

# 5 Planning Truths for Tumultuous Times

*Proven principles of financial planning to help regain perspective*



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*Corrections and heightened volatility are part of a normal, healthy market cycle. Having a sound financial plan is not just about being prepared for sudden market moves, but also unpredictable events like the coronavirus. Here are tried-and-true personal finance tips to guide you through the adversity.*

## 1 Don't turn a blind eye.



Watching the value of your portfolio shrink on a daily basis is unpleasant. When I ask people how they're holding up during these periods of intense volatility, I often hear, "Oh I stopped looking at my portfolio. I get sick watching it." On the contrary, this is exactly the time to be vigilant of your investments. Should you be looking on a daily basis? No. What should you be doing? Look closely at how you're invested and your level of diversification. Consider the time horizon needed to reach your goals. Ideally, the longer the time frame to meeting your goals, the more patience you should have. Reacting to short-term market moves can be detrimental to your goals.

If your time horizon is short, then review your ratio of investments in risky, volatile securities to those that are less risky or less volatile. The closer you are to a particular goal (retirement, college, down payment on a home), the less risk you should be taking.

There are other questions to consider: Is now a wise time to rebalance your 401(k)? Should you realize capital losses for tax harvesting? Is now a good time to deploy some cash from the sidelines? These are times when working with a financial advisor is crucial and gives clients a significant advantage over the do-it-yourself crowd. Get together with your advisor to review your allocation and discuss a strategy.

## 2 Rethink your income.

Investors who rely on investment income may need to reassess their resources. For example, dividend-paying stocks, funds or other securities may see a cut to their dividends. In March, the Federal Reserve cut short-term interest rates to 0%-0.25%. With the 10-year Treasury yield plummeting, newly issued bonds will probably produce less yield than ones written in January.

Some investors rely on systematic withdrawals (SWP) from their portfolio. This means selling certain portfolio holdings to free up cash that you can withdraw from your portfolio. Many investors may be selling investments at a 20%, 30% or greater loss. A good rule of thumb for investors who participate in a SWP is always having about six to 12 months of cash on hand.

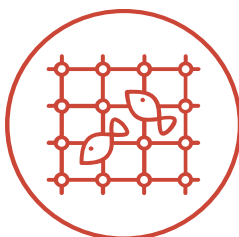


On March 27, the Cares Act was passed. One of the provisions of the new law waived required minimum distributions (RMDs) for individuals age 70 ½ and older for the remainder of 2020. This amendment will offer some relief for investors who don't need to make withdrawals from their retirement accounts.

With millions of Americans finding themselves out of a job, paying the rent will be a challenge. Landlords who collect rental income from their tenants should review state and local guidelines regarding any recent legislative or executive orders. Still, some institutions are allowing for suspension of payments such as fitness centers, after-school programs and other businesses that charge monthly fees. This may put some money back in your pocket.

Right now, your cash flow will be temporarily disrupted. In a perfect world, we would all have as many sources of guaranteed income as possible to meet our essential expenses. For most people, that's not the case. Review your budgets to see how your sources of income are holding up to your essential and discretionary expenses. If you rely on investments for income, make sure you and your financial advisor review how your income may need to be adjusted.

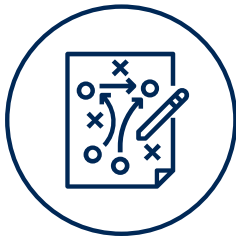
## 3 Be wary of holes in your safety net.



Health-care and insurance coverage can be life savers. They can also be complex. Now is the time to review your insurance policies—health, life, disability and long-term care—to know what's covered and what's not. Also, review the following:

- Costs you're responsible for and costs the insurance carrier is responsible for
- The maximum amount of money you can expect to pay
- Minimum time periods before insurance kicks in or max time for coverage
- How your carrier defines certain illnesses (pandemic versus epidemic)
- Caveats to coverage such as contracting an illness while traveling internationally

## 4 Be ready for when plan B becomes plan A.



One of the most important characteristics of a financial plan is continuity. I ask clients all of the time, “What happens if something happens to you? Who steps in? What if you get sick but don’t pass away?”

It’s in our nature to think of death when we are asked that question. We don’t want to think of ourselves as sick, or in a hospital or unable to speak or communicate. But if something does happen to you, who will speak for you? Our finances have a life of their own and no matter what’s happening to us—good or bad—our life savings are moving and reacting at their own speed and pace.

It’s important to have a contingency plan in place. You need people who are aware of your financial situation and willing to make decisions that are in your best interest.

Here are the must-have documents:

- Last will and testament
- Durable power of attorney
- Health-care proxy
- Listed beneficiaries on all bank, investment, brokerage, retirement and other savings accounts

## 5 Your plan (whether you have one or not) is changing.



I tell clients all of the time, “This is why we plan. Having a process to meet your goals is critical.” I was recently working with a couple who is planning on retiring by the end of 2020. I reviewed the plan we created in the fall of 2019 and compared it to where it stands today. Based on the recent market downturn, these clients needed to cut their overall retirement budget by 5% per year just to stay on track to meet their goals. It might not sound like much but when you consider where the market was in mid-February, relatively speaking, that’s a big drop—especially when you want to retire in a few months.

**The bottom line.** These tumultuous times are challenging for all of us. Lifestyles and habits that we’ve grown accustomed to have to be adjusted—or even scrapped altogether. View it as an opportunity to get your finances in order. Reach out to an Oppenheimer financial advisor to discuss your plan, the process for meeting your financial goals and how your portfolio can weather these hardships.