

Now Is a Good Time to Reassess Goals, Not Time the Market

By Robert Whitney, Jr., CFP®, Vice President, Senior Financial Planner

Ask any investor — new or seasoned. It's difficult to resist the impulse to time the market during periods of extended volatility. At one time or another during our investment journeys, we've all been tempted to push the sell button and go to cash.

But recent data shows us why that's not a smart financial move.

This astounding statistic reminds us to stay disciplined and remain invested despite the temptation to time the market and go to cash.

Reassessing your goals

Instead of pulling your money out of the stock market on an impulse, take pause and consider this: Evaluate your current overall financial picture, think through your future plans and determine whether you might need to reassess your financial goals.

Before making any significant changes to your finances, it's important to consider your situation holistically. A decision related to your investment allocation may have an impact on your tax situation, which could impact your cash needs and savings which may impact your financial goals. The various aspects of your financial picture are interrelated. Therefore, changes should not be made in one area without first considering the impact to all the others.

For example, let's imagine you plan to spend \$120,000 per year in retirement. You will want to consider how you will fund your lifestyle as there could be tax implications:

- If funding is derived solely from a pre-tax retirement account, it may cost you \$175,000 to get \$120,000 due to federal and state taxes owed on the distribution.
- If funding will come from an after-tax investment account, there could be capital gains tax implications, which could potentially be offset if your advisor is able to harvest losses, thereby reducing your tax exposure.
- Perhaps you will receive income in retirement from a pension, Social Security, or real estate investments, which reduce the distribution amount needed from investment assets.

Why You Should Never Try to Time the Stock Market

According to data based on historic S&P 500 returns, panic selling during market volatility can lead to missed opportunities on the upside. Often the market's best days tend to come after the biggest drops.

Looking at data going back to 1930, if an investor missed the S&P 500's best 10 days each decade, the total return would be 28%. However, had the investor stayed the course through all the market's fluctuations during those years, the return would have been 17,715%!¹



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This simple scenario highlights why it is imperative to maintain a holistic, long-term view when assessing goals. To the extent possible, remain disciplined: Resist the temptation to make rash decisions based on emotions, especially in tumultuous market conditions.

If market volatility and the current inflationary environment have negatively impacted your ability to attain your goals, you may want to prioritize them according to "needs" or "wants" to put things into perspective. Some individuals or couples begin this process by thinking through the following questions:

- How soon can you retire while maintaining a comparable standard of living to what you enjoy now?
- Should you enjoy a more lavish retirement experience in the first 10 to 15 years after retirement or spread it out as planned?
- Is traveling while you are in good health still a high priority?
- How does this affect your ability and desire to pass wealth down to family members?
- Is there still a desire to help family members as they launch careers and start their families?
- Do you continue to prioritize your philanthropic wishes and desire to continue contributions to your favorite charities?

If you are married or have a significant other, there are many personal issues you may need to discuss in order to ensure your long-term goals are aligned. Some examples include buying a second home, downsizing, relocating to a warmer climate in retirement, or turning a favorite hobby into a small business or your "second act".

Adjusting your Financial Goals

Volatile market conditions such as the ones we have experienced recently often prompt investors to think about making big changes to their goals. Additionally, worries around inflation, unemployment, our current economic environment, and the war between Russia and the Ukraine also add to our uneasiness. How do you plan for a better future with all the negative influences impacting our financial lives today?

The important thing to remember during difficult times is this: *Maintain a long-term view and adjust your goals only after reviewing your comprehensive financial picture.* Many individuals tend to enjoy 20 years or more in retirement, and you should plan your financial goals accordingly.

Next Steps

Fortunately, you do not have to face these challenges alone. Commerce Financial Advisors is here to advise you every step of the way. We can assist you as you navigate today's market volatility and economic concerns.

Your team of financial professionals can help you remain disciplined and focused on what matters most to you and your family. We encourage you to contact Commerce Financial Advisors today for guidance as you reassess your financial goals.



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¹ Source: CNBC.com, "This chart shows why investors should never try to time the stock market." <https://www.cnbc.com/2021/03/24/this-chart-shows-why-investors-should-never-try-to-time-the-stock-market.html>, updated March 24, 2021.

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Rob is a senior financial planner for Commerce Trust Company. He is a member of the financial advisory services team — a dedicated financial planning practice within Commerce Trust that provides objective financial advice to clients. Following a thorough assessment of a client's unique situation and thoughts regarding wealth, Rob develops holistic and coordinated plans to help clients meet their short-term and long-term goals as well as take full advantage of various planning, tax, and investment strategies along the way. With more than 16 years of experience, he specializes in building relationships with clients and providing comprehensive financial planning services to business owners and individual investors to help them achieve their goals. Rob holds the CERTIFIED FINANCIAL PLANNER™ designation. He received his bachelor of administration degree in business finance from Loyola University in Maryland and his master of business administration degree from the University of Delaware. Rob serves on the Allocation Panel for the United Way of Greater St. Louis. Additionally, he is an Eagle Scout.



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