June 2019

Recently I attended this year's TD Ameritrade Elite Advisors' Conference in California. It was a great opportunity to speak with other Advisors from all over the country who are facing the same challenges as we are; helping clients in this ever-changing environment. It was impactful listening to the guest speakers who are actually influential participants in moving the markets today! As we end this quarter, the timing was perfect for me to share some key points they covered on a few of the topics that may be of interest to you.

It's official! The current economic expansion is the longest in the U.S. history. June 30th was the date that pushed it to the number one spot, outpacing the economic expansion of the 1990's. According to **The Wall Street Journal**, this U.S. expansion has been a long one but has "lacked vigor". The growth rate has been the most anemic on record, and the jobless rate took years to recede, with lower-skilled workers seeing their main gains in just the recent past. According to Glenn Rudebusch, an economist at the Federal Reserve Bank of San Francisco who has studied U.S. recessions, there is no particular time or age at which an expansion will end. He noted that the hangover from the 2007-2009 recession may have limited excesses from building up in the current expansion.

It's clear that with each expansion period comes a corresponding contraction. Economists seem to be conflicted on their views of when the next recession may start, how long it will last, and how deep it may be. Growth of the U.S. Gross Domestic Product was roughly 3% last year and is expected to slow this year to around 2%. Corporate profits are still healthy and unemployment has stayed at a very low level. At a minimum, it appears the Federal Reserve will hold rates steady, with even a possible rate cut coming at some point later this year.

Another economist, Robert Gordon, a professor at Northwestern University and a member of the National Bureau of Economic Research Committee that dates U.S. recessions, said that last fall he thought the U.S. was heading toward a recession because unemployment was so low, it seemed to be setting the stage for inflation and sustained rate increases. Instead, inflation is undershooting the Fed's 2% objective. With inflation low and the Fed on hold, he says there is a very good chance we can get through 2020 or 2021 with only a modest slowdown.

The stock market is nearing all-time highs, even in the face of a trade dispute with China. The S&P 500 Index, as of this writing, is up close to 17% (year to date). Interest rates have dropped, as the yield curve continues to flatten, to the point that parts of the yield curve have inverted. Yet many strategists discount the inverted yield curve as a recessionary signal this time, as they believe the pressures of the global bond market, with low and negative rates around the world, have driven buyers into **Treasuries**. Also, the fact that the inversion was not as it typically happens, with 10- and 2-Year **Treasuries** but rather with 10 Year and 3 Month **Treasuries**.

So, it seems that the more things change, the more they stay the same! We believe that a prudent strategy is still to avoid market timing and keep a longer-term perspective. Keep in mind, re-balancing assets to keep equity levels in check and taking advantage of a market near all-time highs to draw up cash for larger expenditures in the next 6 to 12 months can make a lot of sense.

Some other important recent news for you to be aware of is that the U.S. House has passed a bill making the biggest changes to retirement plans in a decade, although it's just the first step in getting a law through to the President's desk for signature. According to the news source, Kiplinger, while there is bipartisan support for the House bill, the Senate has a similar bill in the works, so Congress will have to reconcile the two before any legislation can be enacted.

Listed below are a few highlights of the House bill, known as the SECURE ACT:

- Allow for contributions to IRA's after age 70 ½ if you have earned income. Currently you cannot contribute to an IRA after age 70 ½. (Note, Roth IRA's have no age limit for a contribution if you have earned income).
- Increase the current starting age (70 ½) for **R**equired **M**inimum **D**istributions from retirement accounts to age 72. If voted into law, those turning 70 ½ in 2020 would be the first to benefit, being able to delay until 72. (Those currently taking **R**equired **M**inimum **D**istributions would not be affected).
- The legislation erases (non-spouse) heir's ability to stretch required minimum distribution from an inherited IRA over the heirs' own life expectancy. The legislation would require inherited IRA's to be fully withdrawn within 10 years.

I'm sure that this will look differently by the time something is signed into law – so stay tuned for updates!

Also, I want to thank so many of you for your overwhelming support of the **Cranberry Country Kids PMC Ride** that my children rode in on June 2nd to support their best friend Chloe, who recently passed way. With your generosity Pearson Financial Services raised over $20,000! My sincerest thank you for making this such a great and meaningful day for the children. The **Cranberry Country Kids Ride** collectively raised almost $100,000 for life-saving cancer research and treatment at the Dana Farber Cancer Institute.

In July we will be sending out information about our annual client appreciation event that we are planning for later this summer. So watch for that letter and give us a call to RSVP. We hope to see you there along with any family and friends that you would like to have meet us.

As always, if you have any questions at all regarding this letter, please do not hesitate to call.

Sincerely,

Bryan Bastoni, CFP
CERTIFIED FINANCIAL PLANNER, TM