July 13, 2020

Dear Valued Client,

I am sure that all would agree that these have been trying times. The obvious issues related to COVID-19, staying safe, worrying about loved ones, the economic fallout and personal finances have all been stressful. For me though it is something less obvious that I miss. I grew up in a family of "huggers". Whether it was grandparents, aunts, uncles, cousins, friends, teachers, acquaintances and even business associates, the common greeting was usually accompanied by a hug. Sad, but even handshakes are now out of the question. How about smiles? In our environment of required masks, there is not much opportunity to share a smile to brighten your or another's day. Some of the simple things that we have missed these last few months.

One thing that I know hasn't changed though is our commitment to serving your needs. Throughout this crisis, our Wealth Management professionals have worked hard to continue to provide you with the highest level of service. That is something you can always count on - it's part of the Alpine Bank core beliefs and constants.

And now, a few thoughts from Brian Fraser, Senior Vice President and Director of Investments:

All major events provide lessons. Our experience during the COVID-19 pandemic is no different. Government and monetary authorities are learning the impacts of aggressive and prompt policy actions; industries are finding new ways to source goods and services while adapting to new realities and challenges; businesses, small and large, are learning new ways to operate with fragmented teams; and families and friends are finding new ways to connect and interact. These times also offer some valuable financial lessons.

Lesson #1 – Retirement is more than a nest egg: Sudden stops in daily routine and work can be very stressful and difficult to adjust to. Likewise, a sudden retirement can offer a similar experience if not planned for. Work can fill a significant part of our time. Work also provides convenient social interaction with colleagues. If you are considering retirement in the next few years, it may be helpful to reflect on some of the lost connections and activities you've missed during the shutdown and find new ways to stay engaged.

Lesson #2 – Long-term investment objectives vs market timing: While it's hard watching your portfolio decline in value as markets fall, it is even harder watching the markets recover after you abandon your long-term investment strategy and move to cash during a market decline. At the end of March 2020, the S&P 500 had experienced a decline of -20.0% from the December 31, 2019 levels. In the second quarter of this year (Q2) the market experienced a robust recovery, and by June 30 the S&P 500 was only down -4.0% from December 31. While volatile, the overall financial impact year-to-date for those investors who stayed the course has likely been minimal. One of the keys to staying the course through turbulent times is having a clear set of investment objectives and a financial plan, especially in volatile periods, to help keep you focused on the bigger picture.

Lesson #3 – The economy and the stock market are not the same: The economy and financial markets, while connected, can be very different from time-to-time. The past 12 months offer a good example. One year ago, the U.S. unemployment rate was 3.7%, the year-on-year (YoY) Gross Domestic Product (GDP) growth was 2.0%, the U.S. Index of Consumer Sentiment was 98.20 (higher = more optimistic), and the S&P 500 Index closed on June 28, 2019 at 2,941. Today, the U.S. unemployment rate is 11.1% (June 2020), YoY GDP growth was -5.0% through Q1-2020 and is expected to be worse in Q2-2020, and the Consumer Sentiment Index was 78.10 (down -20.5% YoY). Given the economic deterioration that has occurred during the pandemic, one would expect a corresponding decline in the stock market, however, the S&P 500 closed at 3,100 (up +5.4% YoY) on June 30, 2020. This is not to suggest that markets will continue to recover, rather to reinforce the point that trying to predict markets is an extraordinarily difficult task and can be counterintuitive, thus it is usually best to stick to a long-term investment plan that does not rely on market timing or short-term predictions.

Lesson #4 – Portfolio allocation matters: Through the volatility and drastic swings in the financial markets, we are able to assess how our portfolio allocations handle periods of financial stress. If you were surprised and extremely uncomfortable with the movement within your portfolio during the downturn, perhaps it is time to reassess your overall risk tolerance and asset allocation. A long-term financial plan is one that you are able to stick to through the ups and downs in the markets. If abandoned in periods of contraction, the plan will have no meaning and could jeopardize your long-term financial goals.

On behalf of the Alpine Bank Wealth Management team, we hope the remainder of your summer is safe, happy and healthy. Likely we all need to adjust our typical summer activities given our new circumstances, but remember to look for the lessons and opportunities when trying new and different things, while remembering and refining the lessons we have already learned. Alpine Bank Wealth Management is your partner in navigating your financial path through good and challenging times, and we stand ready to help whenever you need us. Thank you.

Sincerely,

Tim Kenczewicz
President
Alpine Bank Wealth Management

Brian Fraser, CFA
Senior Vice President/Director of Investments
Alpine Bank Wealth Management