keep digital copies of, and another to get rid of completely.

2. Shred, shred, shred. Much of the paperwork you've been hanging on to for years can be thrown away. Tax returns can usually be disposed of after three years, though in some cases (like if you're self-employed) you'll want to keep them for a longer period. Credit card statements can typically be shredded once you've confirmed there are no erroneous charges; most receipts can be pitched right away, unless they're for a large purchase or an item you plan to deduct from your taxes. Loan documents can be shredded once you've paid off the debt.

3. Get a scanner. Invest in an affordable scanner and make digital copies of records you want to retain but don't need originals of, like health records, old tax returns, and Social Security statements.

4. When possible, consolidate accounts. Having numerous financial accounts is a major source of clutter. Do you really need multiple savings accounts at different institutions? Do you have several different 401(k)s from old employers? Do you own half a dozen credit cards but only use one or two? When possible, streamline and consolidate. Not only will this make things easier to manage, but you'll reduce the risk of forgetting accounts and eliminate extra fees.

5. Automate your finances. Reduce the amount of clutter coming in by signing up for online bank account and investment statements. However, because some banks may only allow you to access the past several months of statements, you may want to download the records and save them elsewhere. When possible, automate bill payment and paycheck deposits.

6. Get an online vault and home safe. Personal computers can be compromised or stolen, so you may want to add an extra layer of protection by storing your financial information in a secure online vault. A fireproof home safe is a good place to store items you need to maintain original copies of. Marriage and death certificates, deeds to your home, car titles, Social Security cards, and copies of your will are all items commonly stored in home safes.

4 Steps

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credit, student loans, 401(k)s and IRAs, 529 plans for college expenses — the list of information to keep track of seems endless. It's easy for things to get lost or overlooked. This can lead to mistakes that weaken your financial confidence. Getting organized will restore a feeling of control.

There are numerous strategies for getting organized. The best approach depends on your specific situation and personality. Some people stick with that old-fashioned accordion file. Others go completely digital, taking advantage of apps and online document storage. Whatever solution you choose, you need to know all the details of your finances — how much you bring in, how much you owe, how much you're worth, and how much you're saving.

2. Get educated. When you start a new job, you may feel nervous and on edge. There's a lot to learn, and you may not be confident that you'll succeed in your new position. But if you commit yourself to learning new skills and the ins-and-outs of how your new organization functions, your confidence will gradually increase. The same holds true for your finances. Simply taking the time to learn more about finances and managing your money can do wonders for how you feel about your life.

Basic financial literary isn't really covered in most school curricula, so many otherwise savvy adults are clueless in this area. Fortunately, increasing your financial literacy is not hard; it just requires a little bit of effort. Many community colleges, churches, and nonprofit groups offer classes, or you can sign up for a class online. If you don't want to go back to school, consider watching videos or reading articles that review financial concepts.

3. Get a financial plan. Making financial decisions on a day-to-day basis with no larger purpose or focus in mind may work for some people, but it's not likely to help you become financially confident. If you don't have any idea what might (or what you want to) happen, you're not likely to be very confident about your future. To achieve true financial confidence, you need a plan. Setting goals and making meaningful progress toward those goals will do wonders for your financial self-esteem. Having a financial plan will also help you prepare to cope with an uncertain world. You'll be better prepared for the unexpected. In fact, people who engage in financial planning are more likely to report they live comfortably and are on track to meet their financial goals.

Why is a financial plan so important? It brings together all the threads of your financial life. Having a solid plan in place that covers everything from preparing for emergencies to planning for retirement is key to boosting your financial confidence.

4. Get help. Getting reliable advice from an outside expert can do wonders for your financial confidence. Just like a doctor supports and guides you in making decisions about your health, and a personal trainer is there to encourage and motivate you to get fit, a financial advisor is there to make sure you're sticking to your financial plan. Even if you're organized and financially savvy, there are many decisions that are difficult to make on your own, from deciding how much to save for retirement to choosing investments for your portfolio. If you're unsure about what to do next, please call.

Financial Tips for the Sandwich Generation

If you are caring for young children and aging parents, you are part of the sandwich generation. Developing a financial plan for your parents, your children, and yourself will help you navigate the challenges you face.

A Retirement Income Plan for Your Parents — It's time to have a serious money talk with your parents. In addition to understanding their wishes for medical treatment and long-term care, you should also understand if they have adequate retirement income. Helping your parents develop a retirement income plan will help ensure they can cover their expenses in retirement.

Research Long-Term Care Options — You should research ways to pay for long-term care if your parents need it. If your parents are in good health and still relatively young, they may want to consider purchasing a policy before it becomes cost-prohibitive.

Prepare an Estate Plan — If your parents do not have an estate plan, it's time to create one so that their wishes are met. Help them through this process, or find someone who can, including establishing a will, trust, advanced healthcare directives, and medical and durable powers of attorney.

Inventory Assets — Help get your parents' financial assets in order by locating all important documents, including financial accounts, retirement accounts, wills, trusts, medical directives, powers of attorney, and digital assets.

Develop a College Savings Plan — As you switch the financial focus from your parents to your children, start by planning for their largest expense: their college educations. In addition to college savings, you should help your children plan for their life after high school. Engage your children in this process by having them research scholarships, grants, and work-study programs to assist with college expenses.

Your Turn — Because you are sandwiched between your parents and children and taking care of their needs, you may not have developed your own financial plan. It is important that you take the time to put yourself first and get your own financial house in order. Creating a financial plan with long- and short-term goals will give you peace of mind that your own financial life is on track. Once it is created, it will give you more time for the other competing priorities in your life. Please call if you'd like to discuss this in more detail.

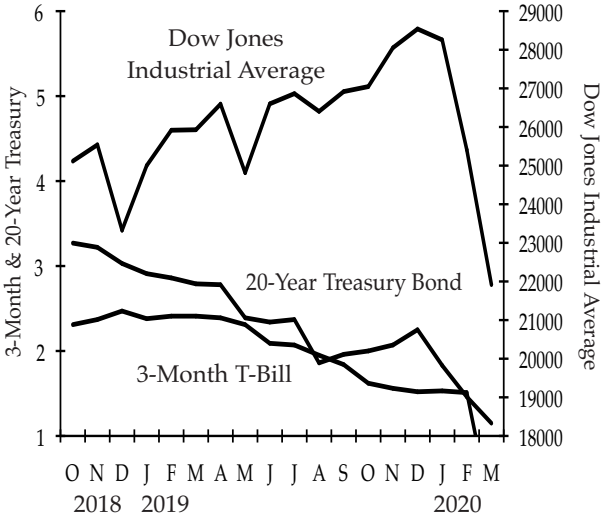
Business Data

Indicator	Month-end Jan-20	Feb-20	Mar-20	Dec-19	Mar-19
Prime rate	4.75	4.75	3.25	4.75	5.50
3-month T-bill yield	1.53	1.51	0.09	1.52	2.41
10-year T-note yield	1.51	1.13	0.70	1.92	2.55
20-year T-bond yield	1.83	1.46	1.15	2.25	2.79
Dow Jones Corp.	2.59	2.52	3.81	2.84	3.74
GDP (adj. annual rate)#	+2.00	+2.10	+2.10	+2.10	+1.10

Indicator	Month-end Jan-20	Feb-20	Mar-20	% Change YTD	12 Mon
Dow Jones Industrials	28256.03	25409.36	21917.16	-23.2%	-15.5%
Standard & Poor's 500	3225.52	2954.22	2584.59	-20.0%	-8.8%
Nasdaq Composite	9150.94	8567.37	7700.10	-14.2%	-0.4%
Gold	1584.20	1609.85	1608.95	5.6%	24.2%
Unemployment rate@	3.50	3.60	3.50	0.0%	-7.9%
Consumer price index@	256.97	257.97	258.68	0.6%	2.3%

— 2nd, 3rd, 4th quarter @ — Dec, Jan, Feb Sources: *Barron's, Wall Street Journal*
Past performance is not a guarantee of future results.

18-Month Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield
October 2018 to March 2020



What to Do If Your Budget Isn't Working

If you find that you're not living within your budget every month, it's time to take a step back to understand why. The following questions can help you find the issues that may be wreaking havoc on your budget and figure out how to fix them.

Is Your Budget Realistic? If your budget is not realistic, then you are immediately setting yourself up for failure. If you are underestimating your expenses based on your current lifestyle, then you are repeatedly going to fail. Develop a realistic budget, including your fixed monthly costs as well as your discretionary spending to get a true understanding of your monthly spending.

Did You Slash the Fun? If you cut out all the fun, you may be feeling deprived, which can lead to overspending. It's important to have a little fun each month, so set a dollar amount for entertainment.

Is Self-Control an Issue? For many people, self-control is the main reason their budget isn't working. It's all right to splurge once in a while, but if it's happening often, you need to find ways to live within your means. One strategy is to write down the financial goals you are trying to achieve and keep them next to your cash, debit, or credit cards. As you go to make purchases, look at your goals to decide if this purchase is worth it.

Is Budgeting Too Much Work? If you feel you don't have the time to track your expenses and evaluate your spending, your budget is not going to be helpful. There are many good budget apps you can use that will make this process simple and less time-consuming.

Do Your Financial Goals Seems Unattainable? If you feel like you're never going to meet your goals, you may find that you give up trying. While your goals may seem daunting, try setting up milestones along the way, so you can see the progress you are making. Take the time to celebrate those milestones to help you stick to your budget. FR2019-1230-0016

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