



## 2020 Year End Commentary

*June 8, 2021*

I don't want to waste time or pander by recapping the events of 2020. We all know what happened over the past year and we're all probably hoping for a better 2021. Fortunately, with several COVID-19 vaccines rolling out across the country, there is hope that our interminable quarantine may one day come to an end.

Despite the pain and grief we've had to endure in other aspects of our lives, the final score on our investments ended up being a positive for the year. If you were somehow able to not look at your investment portfolio between January 1 and December 31, you could be forgiven for assuming it was a nice, unremarkable year in the stock market. Obviously, that was not at all the case. Let's consider what we saw this year from investments:

The price of the S&P 500 fell 33.92% in just 23 trading days across February and March. It was the first bear market since the Great Financial Crisis... Also, the market closed the year up double-digits.

We will assuredly look back on 2020 as one of the most insane years in the history of the stock market. Below is a graph of the unemployment rate across time. How on earth do financial markets across the board post all-time highs while unemployment spikes from 3 to 15% almost overnight.



*US Bureau of Labor Statistics, as of 12/31/2020.*

Why would markets soar during still-sour economies? We could describe any number of rational reasons near-term market pricing mechanisms are continuing to operate exactly as expected ... which is to say, according to anyone's next lucky guess.

Last year served as a better illustration than ever of the futility of market forecasting. If you're looking for a laugh, take a look at some of the 2020 market predictions from your favorite Wall Street Journal or CNBC personalities. Exactly zero forecasters predicted anything resembling what we actually experienced in 2020. Now, you might say, that it's unfair to criticize a failure to know a global pandemic was coming. But, here's the thing about markets and society at large; the things that move the needle – the stuff that truly matters – can't be predicted.

The only thing we can predict is that what happens on a given day, or month, or year may be unpleasant, challenging, upsetting, and likely not in your control. But, as teased in the Morgan Housel quote above, the approach of the reasonable optimist lets us look past the bad today and instead take a wider lens view which suggests that the likely angle of the future will trend toward progress and growth.

## **Preparing for 2021**

As we enter a (hopefully) better 2021, let's look at some things we can do to prepare ourselves for the year to come:

### **1. Revisit your risk management strategies**

– Through loss and grief, I think 2020 served as an alarming reminder of our fragility. Life is full of surprises which is why it is imperative to both build wealth and protect it. These are not things that we take any joy in thinking about, but it's essential to take a moment to review whether your various insurance coverages are well-aligned with your lifestyle. Do health or career risks necessitate bolstered disability or long-term care coverage? Is your existing life insurance coverage sufficient to protect your family if you're not there to provide for them? Perhaps you're driving your car less and a *decrease* in auto liability could be on the table.

### **2. Reassess your tax planning**

– While speculating over where tax rates may be in the future is usually a fool's errand, it does seem more likely that tax rates may rise in the future rather than fall. At the very least, the reduction to individual income tax rates granted by the Tax Cuts & Jobs Act is still set to expire after 2025, reverting to their previous, higher levels.

It is worth considering whether deliberately incurring some potentially lower-rate gains or income could make sense to provide more optionality for the future.

### 3. Evaluate new opportunities

– Many of our clients were in a fortunate position to either have secure employment through this crisis or to already be retired. As such, we've observed situations where spending has decreased, and savings rates increased over the past year. In some cases, this could broaden the possibilities available with your financial goals.

Let's take a look at what changes might be temporary and what could be permanent so that we can explore what else could be achieved in a financial plan. Perhaps this will simply afford some of us the chance to live a little more after spending a year not living to our full potential.

### 4. Take inventory of the purpose and risks present in your investment

#### portfolio

– It can be tempting to abandon an investment strategy when markets are falling or chase winners when it seems like everyone else is getting rich. Trust instead in the durability of your carefully planned investment portfolio. At the end of the day we're here to:

- Remind you that your globally diversified portfolio is built to take just the right amount of risk to provide for the highest probability of accomplishing your personal financial goals.
- Guide you in rebalancing your portfolio when gains or losses leave you over/underexposed to the threats and opportunities of financial markets.
- Help you interpret legislation and regulation so that you can manage your next financial moves accordingly
- Remain by your side as we navigate the challenges and opportunities that the future has in store for you.

These aren't loud acts that you'll see on the news, but they're the stuff financial dreams are made of. What more can we say about how to make best use of your time and money, this and every year? As always, we're here to help you implement any or all of these best practices. In the meantime, we wish you and yours a happy and healthy 2021.

Are you ready to get your investments or retirement back on track in the new year. Consider talking to a fiduciary financial advisor to help guide your decisions with confidence. Use our handy guide to make sure you ask an advisor the important questions before hiring them.