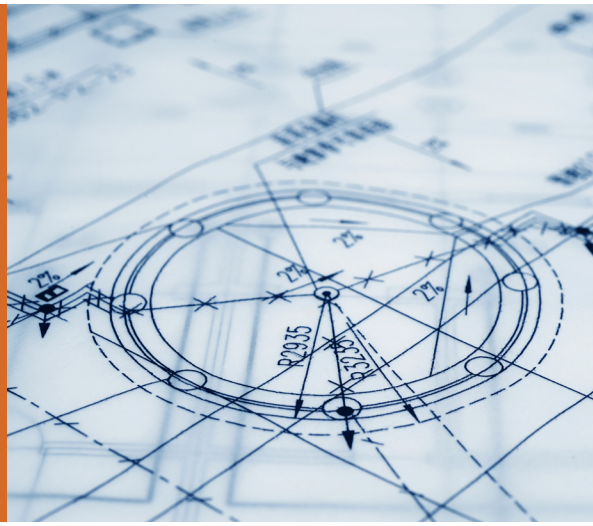
StrategicInsights
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Why We Plan

> "Victory awaits he who has everything in order; 'luck', people call it.
>
> Defeat is certain for he who has neglected to take the necessary precautions in time; this is called 'bad luck'."
> —Roald Amundsen, Explorer



A fellow financial advisor asked me last week, "What will happen with this coronavirus? Are you buying or selling?"

These are good questions. My thoughts:

First of all, advice is rarely (if ever) valuable when offered in a vacuum. Advice is most powerful when timely and tailored. So my answer to, "How do we react to this?" is: "It depends." This makes boring press but is true.

You and I are neither prognosticators nor day-traders.

We don't know what the market will do in a month or a year. But we don't have to know. That's the point of financial planning. Your plan by definition maps to you, and to your financial needs and timing.

My recommendations are different for each client because each client's situation differs. Most importantly: your plan changes when your situation changes (e.g., marriages/births/career shifts/home purchases/lifestyle changes). Why? Because these factors modify your financial requirements.

This is why I focus heavily on cashflow – both in and out – in planning. Funds we need for taxes, home down payments and retirement (especially if you're currently retired) are already in cash and available. Market volatility does not disrupt our plan; indeed, market volatility is built into our plan. We have already positioned for this. Developing and following a cohesive strategy saves us from reacting dramatically now.

So my answer to "Are you buying or selling" is: 'It depends.' And also: 'Sometimes neither.'

How should we then react to these developments? As I tell my 9-year old daughter Audrey, "We cannot control a great many things in life. But we always control how we chose to respond." Concerning the uncertainty of both the virus and markets, I believe the best tack is to:

- Keep our heads and wits about us, so we can absorb information intelligently and not react impulsively.
- Continue to execute our carefully-constructed plan, make adjustments when information is significant enough to warrant a change, and stay steady when it is not.

Epidemiologists expect that many in the US will likely get the virus over the next year, and that the vast majority of us will recover. A vaccine may be available in 12-18 months[1] but timing is uncertain. In the meantime, we should adopt the hygienic precautions that experts recommend and keep our bodies healthy and well-rested. It doesn't seem realistic to shut ourselves in, in solitude for the next six months. Although this may change, I personally thus far have no plans to do so.

I am here, so of course please reach out any time for questions, big or small.

—Adrianne Yamaki, CFP®

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[1] Dr. Amesh Adalja, Johns Hopkins Center for Health Security. March 3, 2020

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