

Economic Update Q4 2019

The overall U.S. economic fundamentals remain positive, although economic growth slowed in 2019 and is expected to remain low in 2020. As measured by stock market performance, returns on investments were up with the S&P 500 rising by 30% in 2019. This means that the price for most assets, including real estate and overall business values, has increased significantly, making it harder for investors to earn the same level of return in 2020.

While we are hopeful that the economy will continue to grow, it is difficult to predict when things might turn. As such, this is a good opportunity to remind ourselves to be prudent during periods of economic uncertainty.

The Economic Planning Board for the United States requests that all individuals and investors ask the following questions:

1. Where should I invest, and with what level of risk am I comfortable?

Investors should exercise extreme caution when deciding where to invest their hard-earned money. Several investment opportunities are presented with promises of unusually high and “almost guaranteed” returns. Before making any investments, investors should conduct their own personal research, and not blindly follow their friends and family into investments. You should carefully consider the upsides and downsides of all investments, as many of these “get-rich-quick” investment opportunities are simply too good to be true and carry high levels of risk. Please use all third-party resources available to you or consult a financial advisor.

To best manage risk, investors should seek to diversify their investments across different asset classes, time horizons, geographies, and managers. Attractive investments include: long-term, quality growth stock investments, businesses reflecting steady growth from operational enhancements, and real estate investments based on long-term structural trends like growth in e-commerce, urbanization, and aging populations. Please remember, however, that high returns in recent years do not guarantee future performance.

2. I work in the retail sector; what business decisions should I consider?

Traditional retailers will continue to face pressure from e-commerce, which is expected to grow annually by 15-20% in the coming decade. Cashier-less check-out processes and electric charging stations can be both opportunities and threats for fueling stations and C-Stores.

Business owners are advised to invest wisely in strong brands and unique customer experiences, to become destination points that consumers visit, well into the next decade. Also, consider how technological advances can help to improve operational processes, reduce costs, and increase profitability.

3. Do I have sufficient savings?

All individuals and families should save and invest with their longer-term goals in mind. For example, an average 65-year old couple retiring in 2019 will spend \$300-600,000 on healthcare

costs alone during retirement. Yet, only 12% of Americans specifically consider healthcare when planning for retirement savings. Families should plan ahead for these expenses, and also factor in long-term care assistance costs. The Economic Planning Board offers retirement planning education and can assist interested individuals; please watch out for more information during the Retirement Savings Month in February.

In the short-term, all families should establish a rainy-day fund in case of reduced incomes. It is recommended to have enough cash on hand for at least 12 months of business and personal expenses.

4. How should I manage my debt in this current economy?

Business owners as well as individuals should examine how their financial stability might be impacted if business and asset values decline, but interest rates rise. Those with high levels of personal or business debt should consider paying this down or refinancing at lower interest rates that are available in the market today. The EPB is available to confidentially assist individuals with managing high credit card or any other consumer debt.

Overall, in 2020, we should expect slower economic growth in the US, uncertainty in public policy, and market volatility.

As such, at this time, it is wise to be thoughtful about our savings, expenses, debt levels, and investment decisions. All families should evaluate their risk levels and their financial situation and take appropriate and timely measures.

For assistance or advice on any business or personal finance matter, please contact the ACCESS Help Line 1 (844) 55-ACCESS

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