Marin wealth managers advise clients not to panic

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Marin financial advisers are offering advice similar to public health officials in responding to the coronavirus: sit tight.

The Dow Jones industrial average has plummeted 30% in a month, the steepest drop ever recorded. The Dow fell another 900 points on Friday.

Nevertheless, while the current disruption to the economy is spectacular, Marin money managers say now is not the time for investors to panic.

Joyce Franklin, founder of Larkspur-based JL Franklin Wealth Planning, says the current gyrations in the market remind her of previous bear markets in 1987, 2000, 2001 and 2008.

"I would encourage people to turn off the financial news and keep their long-term time horizons in focus," Franklin said, "because if they're not prepared to be a little uncomfortable now, they may have to postpone their retirement or change their lifestyle."

Franklin said it is mostly her newer clients whom she has heard from since the market started tanking.

"They seem to be the most nervous," she said, "because they haven't experienced such a big downturn before."

Mark Bourguignon, president of Ascend Wealth Management in Corte Madera, said most of his clients are remaining calm. They haven't forgotten the lessons of the 2008 bear market.

"It has been swift and fast," Bourguignon said, "but in terms of absolute levels, equity markets were down 52% in 2008."

Robert Hunter, the principal and founder of Marin Wealth Advisors in San Anselmo, has weathered every bear market since 1987.

"My experience each time was it is important to stay invested," Hunter said.

Hunter said people should be willing to re-evaluate their investments given that the economy may look significantly different when this crisis ends.

“This could have a long-term impact on consumer and working patterns,” Hunter said. “People are going to be much more accustomed to working remotely. I would expect a much larger investment at all levels of government in health care after we get through this.”

Ironically, one of the most famous failures during the dot.com crash of 2000 was Webvan, a grocery delivery business.

“Their thinking wasn’t wrong,” Hunter said, “just their timing.”

Bourguignon said, “Some things will come out of this better and some things won’t.”

He said during this time when people are cocooning in their homes to avoid spreading the virus, companies such as DocuSign, Slack, Zoom and Amazon are validating their worth.

“People are discovering they can work from home pretty well,” Bourguignon said.

Hunter says the biggest loser coming out of this crisis may be energy companies, which were already facing a rising tide of negative public opinion due to global warming. He said it is probably too late to sell stock in airlines, “but I would take a hard look at what airlines I own because there will be some that won’t make it out of this.”

Franklin, however, cautions against trying to pick winners and losers.

“When you’re timing the market, you have to be right twice,” Franklin said. “You have to be right when you get out and then you have to be right when you get back in.”

The advisers say that now is a good time for investors to rebalance their portfolios.

“For example, bonds have reached and gone beyond their target allocation so we are selling bonds and buying more stocks,” Franklin said.

The advisers say now is also a good time for “tax loss harvesting.” When an investor sells a stock that has fallen in value since they purchased it, they receive a capital gains tax deduction that can be used immediately or carried over indefinitely.

“We have been very aggressively trading in our client portfolios to harvest as many losses as we can,” Franklin said. “We’ve saved our clients hundreds of thousands of dollars on their taxes with this strategy.”

Bourguignon said the financial blow of the market’s fall can also be softened by moving money from a traditional investment retirement account, to a Roth IRA. That allows the investor to pay taxes on their IRA now when their income may be lower due to the economic disruption instead of later when they retire.

So, should anyone consider cashing out their stocks in this bear market? Franklin says if someone over invested in the market and left themselves no cushion, maybe.

“If someone is not working with an adviser then I think they need to do a self check-in,” she said, “Do they have cash for emergencies? Do they have cash to meet their needs for the next six to 12 months?”

Franklin said she always advises clients that they need to invest for the long term.

“If you don’t have a time horizon of at least five years, we would not recommend investing in stocks,” she said. “You’d want to put your money in a very short-term bond or a high yield money market fund.”