



## ***Mistry's Musings: Providing A Little Perspective During A Rough Market***

Just when we thought we might catch a break in 2022, after experiencing a global pandemic the last two years, we are hit with the following news this year:

- The S&P 500 index is down 20% (as of 6/30/22)
- Inflation is at 9.1% (as of 6/30/22)
- Increasing interest rates and decreasing bond prices
- Recession fears
- Russia's invasion of Ukraine
- Monkeypox

Yes, we live in a scary and uncertain time, and it is often difficult to have a positive outlook amongst continued negative headlines. In times like

these we are often asked, "How should current events affect how we invest going forward?" "What should investors be doing to protect themselves as well as possibly take advantage of the current environment?" We find that obtaining some perspective in tough market periods can often help investors stay disciplined and take appropriate action.

In a recent webinar, ***Weathering the Current Storm***, hosted by Dimensional Fund Advisors, Jake DeKinder & Mark Gochnour provide some helpful perspective regarding the first half of 2022. ([Click here](#) to access this interesting webinar online.) We found some of the following points to be insightful as we navigate these uncertain times:

- It is important to remember as an investor in the stock market, you bear uncertainty in some form. With return comes risk.
- Be careful of misleading market headlines, for example, "Markets Have Worst First Half of a Year in Decades" (Wall Street Journal, July 2022). Market headlines often begin with something like this to hook the reader but may not necessarily provide the entire picture.
- 20% declines in the market are not unusual. Further, beginning a calendar year with negative returns (in bond and stock markets) does not necessarily equate to a negative return by the end of the year.
- Missing the best days, weeks, and months in the market can have a tremendous impact upon long-term returns. Two decisions must be made when trying to time the market: when to get out and when to get back in. The stress of being out the market is replaced by the stress of when to get back in. Staying in your seat and sticking to a long-term game plan gives investors the best odds for a positive market experience.
- Has something fundamentally changed in your life and circumstances that impacts how you should be invested and the level of risk in your portfolio? Life circumstances and goals should affect how we invest, not what we think is going to happen in markets in the short-term.
- Stocks are a great way to outpace inflation over the long-term. Further, there is a lack of a persistent relationship between inflation levels and stock market performance.
- Markets are forward looking – expectations for interest rates, inflation and recessions are already priced into the markets. By the time an official recession is announced, we may already be out of it or on our way out.

If you are interested in more information and education regarding the markets, I welcome you to register for the upcoming webinar hosted by Dimensional Fund Advisors mentioned further on in this newsletter.

Additionally, in times like these, it is an important reminder to focus on what you can control when it comes to your financial picture. We have had some recent meaningful discussions around the following topics:

- ***Tax loss harvesting in after tax accounts*** – Capturing capital losses in an after-tax account can be reported on your tax return to help offset current and future capital gains. Dollars are immediately reinvested to take advantage of a potential recovery in the markets.
- ***Income tax planning*** – Examining current tax law and possible changes can help identify opportunities to reduce your tax bill.

- **Rebalancing the existing portfolio** – Your portfolio may be underweighted in stocks compared to your targeted allocation. It may be worth weighing the option of shifting dollars from bonds to stocks in your portfolio to buy stocks at a ‘low’ point.
- **Investing excess or unneeded cash into the portfolio** – As the adage goes, buy low and sell high. Given the decline in markets this year, we view the current environment as a buying opportunity. Examining current cash balances across checking and savings accounts may reveal cash that you may be able to part with to invest for the long-term and buy stocks at a discount.
- **Roth IRA conversions** – If you are in a low tax bracket or lower bracket compared to previous years, converting traditional pre-tax IRA dollars to a Roth IRA may be worth considering. It is helpful to do conversions when stocks are on discount to take advantage of the recovery or market growth in a Roth IRA, which is tax-free. Tax professionals along with your advisor can help examine if this is a good strategy for you.
- **Revisit your financial plan** – It is important to evaluate how a decline in the market may affect your long-term financial goals including your plans to retire, home renovations projects, or taking that family vacation. Should those goals be put on hold or can you move forward with them? Discussing these possible concerns with your advisor may reveal that you are in better shape than originally thought despite market fluctuations.

Focusing our efforts on these different planning topics is how to best take advantage of our current market environment as well as ease concerns. Markets are going to do what they are going to do, and they are ultimately out of our control. However, there are other actions investors can take and redirecting focus to these more controllable items is a good place to focus energy. We welcome you to reach out to our office to discuss any of the above topics and ideas.

We at Portfolio Advisors recognize that when volatility strikes the market, it is hard to ignore and can impact our emotions. We aim to be a sounding board for the families we serve and do our best to reach out in times like these. We hope to provide third party objective perspective to your overall financial picture and lives. Please feel free to reach out if we can further help you navigate this current environment.

On a personal note, I am happy to announce that my husband and I are expecting baby #2, a girl, in early November. I will begin my leave of absence in mid-October and plan to return to the office in mid-December. The team and I have begun preparations for my absence, and they remain ready to continue to serve you during this time. (Baby pictures and announcements will be coming upon delivery!)

Regards,

Tina Mistry, CFP®  
President/CEO & Financial Advisor

*(P.S. We welcome any feedback regarding our newsletter articles! Please feel free to respond to this email. Further, if I can be of any help to you or more specifically, if you have any feedback you wish to share with me regarding your experience as a client of Portfolio Advisors, I welcome you to contact me by phone or email. Thank you!)*