



# CORBCO

Your Company's Retirement Plan is our Business™



## RETIREMENT & FINANCIAL PLANNING CORNER

Brought to you by: Dave Hojlo,  
Accredited Investment Fiduciary ("AIF")



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### Dealing with Economic Changes in 2022: Planning for your Long-Term Savings

#### Historical Events That Have Changed the Market

The **Dot-com bubble** was a stock market bubble caused by excessive speculation in Internet-related companies in the late 1990s. Between 1995 and its peak in March 2000, the Nasdaq Composite index rose 400% only to fall 78% from its peak by October 2002.

The **Global Financial Crisis** was considered by many economists to have been the most serious financial crisis since the Great Depression of the 1930s. The crisis was followed by a global economic downturn, the Great Recession. This remains the steepest bear market in the S&P 500's history.

The **2011 August stock market fall** was triggered in the U.S. by the downgrading of America's credit rating from AAA to AA+ for the first time. The U.S. had a AAA rating since 1941. In Europe, the European debt crisis caused markets to fall in France, Germany, Italy, Switzerland, and the UK.

The uncertainty caused by the **China-U.S. trade war** rattled investors in December 2018. The S&P 500 peaked in September 2018 and then dropped 19.73% by Christmas Eve. In China, the Shanghai Composite drops to a four-year low.

Fears about the **2019-20 coronavirus outbreak** caused the Dow, Nasdaq and S&P 500 to drop more than 10% in a week. We're in the midst of this now.

<https://fifthperson.com/every-us-stock-market-crash-since-the-1950s/>

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## Indicators of a Recession

### 1. Gross Domestic Product

Real GDP indicates the total value generated by an economy (through goods and services produced) in a given time frame, adjusted for inflation. Negative real GDP indicates a sharp drop in productivity.

### 2. Real Income

Real income measures personal income adjusted for inflation. Transfer payments, such as Social Security and welfare payments, are removed. When real income declines, so do consumer purchases and demand.

### 3. Employment Data

A high rate of unemployment is a lagging indicator. It typically confirms an economy's pivot into a recession stage rather than predicting a recession in the future. Usually, unemployment rates nearing 6% of the total workforce are considered problematic.

### 4. Manufacturing

The commissioners look at the health of the manufacturing sector, as measured by the Industrial Production Report, taking into account overall exports/imports and trade deficits (or a trade surplus) with other countries, signifies the strength and self-sufficiency of an economy.

### 5. Wholesale/Retail

Both wholesale and retail sales, adjusted for inflation, are also measured to gauge the market performance of goods and tell commissioners how firms are responding to consumer demand.



<https://corporatefinanceinstitute.com/resources/knowledge/economics/recession/>

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## What to do in a Recession?

### - Create or Revisiting Your Financial Plan

If you've never had a budget — or have one you never consult — take another run at making one. Knowing where your money is going helps you prepare for and adjust to tough times.

### - Pay High Interest Debt

When emergencies hit, you'll want to eliminate as many of your monthly expenses as possible — and among the costliest ones for your budget are high-interest debt payments.

### - Bolster Your Emergency Fund

Assembling six months' worth of expenses can seem like a daunting task, but don't underestimate the power of small contributions. Regularly adding to your savings account over time can build the crucial savings habit.

### - Keep Calm & Invest On

This isn't the easiest advice when the news is dominated by falling stock prices. But there is a bright silver lining to market downturns: Your regular investing contributions now purchase more stocks and fund shares than when the market was at record highs.

**Mistakes to Avoid During a Recession**

<b>X</b> Avoid making financial decisions from fear.	<b>✓</b> Stay calm until you assess your financial situation.
<b>X</b> Avoid taking on any more debt.	<b>✓</b> Pay off debts that have the highest interest rates.
<b>X</b> Avoid taking on responsibility as a cosigner.	<b>✓</b> Focus on your own debt, savings, and budget goals.
<b>X</b> Avoid neglecting your emergency savings fund.	<b>✓</b> Adjust your budget to save up to 50% of your income.
<b>X</b> Avoid increasing your fixed expenses.	<b>✓</b> Assess your budget to see what expenses to cut out.
<b>X</b> Avoid not having a backup plan.	<b>✓</b> Save 3 to 6 times your monthly income.

<https://www.bankrate.com/banking/federal-reserve/ways-to-recession-proof-your-finances/>

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