INVESTMENT / FINANCIAL PLAYBOOK:

8 STRATEGIES

to Implement During Covid-19 Crisis

During a crisis like this, there are many fears, doubts, and questions, especially when it comes to your investments!

Our lives have been turned upside down and disrupted due to the coronavirus. Many people are working from home. Schools have closed. Restaurants have converted to take out, curbside, or delivery. And your investments have likely been affected as well.

The sudden stock market drop has caused you to ask questions such as: (1) Will the stock market declines ever stop? (2) Should I get out now? (3) Will I be able to retire? (4) Can I stay retired? (5) What should I be doing with my investments?

While you can't control the pandemic that we're all facing, there are things you can do with your investments and finances that can improve your situation. With that in mind, this article will guide you on 8 strategies you can implement today to help you answer the question:

Is there anything I should be doing with my investments / finances right now?

1 Move Out of Bonds (Maybe)

We find that many people often times have investment portfolios that are too conservative for their goal. As a result, they have a healthy percentage of bonds (or cash) in their portfolio. If you are at least ten years away from retirement, then you should reassess your risk and consider selling the bonds you have in your portfolio and using the proceeds to purchase stocks. This is an ideal opportunity to do so as stocks have declined upwards of 30%, yet bonds have remained relatively stable. Effectively you will be selling high and buying low. You may never see another opportunity like this, and it could help to boost your retirement plan! Keep in mind that even if you are at least ten years from retirement, it may be appropriate to stay in bonds for the simple reason that you can still accomplish your retirement goal without taking on more risk.

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Often times people arbitrarily choose an investment portfolio based on how they feel. But instead, their retirement goal should dictate how aggressive or conservative their portfolio should be. Some people need to take on more risk (even if they don't want to) in order to reach their retirement goals, while others don't need to take on as much risk. Everyone is different. At B.E.S.T. Wealth Management, we prepare detailed, customized retirement plans to help you know exactly how much risk you should be taking (and how much in bonds you should own).

2 Make Changes to Your Non-IRA Investments if Needed

Now is the ideal time to make portfolio changes if you need to. For example, if your portfolio is not ideally invested, if you have a concentrated position in a few stocks, if you aren't happy with your current investment portfolio, or if your portfolio is not as tax-efficient as you'd like it to be, now would be an ideal time to fix that. If you've held off making investment changes in the past because you would have owed a lot of tax, that risk should now be significantly reduced! This opportunity won't last forever, so make those changes now while you can.

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If you aren't sure what an ideal portfolio looks like for your circumstances, aren't sure if you should sell certain investments, or aren't sure what your tax burden will be, we can help. Our investment models are designed to take into consideration your goals and your tax situation. We can put a plan together to help you know exactly which moves you should be making and when.

3 Refinance Your Mortgage

One of the greatest silver linings to the market collapse is that mortgage interest rates have fallen significantly. This means that even if you already have a low interest rate, you may be able to achieve an even lower rate and reduce your payment. So, if you plan on being in your home for a while, you could possibly save hundreds of dollars each month by refinancing.

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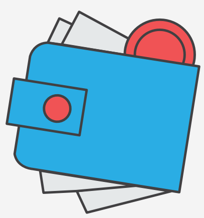
The mistake that many people make when determining whether to refinance their mortgage is that they only look at how long it will take them to recoup their closing costs. However, you must also consider the length of time you've held your current mortgage and how quickly you're building up equity. If that component is not factored in, you could actually end up in a worse position if you refinance. At B.E.S.T. Wealth Management, we've built a refinance calculator to not only take your refinance costs into consideration but also the equity component. As such, we can more specifically help you determine whether or not you should refinance.



4 Take Advantage of the Stimulus Bill

Inside the robust $2 trillion stimulus bill, you will find that there are many provisions that could help students, pre-retirees, retirees, unemployed people, and small business owners. The benefits from this bill can help many people get through this difficult time.

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For a more in-depth look at what you might be entitled to, please refer to the **Stimulus Bill Summary** that we wrote and posted on our website. Be sure to also follow me (owner of B.E.S.T. Wealth Management) on **Twitter** as I post many updates to the Stimulus Bill as well as other relevant financial topics. Our clients are regularly updated on changes in the economy that could impact their lives and we provide recommendations for how they should respond.

5 Invest as Much as You Can

The U.S. Stock Market (S&P 500) dropped 34% from 2/19/2020 to 3/23/2020. While that's not exactly exciting, it does represent an unprecedented opportunity to buy in at a steep discount. This can be especially helpful for those who need a boost to their investment accounts. So, rather than retreating, you should look at this situation with the perspective that **NOW IS THE TIME TO BE INVESTING!!!** As an added bonus, if you invest when the market is down 34% and then it recovers to where it came from, you will actually earn a 51% return, not 34%. Don't miss out on this! Be sure to increase your 401k and IRA contributions as much as you can. Invest any excess cash (above and beyond your emergency fund). Max out your Employee Stock Purchase Plan (ESPP) at work. And as stated above, give some thought to selling your bond investments to buy into low-priced stocks if you can afford to take on a more aggressive portfolio. Long term, you should be rewarded.

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We fully believe the market will recover much faster than the 2008 financial crisis. And when it does recover, we expect the gains to come very quickly. Obviously, no one knows for sure, but looking back in time, the gains typically come very quickly and robustly after large declines. For example, the average one-year return of the world stock market (MSCI World Index) after previous epidemics dating back to 1994 is 19% per year (source: Dimensional Fund Advisors). We're also coming off of one of the worst quarters in our stock market history (Jan – Mar 2020). The average one-year return of the U.S. Stock Market (S&P 500) following the worst quarters in our country's history is 25% per year (source: Ben Carlson of Ritholtz Wealth Management). This is not a guarantee, but it does provide some perspective on how the stock market normally recovers. And it's this type of perspective that we provide to clients during difficult times like these. We can also guide you on whether you need to be investing, how much you should be investing, and where to invest so you can take advantage of the recovery when it comes.

6 Test Your Retirement Plan

During times like these, there is great concern for retirees or those close to retirement. They are concerned that their money won't last their entire lifetime or that they won't be able to retire any time soon. That's why a constant evaluation of a retirement plan is so important. If you don't currently have a retirement plan, you won't know the impact a stock market crash has on you. But on the other hand, if you do have a plan, you can easily test this against the decline your investments have experienced and know if you're still on track. That is a peace of mind that cannot be emphasized enough. Just knowing the outcome is so beneficial and helps you know if you should be doing anything differently.

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7 Convert to a Roth IRA

When the market drops as quickly as it has, it presents an opportunity to move money from a Traditional IRA (eventually taxable) to a Roth IRA (tax-free) – known as a Roth Conversion. This is best explained with an example. Imagine you have a Traditional IRA with $500,000 in it that you converted to a Roth IRA before the market fell. If you were in the 22% tax bracket, you would have paid $110,000 in taxes for the benefit of moving the money to the tax-free Roth IRA. But what if you converted the Traditional IRA after the market dropped when your account was valued at $400,000. Now you would only pay $88,000 in tax to convert to a Roth IRA. You save $22,000 in taxes forever! It's down markets like this that provide these types of opportunities.

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Before you jump into this strategy, it's important to understand that taxes are not always saved. Many professionals in our industry promote this strategy as a sure-fire thing to do, but that's not always the case. In short, if you use cash that you have in savings to cover the taxes, then this strategy will definitely save you money. However, if you use money that's already invested to cover the taxes, then the strategy ONLY works if the market recovers before the taxes are due. This is something that people just aren't talking about, but you should be aware of it. Let us help you decide if a Roth Conversion is appropriate!

8 Position Your Investments for Recovery

Research shows that there are certain investments that have historically outperformed others. This is true whether you look in the U.S. or internationally. For stocks, this includes small companies, value-oriented companies, and highly profitable companies. For bonds, this includes bond funds that have the ability to increase/decrease its maturity or credit quality based on current market conditions. It's not wise to put all your money in just those types of investments, so you must diversify and own other investments (even if they haven't performed historically as well). Position your investment portfolio to own multiple investment types, but overweight the investments that have a potential for higher returns.

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We are constantly evaluating the types of investments we use (or should use) for our clients. Recently we concluded months of research that led us to update the investment models we use. We've increased/decreased exposure to various investments based on how they have behaved across multiple, historical time periods. We've added medium-sized company stocks to our portfolios as they've historically performed very well (especially value-oriented ones). We've completely rehauled our tax-managed models, which is expected to reduce the amount of tax you would owe while boosting your after-tax return. If you don't want to tackle these items on your own, then let us help you properly position your portfolio for the recovery!

Despite the tough times that everyone is going through there are some bright spots when it comes to your finances and investments. Hopefully you've found these 8 strategies helpful for your own financial life. However, if you don't want to tackle these on your own or would like some guidance on planning for your financial life, then Schedule a Virtual Meeting below to talk with us.

WE CAN HELP YOU:

1. Determine whether or not you're still on track to retire (or stay retired)
2. Position your investment portfolio to take advantage of the recovery when it comes
3. Have a clear picture of whether your money will last your entire lifetime
4. Develop an appropriate investment plan for your circumstances
5. Implement various financial planning and tax strategies

With an ongoing financial planning and investment relationship with B.E.S.T. Wealth Management, we will help you stay abreast of all the moving changes in the economy and your life.

GET MORE FROM YOUR FINANCES WITH B.E.S.T. WEALTH MANAGEMENT!

P.S. Sign up today to get 20% off of our financial planning and investment management services for 1 full year! Hurry, because this offer ends May 31, 2020.