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Lynn's Top Five

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Given all the economic uncertainty and volatility in markets, I knew it was time to focus this column on how we can keep our plans on track despite our current life experiences. In writing this piece, I was very fortunate to catch up with Adam Phillips, partner and director of Portfolio Strategy for EP Wealth Advisors. You may have seen him on Bloomberg, CNBC, in the Wall Street Journal or other investment news channels and publications. Adam is not only a brilliant portfolio strategist and Chartered Financial Analyst (CFA), but he's also a Certified Financial Planner which makes him uniquely qualified to think not only about portfolio management on a macro level, but also about the impact of today's evolving economic situation and uncertainty on the portfolios and lives of real people. I think you'll find his wisdom very useful.

1. Start with your financial plan. It all begins with a plan. A successful journey begins with a roadmap and itinerary leading to a destination. What's your financial destination? To determine if you are on track and if your portfolio is properly allocated to help you reach those goals, you need to dust off and update your financial plan, using current, real numbers to reveal the impact of economic life during this global pandemic. An important aspect of this process must include a thorough review of your portfolio holdings, objectives and allocations. Ask yourself if the assets you own are supporting your goals and vision of your future financial life. Lean on your trusted team of advisors to help you assess where you are and if changes should be considered. As you embark on this process take into account the following thoughts as well.

2. Don't panic - THINK! It's so easy to be swayed by public opinion and the non-stop news and market coverage. However, that may be more entertainment than true guidance and it's never personal to your own situation. During our conversation, Mr. Phillips reminded me that "Periods of market volatility can test the mettle of even the most disciplined investors, but short-sighted decisions can have long-term implications for one's financial plan. In fact, history shows that the best days in investing often follow the worst days, and missing out on the best five days so far in 2020 would have left an investor with a loss of 30% through the first half of the year. Meanwhile, investors who resisted the urge to sell in the throes of the first quarter sell-off were rewarded for their discipline as they saw the S&P 500 recover to within a few percent of where it began the year by the end of June."

3. Unless you are a knowledgeable investor, work with pros who are. While most of us know the difference between a stock and a bond, very few of us also know how to construct and manage a personally appropriate, diversified portfolio that holds the right variety of assets in different asset classes and sectors. For example, let's say one of your goals is to own stocks that pay dividends. As Mr. Phillips notes, "It's important to know what you own and look beyond what's on the surface, such as a stock's price or attractive dividend yield. For instance, just because a stock boasts a high yield doesn't mean that dividend is sustainable." Unless you have the skills, data access and time to take on the task of keeping up with the ever-changing evolution of each of your portfolio holdings, consider the benefits of a trusted investment advisor on your team to manage and guide this part of your investment journey.

4. Tax loss harvest when it makes sense, but it may not always be the right move. As we've explored in past columns, tax loss harvesting in your taxable accounts can be a way of making lemonade out of lemons by selling positions you still like but which have an otherwise unrealized loss. Most investors will buy a similar position as a placeholder as soon as that sale occurs so as not to "miss out" if the markets appreciate during the 30 days they are prohibited from repurchasing that sold asset. While this is often a very helpful income tax management tool, there might also be potential portfolio and performance disruption. Navigate this issue by choosing your replacement holding wisely. Also understand that sometimes selling your "placeholder" investment to return to your previously owned position might generate short-term capital gains. Do the math to be sure it's worth it!

5. Review your holdings and your objectives regularly, not obsessively. We are all missing competitive sports but this is not the time to turn to day trading for some action and adrenaline! Unless you have money you can afford to lose, design a portfolio that helps you score your successes as they relate to your real life goals in the long-run and not just churn for fun or sport as a substitute for short-term entertainment. Limiting your thoughtful portfolio and investment holding reviews to be no more frequently than quarterly can keep you from making emotional versus logical decisions.

Bottom line, while it's very important to be informed and stay informed, don't obsess and don't take action just for action's sake. Periodically research, review, discuss with your trusted advisors and implement thoughtful changes, but only as appropriate. And then disconnect and go for a walk in these beautiful hills and on these amazing trails we are so fortunate to enjoy in our community. Stay safe, everyone!

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