



*Quarter-End Snapshot*  
Q1 2020

*FIRM UPDATE*

from **CARTER TOLLESON, CEO**



*“Always look for the helpers. Because if you look for the helpers, you’ll know that there is hope.”*

-Fred Rogers

The world changed and it did so in a hurry. The way we socialize, work, exercise, shop... everything changed. Our firm was able to pivot quickly and move to a mobile environment relatively seamlessly thanks to the strong infrastructure and technology already in place. I’m very happy to report that the Tolleson Wealth Management team is operating well and everyone has

adjusted to the new normal.

I’m really amazed at how many *different* emotions there are in this country right now including uncertainty, fear, anxiety, and loneliness. It’s seemingly impossible to escape bad news, but I am also taken aback by the strength and perseverance of so many people around the world, especially with our employees. The one emotion I have experienced firsthand from everyone at Tolleson Wealth Management is compassion. True compassion makes you want to make sacrifices for someone else and gives us the strength we need in a difficult and unusual time. That’s

exactly what I have experienced. The positive attitudes, leadership, communication, and dedication to serving our clients are nothing short of remarkable. We are the “helpers.”

We have always promised to do our best to give you “peace of mind” and free you from having to deal with your financial affairs so you can focus on what’s most important to you. This is never truer than right now. Focus on what’s important in your life and we will continue to focus on you.

In these very uncertain times, I can assure you of one thing: we are here for you!

## *FAST FORWARD*

*from* **ERIC BENNETT, CFA, CHIEF INVESTMENT OFFICER**



Behavioral science experts have long asserted that in times of crisis, our time horizon shortens dramatically. Meaning, it’s hard to look past tomorrow, let alone look three months into the future to know what our reality will be. In moments like these, almost anything you hear or read today that likely would have been disregarded as absurd three months prior may not be considered so illogical today. What we can all probably agree on is that what has happened globally over the past 45 days is almost unimaginable.

Fast forward to July – what will our world look like?

- Health - Is the COVID-19 spread diminishing, and what are the infection and mortality rates?
- Society - Will we go to our offices and restaurants or shake hands with each other again? Will we feel safe in public without social distancing?
- Economy - What is the impact on our economy – jobs lost, rehiring started, consumer and business sentiment?
- Investments – Will the stock market be up or down? Will it feel less volatile?

If we were able to look forward three months, one year, or even ahead three years to see the world more clearly, we could have some more sensible thoughts:

- Individuals, society, our economy, and the financial markets are incredibly resilient after a crisis. Historically, it's quite remarkable how quickly we recover after things settled down. When people say "the world will never be the same again" after COVID-19, I think, yes, that's true, but it probably will change less than we think. We have made it through previous pandemics, World Wars, a Great Depression, and other major crises and come out ahead in the long term.
- The economy is going to suffer over the next six months but should recover quickly. This is very likely a short-term problem, thus your long-term investment plan should not change.
- Predicting what will happen in the markets over the next six to 12 months is rarely a useful or practical exercise but is even more so impractical today. With a very high level of uncertainty, attempting to "time" the market is not wise.
- Attractive opportunities have been created by this crisis and investing in these areas is prudent in moderation and with patience. There are investors that must sell to meet cash demands, or because they are using too much leverage. We, and the outside money managers we have hired to invest on our clients' behalf, are taking advantage of these opportunities in a careful manner.

That all said, we are still at a point that requires extra care and caution to watch for events that add more risk to your investments. We are laser focused on tracking the daily changing events that could impact the next three, six, and 12 months (our summary of key recent events and investment implications are summarized in the Q&A section below). We should have more clarity over the next quarter of the projected economic impact from this crisis.

## RECENT IRS COMMUNICATIONS

from **AMY ARMSTRONG, MANAGING DIRECTOR OF TAX**



As is true for many areas of our lives these days, many things are constantly changing. Last month, we learned of the new tax developments that emerged due to the impacts of COVID-19. We put together a writeup of the tax news most likely to impact you during this time.

Read our recap [here](#) with information about the new tax return and payment deadlines as well as tax implications of the stimulus package.

# PHILANTHROPIC RESOURCES

from **SUSAN JENEVEIN, DIRECTOR PHILANTHROPY**



Many people are wondering how they can help our communities in this health and economic crisis. Our Philanthropy Team is communicating with the first responder agencies in healthcare, social services (offering support through food and shelters), education, and the arts.

We are also connected with the efforts on the national level related to vaccine research, the most vulnerable in developing countries, and test development. Finally, we are tracking the assistance to non-profits in the new relief legislation and changes in rules regarding charitable gift deductions.

If you want to know about the most innovative work going on to help in those areas, you can view our most recent writeup [here](#). My team's contact information is also included if you want to know more about the innovative work going on in our community.

# Q&A WITH OUR INVESTMENT TEAM

1

**Question:** How would we summarize what has happened over the last six weeks?

**Answer:** Markets sharply fell 34% in response to the spread of the virus and the global lockdown that was needed to slow the spread. Then, the markets recovered swiftly and, as of April 10, the S&P 500 is down 13% for the year. Markets fell largely in response to unanswered questions: How bad is this virus? How long will we need to stay in lockdown? What are the side effects of the lockdown (businesses closing their doors, unemployment soaring)? The list of questions goes on and on. What we do know is the market negatively reacts to uncertainty, and this virus caught almost everyone by surprise. Since then, we've seen a glimmer of light at the end of this tunnel. China is slowly getting back to work. The number of cases in the U.S. are appearing to peak. Essential businesses, including construction, are still actively working.

2

**Question:** What have we done in client portfolios?

**Answer:** In the 12 months leading up to the COVID-19 pandemic, we reduced portfolio risk by increasing our allocation to municipal bonds, reducing exposure to energy, and redeeming from higher risk managers in high yield bonds and equities. Last month, our core equity strategy provided downside protection. A couple weeks ago, we increased the portfolio risk profile, as it has historically captured more of the upside as markets rebound. We have tax-loss harvested investments that can be used to offset future gains generated in the portfolio to maximize after-tax returns over the long-term.

3

**Question:** Where do we go from here?

**Answer:** We don't have a crystal ball, but we do know markets have historically remained resilient, especially when the government intervenes (we learned following the great financial crisis, "don't fight the Fed"). Sharp downturns, like the one we experienced this quarter, have historically resulted in positive double-digit returns over the next two quarters. Uncertainty will continue around the true impact to our economy, when business sentiment will come back, and how quickly people will re-enter the workforce. We'd expect more volatility (both on the upside and downside) in the months ahead.

4

**Question:** What do we see moving forward?

**Answer:** We'd expect more volatility (both on the upside and downside) in the months ahead. The professional investment managers that we've hired have successfully navigated through volatile markets in the past – active management tends to thrive in these market conditions. Our in-house investment team will continue to look for investment opportunities to try and provide our clients with the after-tax returns to help them achieve their goals.

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