



Financial Planning During Volatile Markets

Many of Hallmark's clients have been with us through difficult markets. During these times, we continue to believe that a strong financial plan and a disciplined investment strategy built for the long-term is the foundation to navigating the uncertainty of the financial markets. Capricious times do not lead us to alter our long-standing philosophy, nor should it lead investors to alter their long-term plan.

What do we believe our clients should be doing during this uncertainty? Below we highlight several basic financial planning topics to review during volatile markets.

Cash Flow and Emergency Funds

- **Emergency Funds:** We believe clients should hold 6-12 months of expenses in liquid investments for emergencies. Evaluate your cash positions in cash, savings, money-markets. Do you have enough?
- **Budgeting:** Are you spending too much? Track your expenses and keep a budget. Work with your Hallmark Wealth Adviser to track your spending on Hallmark's financial planning website for clients. Managing expenses could limit withdrawals from your investment portfolio during a market downturn.
- **Investment Income:** Review income being generated from your investments. Have stock dividends, bond interest and proceeds from maturing bonds transitioned into cash if needed to raise liquidity.
- **Put Dry Powder to Work:** If monthly expenses are covered and you have a healthy emergency fund, consider adding any extra cash on hand to your investment portfolio. Strategic additions to the markets can improve long-term results for financial goals.
- **Social Security:** If you are considering filing for benefits, review your Social Security statement for accuracy. Work with your Hallmark Wealth Adviser to review the different Social Security claiming strategies available to maximize benefits for both you and your spouse's lifetime. Your Social Security benefit will provide a source of guaranteed income for the future.

Investment Planning

- **Understanding Your Tolerance Towards Risk:** When you hear about the swings in the markets, how do you feel? Are your investments in line with your feelings? If not, you may want to make some changes to your portfolio to lower your allocation to stocks.
- **Rebalance your portfolio:** The old adage is to buy low and sell high. Are there opportunities in your portfolio due to the shifts in the markets to take advantage of the volatility? Is your sector allocation in line with your goals? Can you lower exposure to concentrated positions?
- **Income in Retirement:** Review the amount of income taken from your investment portfolio. Is it still sustainable? If not, you may need to adjust your income or the level of risk in your portfolio.

Tax Planning

- **Roth Conversions:** Consider converting investments that have lost value due to market volatility to a Roth IRA. This could lower the tax liability of the conversion and allow for tax free growth inside the Roth IRA for the future.

- **Required Minimum Distributions (RMDs):** Recent legislation from the CARES ACT allows investors with qualified retirement plans and inherited IRAs to suspend their RMDs for 2020. Should you suspend your RMD? Should you still take a portion of it if in a low tax bracket? Could you convert the amount to a Roth IRA? Does a Qualified Charitable Distribution still make sense? Should you adjust estimated quarterly taxes to offset the lower taxable income?
- **Tax Loss Harvesting:** It can be helpful to use losses to offset gains, and in some instances carry forward those losses indefinitely to offset income (up to \$3,000 per year) or future capital gains. Review the potential to harvest losses now to offset capital gains when rebalancing and to lower any concentrated positions in your portfolio.
- **Tax Law Changes:** Consider how recent changes on the tax front for individuals and businesses affect you. Work with your tax professional and your Hallmark Wealth Adviser to review in more detail.
 - The Tax Cut and Jobs Act (TCJA) of 2017
 - The SECURE Act of 2019
 - The CARES ACT of 2020

***Any tax-related actions should always be discussed with a client's tax advisor.*

Estate Planning Documents to have During a Pandemic

- **Basic Documents:** Wouldn't you feel better knowing the burden of making health and financial decisions will never fall to an unprepared family member?
 - **Financial Power of Attorney** - Provides an agent the authority to carry out your financial affairs and protect property on your behalf.
 - **Health Care Power of Attorney** - Gives an agent authority to make health care decisions on your behalf if you are incapacitated.
 - **Living Will** - Allows you to specify what end-of-life treatment you do or don't want if terminally ill or unconscious. The decision to remove life support is not left in the hands of your health care agent or family.
 - **HIPPA Waiver** - Allows nominated agents or family to have access to your medical information so they can speak freely with your healthcare provider in an emergency.
 - **Last Will and Testament** - Allows for distribution of property at death.

Liability Management

- **Lower interest payments:** Evaluate mortgage/loan refinancing for lower rates/payments. Gather necessary documents in order to be prepared for the process.
- **Small Business Loan options:** If you own a small business, consider SBA loans. Work with your primary banking institution now to start the process.

As always, Hallmark would be pleased to discuss your specific situation. Kindly contact your Wealth Adviser if you have any questions.

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