Observations from Advisors

Amy Armstrong May 05, 09:30 am

Side Effects of the Pandemic

A crystal ball would come in handy right about now for advisors and investors wondering what continued impacts the COVID-19 pandemic will have on the nation's financial future.

But alas, that isn't possible. Right? Or is it?

Perhaps a roundtable of thoughts from advisors working in the financial trenches across the nation right now can provide some insight.

Know What Is in Your Portfolio

The number varies depending on which survey one is quoting, but on average, approximately 40 percent of American investors admit they do not know what is in their portfolio.
That is an astonishing and unacceptable high number if you were to ask Garrett Suydam, financial advisor with Suydam & Conrad, a wealth management group of Raymond James, based in Ocala, Florida.

"First, investors need to always know what they own in their portfolio," he said,
This, for Suydam, is the beginning step in being able to ride out market volatility such as what was experienced in March 2020 when the financial impacts of the COVID-19 pandemic began.

"With hindsight being 20/20, just riding out the market was the right call," he said. "But telling that to a client in March of 2020 was very difficult. I have been through 2000-2002 and 2008, but this air pocket we hit with COVID-19 was scary. A client needs to know what is in their portfolio to feel comfortable when markets become very volatile."

Low Interest Rates Rule for Now

"The market seems to be hooked on super low interest rates and with stimulus having to be put into the market, it seems to me the 'safety' levers at the disposal of the Fed aren't today what they used to be," Suydam said in reference previous efforts by the federal government to lower and raise interest rates based on economic conditions.

Mortgage rates across the various sectors of the loan industry fell again in late March. Average interest rates for a standard 30-year mortgage was 3.23 percent on March 26, according to an online report by MSN.com. That is nine basis points lower than just one week previously.

Low interest rates bring a mixed bag of results for investors: Bonds and government treasuries lately barely pay enough to justify the paper they are printed on. With current Treasury percentage rates at 0.13 for one year, 0.71 for 10 year, 1.21 for 20 year and 1.45 for 30 year investment options, today's options are paying out less than Treasury bonds did during the Great Depression, according to an online report by SeekingAlpha.com.

Here's where dividend-paying stocks take center stage.

"We have been witnessing over the past few weeks a strong outperformance of high-dividend stocks that have lagged the market for many years now," wrote Philip Mause and Rida Morwa on SeekingAlpha.com.

The pair expect dividend-paying stocks to continue to increase in value during this period of low interest rates, which no analyst has yet to put an end mark on. U.S. Treasury Secretary Janet Yellen said in mid-March 2021 that she expects interest rates to remain low for the time being. Bankrate.com wrote that interest rates will stay low and remain relatively stable during 2021.That means this first year post pandemic could be the year to check out dividend paying stocks for future economic security.

Invest in You

The pandemic rather abrasively showed us that factors beyond our control do have drastic and life-changing impacts on us as individuals, as employees of a company, and members of society.

It's time to double back and make sure you are investing enough in yourself as well as in your portfolio and in the lives of others around you.

"I hope people realize the inherent risks in their career," said John P. Clark, owner of Clark Associates Financial Planning, Inc., in Gibbsboro, New Jersey. "The single most important investment a person makes is in their own skill sets."

Acquiring new skills sets within the technology sector is advisable. At the end of December 2020, FinancialExpress.com dedicated a lengthy column to new career options and skill sets that whose anticipated fulfillment brings diversified work options for those who are prepared. Certainly, financial advisors aren't necessarily career counselors. Yet, being able to point clients in the right direction toward skill enhancement can only be beneficial to the relationship.

Eliminate Penalties

This is an interesting concept that the financial services industry has struggled with forever. Penalties keep money invested, but as COVID-19 demonstrated, there are times when fast-flowing liquidity is also not just a handy luxury, but more like a necessity.

"There should be no penalties on retirement accounts so that clients may pivot and do what they need to do to get through horrible situations," said Clark. "The ten percent penalty law is ageism at its finest and something the pandemic demonstrates as morally wrong," said Clark. "Yes, they got the waiver this time. It just should not exist in the first place."

Making this happen will of course take legislative action. Perhaps framing it as a discrimination is one way to stir up social action on this matter.

Can Technology Keep Us Safer?

Paula de Vos, president of Synergist Wealth Advisors, LLC, in San Francisco and Monterey Bay, California, believes the answer is "yes."

Noting that the pandemic accelerated innovation, de Vos said that safety, security, health, science and risk management are "more meaningful" than ever.
"Populations have gone from an abstract understanding of the importance of these areas to real-time needs, involvement and ramifications," she said.

The World Economic Forum recently addressed how technology is protecting us in the age of viral pandemic. From online entertainment and shopping to contactless and robotic delivery to distance learning to wearable sensors that alert workers when they are too close to other workers, websites by the WEF and EHS Today (Environment, Health and Safety) document a plethora of advances that industry experts say would have been much longer in realization had COVID-19 not come along.

Wrapping it Up

Technological advances – yes, Zoom meetings – are here to stay. Adding technology to a portfolio is an obvious choice; so is adding technical skills you have mastered to your resume. Low interest rates aren't going anywhere soon so one may as well take advantage of their upside while one can. And if changes to the penalties associated with early withdrawal are on your radar screen, it's time to get comfortable with lobbying.