

The Navigator

A QUARTERLY NEWSLETTER FROM THE COMPASS WEALTH GROUP

FIVE INVESTMENT TASKS TO TACKLE BY YEAR-END

Market turbulence in 2020 may have wreaked havoc on your investment goals for the year. It probably also highlighted the importance of periodically reviewing your investment portfolio to determine whether adjustments are needed to keep it on track. Now is a good time to take on these five year-end investment tasks.

1. EVALUATE YOUR INVESTMENT PORTFOLIO

To identify potential changes to your investment strategy, consider the following questions when reviewing your portfolio:

- How did your investments perform during the year? Did they outperform, match, or underperform your expectations?
- What factor(s) caused your portfolio to perform the way it did?
- Were there any consistencies or anomalies compared to past performance?
- Does money need to be redirected in order to pursue your short-term and long-term goals?
- Is your portfolio adequately diversified, and does your existing asset allocation still make sense?

2. TAKE STOCK OF YOUR EMERGENCY FUND

When you are confronted with an unexpected expense or loss of income, your emergency fund can serve as a financial safety net and help prevent you from withdrawing from your investment accounts or being forced to pause your contributions.

If you haven't established a cash reserve, or if the one you have is inadequate, consider how you might build up your cash reserves. A good way to fund your account is to earmark a percentage of your paycheck each pay period. You could also save more by reducing your discretionary spending or directing investment earnings to your emergency account.



3. CONSIDER REBALANCING

A year-end review of your overall portfolio can help you determine whether your asset allocation is balanced and in line with your time horizon and goals. If one type of investment performed well during the year, it could represent a greater percentage of your portfolio than you initially wanted. As a result, you might consider selling some of it and using that money to buy other types of investments to rebalance your portfolio. The process of rebalancing typically involves buying and selling securities to restore your portfolio to your targeted asset allocation based on your risk tolerance, investment objectives, and time frame. For example, you might sell some securities in an overweighted asset class and use the proceeds to purchase assets in an underweighted asset class; of course, this could result in a tax liability.

Remember that asset allocation and diversification do not guarantee a profit or protect against loss; they are methods to help manage investment risk. All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

4. USE LOSSES TO HELP OFFSET GAINS

If you have taxable investments that have lost money and that you want to sell for strategic reasons, consider selling shares before the end of the year to recognize a tax loss on your return. Tax losses, in turn, could be used to offset any tax gains. If you have a net loss after offsetting any tax gains, you can deduct up to \$3,000 of losses (\$1,500 if married filing separately). If your loss exceeds the \$3,000/\$1,500 limit, it can be carried over to later tax years.

When attempting to realize a tax loss, remember the wash-sale rule, which applies when you sell a security at a loss and repurchase the same security within 30 days of the sale. When this happens, the loss is disallowed for tax purposes.

5. SET GOALS FOR THE NEW YEAR

After your year-end investment review, you might resolve to increase contributions to an IRA, an employer-sponsored retirement plan, or a college fund in 2021. With a fresh perspective on where you stand, you may be able to make choices next year that could potentially benefit your investment portfolio over the long term.



8 THEMES TO WATCH FOR IN THE UPCOMING 2020 ELECTION

As we approach the 2020 election, Raymond James Washington Policy Analyst Ed Mills shares his eight themes to watch out for in the upcoming weeks.

1. CURVEBALL SCENARIOS Will delayed vote-by-mail results, recounts or legal challenges throw another wrench in 2020?

2. FISCAL SUPPORT All eyes are on economic relief plans. In a Democratic sweep, more fiscal support could balance market reaction to tax and regulatory changes.

3. TAX REFORM A Democratic sweep would likely mean increased taxes for corporations and high-income households. May impact stock prices in higher-taxed industries.

4. POST-CRISIS POLICY Healthcare and labor policy are likely top priorities. What gets accomplished will depend on party control of White House and Congress.

5. DEFICIT CONCERNS The unprecedented COVID-19 relief package raised concerns around government spending. This could be a key issue in future elections.

6. SENATE CONTROL This will largely influence policy direction, especially if a Democratic majority eliminates the filibuster. Races in 2022 will also be closely watched.

7. CHINA SKEPTICISM Trade and investment barriers will likely persist regardless of presidential outcome. Expect continued attention to technology and human rights issues.

8. WATCH THE FED The Federal Reserve has been providing unprecedented support for the economy through the health and economic impact of COVID-19. The Fed will continue regardless of the outcome of the election, reminding us of the old axiom: "Don't fight the Fed."

Historically, markets have been cautious leading up to elections – especially ahead of Democratic sweeps – but recover quickly once an outcome is known. And remember, while D.C. policy certainly impacts the economy, sectors and individual companies, the more important factor for long-term investors is the quality of the businesses you invest in.

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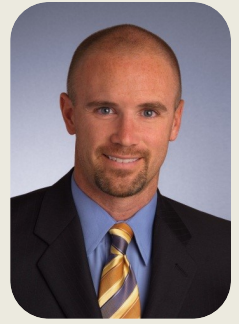
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