TANDEM WEALTH MANAGEMENT

MOVING FORWARD TOGETHER

October 2020

The coronavirus is still very much with us, as is much of the economic dislocation brought on by the resulting lockdowns. Granted, we are evidently closing in rapidly on a vaccine, indeed several vaccines. But it may be quite some time yet before most of us will have access to a vaccine, and frustration may abound. Moreover, in the coming weeks, we will have to go through a hyper-partisan presidential election.

Before we're further engulfed by these multiple unknowns, I want to take a moment to review what we as investors should have learned (or relearned) since the onset of the great market panic that began in February/March. And that ended when the S&P 500 Index regained its pre-crisis highs in mid-August.

The lessons, it seems to me, are:

- No amount of study of economic commentary and market forecasting ever prepares us for really dramatic events, which always seem to come at us out of deep left field. Thus, trying to make investment strategy out of "expert" prognostication, much less financial journalism, always sets investors up to fail. Instead, having a long-term plan, and working that plan through all the fears (and fads) of an investing lifetime, tends to keep us on the straight and narrow, and helps us to avoid sudden emotional decisions.
- The equity market went down 34% in 33 days. None of us have ever seen that precipitous a decline before, but with respect to its depth; it was just about average. That is, the S&P Index has declined by about a third on an average of every five years or so since the end of WWII. But in those 75 years, the S&P Index has gone from about 15 to where it is now. The lesson is that, at least historically, the declines haven't lasted, and long-term progress has always reasserted itself.
- Almost as suddenly as the market crashed, it completely recovered, surmounting its February 19 all-time high on August 18. Note that the news concerning the virus and the economy continued to be dreadful, even as the market came all the way back. I think there are actually two great lessons here. (1) The speed and trajectory of a major market recovery very often mirror the violence and depth of the preceding decline. (2) The equity market most often resumes its advance and may even go into new high ground, considerably before the economic picture clears. If we wait to invest before we see unambiguously favorable economic trends, history tells us that we may have missed a very significant part of the market advance.
- The overarching lesson of this year's swift decline and rapid recovery is, of course, that the market can't be timed-that the long-term, goal-focused equity investor is best advised to just ride it out.
- These are the investment policies you and I have been following all along, and if anything, our experience this year has validated this approach even further.

A word now, really just a repetition of what I've said to you before, about the election. Simply stated: it's unwise in the extreme to exit the quality equity investments you've been accumulating for your most cherished lifetime financial goals because of the uncertainties surrounding the election. Aside from the self-inflicted wound of incurring capital gains taxes, your chances of getting out and then back in advantageously are historically very poor, nor can I possibly be helpful to you in attempting to do so. As I have all year and as I do every election year, I urge you to stay the course.

I'm here to talk any and all of these issues through with you; that's my job. Thank you for being my clients. It is a privilege to serve you.

Kind regards,
Meghan

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