

ON COURSE

Managing Wealth Through Times of Uncertainty

BROOKS SLAUGHTER



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> **The simple definition of the term uncertainty is a state of doubt, hesitancy, unpredictability, or indeterminacy.** With regards to financial planning and wealth management, especially during a period of economic crisis, uncertainty takes on meaning from two perspectives: one rooted in facts, the other involving emotions.

When addressing your wealth during an economic crisis, it's important to recognize both facets of uncertainty. Part of the uncertainty is based on facts, or a lack thereof. The other part is your emotional response and the uneasiness of being unsure how to act. Essentially, it's the head versus the heart, and it's important to understand that both need to be resolved during such critical times.

It's also important to understand that there are many different triggers to uncertainty concerning one's wealth. Sometimes the causes are very personal such as changes in family dynamics or even sudden changes in your work. This article, however, concentrates on external events that impact us more broadly – sudden downturns and recessions caused by events like terrorist attacks, financial system crashes, and certainly global pandemics.

One of the most important things to keep in mind is events like these will happen throughout your financial life. COVID-19 will move on and markets will recover, but other such events also await down the road. The key is to **plan and prepare beforehand**

so that you create financial security that withstands life's financial storms.

In the middle of a crisis, emotions often get in the way and make us susceptible to the inevitable speculation and opinion rather than focusing on real facts and data. To avoid such pitfalls, maintain a regular understanding of the investments you own so that you aren't scrambling to catch up after a crisis has hit. Know, at least in general, how these investments have behaved during past periods of uncertainty. Understand your family's cash flow needs, and what types of events could interrupt your income.

"Money" magazine, in a 2017 article, reported [61% of workers have lost a job](#) at some point in their career for at least a year by the time they reach age 70. Expect that statistic to go up by this time next year. For planning purposes, consider your liquidity and savings during 'good' times to prepare for the bad. A good rule-of-thumb is to have six months of living expenses in savings. An even better plan, given the "Money" stat above, may be to have a full year's worth of income saved.

It's also important to understand your debt levels. How might a stressful period impact terms and payments? Are there any forms of insurance that could mitigate those risks?

Though it's virtually impossible to prepare for every contingency, utilizing a trusted advisor with experience prioritizing such matters is key to the planning process.

With your advisor's guidance, spend time documenting impactful events with high odds of occurring. Such advance recognition will provide you with a more thoughtful action plan and put your head in a strong position to override the heart's impulses amid a crisis.

to capture data from trustworthy sources as planning with false information leads to bad results. Instead, rely on sources with a good track record of sorting through data and turning it into useful information.

Even with advance preparations and good data

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Another key tactic is to capture data both before and during any event that causes dramatic fluctuation in the markets. Keep in mind that media providers are in constant competition to capture as much audience share as possible, and periods of crisis create a furious pace for news cycles that often lead to incomplete or inaccurate information. Be sure

sources, there will likely still be a need for adjustments in the middle of an actual event. The intent of the planning, however, is to keep such adjustments small in scale; minor course corrections that address very specific aspects of your overall investment strategy. In these cases, logic and facts need to supersede emotion.

Many people try to make

ABOUT RICHARD P. SLAUGHTER ASSOCIATES, INC.

Richard P. Slaughter Associates is a leading wealth-management firm specializing in delivering tailored strategies as a fiduciary for high net worth individuals, families and businesses. Slaughter Associates constructs a comprehensive financial relationship with its clients by delivering expertise in financial planning and asset management while coordinating with tax, insurance and estate professionals. The result is a holistic approach—unique in the financial industry—that generates a clear path to the individual financial goals of the client. Founded in 1991 in Austin, Texas, Slaughter Associates was among the first fee-only firms in the nation, a fiduciary status that allows it the freedom to provide advice that is always in the best interests of the client. Slaughter Associates is a NABCAP Premier Advisor, recognized for its commitment to maintaining top business standards, first-class financial-management capabilities and dedication to preserving transparency in the financial services industry.

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Other Interesting Fact

One of the first fee-only advisor firms in the United States

major adjustments during highly volatile periods and shorten their time horizons. This is usually counterproductive. Shorter time horizon strategies are often derailed by the noise and misinformation we addressed above. Instead, refer back to the plans made in advance and make the small course corrections needed as governed by historical data, current needs, and long-term goals. The overriding determination of your in-crisis moves should

be: is the move damaging my long-term plan to satisfy my short-term emotions?

Finally, once the crisis has passed, a full evaluation of your investments should be performed, and the data added to your historical performance records. Some questions to ask include; what is the new financial picture? Are repairs needed on the balance sheet or cash flows? This is the proper time to concentrate on yourself in the present without the strain

of a crisis.

Once the current situation is understood and stabilized, it's time to plan again. Did the crisis reveal any 'blind spots' in the previous plan? Use the experience from the recent crisis to map out a new and improved path from the present to the future. When planned for properly, each experience should make the next event easier to endure. 🌊



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