

Flourish Wealth Management

Quarterly Newsletter

News From Flourish

APRIL 2020

This first quarter of 2020 was strange, to say the least. By mid- February the stock market was at record highs and most were expecting the first quarter to end in record gains, not losses. Within two weeks the world quite literally turned upside down. While the news of the coronavirus had been present on the news for months, it largely seemed a threat outside our borders until—it wasn't. While it didn't happen overnight, the Coronavirus changed the lives of each and every person in a very short period of time.

Here in Minneapolis, we have been sheltering in place for five weeks and I must say the novelty has worn off, but we have been getting creative with our full house and daily routines. My daughter, Maddy, has returned home from her apartment for the time being and is one of three adults working from home on a daily basis. Maddy is in her first year working with another wealth management firm. My daughter, Grace, who is an 8th grader has been diligently completing her distance learning, relishing the fact that she can sleep a little later these days and definitely being allowed to use more screens than I would like to see, but we are doing our best. My son Fernando, who is in a program in Missouri that caters to his particular emotional and academic needs, has remained at the school which has taken strong measures to ensure that their staff and students remain safe and protected. One of those measures is that Jay and I cannot go to visit him until the restrictions are lifted. That seems to be a moving target as days turn to weeks and we are coming into the second half of our second month of this new normal. It has been difficult – to say the least – to find a groove while still maintaining the hope that this too shall pass.

On an administrative note, we are (obviously) hosting all of our meetings virtually for clients, colleagues and prospective clients via zoom video conferencing. While many people are familiar with the software, it may not

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be so second nature to some. We have created an informational resource and guide to zoom that we have available as a button on the bottom of our website and it [can be accessed here](#).

We have turned, as always, to focusing on that which we can control while staying positive and practicing gratitude for our good fortunes. I will take this moment to list a few things for which I am grateful, both personally and professionally:

- 1. I have a small and well-appointed home gym which has never felt like more of an oasis.*
- 2. Joseph (Joey) Fenwick, CPA, joined our firm a few months ago and has proven to be an invaluable addition to our team. His tax knowledge has served our clients well especially throughout this last quarter. [You can read more about his background here](#).*
- 3. Having two of my three children home has been really nice and will probably be the last time it ever happens since Maddy is in her mid-twenties with her own apartment and life.*
- 4. I have taken the opportunity to teach Grace household domestic duties like cleaning the bathroom and provide her with some lessons on credit, spending, saving and applied for her first debit card online.*
- 5. Every member of the Flourish team has been taking the "safe at home" guidelines to heart, staying safe and healthy to serve our clients in this stressful time. We have continued to explore new tools and resources to maximize our teamwork while working remotely.*
- 6. I am incredibly thankful for the commitment of so many strangers to keep our world moving, provide much needed medical resources, risking their own health to stock shelves at grocery stores, and serve the community through meal and grocery deliveries. So many previously unrecognized heroes to help us all through this pandemic!*

In light of the recent uncertainty in the world and in the markets, our article for this quarter focuses on managing emotions in investing and focusing on what you can control. Director of Investments, Jay Pluimer, also provides us with a quarterly market commentary. As always, and now more

than ever, I hope that this newsletter finds you and your family well and that you find these resources informative and useful as we all navigate these uncharted waters together.

Q1 2020 QUARTERLY ARTICLE

Managing Emotional Reactions in a Time of Financial Uncertainty

Don't Make Investment Decisions Based on Fear



By: Kathy Longo, CFP®, CAP®, CDFA®
President & Founder

One thing we all know for certain, is that we are living in *uncertain* times.

The COVID-19 pandemic has turned our world upside down and we are each feeling it in very personal ways. One shared concern among many people, however, is the financial impact this public health crisis will leave in its wake. Despite the emotional tornado we're all living through it's important to remember that managing our emotional reactions is one of the best ways we can contend with times of uncertainty, so that we can come out the other side having made smart decisions based on more than our fears.

For many people, fear is magnified at the moment, especially where investments are concerned. We're living in a scary time. However, we believe turbulent times call for a calm and cool approach to personal finance, reminder to ourselves of the lessons learned from prior crises, and getting back to basics. Although there is much we cannot control right now, it's a great time to refocus on the things you can.

So, if you're feeling unsettled about money matters at the moment, channel more energy into these five areas of your personal finances:

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1. Review Your Budget

Your budget is the cornerstone of your financial foundation, but it may not always get the attention it deserves. Make time now to check in and ensure you're sticking to your spending and savings goals and reassess whether your goals have evolved.

2. Cut Unnecessary Subscriptions and Memberships

We are all guilty of failing to cancel recurring subscriptions and memberships we're no longer using, which means we're letting our hard-earned money slip away. Take stock of any lingering streaming services, workout apps, magazine subscriptions or other recurring expenses you may have forgotten you're still paying and cancel them once and for all.

3. Understand Your Needs vs. Your Wants

If you're feeling unnerved about money right now, harness those uncomfortable emotions and use them as fuel to ask yourself hard questions about your spending. Chances are, while many of your expenses feel like needs, they are actually "wants". Now is the perfect time to exercise more self-control.

4. Improve Your Financial Habits

We can always improve in the way we manage our money, so think about an area that is ripe for progress. It might be related to one or more of the three items above, or it could be something as simple as talking more with your spouse or children about the family finances or changing your money mindset.

5. Be Intentional with Your Money

All of the above contribute to this concept, but adding more intentionality to your personal financial decisions is really about letting your daily money choices be a product of your previously set goals. So, know your goals, remind yourself that you have smart strategies in place, and refrain from making spur-of-the-moment decisions based on emotion.

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A Word on the Market

Using these five steps to get back to basics and avoid emotional financial decisions can help you manage the onslaught of feelings you might be having about the pandemic and its associated economic impact.

Yes, recent weeks have shown us significant market declines, and we can't be sure how long this increased volatility will last. However, it can be helpful to remember that, like the downturns of 1987, 2001 and 2008, this too shall pass.

Staying the course and maintaining the strategic investment decisions you've already made will help you mitigate long-term negative impacts to your portfolio. Making investment changes in an environment of unknown outcomes is a recipe for future regret, and now is not the time to make emotional or fear-based decisions. Instead, focus on what you can control and know that there will be an end to the uncertainty.

If you'd like to discuss any concerns you're having, please don't hesitate to reach out. We are always happy to offer professional guidance and reassuring perspective as we navigate this unusual time in our world together.

Market Commentary

First Quarter 2020



By: Jay E. Pluimer, AIF[®], CIMA[®]

Director of Investments

The Coronavirus global pandemic has had a devastating impact on economies, the healthcare system, personal security, and markets. COVID-19 initiated the fastest transition in history from all-time market highs in mid-February through a Correction and into a Bear Market. The market decline was widespread and has affected every conceivable aspect of the global economy. A small bright

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spot was the strength of Bonds which managed to provide positive returns and partially mitigate Stock losses while suffering through similar volatility with record low interest rates across the yield curve. Riskier Bond investments including High Yield and Bank Loans were not able to provide the protection investors are looking for, along with parts of the Municipal Bond market. Stocks have rallied since the lows in late March with lower overall volatility, but the outlook for the rest of 2020 will be dictated by how, when, and at what level the economy can start again.

Although recessions and Bear Markets are part of the long-term market cycle, they are always painful. The abrupt arrival and global spread of COVID-19 has been historic and unique in many respects. At the same time, we can look back at lessons learned from past crises on how to most effectively support our clients. We start by reviewing all of our cash plans with clients to ensure they will be able to maintain their lifestyle even in an environment dominated by quarantines and social distancing, particularly if their cash needs or sources have changed. The other important day-to-day priorities include portfolio rebalancing and Tax Loss Harvesting. A client with a 60% Stock and 40% Bond portfolio would have seen their Stock allocation drop to 51% without rebalancing. We initiate rebalancing trades when the Stock allocation drops 5% below target, eliminating attempts to time the market and ensuring that clients have the appropriate exposure to Stocks whenever they eventually recover. In the meantime, for clients with taxable accounts, we are selling investments to realize a loss that will offset future gains while maintaining similar market exposure by purchasing similar investments. The Flourish Investment Committee has also been meeting on a frequent basis to monitor the mutual funds and Exchange Traded Funds (ETFs) in client accounts to ensure they are meeting performance expectations. We will continue to look for opportunities to maintain market exposure while keeping costs to a minimum, keeping portfolios positioned for whatever direction the market moves next. The Stock market is designed to predict what will happen next in the economy, but an unprecedented force like COVID-19 has created so much disruption that the markets are frequently reacting to the latest headlines instead of looking further ahead because there is limited transparency about what the economy will look like over the next few months. We don't have a crystal ball either, unfortunately, but we feel confident that our evidence-based approach with an emphasis on broad diversification, low expenses, and ongoing rebalancing will put clients in the right position to weather the current destruction while being positioned for an eventual recovery.

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We send our wishes for good health and safety during these difficult times. For more information on investments and the markets you can look at our [Quarterly Market Review](#).

CONCLUSION

As always, we are here to listen to our clients and share our perspective. We hope that our newsletter and articles provide you with inspiration and useful information. We encourage you to share our resources with family and friends who you think would benefit from them. Happy Spring!



Sincerely,

Kathy Longo & the Flourish Team

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