LEGACY WEALTH MANAGEMENT | Right by you.

Dear Clients,

In late March and again in early April, we sent you a letter that addressed some of the psychology and emotions surrounding the Coronavirus and the stock markets. Given the progress that has been made since then to "flatten the curve" on the virus and the tremendous rebound that we have seen in the markets over the past month, we thought it important to refocus on part of the information in that "old" letter. Part of the psychology that was addressed in that letter referred to the "recency effect", a biological explanation described by psychologists as "the human tendency to estimate probabilities not on the basis of long-term experience but rather on a handful of the latest outcomes" so that "whatever has happened most recently will largely determine what you think is most likely to happen next." At the time of that writing in late March, we commented:

> Our experience over the past several weeks with both the spreading virus and falling markets doesn't lend itself well to optimistic expectations for what comes next. One very human response is to seek safety in a more conservative portfolio, maybe even cash. But is that the best decision?

We have begun to "flatten the curve" in many places, even in New York that was so horribly impacted by this virus. Hospitals have better access to personal protective equipment (PPE), ventilators, and are less concerned today about being overwhelmed with cases than they were a month ago. States around the country are beginning to attempt the slow re-opening of their economies. Major U.S. markets have seen gains of over 30% and international markets gains over 20% since the market lows on March 24th. It is tempting to rewrite the paragraph above as follows:

> Our experience over the past several weeks with both the ~~spreading~~ *declining spread of the virus* and ~~falling~~ *rising* markets ~~doesn't~~ *lends* itself well to optimistic expectations for what comes next. One very human response is to seek ~~safety~~ *returns* in a more ~~conservative~~ *aggressive* portfolio~~, maybe even cash~~. But is that the best decision?

Our counsel is to proceed with caution. Staggering unemployment numbers were announced this morning and we believe these will get worse before they get better. We are observing businesses begin to close their doors for good (one of my favorite restaurants just made that announcement). And as we are just beginning to re-open, it is entirely likely that we will see an increase in virus cases and deaths in the coming month. Markets know all of these things too and should have these factors "priced in" or reflected in the values of stocks. However, no one including the markets has a crystal ball that allows for precision in predictions about what is next. Furthermore, investors are emotional human beings, programmed to chase good news or flee from bad news (also addressed in our late-March commentary). The next wave of emotions is hard to predict.

What we would draw your attention to in both versions of the paragraphs above is the last sentence – "is this the best decision?" We have had clients that fall into both camps with individual clients wanting to get more conservative a few weeks ago and those same individuals now wondering if they are missing the fun of rising markets. Given the emotions involved around dramatic market moves like we have seen, this change of heart is not irrational, it is human (see late-March commentary). Our consistent advice is to review your tolerance for risk (what will allow you to sleep at night), your capacity to take risk (can you afford to take risk or do you need to preserve capital), and to stick to a sound financial plan and investment strategy. The investor who panicked a month ago and sold equities missed a tremendous run (the best month's return since 1987). The investor who goes all-in on the equity markets today could be right but could also be walking into the next round of downside volatility of this market cycle.

We believe the need for a sound financial plan that considers how risk and return impact your financial future is critical, especially in times like these. Conversations about the markets on CNBC or other news outlets are interesting but have nothing to do with your peace of mind and financial future. If you don't have a financial plan in place already, please contact your Relationship Manager to begin that discussion. You will then be in a much better place to "make the right decision".

In the coming weeks as restrictions begin to loosen, please follow the CDC guidelines to wash your hands frequently, don't touch your face, wear a mask (I look fabulous in these!), maintain proper social distance, and stay safe and healthy! If we all do those things, we improve our chances to hold on to recent gains, both in health and wealth!

Sincerely,

The Investment Committee
Legacy Wealth Management