

The first half of 2020 will unquestionably be remembered for many reasons. For some of us, it will be the period we remembered to slow down and enjoy time with our family. For others, it will be recalled as a time of stress and uncertainty. For investment professionals, the past few months will be remembered as a period of unprecedented volatility in the markets.

Every inch of you may want to spring into action to take defensive measures as you are bombarded with constant media reports on just how bad it is. With over 30 years in business, we are here to tell you there are some things you can do and can control. But the stock market is not one of them.

We are disciplined in how we review your portfolio and think about your investments—a market drop doesn't change that. Our staff works together as a strong team to protect your interests and think about what we can and should do.

Planning Ideas

We can't control the stock market, but we can be disciplined in our approach. That's especially important in times like these when emotions can run high. Here are a few planning ideas that come to mind that could be beneficial in certain situations:

Remember that with a balanced portfolio, only a portion of your portfolio is invested in the stock market.

Sometimes we see clients get caught up in the media hysterics and forget that they own bonds as well as stocks. If the market is down 10%, that doesn't mean YOU are.

Use capital losses to net out capital gains

We will be looking at all positions and if it helps you from a tax perspective, we may take some losses on positions. The losses from selling can help net out gains from selling other positions. The net result is a better diversified portfolio.

Opportunistic buying and selling

Although it's hard to remember sometimes, market chaos does offer opportunities if you don't let fear rule your decision-making. Stock valuations were on the high side before this correction. Now we're looking at better valuations. And as it frequently happens, the market doesn't discriminate in its downward direction, so some high-quality stocks are now priced lower than they probably should be.

In general, we like to buy low and sell high. So we take advantage of these times to take some losses if it can help you from a tax perspective as well as buy stocks at a good price.

Consider Roth IRA conversions

In some cases, it can make sense to convert part (or all) of a traditional IRA to a Roth IRA. There are lots of rules around this planning idea, so we make sure to consider all the facts. But if we find that it is to your advantage to convert, lower stock valuations can make this more attractive.

If we do a Roth conversion, we can transfer shares of securities from your traditional IRA to your Roth IRA (an in-kind transfer). You are taxed on the value of what you transfer. You should pay the tax with money outside your IRA. When the market eventually recovers, those shares will grow inside the Roth IRA and don't require you to pay tax when you withdraw the money (assuming you follow the tax rules).

Think about cash needs in the near term

If you are going to need a significant amount of money in the next year, get it out of the stock market. We think about this with college funding, buying a new house, having an emergency fund and so forth. This will be a good year to review where you are with your emergency funds and if you need to make any changes.

Control what you can

It's human nature to want to DO something when anxiety is running high, but you can't control what the stock market is doing. Remember it is NORMAL to have bear markets periodically. We've forgotten what they feel like because we have been so fortunate to have good stock market gains for many years now. But we almost always have market corrections (down 10%) a few times a year and bear market cycles (down 20% or more) every few years.

But if you need to do something, here are some ideas:

- It's tax time. Clean up your files and financial records. You need to do it anyway for taxes. It will take your mind off things you can't control.
- Similarly, you should look at how much you are spending periodically. This would be a good time to go through your checking account and credit card statements to just see where your money is going.

COVID-19

You'll note we've left this until last. It is very important, but it's just part of the story right now. We were "due" for a major stock market correction and this is what triggered it. We need to pay attention to what's happening globally, but we also need to keep it in perspective.

If this is the start of a bear cycle (down 20%+), how long could it last? How bad could it be?

The honest answer to this question is we don't know yet. Bear cycles, on average, last about sixteen months. Some are shorter, some are longer. But don't think that we will immediately pop up this time. We plan for these times.

There is almost no part of the global economy that hasn't been severely impacted by the response to the virus. Furthermore, there is a very high probability that regional spikes of the virus will continue to recur until a vaccine is developed. However, at Asset Advisors, we still believe what you have heard us say since the beginning: that top of industry, American based companies with clean balance sheets will thrive over the long term. COVID-19 has not changed this philosophy.

What can we do?

First, let's have compassion for those who are directly affected. Loss of life is tragic and we all want to do what we can to help. Many people have been either directly or indirectly affected by this pandemic.

Second, step up your efforts to contain the virus. Wash your hands more often. If you get sick, don't be a hero. Work from home. Think about where you plan to travel and use your best judgement. Go to the [cdc.gov](https://www.cdc.gov) site to see what they have to say.

Third, don't panic. This will pass. Focus on what you can control. Be patient—as hard as that can be at times. And remember, as your advisors, we're here to help. We want you to know we're watching your portfolio so you can sleep at night. We want to hear from you. If you have questions or concerns, please call us.

Fourth, keep your perspective. This time of volatility will ultimately yield opportunity, and we are constantly working to make sure that we seize that opportunity when it presents itself.

So as frustrating as it may be to just hold steady and not react, for most people that's going to be the best answer. There will be opportunities throughout this downturn. When we finally turn the corner, the market is likely to move up very quickly. Let's not miss that. "Standing there" doesn't mean do nothing. But it does mean we use discipline and intelligence to find our way in emotion-filled, confusing times.

As always, know that our clients' wellbeing is our primary focus. We welcome the opportunity to speak with you about the issues of the day, so please do not hesitate to call or email us.