KORBITZ FINANCIAL PLANNING
*Your goals. Your plan. Your terms.*

# PERSPECTIVES ON THE GLOBAL PANDEMIC

March 12, 2020

Dear Clients and Friends:

I am writing for the second time in two weeks to try to provide some perspective and guidance on what has been happening in the world, and the stock market.

**Health**
I am not a scientist or an epidemiologist. I cannot and will not try to predict what will happen with regard to COVID-19. What do the scientists and epidemiologists at the CDC and WHO say? Some of the advice is common sense and should be practiced all the time. Some of it is more specific to these times.

- Wash your hands. A lot.
- Don't touch your face.
- If you are sick, STAY HOME. Don't go to work. Don't go to school. Don't go to church.
- If you are elderly or health compromised, it is advised that you avoid large gatherings of people
- Don't hoard things. This only makes it harder for someone who needs a product to get it.

**Stock Market**
There has been an unprecedented decline in stock values in the last month. At no time in recent memory have stocks lost so much value in so little time. It is my belief that the sell off is largely driven by what we do not know. We do not know how long this health crisis will continue. We do not know he many people will become ill or will die. We do not know the economic impact of the crisis. The stock market does not like uncertainty. That has been evident each and every day the last two weeks.

Some perspective:
A 40% fixed income-60% equity portfolio LOST approximately 30% of its value in the year that ended February 28, 2009. That same portfolio GAINED 37% in the following year. As I have said many times, that does not mean you made 7% in that 2 year period (math says a 50% decline requires a 100% gain the next year to get back to where you started) but *that significant recovery comes after significant losses*.
Stocks have always recovered from losses like this to move onto higher highs down the road.
As a financial planner and advisor, I do feel it is my place to offer advice in this arena.

**What should you NOT DO?**

- Do not panic sell. If you decide to sell you need to be right twice: when to sell and when to buy again.
- Avoid obsessing about your portfolio.
- I wish I could tell you to avoid the headlines, but that is nearly impossible these days. Personally, I am listening to a lot more music.

**What should you DO?**

- Sit tight.
- Think long term.
- Continue to save on a regular basis if you are working.
- If you are comfortable with the prospect that what you buy could lose more value, move a small amount (not more than 5-10% of an account's value) from fixed income into stock funds you already own.

**Three Investor Phases of Life**

If you are an investor in the accumulation phase of life, your portfolio has taken a hit, but you are buying more shares at lower prices.

If you are nearing retirement, you have hopefully reduced your equity allocation along the way, and have a fairly significant amount of fixed income to cushion the blow, and to provide a financial bridge until stock prices have recovered.

If you are retired, you should have a significant portion of your assets in fixed income, or the safer side of the equation. If needed, you can tap those fixed income assets while you wait for stocks to recover.

I will communicate with you again in the future, when there is a new message to share. That could be next week, or it could be next month.

I hope you find this helpful.

*Eric*
Eric S. Korbitz CPA/PFS, CFP®