



January 21, 2021

We are writing to share some thoughts on the major financial themes and events from 2020 and provide an overview of the work ahead of us this year.

In the future, we may include 2020 in a select group of pivotal and tumultuous years such as 1968, 1929, 1861, and even 1776 that shifted the political, economic, and social ground we walk on. To civil rights, assassinations, and the moon-shot, the dramatic opening salvos of the Great Depression and Civil War, and the American Revolution itself, we may now add 2020: the year of Global Pandemic.

While it will take years, if not decades, for historians, economists, and scientists to sort through the lasting impacts COVID-19 will have on the world and societies at large, as financial planners, we must not tarry in considering the financial implications for individuals and families simply trying to do the best they can with what they have.

On that level, we see a kind of “on the one hand... and on the other...” dynamic playing out in several areas:

- ON THE ONE HAND... if you have a mortgage on your home, you may rejoice in its miniscule interest rate
- AND ON THE OTHER... if you have money in a savings account, you may despair over how little it is earning

- ON THE ONE HAND... the stock market has rewarded investors with continued gains and fresh record highs
- AND ON THE OTHER... the companies in the market have yet to justify the gains through higher profits

- ON THE ONE HAND... many people have paid down debt and built up savings while stuck at home
- AND ON THE OTHER... many of them who would have preferred to spend that money if they could

- ON THE ONE HAND... certain sectors of the economy are flooded with demand and growth opportunities
- AND ON THE OTHER... certain other sectors of the economy are doing all they can just to survive

- ON THE ONE HAND... technology, healthcare, and communication services have never been better
- AND ON THE OTHER... it's not clear how much some of these innovations have made our lives better

In recent discussions with clients, we've seen some tempted to steer their portfolios in the following directions:

1. **THE MOMENTUM MOVE:** toward the “growing” sectors of the economy, such as e-commerce and renewable energy and away from the “shrinking” sectors, such as commercial real estate and commodities
2. **THE CONTRARIAN PLAY:** toward certain “beaten down” sectors that are expected to recover, such as travel and leisure, and away from the “high-tech high-fliers”
3. **THE “TINA” TURN:** toward a higher overall allocation to stocks and a lower allocation to bonds because, with interest rates so low, “There Is No Alternative” (i.e., to make money in anything other than stocks)
4. **THE BUNKER MENTALITY:** to just sell everything and go to cash for a while until “things settle down” or “life goes back to normal”



While most of our clients have adhered to our disciplined long-term approach despite all the tumult and volatility, we have to acknowledge that for many of us these temptations are very real and, furthermore, that they are aided and abetted by much of what we hear on a daily basis—on the news, over social media, and in conversations with fellow investors—about *what's going on out there, why it's happening, and what it all means.*

Without guessing which of the above tactics is likeliest to “win” or “lose” in the coming year:

- We're watching what happens very closely and thinking about the future implications
- If our strategy seems slow to adapt, that's because it rests on over a century of carefully-considered evidence
- Conclusions and extrapolations that seem perfectly logical, even obvious, are often not supported by the data
- To make a sports analogy: over a long and winding season, we cannot afford, as the “manager” of your “team,” to get too high or too low, nor to infer too much, from the outcome of any single game
- We will be talking with you about the risks and opportunities we see as we continue to help you navigate and participate in the financial markets

On a practical level, here are the specific steps we intend to take with you as we navigate this coming year:

- Chart the progress you made in 2020 and since we began working together
- Discuss relevant changes in tax laws, financial markets, the economy, and your life
- Help you discern the optimal organization of your resources in support of your values and vision
- Lay out the specific actions that will help you stay “on track” for the present and future life you desire

Our singular goal remains to help you live the best life you can by making and carrying out thoughtful and well-informed financial decisions in a holistic and integrated manner.

Thank you for your continued trust and confidence.

We wish you and your family health, prosperity, and renewed connection in the new year!

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