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FEAR OR FAITH: WHICH CAMP DO YOU FIT IN?

By Fred Dunbar

As I write this article on the historical Memorial Day (May 30), there are so many things going on. For those old enough, we remember Congress passed the Uniform Monday Holiday Act and changed Memorial Day to the last Monday in May on June 28, 1968. Today, as in 1968, we have riots in some of our major cities due to civil unrest. Different people killed, Martin Luther King in '68 and George Floyd in 2020; same results (rioting, looting, protesting, arson). Maybe this time will be different. Are you fearful?

The majority of states are in varying degrees of reopening after America was sheltered in place due to COVID-19 in mid-March. Are you fearful, or do you have faith that this time is different? With all of the unrest and protesting, there is fear that the coronavirus will spike. If so, what will happen to your investments this time?

On March 23, most of America was fearful due to the unknown. The stock market bottomed, but it was hard to tell at the time. Were you fearful as you saw your retirement tanking, or did you have faith that the markets would rebound? All nonessential businesses closed, but would they all survive and reopen? So many questions, and the last chapter has not yet been written.

Merriam-Webster defines fear as “an unpleasant often strong emotion caused by expectation or awareness of danger; concern about what may happen.” Fear immobilizes people.

* In 2015, we met with a couple; for the sake of this article, I'll call them Jack and Jill. Jill was downsized and faced a decision to either leave her retirement plans (401(k) and pension) with her former employer or transfer it to an IRA. We worked with Jack and Jill and completed a financial plan.. One of the recommendations was to transfer her retirement plan to an IRA. Jack said that the markets scare the devil out of them. He said that the stock markets dropped almost 40% in 2008, and it will happen again.

Jack followed and subscribed to a couple of financial newsletters. He said they were more comfortable remaining in cash or possibly short-term bond funds. We discussed this, and eventually, they decided to stay in cash.

Over the years we reached out to Jack and Jill, and things haven't changed much. Jack was paralyzed and couldn't make a decision. We have talked many times since then, generally once or twice a year. Jack said the markets were going to tank again, and he was afraid of investing Jill's IRA, which was still in cash. I get it; they didn't lose a dime, but they certainly didn't make much either with the historical low interest that money markets were paying.

Well, when the novel coronavirus hit, and the markets bottomed in March 2020, I spoke with Jack again. Actually, Jack called me. He said he was right, that the markets did crash again, and now it was time to invest Jill's IRA. Maybe Jack was actually Nostradamus, the famous seer known for predicting events. No, he was just Jack and got lucky. Or did he? We reworked the original recommendations from 2015 to take advantage of where the markets were today. We went over the recommendations, and Jack said it all made sense. He said they would review the recommendations and get back to us. Well, here we are on May 30, and Jill's money is still in cash and probably will be for many years to come. Jack, more so than Jill, is still fearful.

The markets, like the world, are not static but are always changing. Perhaps you find yourself like Jack — fearful and unable to make a decision. Maybe you have faith in people and believe that the world will become a better place and that the markets will recover.

This is the perfect time to do a review of your investments. Do they still match your risk tolerance, or are they out of balance? How much risk are you willing to take to meet your goals? Are your goals still obtainable?

There is a lot a negative news on the TV, so turn it off, find a quiet place, sit down, and refocus your financial plan. The first step is to take stock of where you are today. Ask yourself some questions like these, and be honest with your answers:

- Are you happy where you are at right now, generally and financially?
- What is the biggest financial hurdle you face today? Is it paying down debt, educating your kids or grandchildren, or retirement? Are you fearful that you may never be able to retire?
- What has been your experience with investing? Do you gamble and take too many chances? Do you panic and sell when the markets go down? Are your investments too safe for you to reach your goals?
- Where do you see yourself next year, in five years, or 10 years? This is important. There is nothing more essential than goal setting. Don't make your goals too high, where they are not attainable. They should be measurable and observable. Write them down so you can see them each day.

Napoleon Hill wrote the timeless book, "Think and Grow Rich." When I was starting out in finance, my manager (today he would be my mentor) stopped by my office and handed me a copy and said, "Read this, and we will discuss it tomorrow." We did meet the next morning. Basically, the premise is whatever the mind can conceive and believe, it can achieve. This is regardless of how many times you may have failed in the past or how lofty your hopes may have been. Simply, this is goal setting. I strongly recommend that you add this book to your summer reading list. It may just help you get over some of the hurdles you face today.

If you are struggling doing this on your own, then contact a financial adviser to help with your financial plan. Look for one that is fee-based, who is also a fiduciary. A fiduciary is one who has an obligation to act in the best interest of another party. In the next issue, I'll break down this process so maybe you too can meet your goals.

So, head to the beach with your favorite books, chair, and beverage, and maybe you can eliminate some of the fears you struggle with today.

**The above story is a hypothetical case study for illustrative purposes only. It does not constitute a recommendation as to the suitability of any investment or action taken in the story. Actual performance and results may vary.*

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