Subject: *More on the market drop*

Dear Client:

As our letter to you the other day warned, the stock market has continued to fall over concerns regarding COVID-19. We wanted to let you know that although the stock market has fallen further, our economic outlook has not changed.

To be sure, this is not because we are being Pollyanna about the virus. Rather, it's because we've witnessed many such shocks to the global system over the past three decades. And anyone who studies history can see these events follow a consistent pattern. Although the depth, length and severity vary, in the end, events of this type eventually run their course economically.

We've also found that, during such periods, investors tend to fall into one of three categories:

1) Some sell in a panic, with no strategic thinking behind their actions;
2) Some engage in market timing, selling when they think prices will fall further and buying when they think prices will rise; and
3) The rest recognize the importance of comparing recent events to their long-term goals — for the purpose of deciding if a change in their strategy is warranted.

Let's look at all three, to help you decide the approach that's best for you.

I think we'd all agree that selling in a panic can rarely if ever be justified. So if the relentless news stories are beginning to cause you discomfort, call your advisor so they can talk with you about how you're feeling and help you decide what action, if any, is best for you.

Those in the second group — market-timing wannabes — are perhaps in the most dangerous situation. While it might appear easy to predict that stock prices will continue to fall (so, let's sell now!), it's virtually impossible to successfully execute this approach. There are two reasons for this: First, you not only have to know when to get out, you also must know when to get back in. In other words, you must be right twice, not just once. We know of no one — whether professional money managers or amateur investors — who has ever demonstrated a consistent ability to make the right buy and sell decisions at the right time. The reason this matters is simple arithmetic: being wrong just once wipes out all previous correct decisions.

The second reason not to engage in market timing is that it misconstrues the word "market." Although media focus has been on the stock market, you know there are actually 16 or 18 major markets. In addition to stocks, there's the bond market, real estate market, oil market, foreign markets and many more. Some asset classes have actually appreciated this week, notably U.S. Treasuries. So, when we talk about "getting out of the market," which market, exactly, should we get out of?

You understand that markets perform differently at any given time. To time the market, you have to know which market to sell and when to sell it, plus you must know which market to buy and when to buy it. It's an extraordinarily difficult set of decisions to make correctly. You resist the temptation to engage in market timing.

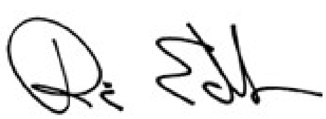
This takes us to the last group, which is where you likely find yourself. Should you alter your long-term strategy due to COVID-19? The answer is: it depends. For the vast majority of our clients — likely including you — there is absolutely no reason the stock market's recent (and possibly, further) declines should cause you to alter your portfolio. Let's remember  the S&P 500 has gained more than 300 percent in the past 11 years. A market decline of 20 percent typically occurs every three and a half years, but we haven't experienced such a decline since 2008. That's not to say we haven't been close to that sort of drop over the past few years; in both 2018 and 2011 the S&P fell just over 19 percent before recovering. So, we've survived these events before. Some would argue that the market is overdue for something like this. Others would add that this particular decline has a specific cause — the virus — and as soon as it's brought under control, the markets will return to normal. We agree with all these views. So, all you have to do is stay the course and let our rebalancing strategy help protect your gains, reduce volatility and take as much advantage of today's market activity as we can.

Although these facts may well alleviate your concerns, we recognize that you might still have some worries. This might be particularly true if your circumstances have changed. For instance, changes to your job, income and health, perhaps due to the virus, might warrant a reevaluation of your long-term strategy. So, give your situation some thought, and decide if you ought to have a conversation with your advisor.

If a change in your long-term strategy is needed, we have several options available to offer you. But if your situation hasn't changed, there's no need to make changes at this time. Instead, we'll continue to provide you with updates.

You can contact your advisor anytime. No one knows what will happen next with COVID-19, but you do know for sure that, no matter what, we are here for you.

Regards!



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