EDELMAN map managed asset program

Subject: Our latest views about the stock market

April 15, 2020

Dear Client:

I hope this letter finds you and yours safe and healthy. We all continue to pray for the speedy end to this crisis.

You might have noticed that, in all my letters to you recently, we haven't said anything about what's happening in the stock market.

There are two reasons for this. First, the stock market is continuing to experience massive volatility. Second, while we're confident about what will happen to stocks in the long term (years and decades), no one knows what will happen in the short term (days, weeks, months).

Still, some clients have recently asked for our latest views about the stock market. So, here's our latest view. You'll see that it's the same as our prior view:

First, the long term. Everything we've previously said remains intact. In prior economic crises, the cause and (more importantly) outcome were uncertain. Not so this time; we all know the cause: COVID-19. And, therefore, we all know the outcome: In a year or so, medical experts say, vaccines will be developed and distributed, and the virus' threat will be over. That will allow the economy to begin recovery, which will take years. (Consider 2008: The unemployment rate doubled in 18 months, and it took 10 years to return to 2007 levels.)

The good news is that the stock market might not take nearly as long to return to pre-COVID levels. That's because stock prices don't have to wait for the economy to recover; prices can recover far in advance. Want evidence? Just look at last week: The S&P 500 jumped 12.5 percent — the largest weekly gain since 1974! And it did this while the economy was getting *worse,* not better! How could that be? Simple. Investors buy and sell based on what they think is *going to happen*, not what *is happening*.

And that takes us to our second topic, the short term. Who would have guessed that the S&P 500 was about to jump more in a week than it typically gains in a year? This reflects the unpredictability of stock market movements in the short term. It's a game many people play, but we've never met — or even heard of — anyone able to demonstrate an ability to win on a sustained basis.

And that's the flaw with market timing (the name for trying to guess what stock prices will do next). You have to be right every time — because a single wrong call can wipe out the profits of every prior correct move. It's easier to be right once: just focus on the long term. So, invest and stay invested. Gosh, that's easy!

Or is it? The news media — relentlessly emphasizing yesterday, today and tomorrow — make it difficult for you to focus on the long term. And that's why the best advice we can give you is to simply *stop watching the news.*

Whether you follow that advice or not (and I have yet to encounter anyone who manages to do that — me included!), here's advice you really can follow:

1. Stay invested in your properly diversified portfolio.

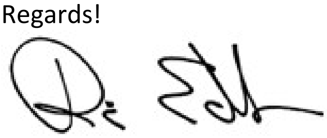
2. Add to your portfolio if you can — buying while prices are lower is always a good idea. And if you're concerned that prices might go lower yet, add to your portfolio on a monthly basis instead of in a single lump sum. Known as dollar cost averaging (DCA), this approach will provide you with the average cost of shares over the period of your new deposits, which will be lower than the average price of those shares. (You can read more about DCA in Chapter 30 of my book, *The Truth About Money.* We've posted that chapter on our website.)
    a. A great way to use DCA, if you're still working and not retired or laid off as a result of the crisis, is to increase your contributions to your workplace retirement plan. Adding money to your account with every paycheck is DCA at its best.

3. Stop withdrawals from your portfolio. If you're not working and are receiving income from your portfolio, consider temporarily reducing or stopping those withdrawals so you don't sell shares while prices are lower than they were. Rely instead on your cash reserves, which exist for situations like this.

4. Focus on what we can control. Since we can't control the stock market, consider these strategies instead:
    a. Update your estate plan. Get (or review) your power of attorney, advance medical directive, beneficiary designations, will and trusts.
    b. Refinance or reset your mortgage. You might be able to save hundreds of dollars a month for the next 30 years, thanks to historically low interest rates.
    c. Consider increasing your life insurance. We must acknowledge the impact of COVID-19; make sure your family is financially protected if the unthinkable happens. Contact your advisor; we can help you confirm if your current amount of coverage is sufficient.
    d. Consider canceling or reducing your auto insurance. Chances are, you're not driving as much as you were before the pandemic. And if you have two cars, you likely only need one right now. Reducing your coverage, or canceling coverage on the car you're not using, can save you hundreds of dollars. Note: Some states require that you maintain liability coverage on every car. Even so, you may be able to save money by reducing or canceling collision coverage. Be sure not to drive a vehicle that's un/underinsured and reinstate full coverage once sheltering-in-place orders are lifted!
    e. Consider whether your high school senior should attend college next fall. Given that many colleges and universities are planning for remote learning for the upcoming semester — and that you'll have to pay full tuition rates despite being barred from campus — it might be a wise move to delay going to college until 2021.

We will continue to keep you posted throughout this crisis. In the meantime, please contact your advisor anytime. We're here for you!

Regards!



Ric Edelman
Founder

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Dollar Cost Averaging does not assure a profit or protect against a loss in a declining market. For the strategy to be effective, you must continue to purchase shares in both up and down markets. As such, an investor needs to consider his/her financial ability to continuously invest through periods of low price levels.