INTEGRATED FINANCIAL STRATEGIES, LLC

THE STRATEGIC VIEW

JAY'S VIEW

Dear Friends;

What a crazy first half of the year. Who would have thought that back in March we would be wearing masks to the grocery store in July. Who would have thought that the kids from pre-school thru college would finish the year in virtual learning. Since most of you are spending the summer at home, I thought I would give you some creative ideas on what do to at home this summer.

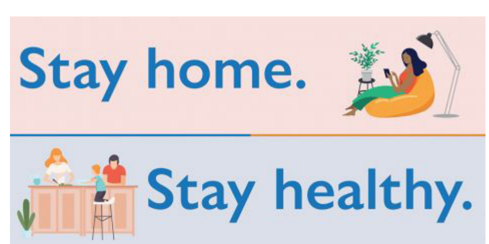
1. **Stream a concert.** Many of your favorite singers and groups have produced videos to enjoy this summer rather than touring.
2. **Take a digital museum tour.** Many of the world's best museums have created virtual tours to enjoy. It beats waiting in line.
3. **Make a list of projects to do around the house.** There are always projects to do.
4. **Pick three projects from the list above and complete them.** You will feel really good about yourself.
5. **Pick a series from Netflix or Amazon Prime and binge watch it for the rest of the summer.**
6. **Read a new book.** Don't select a book about politics, the economy, Coronavirus, or the latest scandal. My summer book is called Dream big by Bob Goff. It is uplifting and full of positive ideas to build on.
7. **Learn a new video game.** You are never too old to try something new.
8. **Change or start a new exercise routine.** There are lots of online sites or apps to help you get started and find what works for you.
9. **Plant a garden (indoor and/or outdoor).** Gardens are terrific stress relievers.
10. **Learn to play a new musical instrument.** Get your creative personality working for fun.

I hope you find something to do this summer at home that is safe, fun, rewarding, and stress free. Thank you for your business and your trust. Stay healthy and well.

Sincerely,

Jay

Jay Wilen



THE VIEW OF ECONOMIC RECOVERY

On June 8, 2020, the National Bureau of Economic Research (NBER), which has official responsibility for determining U.S. business cycles, announced that February 2020 marked the end of an expansion that began in 2009 and the beginning of a recession.[1] This was no great surprise considering widespread business closures due to the coronavirus pandemic and the resulting spike in unemployment, but it was an unusually quick official announcement. The NBER defines a recession as "a decline in economic activity that lasts more than a few months," so it typically takes from six months to a year to determine when a recession started. In this case, the NBER's Business Cycle Dating Committee concluded that "the unprecedented magnitude of the decline in employment and production, and its broad reach across the entire economy," warrants the designation of a recession, "even if it turns out to be briefer than earlier contractions."[2]

Another common definition of a recession is two or more quarters of negative growth in gross domestic product (GDP), and it's clear that the current situation will meet that test. The U.S. economy shrank at an annual rate of 5% in the first quarter of 2020 — a significant but deceptively small decline, because the economy was strong during the first part of the quarter.[3] As of June 26, the Atlanta Fed estimated that GDP would drop at a 39.5% annual rate in the second quarter.4 By comparison, the largest quarterly drop since World War II was 10% in the first quarter of 1958, followed by 8.4% in the fourth quarter of 2008.[5]

Most economists believe that GDP will turn upward in the third quarter as businesses continue to open.[6] With the extreme decline in business activity during the first half of 2020, it will take sustained growth to return the economy to its pre-recession level. In its June economic projections, the Federal Reserve Open Market Committee projected a 6.5% annual drop in GDP for 2020, followed by 5.0% growth in 2021 and 3.5% growth in 2022.7 The simple math of these projections suggests the economy may not return to its 2019 level until 2022.

Economists traditionally view economic recessions and recoveries as having a shape, named after the letter it resembles.

V-shaped — a rapid fall followed by a quick rebound to previous levels. The 1990–91 recession, which lasted only eight months and was followed by strong economic growth, was V-shaped. This type of recovery would require control of COVID-19 through testing and treatment, a quick ramp-up of business activity, and a return to pre-recession spending habits by consumers.[8–9]

U-shaped — an extended recession before the economy returns to previous levels. The Great Recession, which lasted 18 months followed by a slow recovery, was U-shaped. If COVID-19 takes longer to control and the economy does not bounce back as expected in the third quarter, the current recession could be prolonged.[10–11]

W-shaped — a "double-dip" recession in which a quick recovery begins but drops back sharply before beginning again. The U.S. economy experienced a W-shaped recession in 1980–82, when a second oil crisis and high inflation triggered a brief recession, followed by a quick recovery and another recession sparked by overly aggressive anti-inflation policies by the Federal Reserve. This type of recession could occur if a second wave of COVID-19 forces new business shutdowns just as the economy is recovering.[12–13]

L-shaped — a steep drop followed by a long period of high unemployment and low economic output. The Great Depression, which lasted 43 months with four straight years of negative GDP growth, was L-shaped. This is unlikely in the current environment, considering the strength of the U.S. economy before COVID-19 and the unprecedented economic support from the Federal Reserve. However, it is possible if the virus is not controlled.[14–15]
A Swoosh—In the June Economic Forecasting Survey by The Wall Street Journal, which polls more than 60 U.S. economists each month, 13.8% of respondents thought the recovery would be V-shaped, 8.6% expected it to be W-shaped, 6.9% indicated it would be U-shaped, and just 1.7% thought it would be L-shaped.[16]

The vast majority — 69.0% — believed the recovery would take a "Nike swoosh" shape, which suggests a sharp drop followed by a long, slow recovery.[17] This view factors in the possibility that businesses may be slow to rehire, and consumers could be slow to resume pre-recession spending patterns. It also considers that some businesses may be impacted longer than others. Airlines do not expect to return to pre-COVID passenger activity until 2022, and movie theaters, beauty salons, sporting events, and other high-contact businesses may struggle until a vaccine is developed.[18] Adding to the prognosis for a slow recovery is the fact that the rest of the world is also fighting the pandemic, including many countries where growth was already more sluggish than in the United States. And if the virus resurges in the fall or early 2021, the recovery may turn jagged with significant setbacks along the way.[19]

While the general consensus suggests that the duration of the actual recession may be brief, it is much too early to know the true shape of the recovery. However, the economy will recover, as it has in even more challenging situations. All of these projections indicate that a key factor in determining the shape of recovery will be control of COVID-19. Beyond that, the underlying question is whether the virus has fundamentally changed the U.S. and global economies.

1–2, 8, 10, 12, 14) National Bureau of Economic Research, June 2020
3, 5, 15) U.S. Bureau of Economic Analysis, June 2020
4) Federal Reserve Bank of Atlanta, June 26, 2020
6, 16–17) The Wall Street Journal Economic Forecasting Survey, June 2020
7) Federal Reserve, June 10, 2020
9, 11, 13) Forbes Advisor, June 8, 2020
18–19) The Wall Street Journal, May 11, 2020

MID-YEAR REVIEW OF YOUR FINANCES

The first part of 2020 was rocky, but there should be better days ahead. Taking a close look at your finances may give you the foundation you need to begin moving forward. Mid-year is an ideal time to do so, because the planning opportunities are potentially greater than if you waited until the end of the year.

Renew Your Resolutions

At the beginning of the year, you may have vowed to change your financial situation, perhaps by saving more, spending less, or reducing your debt. Are these resolutions still important to you? If your income, expenses, and life circumstances have changed since then, you may need to rethink your priorities.

While it may be difficult to look at your finances during turbulent times, review financial statements and account balances to determine whether you need to make any changes to keep your financial plan on track.

Take Another Look at Your Taxes

Completing a mid-year estimate of your tax liability may reveal planning opportunities. You can use last year's tax return as a basis, then factor in any anticipated adjustments to your income and deductions for this year. Check your withholding, especially if you owed taxes or received a large refund. Doing that now, rather than waiting until the end of the year, may help you avoid a big tax bill or having too much of your money tied up with Uncle Sam.

Review Your 401k Accounts

Review your portfolio to make sure your asset allocation is still in line with your financial goals, time horizon, and tolerance for risk. Look at how your investments have performed against appropriate benchmarks, and in relationship to your expectations and needs. Consider whether any changes are warranted, but be careful about making them while the market is volatile.

Check Your Retirement Savings

If you're still saving for retirement, look for ways to increase retirement plan contributions. For example, if you receive a pay increase this year, you could contribute a higher percentage of your salary to your employer-sponsored retirement plan, such as a 401(k), 403(b), or 457(b) plan. If you're age 50 or older, consider making catch-up contributions to your employer plan. For 2020, the contribution limit is $19,500, or $26,000 if you're eligible to make catch-up contributions. If you are close to retirement or already retired, take another look at your retirement income needs and whether your current investment and distribution strategy will provide enough income.

Read About Your Insurance Coverage

Are you familiar with the terms of your homeowners, renters, and auto insurance policies? Do you know how much disability or life insurance coverage you have? Your insurance needs can change, and it's possible that your coverage hasn't kept pace with your income or family circumstances.

Other

How is your emergency reserve balance?
Have there been any changes to your financial plan this year?
Have you reviewed your beneficiary designations lately?
Are your estate planning documents up-to-date?
If we can help you with any of this, please let us know.

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