



Regions Wealth Podcast

Episode 29: Special Episode: How COVID-19 Has Changed Financial Planning

The COVID-19 pandemic left even the most financially secure Americans feeling vulnerable. As many scrambled to create estate plans or fortify their emergency savings, the importance of having a solid financial plan in place was underscored. In this episode of Regions Wealth Podcast, Senior Wealth Strategist Julia Weaver joins us to discuss financial lessons learned during the COVID-19 pandemic, how individuals can incorporate those lessons as they plan for the future, and why now is an important time to update your financial plan.

Episode Transcript

Sarah Fister-Gale:

Welcome to Regions Wealth Podcast — the podcast that tackles life’s challenges with financial experience. I’m your host, Sarah Fister-Gale.

Last June, we recorded a series of special episodes on the COVID-19 pandemic — we discussed its impact on the stock market, on personal finances, and on businesses. While much of what we learned in those three episodes still holds true — and I’d encourage you to give them a listen — at that time, no one could *fully* predict the extent to which the pandemic would still be impacting our lives over one year later. Most, if not all of us, have been impacted in some way, making it an important time for many to reevaluate their financial plans.

Joining me remotely is Julia Weaver. She's a Senior Wealth Strategist at Regions Bank. Julia, thanks for joining us today.

Julia Weaver:

Thank you, Sarah. I'm happy to be here.

Sarah:

So Julia, looking back over the last year, what are some of the ways the pandemic has impacted the financial health of Americans?



Julia:

Well, I think the pandemic was, in many ways, a black swan event. Essentially, it's an economic event that's highly improbable, but that has an extreme financial impact. And I think this is what the pandemic felt like to many Americans, and the vast majority of us had no way to anticipate the impact. Not only the immediate acute impact of quarantines, shutdowns, but also the ongoing chronic impact that we've all felt over this entire past year.

But I think to say there was just one global impact would be a big misstatement. The impact was very sector driven. Certain industries and jobs were extremely harmed, such as the restaurant industry. And that rebound has been very slow for many families. We all had friends or family that were negatively impacted. Even if we directly were not, no one was immune. And the unpredictability of that financial impact, I think it shook the confidence of many families and many still feel financially vulnerable. We certainly see that in how they're approaching their financial planning and their estate planning.

Sarah:

So do you think the pandemic has emphasized the value of having a solid financial plan in place?

Julia:

Oh, yes, 100%. And we're seeing clients bring even more considerations into their family's financial plan. Financial planning has always encompassed things such as having a solid savings goal, or defining an emergency fund, or even understanding the impact of various life events. But we're also seeing families now place more emphasis on wanting diversity in their assets, and even diversity in their jobs and the industries in which they're working. Families where both partners are working in the same industry, they're now rethinking that decision. They're rethinking the diversity of their income sources. Some of them are diversifying into assets that are also income producing, just to feel they have more of a safety net beneath them. These are concerns and things that weren't necessarily common elements of broad financial planning prior to the pandemic.



Sarah:

So it sounds like you're saying the experience of the pandemic caused people to rethink maybe their risk appetite and their need for diversity across all areas of their financial life?

Julia:

Absolutely. That feeling of vulnerability has had the ongoing impact of wanting to rethink their career paths.

Sarah:

That's really interesting, and it makes a lot of sense. I think the pandemic caused many people to reevaluate certain aspects of their lives. And, of course, a large number of people also experienced stressful life changes during this time. What are some of the more common life changes that have occurred during the pandemic that may require someone to revisit their financial plan?

Julia:

Many working families who have school-aged children had a drastic change in the dynamics of their work lives. Many decided to have one spouse stay home to homeschool children for some period of time. But even if they plan on eventually reentering the workforce, we do see interruptions in many people's careers that have occurred. And that's a critical aspect of their financial plan.

Sarah:

So for families where a spouse is leaving the workforce temporarily or permanently, how should they revisit their financial plan?



Julia:

Well, I think the first decision that they would want to evaluate is what period of time will that spouse who is currently at home be remaining outside of the workforce. Many times, it's just an interruption in their career path and not necessarily a permanent decision. But in addition to the loss of income associated, this could have an ancillary effect on their insurance situation. So all of those elements would be factored into their financial plan, and then projected forward into the final outcome on their retirement goals and objectives.

Sarah:

So if someone is just starting to rebound from a salary cut, or a furlough or a job loss, what steps should they take to get back on track, both financially and with regard to their retirement planning?

Julia:

Excellent question. I think as they are rebounding, the first thing they should think about is restoring their safety net or their emergency cash reserves. And also, if they've accumulated any credit card debt or what we would call "expensive debt", that should be another critical first step. That can be an extreme drain when we're trying to rebound from a financial setback. And then of course, they do want to update their financial plan and understand the next steps for how to get themselves back on track with their original retirement goals. These are things that we are able to financially model, based upon each family's very unique goals and their objectives. At Regions, we utilize a financial modeling technology we refer to as rTrac. And we simply see families more cognizant to have ample reserves to be prepared for unexpected events.

Sarah:

So Julia, we've experienced a flood of "new normals" over the past year. For example, some newly remote workers have relocated from expensive to more affordable areas. Should families that have actually been able to *save* money during this period still revisit their financial plan?



Julia:

Absolutely. For example, they may be working from home so their day-to-day expenses could look vastly different. Many have benefited by saving travel expenses or entertainment expenses, or even the costs of working outside the home, such as parking and gas. So these are just some of the practical things we want to reevaluate as part of their spending needs, but I'll add the caveat that some of the pandemic effect will subside as we return to post-pandemic life. And so we certainly factor in those probabilities into a financial plan.

Then there are those whose remote worker status has enabled them to make other ancillary decisions, such as moving from a high cost of living city to a more affordable area. So their cost of living could have adjusted significantly, and they will first need to reevaluate if they can maintain remote worker status, and how permanent those changes will be to their expense structure, and then adjust their financial plan accordingly.

We've also seen some affluent families that aren't geographically tethered to their workplace areas. So we're seeing major purchases, such as new beach homes or lake homes. So this is obviously a very positive impact that is experienced by a coveted few. These folks have a very new dynamic to their financial plan that we would also want to consider for that segment of our population as well.

Sarah:

So it sounds like this is a good time for everyone to reach out to their wealth advisor to both revisit their financial plans and figure out their next steps.

Julia:

I'd say it's a critical time to revisit their financial plan. Everyone was impacted, and it certainly is an ideal time to revisit that type of financial modeling.

Sarah:

As a wealth strategist, I'm sure that many of your clients are business owners. Are there any special considerations for individuals whose personal financial health may be tied to the health of their business?



Julia:

Oh, absolutely. Small business owners saw an extreme impact on their situations. Particularly those who had the majority of their wealth embedded in their business, we are seeing that many desire to be better diversified. The entrepreneurial spirit is still very much alive, but there is planning we can do whether it's using qualified accounts, or other planning strategies to start moving a portion of their wealth out of their business enterprise into another part of their balance sheet. So this would be an elevated diversification goal. And the solution for this goal is definitely enhanced when we explore strategies that allow them to do this in a very tax efficient means. This is absolutely a new focus we're seeing by many small business owners.

Sarah:

I'd love to shift gears for a moment and talk about estate planning. In episode 19 of this series, we had a great conversation with your colleague Wyeth Greene about the importance of estate planning, and we know that this is something many Americans tend to put off. In your experience, did the pandemic motivate people to engage in estate planning?

Julia:

Well, I think a key element of estate planning over this past year has been what we call advanced directives. So these are the set of documents that are very critical if we have someone ill or incapacitated. During the pandemic, this was critical because we were unable to be with our loved ones at their bedside if they were hospitalized. So this particular set of documents allowed doctors and hospitals to converse with designated loved ones from a distance. I would say it's also worthy to note that these types of advanced directives are also very important for our adult children who are over the age of 18. So parents are able to have those same powers of attorney to help their children in this age group.

Sarah:

That's really interesting advice. I hadn't thought of that. Alright, so Julia, at the end of each episode, we like to ask our guests for some key takeaways. When it comes to financial planning, what are the key takeaways we've learned over the last year, and how should individuals apply those lessons going forward?



Julia:

Well, I think the first takeaway is obvious, but worth repeating. And that is to revisit each family's desired emergency fund and making sure they're still comfortable with their safety net assets. That would also encompass doing an update to their financial plan and exploring their financial diversification. Not necessarily just on their balance sheet, but also in their family's total sources of income. Next, updating their estate plan, looking at their health care, powers of attorney and their other advanced directive, and making sure those are shored up. We would also focus on those folks close to retirement making sure that they have recovered from any setbacks. And then the last recommendation would be to always stay nimble and adaptive. This was really pivotal for many families to financially survive the very acute period of the pandemic.

Sarah:

Excellent. Thank you so much. That was Julia Weaver, Senior Wealth Strategist for Regions Bank. You've given us some great actionable insights today.

Julia:

Thank you, Sarah. I'm happy to be here.

Sarah:

And thank *you* for joining us today. In the next episode of Regions Wealth Podcast, we're chatting with Brandon Thurber about investment strategy in the wake of the pandemic, so be sure to check back. We've also covered a wide range of wealth management topics over the last two years, which you can find at regions.com/wealthpodcast.

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