



October 10, 2018

**Remember what I said about life jackets exactly 5 weeks ago today? If not, here's an excerpt:**

*"This is not a prediction, but it is a warning...not to panic, not to completely cash out, but to seriously review your financial plan in detail and to stress test it today. Markets are at all-time highs with very low volatility and it appears that people are getting too comfortable and taking their life jackets off."*

The equity markets were down significantly today after four consecutive days of declines. If you have a casually-constructed portfolio, AND you ignored the advice in our September 5th newsletter, then let this be somewhat of a wake-up call. :) A quick 3 points:

**1) What can you do?** If you are not a Pacific Capital client yet, we recommend you get a thorough portfolio analysis done as soon as possible. With the uncertainty of mid-term elections and rising interest rates, the ride could get very bumpy...so it's a good time for a financial checkup.

**2) What should you look for?** A few new clients have come to us owning investments with high internal fees, significant overlap (fake diversification), and excessive standard deviation metrics. These kinds of portfolios suffer the most when equity markets decline.

**3) What did we do?** During the 3rd quarter, we analyzed the correlation of every portfolio holding, stress tested the downside, and added to our short-hedge position against the stock market. We also increased many clients' position in principal-protected investments. As today's decline happened, we made some portfolio adjustments. The result of the work: clients avoided 70% or more of today's downside drop. (there's no guarantee this always works that well).

If you have questions on your own financial plan and investment strategy, please reach out to us. We are here to help.

Schedule a brief Goals Conversation® with our team by visiting our [website](#) today - no cost or obligation involved. You may also click [HERE](#) for our google reviews.

