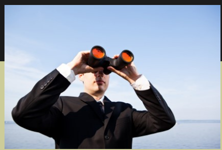
SΨNERGOS Financial Group

MARKET PULSE

April 2019



IS A RECESSION ON THE HORIZION?

Did You Know? Congress Can Help

I know it may be hard to believe but Congress has figured out a way to work together to address issues with retirement. Lawmakers recently introduced a new bill to help Americans save more.

The SECURE Act, standing for Setting Every Community Up For Retirement Enhancement, seeks to improve tax breaks for retirement savers, as well as encouraging more people to participate. Here are some of the potential provisions:

Contributions to traditional IRAs would be allowed beyond age 70 1/2.

Required minimum distributions (RMDs) from traditional IRAs and 401(k)s wouldn't begin until age 72, up from age 70 1/2.

Long-term part-time workers would be allowed to participate in 401(k) plans.

Automatic escalation of contributions could go as high as 15% of pay, up from the current 10% max.

The only downside is that in order to help pay for the bill, the SECURE Act would eliminate the stretch IRA, requiring non-spouse beneficiaries to withdraw funds from an inherited IRA within 10 years.

Source: Finance.Yahoo.com

March was another positive month for the stock market. The S&P 500 inched up 1.8% for the month while the Dow eked out a small gain of 0.1%. While they are smaller gains compared to the first two months of the year, the momentum has resulted in notable performance for the quarter. The S&P 500 surged 13.1% for the period, its biggest quarterly gain since the third quarter of 2009 and its best first quarter since 1998.The Dow climbed 11.2% this quarter, its best start to a year since 2013.

Much of the markets sharp reversal from the Christmas Eve lows can be attributed to increasing optimism in U.S.-China trade talks and a sharp reversal in the Federal Reserve's monetary policy stance. But not everything is rosy. On the economic front, first-quarter earnings reports begin soon with Wall Street projecting a 3.4% decline in year-over-year earnings growth for S&P 500 firms (with 73% of the companies issuing negative EPS guidance). Retail sales also dropped 0.2% as households cut back on furniture, clothing, food, electronics, appliances, as well as building materials and gardening equipment.

While a better than expected Jobs report and increasing industrial production offset some of the negative sentiment, news of an *inverted yield curve* in the bond market has many market pundits warning a recession is near.

An inverted yield curve happens when short-term yields are higher than their longer-term counterparts. Think of it like this. You would normally expect to earn more money on a 5-year CD rather than a 1-year CD. However, when yields invert, shorter dated bonds, pay more interest than longer dated ones. On March 22nd, the yield curve between the 3-month and 10-year Treasury notes broke down. Something that hasn't happened since September 2007, a run of 3,009 trading days. The last seven times the yield curve inverted, excluding a 2-week inversion in 1998, the U.S. economy went into recession every single time within 15 months.

On the surface, the inverted yield curve appears to be a pretty reliable indicator, but when it comes to forecasting economic events, it's never wise to use one, all-encompassing signal. The reality is, there are a number of other factors that also accompany a potential recession, including major economic imbalances like a stock market bubble or housing bubble, a sharp rise in inflation, a slowing labor force, and a worried consumer who is saving rather than spending. Think of it like this, *"All Trout are fish, but not all fish are Trout,"* meaning that just because one signal is flashing, we can't group the entire economic picture into a problem.

Therefore, our belief is that we may see a general slowdown with markets leveling off as corporate earnings begin and we approach the market highs experienced last Fall As a result, we will continue to look for opportunities in sectors that have underperformed like healthcare and financials, identifying companies with positive long-term trends, competitive advantages, and a stable dividend history.

Robert Laura & Drummond Osborn

Test Your Knowledge

1) In the famous logo, what is the Morton Salt girl holding in her hand?

2) What metal object was on the end of Benjamin Franklin's 1752 kite experiment?

3) Who was the first female comic ever to be called over to the couch by Johnny Carson on the *Tonight Show?*

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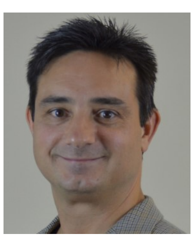

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Rip Currents In Retirement

"Warning: High risk of rip currents" is the weather alert I woke up to on a recent vacation in Fort Lauderdale, Fl. As I stepped onto the balcony, I could feel the strong force of the wind and see that the waves were substantially larger than previous days.

Whether you're a regular ocean goer or you have stood on the banks of the Great Lakes, rip currents are not only hard for swimmers on the beach to identify, but they can quickly pull swimmers out to sea and be deadly.

Rip currents turn deadly because of how swimmers respond to them. Their natural reaction is to try and swim against the strong current. However, since it is estimated that a rip current can pull a swimmer out to sea at a rate of ten-feet per second, there is little chance for this approach to work. As a result, they quickly tire and are overwhelmed by the situation. They simply can't stay afloat.

Rip currents can also form in retirement. Like the swift ocean currents, the factors that can cause these dangerous outflows can be hard to spot and to get out of. In fact, as people make their transition from work-life to home-life, they can feel pulled in a variety of directions and fight against the changes they need to make.

There are a number of things than can turn into retirement rip currents including social isolation, addiction, depression, regretting your decision to retire, feeling out of place, or unmotivated to do the things you thought you would enjoy during retirement.

Waves of negative thoughts and feelings can make it feel like you are going nowhere and even in some cases, pulled underwater.

The hard part is that because retirement is portrayed as this perfect time of life made up of sun, fun, and long walks on the beach, people don't recognize they are already in trouble but don't know who to turn to. In other words, some people may be waving their hands in the air for help, but there's no lifeguard on duty. No one sees that some people are struggling and so they suffer in silence, fighting against the transition.

Just as swimmers are encouraged to swim parallel to the beach to escape a rip current, new and existing retirees have to do the same thing. This process is similar to addressing issues in any area of your life. The first step is acknowledging the situation. Retirement is a major life transition. Yes, it's portrayed as something positive and that you have waited a long time to achieve, but it doesn't mean it automatically unfolds in a beautiful way. That means it's okay if retirement doesn't feel right or if you're second guessing your decision to retire.

It can take some time to adjust and just as you developed a written plan for the financial aspects, you need to do the same things for the non-financial aspects. Taking time to write down concrete and tangible things that will help you replace your work identity, fill your time, stay connected to family and friends as well as keep mentally and physically active. Retirement can a big, beautiful, sea of opportunity, however, there are some natural dangers that can come with it as well.

Trivia Answers

1) An umbrella

2) A key

3) Ellen DeGeneres

Source: Trivia Almanac