



Financial planning in the age of uncertainty

How to take the right action when your financial plan gets rattled



For the past few weeks, the word “volatility” has been turning up everywhere. From news channels to social media to conversations with family and friends, experts and amateurs alike are contemplating ways to protect themselves from the ups and downs currently being inflicted upon their investment portfolios.

After more than a decade of steady growth in the stock markets, we have hit turbulence. A strong economy last year suddenly feels rocky in 2020 and there is talk of recession. These uncertain times may lead to anxiety over your money, second-guessing your financial plan and wondering where you’re going to be down the line in terms of achieving your financial goals.

It’s at times like this when all the ‘what if’s’ keep you up at night. What if I can’t retire when I want to? What if recession hits and I lose my job? Do I have enough savings to keep me afloat? How long will these savings last? Many people are fearful, and none more so than retirees and those approaching retirement as they see the value of their nest eggs plummet.

These ‘what if’ scenarios can feel scary for most of us. But ‘what if’ moments are not always a bad thing. Consider using them as an opportunity to review and validate your financial plan. And if you don’t have a plan, use these ‘what if’ questions to spark a constructive conversation with an advisor about your financial future in this new reality.

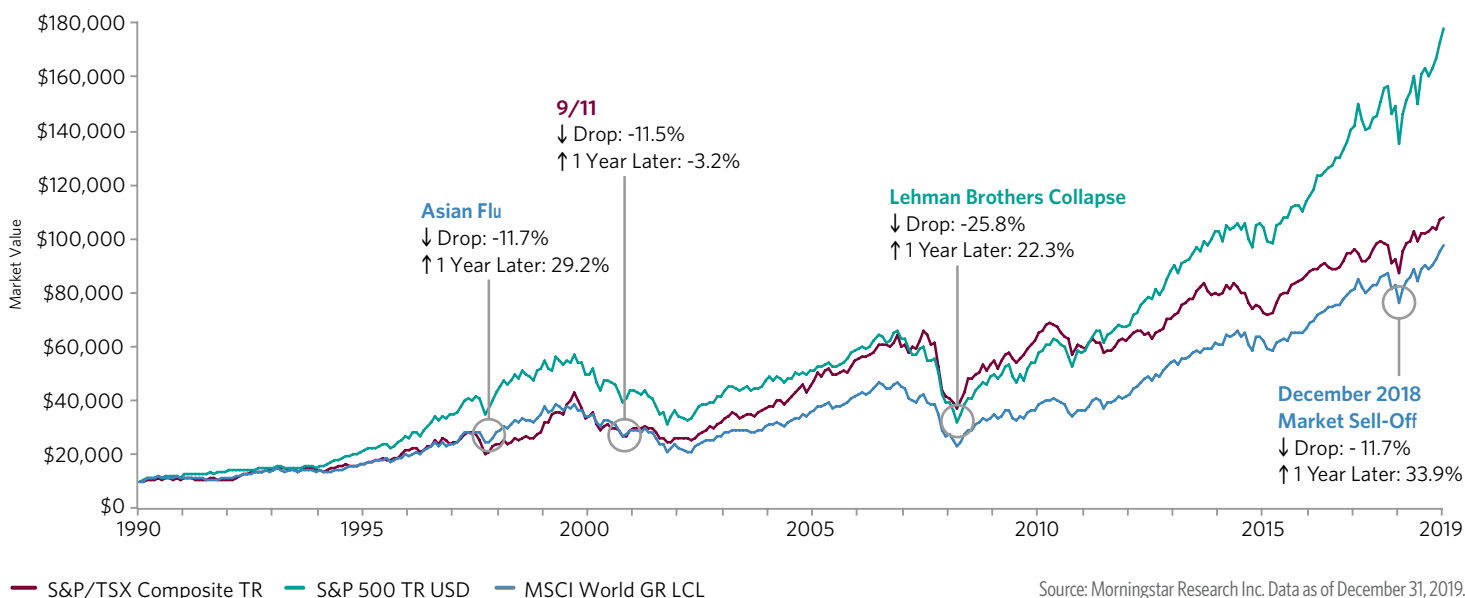
It’s only when an earthquake hits that you truly know if your house was built up to earthquake code. The same goes for your financial plan. Take the time to check your financial plan and make adjustments while you still have time to address any potential issues.

Four ways to keep your financial goals on track during market volatility

If you're wondering how you can keep your financial goals on track as the markets fluctuate amid the COVID-19 pandemic, here are four important points to consider before you take action with your financial plan and investment strategy:

1 Put volatility in perspective

It's emotionally exhausting to see the value of your investment portfolio go down in the short term. But it's important to recognize that volatility, including major market downswings, is natural and an inevitable part of investing in the markets. Don't let short-term volatility cause you to lose sight of long-term potential. As shown in the graph, different events have sparked volatility in the past. But, when we look at history, markets generally have a natural trend of recovering from downturns. The key is to stay invested so that your investments have the potential to realize these gains over the long-term.



[Learn more](#)

2 Avoid emotional reactions

If you've been used to steady growth in your investments, losing a portion over a matter of weeks can be shocking. But don't act out of fear and panic, because that's when you make decisions that aren't rational and in your best interest. Often our very own human nature can be the greatest enemy to our financial plans and investment strategy. We chase past returns, and jump in right near the top of a market upswing. Then we run away from negative returns after they happen, and jump out right near the bottom, after much of the damage has been done. But that kind of move could be harmful to your financial plan because, while you may have suffered a loss on paper, you only lock in that loss if you sell and eliminate an opportunity for the investment to rebound. And just like it's impossible to predict a downturn, it's equally difficult to know when the market will rebound. The most likely result of selling after a downturn is not being able to take advantage of the

market recovery. During periods of volatility a financial advisor can help keep unproductive emotions in check by acting as a sounding board before you make any major financial decisions.

3 Build a financial plan for all seasons

A thoughtfully constructed financial plan is generally created for all seasons. So before you do anything, speak to your advisor to understand how your financial plan and investment strategy may have been constructed to help withstand shock. Asset allocation, diversification, careful rebalancing and professional money management are important anchors which may help your investment portfolio weather a storm. Ask your advisor to explain how these important investing principals can help you during periods of volatility. And if you don't have a financial plan for all seasons, these recent market events should show you why it's important to speak to the right professional to get one made.

A proper financial plan is built on a foundation of data – your current and projected cash flow analysis, how and when you want to spend your money, important goals and life events impacting your finances, your risk tolerance, etc. This type of comprehensive financial plan may also include contingencies for a potential loss of income, such as an emergency fund or plans for low-interest borrowing. So when turbulence hits it's important to trust the financial plan that was created with your unique goals, circumstances and risk tolerance in mind and have the confidence and patience to stay the course.

If retirement is still years or decades away, there should still be time for savings and investments to recoup any losses. You likely don't need access to those retirement savings right now so let time be your friend and give your investments a chance to rebound from their lows.

If you're retired, and if you have a good financial plan, your plan should have a reasonable cushion for living expenses in cash or low-risk investments, which will likely not be impacted by a market downturn. Therefore, any growth investments can have time to recover. And if you don't have a financial plan with this kind of buffer, it might be time to meet with an advisor to review your options – such as recently announced government benefits, assistance provided by your bank, and the best approach to drawing down savings in this turbulent environment.

While news about stock markets tumbling is unsettling, you can usually learn to tune out the noise by focusing on these three key questions:



Ask yourself:

- Has my financial situation or savings goals changed?
- When do I need to use my investments?
- Do I need access to the money I've saved up now or later?

If your goals haven't changed and you don't need to access your money immediately, your best course of action might be to take a deep breath, hold steady and take a little break from the market news.

4 Be proactive

You might be able to regain a sense of control in this uncertain environment by proactively reviewing your budget and immediately engaging your advisor about options available (either through your bank or through the government) which can help with any cash flow issues that you might be experiencing. Information from the government and your financial institution is changing daily. If you're feeling overwhelmed, lean on the expertise of your advisor to help you understand all your options and guide you through which ones are best suited for your unique financial situation.

As you focus on self-isolation and physical distancing, there are many things you're likely not spending on: dining out, going to shows, shopping, gym memberships, travel, extra-curricular activities for the kids, or even paying for transit and gas for your daily commute. Many of us are spending less than we normally would. One thing you may want to consider is calculating how much less you're spending and redirecting extra funds to a savings account as an emergency fund. Now is the time for diligent budgeting – so review your cash outflows to see how and where you can cut back. And if you don't have a budget, here's a [template](#) and [video](#) to help you get started.



Useful resources

Government benefits explained by CIBC tax experts:

- [Personal tax measures](#)
- [Relief measures for businesses](#)
- [Lower RRIF minimum withdrawals for 2020](#)

How CIBC can help:

- [COVID-19 Financial Relief FAQ](#)
- [COVID-19 Resource Center](#)

Feeling anxious about your finances is only natural during times like this. But before you commit to an action that might hinder your long-term financial goals, speak to an advisor about how you can build a financial plan to help you cope with this new reality.

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