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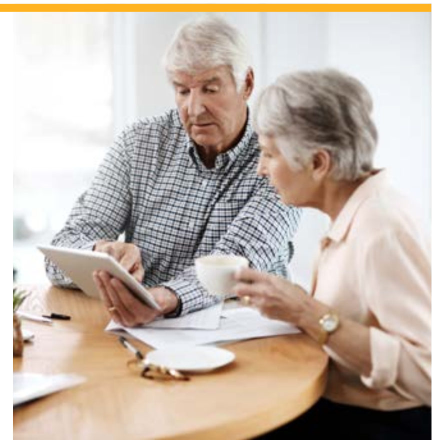

Financial Decisions
IN UNCERTAIN TIMES

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As a financial advisor for 30+ years, I've had the unique opportunity to hear hundreds of people's experiences navigating monumental world events such as the 2000 Tech Bubble, 2008 housing market crash and the COVID-19 shutdown, along with many life-altering personal events. Fear, uncertainty, and anxiety mark many of these stories. I consistently see fear's powerful influence on judgment, and too many times have witnessed the negative effect that emotions can have on decision-making.

With a background in behavioral finance, I understand that in these situations, decisions are made through heuristics, or "cognitive shortcuts." Often, this causes someone to overestimate risk[1] and make decisions that are not in their best interest. It is my job to use this knowledge to help clients avoid financial mistakes during times of personal or market turmoil, so they may realize their long-term financial goals.

What is Behavioral Finance

Behavioral finance, a branch of economics rooted in human behavior, uses an interdisciplinary approach to help explain why people often make irrational choices when it comes to financial decision-making. At its essence, behavioral finance looks to explain how various stimuli — emotions, biases, herd mentality, and past experiences to name a few — influence action. As a financial professional, understanding the forces that trigger poor decisions helps me predict my client's future behaviors and safeguard against harmful ones.

Creating a financial plan is a tried-and-true way to help manage undesirable behavior (i.e., spending beyond one's means, not saving for retirement, or trying to time the market).

Why Financial Planning Isn't Enough

But having a financial plan is not enough. The follow-through and implementation of the plan is the challenging part, especially when life throws curveballs. A great example of this is the COVID-19 pandemic. Until March 2020, pandemics were unfamiliar.

There was no first-hand experience guiding beliefs and emotions, leaving many feeling uncertain and afraid physically, mentally and financially. The S&P 500 dropped 34% in 22 trading days from its all-time high on February 19, 2020[2]. To say that was jarring to investors would be an understatement. There was a pervasive fear that the financial markets would never rebound, driving many to sell stocks.

Emotionally, the dramatic pandemic decline felt like an unprecedented, one-time event. Historically, however, there have been many "one-time" events and the markets have always recovered. The same held true with the pandemic; the markets rebounded in just six months. Unfortunately, a knee-jerk response to short-term emotions set many people back on their long-term financial goals. 42% of investors sold stock in March 2020 and nearly 70% regretted that decision in hindsight [3]. *This reinforces the fact that having a plan isn't enough, you also need a skilled advisor to guide you.*

Early in the pandemic, my partner Tim and I steadfastly counseled our clients to hold tight and not sell. We provided a calming voice of reassurance that our investment strategies were structured for the long term and their financial security was of the utmost priority. Even when it felt difficult, clients heeded our advice because they trusted us. This trust has enabled us to help families and businesses stay focused on their long-term goals and not react to the daily noise of stock market volatility.

In my years as an advisor, I have come to understand that financial planning is not complicated – but people are, and life certainly can be.

So here is my advice...

1) Work with an Advisor:

1.Tim and I believe our true value comes from creating individualized, comprehensive financial plans. We will provide objective advice and create a financial plan based on your unique circumstances and goals. We will allocate your assets considering risk tolerance, time horizons, and tax efficiencies.

2) Set Goals:

Take time to consider and articulate your personal, professional, and financial goals. Where do you want to be in 5,10, or 30 years? These goals set the foundation for your plan.

[1] Fayard, J. (2020, July 14). How Does Fear Influence Risk Assessment and Decision Making? Psychology Today.

[2] Pisani, B. (2021, March 23). What Investors Have Learned One Year Since the Stock Market Bottomed. CNBC.

[3] Berger, S. (2020, September 30). 42% of Investors Sold Stock at Start of Pandemic – And Nearly All Regret Doing So. Magnify Money

3) Take Action

Implement your plan! Having a comprehensive plan that highlights and prioritizes your goals, and then breaks them down into actionable steps, is a must!

4) Collaborate

Your financial plan is the centerpiece of our relationship. We regularly review your plan and keep the process collaborative, fresh and purposeful. This creates accountability and provides you with clarity and peace of mind.

It is never too late to start planning for a secure future. Let us help you.

If you are interested in learning more about our firm and our comprehensive financial planning, please contact Compass Financial Partners at **847-731-3200** or email us at **compass-fp@nm.com**.

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