



QUARTERLY NEWSLETTER

2020 First Quarter

Dear Client,

We hope this finds you well, safe, and enjoying your Memorial Day weekend! Your quarterly reports should be in your hands. As always, please take the time to compare the information on your report to your account statements received from TD Ameritrade or other custodians, and promptly contact the office should you find material discrepancies (note that there might be slight discrepancies due to the timing of the credit of dividends or transactions at quarter end). Also, if you are not receiving account statements directly (either in print or electronically) from TD Ameritrade or other custodians, notify us immediately.

There is an old English proverb you may be familiar with that goes “March winds and April showers bring forth May flowers”. While the COVID19 pandemic that coincided with early Spring will not likely dissipate this quickly, the sentiment can be likened to the happenings in financial markets...bear markets are like winter showers that nurture spring flowers. For every ferocious bear market historically encountered, an uplifting bull market has eventually followed (reference the chart in our previous email).

Still, your recently released quarterly reports may have you feeling a little disheartened. No matter how much we’ve discussed with you about preparing for times like these, planning for it versus actually enduring it are two totally different experiences. However, like the transition from Winter to Spring, sometimes it takes a while but eventually we make it through. As of the writing of this letter, markets are well off their lows. However, we more than likely have a rough road ahead, thus standing by our advice to hunker down and trust in the preparations already made. As the seasons cycle, so do the markets and eventually *this too shall pass*.

We will not go into great detail about markets this past quarter per previous messages, but if you haven’t had enough misery, you can find a full re-cap as always on our website. In short, however, we did see the fastest drop from a bull market to a bear market in history, with a 20% drop on the S&P 500 in just 20 days. In total, the S&P 500 dropped almost 34% from its February high. However, markets have continued to move-up with most portfolios experiencing valuations similar to early February 2019, so not as bad at this point as many have feared. Still, it is important to note that we remain in bear market territory until February 2020 market highs are reclaimed, and this should not be expected to happen anytime soon.

WHAT WE ARE DOING AND WILL CONTINUE TO DO

As always, our specific advice and actions will vary, depending on your needs. In general, we are closely following fast-moving legislative updates and other news, so we can advise you on how it may impact you and your particular circumstances. Here are a few other areas of interest we're keeping an eye on, on your behalf:

- **Tax planning and money management:** Helping you optimize your tax situation via new tax breaks, loans, grants, unemployment benefits, and similar relief measures for individuals and businesses
- **Financial life planning:** Helping you judiciously respond to the opportunities and challenges specific to your near- and long-term interests and concerns
- **Retirement planning:** Helping young investors exploit now-higher future expected returns; and helping those in and near retirement manage "sequence risk" (more below)
- **Investment management:** Rebalancing, tax-loss harvesting, and making other prudent moves to best position your portfolio for future expected growth
- **Investor support:** Advising you against fixating on daily returns or reacting rashly to scary market news

In short (and as always), we want to remain informed about how you're doing personally, so we can help you remain informed about the evolving financial landscape – especially about changes that might directly impact you, for better or worse.

WHAT YOU CAN DO FOR YOURSELF

There's good news here: One of the reasons you partnered with us was to structure your plans and investments in anticipation of periodic bear markets like the one we're seeing now. So, together, we've already done the heavy lifting to prepare you for the current crisis.

Essentially, among the most important things you can currently do for your financial well-being is to largely look past all the market's mayhem, and focus instead on making the most of your life. Personally, having had to be at home has really allowed me to enjoy my family...even extended family through on-line gathering that we had never done before. Not having to run from event to event with kids, and just being at home to play catch in the yard, build a "fort", and have a family movie night (or nights!) have really made me realize what is important in life. I realize you are not all in this situation, but hopefully you have been able to take "make lemonade from lemons" and realize what is really important in life as we move forward.

WHAT TIME CAN DO FOR YOUR RETIREMENT PLANNING

Again, if you are a younger investor, decades away from retirement, current market conditions can benefit you greatly. You can buy equities now while prices are low (or at the very least not abandon the ones you already hold), and watch their expected growth compound over time. Especially if you can do this in a tax-sheltered account like a 401(k), traditional IRA, or Roth IRA, you can build even more long-term wealth, even more dramatically.

However, if you are in or near retirement, the current market is certainly not ideal, but time is still a major concern. [Sequence of return risk](#) (the potential of needing to sell depressed stock holdings to fund your

current spending needs) poses a significant threat here, however. Fortunately proper planning with regard to your stock/bond allocation along with annual retirement spending analysis /review amongst other things, should keep you on target and able to ride through this difficult time.

While detailed withdrawal strategies for managing sequence risk is beyond the scope of this letter, we will be visiting with you in the coming months to review your specific situation and employ best practices. This is one critical reason we are glad to be here as your advisor, to help you weigh the challenges and possibilities ahead of you, and proceed in an informed manner.

We Are (Still) Here!

To reiterate: We remain here to support you, so you can best support yourself and your loved ones during these challenging times. We and our strategic alliances are well prepared to conduct business online and will resume office meetings in the near future (alluded to in our Memorial Day message). On the former, we will be doing more video conferencing so will be assessing your capability to do so moving forward. Please continue to lean on us for both routine requests as well as specialized demands driven by current economic conditions.

Of course, your unique circumstances will influence the financial choices we'll be advising you to make in the months ahead. But again, your most rational move is to stick with the robust plan you've already got in place. Update it only when your life's circumstances call for a change.

When can we next get together with you (virtually) to review your financial plan, retirement plan, portfolio management, investment strategy, or any other topics that are top of mind for you? We would be happy to do so at any time.

Thanks for your continued trust.

Sincerely,

Your PFM Advisory Team

Fee Only Investment Advisory and Financial Planning

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