

From the Denver Business Journal:

<https://www.bizjournals.com/denver/news/2020/12/29/denver-financial-advisers-advice-2021.html>

# Why Denver-area financial advisers are advising clients to plan an exit strategy headed into a new year

Dec 29, 2020, 3:05pm MST

After the economic crash in early 2020 and a steady rebound through the rest of the year, financial advisers have some advice for clients and readers as they consider their finances for 2021.

2020, of course, held challenges, after a tumultuous year of economic downturn and recovery. That trouble was compacted by the pandemic, which caused many people to lose their job or face employment struggles.

“One thing that has been challenging in 2020 is we had a number of people in the country who did not have much in the way of discretionary savings,” said Edmund F. Murphy III, CEO of Empower Retirement Services. “Taking distributions from a 401(k) to pay bills was a necessity for a lot of people.”



KATHLEEN LAVINE, DENVER BUSINESS JOURNAL

Ed Murphy, president and CEO of Empower Retirement.

His advice to people, particularly those that can afford it, is to create a savings fund with crises like this in mind, so that they can be ready should something like the events of this year ever occur again.

“If people can afford to set aside money in a rainy-day fund, that makes great sense,” Murphy said. “Make sure you have some degree of liquidity in an emergency savings fund to be in a position to respond to unpredictable events that might occur.”

### **Three pieces of advice**

Fred Taylor, president and co-founder of Northstar Investment Advisors, has three pieces of advice. First, he said, consider how you allocate your assets.

“Next year looks promising with the vaccine and the reopening of the economy,” Taylor said. “Those are very bullish positives for the market. If you’ve been nervous about this year and own more bonds than you would normally, maybe get more aggressive with your portfolio and own more stocks than bonds.”

The second thing to do, he said, is look over any tax losses at the end of the year, and to use those tax losses to offset capital gains so there isn’t a large tax bill come April.

His third piece of advice is to revisit with your investment adviser, life insurance agent, CPA and estate-planning attorney just to make sure all of your records are up to date, including making sure that you have the correct beneficiary for your accounts.

“With Covid-19, we lost more than 280,000 people no one expected to die,” Taylor said. “It’s smart now to know who you left your money to. Check for ‘Do I have my medical and legal powers of attorney up to date?’ If you have young children, where will they go? Ask ‘do I have a will?’ I like to remind clients to do this at the end of the year.”

All of these are basic things that should be done every year, he said. But with an especially volatile year like 2020, it makes particular sense to check in with all your advisers and make sure everything is up-to-date.

### **Exit strategy**

Judy Carlson — CEO and founder of Coram Deo Financial — also suggests that people

think about their exit strategy in 2021.

“What are the implications of the financial decisions they have already made on the distribution of their wealth during their lifetimes and the lifetimes of their heirs?” she said. “How much cash flow are they actually going to spend in retirement given market crashes and unknown taxes?”

Because of 2020’s volatility, Karen Salvatore, senior vice president and financial adviser at Captrust, said to expect more clarity in 2021 on things like future tax policy as the Biden-Harris administration shares details on its plans.

“Regardless of how that plays out, there are things an individual can do in the meantime that are still valid strategies,” she said. “Some of the recommendations we give are to focus on their own plan and revisit their investment portfolios ... At the end of the year [2020] or going into next year [2021] is a good time to take stock and assess where your portfolio stands and discuss it with your financial adviser.”

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*Denver Business Journal*

