Subject: What you can do in this time of uncertainty

May 14, 2020

Dear Client:

Good news: States are easing or ending their stay-at-home restrictions. Businesses are reopening. This will allow the economy to begin its recovery.

Bad news: States are easing or ending their stay-at-home restrictions. Businesses are reopening. This will result in a massive increase in infection rates, which will force states to reimpose business restrictions — ultimately delaying economy recovery.

Which is it?

a) It's good news
b) It's bad news
c) It's both
d) It's neither
e) It'll be something else altogether
f) All of the above

In our view, the answer is: To be determined. They say there are those who know what's coming next, those who don't know, and those who know they don't know. Count us in that last group. We frankly distrust anyone who claims to know what's next, despite their good intentions. This situation is too new and too different for anyone to know for sure what's next.

This is why we've seen radically different projections of infection and mortality rates. Reports regarding the symptoms and severity of the illness are themselves changing daily. But the human toll is clear, especially from a financial perspective. The urgency to resume business is at odds with efforts to keep people healthy and policymakers aren't in agreement regarding what to do next.

The word for the day, therefore, is uncertainty.

Indeed, uncertainty is at an extreme level — and this is reflected by high levels of volatility in the stock market. We saw the Dow Jones Industrial Average fall 37 percent in five weeks, in February and March. Then it rose 11 percent in April. This week, the Dow has fallen around 3 percent. Volatility exists when investors can't figure out what the long-term trend is; they therefore react to the most recent news (and often, mere rumors).

So, what should you do? Here's our advice:

First, brace yourself for a continued, sustained level of market volatility, possibly lasting for months. Don't let that scare you: Ten years from now (to pick an arbitrary date in the future; set whatever future date you like), this crisis will be a memory — just as past crises are today. For long-term investors, therefore, the volatility we've experienced thus far, and which we expect to continue, won't really matter.

What matters, then, is your behavior during this period:

- If, prior to this crisis, you weren't planning to make withdrawals from your portfolio, and if your circumstances haven't changed (meaning you still don't need — and don't anticipate needing — to make withdrawals within the next couple of years), you don't need to make any changes to your portfolio.
    - If the above describes you, and you have the means, consider adding to your portfolio slowly over time, via Dollar Cost Averaging. Compared to investing in a lump sum today, DCA helps you reduce the risk that you might buy only when prices are higher.
- If you are making withdrawals, or anticipate needing to do so within the next two years, please talk with your advisor, to discuss ways we can help you preserve your portfolio while identifying ways for you to meet your spending needs during the crisis.

We hope and pray that you and yours remain healthy and safe throughout this crisis. We continue to monitor events on an ongoing basis for you, and we'll continue to keep you apprised, giving you the advice you need as best as we possibly can.

As always, please contact your advisor anytime if you have any questions or concerns.

Best,

Ric Edelman
Founder

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.