SECURIAN ADVISORS MIDAMERICA

The Quarterly Advisor

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> *The best thing about the future is that it comes one day at a time.*
>
> Abraham Lincoln

The Year No One Saw Coming

With all the bad dad jokes about clear vision, no one saw 2020 coming.

The coronavirus epidemic created four distinct crises: a public health crisis, a supply chain shock, a demand shock, and a credit cycle shock. Each has had its' own characteristics while also being inter-connected to one another.

For instance, our hardworking frontline workers struggling to get PPE. Or everyone opting to shop for groceries and supplies instead of going to restaurants and stores. It's to no one's surprise that businesses that rely on people gathering have faced the most significant obstacles.

This has lead to a "K" economic recovery. The businesses trending up are grocery stores and technology companies like Amazon and Zoom. Trending down are businesses where social distancing is unavoidable — airlines, restaurants, and sporting events.

A full U.S. recovery is highly dependent on the nation's ability to control the corona-virus better. While this is not news to any-one, Dr. Michael Osterholm foresees another 12 to 14 months of hard road ahead of us.

The long-term impact this year will have is yet to be determined but history will look back on this time as the turning point for some significant changes in the world.

Your most important asset

While 2020 put a spotlight on physical health, we want to make sure you are financially healthy, too.

Our goal is to give you the confidence to focus on your most important asset: family.

Beyond the meetings with your advisor, we also provide tips and practical information on Facebook and LinkedIn. If you haven't already, "Like" or "Follow" us to receive news info, updates and event details going forward.

Strength you can count on

We will continue to do our best to guide you during the months and years to come. In the office, via zoom or a stroll through the park, we are here for you.

As always, we hope you and your family are healthy and well.

Elections and the Market

Politics and investing have always been spoken about in the same breath. Candidates and commentators alike often frame the performance of the stock market as a sort of "barometer" of a president's policies. But the data doesn't support this link.

Over the past 120 years, the markets long-term performance has shown almost no correlation with government policies. Signature legislation often doesn't impact the economy as expected and we do not radically re-engineer the U.S. economy every four years.

> "*None of us has the luxury of choosing our challenges; fate and history provide them for us. Our job is to meet the tests presented.*"
>
> Jerome Powell, Federal Reserve Chairman

For all the focus put on the executive branch and its' ability to tax and spend (fiscal policy), we would say monetary policy matters more. Monetary policy refers to the Federal Reserve's tools to help our economy with maximum employment, keeping prices stable, and long-term interest rates.

The Fed has taken extraordinary measures to stabilize markets and bolster the flow of credit. Their actions to date have kept the financial mechanisms of the economy operating relatively smoothly. In September, the Fed pledged to keep interest rates near zero until 2023. While inflation could affect this timeframe, it is a signal that a full U.S. economic recovery will take some time.

So what should investors do?

Plan, don't predict

Predictions tend to be wrong. Regardless of who you favor this November, do not let the election disrupt your long-term financial plan.

History, not headlines

Most news is noise. While campaigns regularly amplify negative messages, history has shown markets have performed well under both political parties.

Time in, not timing

Time is an investor's ally: the more time participating in the market, the better. Market calls based on the results of presidential elections rarely get it right.

Hating the government is not an investment strategy.

Bias Beware

Behavioral finance studies the paradox between what invests *should* do and what they *actually* do. With conventional economics, investors seek to improve their financial well-being through rationale decision-making. In reality, there are countless instances when emotions influence investor decisions.

At any time, or for any particular decision, investors can be influenced by one, or a combination, of biases, causing them to make irrational or incorrect financial decisions. For example, a volatile market can push even the most experienced investors into making emotional decisions. Here are some of the common biases that can influence your decision-making.

Herding

Many investors follow the crowd and buy when the market is high and sell when the market is down.

Hindsight Bias

After an unpredictable event, many believe the signs leading up to it were completely obvious.

Loss Aversion

Investors often feel the pain of loss more than the joy of gains.

Recency Bias

The tendency to overvalue the most recent information over historical trends.

Action Bias

Faced with uncertainty, investors would often rather do something than nothing.

Confirmation Bias

Investors often attach more emphasis to information that confirms their belief or supports the outcome they desire.

You may not completely eliminate your mental biases, but you can take meaningful steps to combat them. A well thought-out financial plan that includes developing goals, a long-term plan and regular check-ins with your financial advisor can help you stay on track.

Year End Checklist

☐ Consider maxing out contributions to retirement accounts, health savings accounts and 529 Plans.

☐ Take all required minimum distributions (please note several new RMD rules).

☐ Review insurance to ensure coverage still meets your needs — home, auto, health, life, long-term care, and disability.

☐ Replenish your emergency fund (3-6 months of expenses).

☐ Review investment strategy to ensure it meets current needs and future goals.

☐ Check your debt elimination progress.

☐ Identify tax reduction strategies, including tax-loss harvesting and charitable contributions.

☐ Explore if a Roth conversion is right for you.

☐ Formulate next year's budget.

☐ Review legal documents to ensure all wills, trusts, POAs and beneficiaries are up to date.

Remember that you can access most of your account information online and many requests or changes can be made using our online tools.

Your advisor knows the way

If you have questions about your financial plan, financial goals, or anything mentioned above, please give us a call.

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businessinsider.com/covid-19-fall-osterholm-really-hard-road-ahead-192020-9investopedia.com/university/behavioral_finance
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