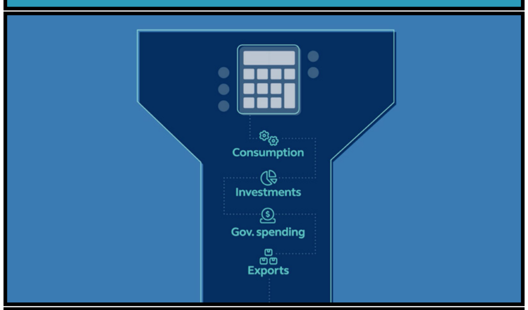
Let’s talk about the differences in Market Volatility and Recessions. The more you know, the better able you will be to prepare and make any necesary changes.

The Federal Reserve or the “Fed” oversees money and banking in the United States. One of the Fed’s main jobs is maintaining the stability of the U.S. financial system. They do that by raising or lowering interest rates, and one in particular called the federal funds rate.

The prime rate is the rate that banks charge their best customers. The prime rate is a reference for other interest rates. When the Fed changes the federal funds rate, the prime rate typically moves in the same direction.

If you hear the Fed is changing rates, don’t feel like you need to react immediately depending on your situation.

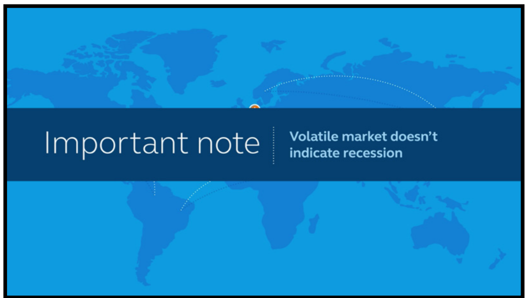


GDP or gross domestic product also plays a role in volatility and recessions. The GDP is calculated by adding together consumption, investments, government spending and exports minus imports. When the economy is growing, the GDP number gets larger. Occasionally, the GDP number gets smaller, and that can lead to a recession. For a recession to happen, there must be two or more consecutive quarters of GDP decline.

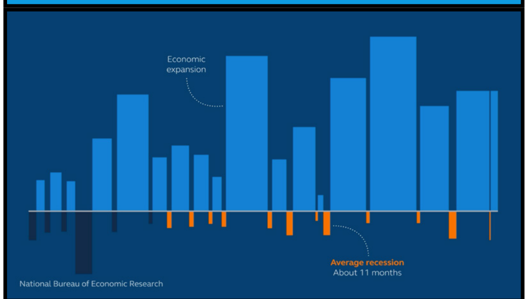
The National Bureau of Economic Research looks at data and declares when recessions start and end. Data they look at includes total employment numbers, inflation adjusted household income, wholesale and retail sales figures and industrial production. When they see a sizable decline in all four sections for two or more consecutive quarters, the U.S. is likely in a recession.

WHAT IS MARKET VOLATILITY?

Market Volatility is when the market trends up or down over the course of a short period of time. Healthy markets have some volatility. The rises and falls are what allow stock markets to deliver returns over time. So even a little volatility may bring opportunity. Conversely, you may notice times that markets overreact to information.

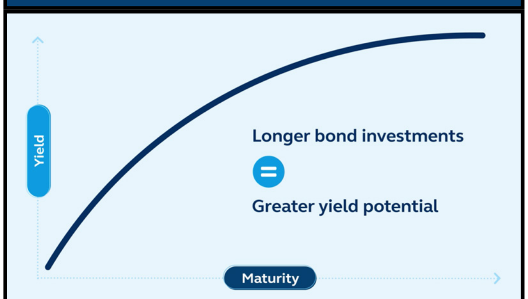


Remember, just because the market is volatile and goes down for a few days or weeks doesn't automatically mean the economy is in a recession.



THE HISTORY OF RECESSIONS

The United States has gone through 12 business cycles since World War Two, and the average recession lasts about 11 months. Recessions generally don't last as long as periods of growth.



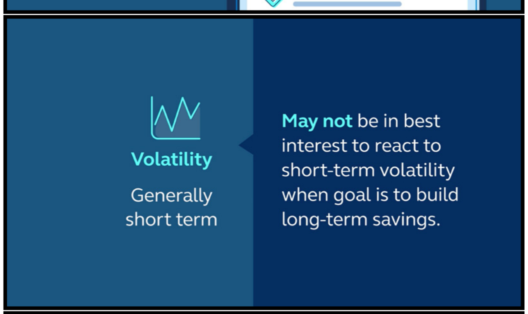
YIELD CURVES

A yield curve is a plot of interest rates or yields for bonds of equal credit quality across different maturity years. A normal yield curve is upward sloping because longer maturity bonds should have a higher yield compared to shorter term bonds due to the risks associated with time. In short, the longer your bonds are invested, the greater the yield could be.

When short term yields are higher than long term yields, we say the yield curve is inverted. An inverted yield curve can be a prediction that the long-term market outlook may be poor. When the yield curve inverts, we usually see a recession within six months to two years.

HOW TO WEATHER THE STORM

Start with a plan. Consider your mix of investments and make sure that they align to your tolerance for risk.



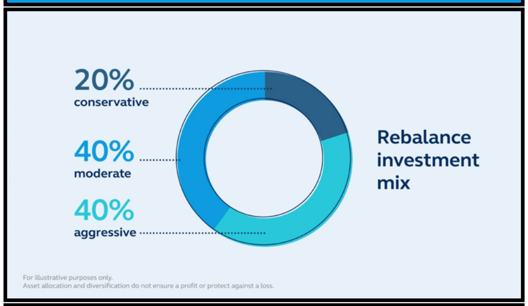
DIVERSIFY YOUR PORTFOLIO

it's a good idea to consider rebalancing your investment mix occasionally to keep everything aligned to your risk comfort level.

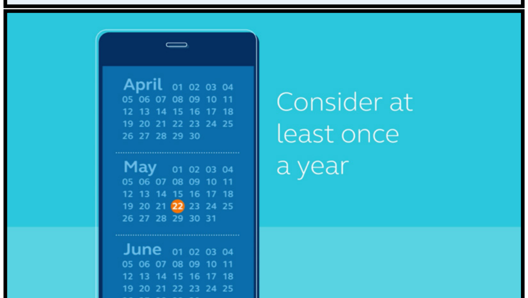
Being diversified in your account may also help protect you from sequence risk. Sequence risk considers the order in which your investment returns happen. That's because the timing of your withdrawals from your retirement account can impact your overall rate of return.

REBALANCE REGULARLY

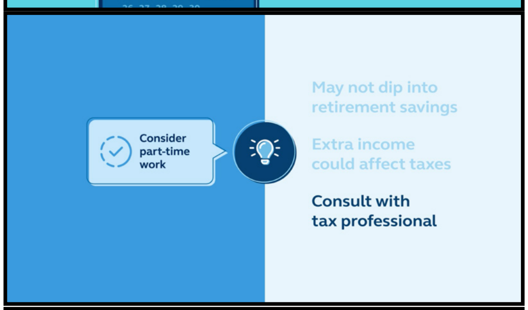
For example, let's say you retire during an economic downturn and there are more negative returns than positive ones at the beginning of your retirement. When investments are down and you sell too many shares, it could reduce the amount of income you have available to withdraw over your lifetime. You may want to consider rebalancing your investment mix occasionally to keep everything aligned to your risk comfort level.



Rebalancing helps make sure your investments stay at the risk tolerance you've set to help achieve your goals.



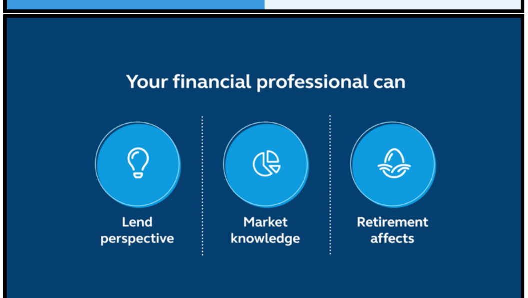
Not sure how often to rebalance? It's different for everyone, but generally it's a good idea to consider rebalancing at least once a year



HAVE A FINANCIAL BUFFER

Recessions are a natural part of the economy, so it may be a good idea to have a financial buffer that way when the market fluctuates. You'll be less likely to tap into retirement savings or react irrationally. Here are a few tips you may want to consider.

- Have an emergency fund that can cover a minimum of 3 to 6 months of expenses.
- Pay down debt once your emergency fund is established.
- Consider part time work if money gets tight. Just remember that extra income could affect taxes on your Social Security if you've already claimed your Social Security benefits. So make sure to consult with a tax professional if you have any questions.



You've taken the first step to understanding how market volatility can impact your savings. And you've heard about a few things you can do to help protect your savings from recessions. Good work. Now you're ready to work toward your long-term retirement goals. No matter what the markets do today or tomorrow.