Chico State Enterprises 403 (B)rief

May 2020
Issue 4.2

HELPING YOU RETIRE

Market Recap- First Quarter, 2020

Some are saying, "it was nice while it lasted." The ten-year bull run that we had. It was nice and we've entered one of the most volatile markets our country has ever seen. The financial industry has been anticipating some kind of "correction" for the last 3 years. We knew the positive trajectory we were on would not last forever, as much as we all wish it would. But what would cause it? The election, a new "bubble" of sorts, or a pandemic? NOBODY guessed a pandemic. Aside from all of the other changes and concerns we have right now with our daily lives, our investments are the last thing we ever want to worry about. For now, we are going to peek under the sheet of this chaos, but keep in mind there IS light at the end of this dark tunnel:

EQUITY

MF/ETF PEER GROUP MEDIAN RETURNS	1-MO	QTR	YTD	1YR	3YR	5YR	10YR
Large Blend	-12.96	-20.32	-20.32	-9.24	3.31	5	9.2
Large Growth	-10.61	-14.85	-14.85	-2.35	9.06	7.99	11.29
Large Value	-16.5	-26.61	-26.61	-17.56	-2.16	1.43	6.86
Mid-Cap Blend	-19.94	-28.47	-28.47	-20.85	-3.96	-0.38	6.39
Mid-Cap Growth	-15.39	-19.49	-19.49	-9.24	5.63	4.88	9.87
Mid-Cap Value	-22.43	-32.24	-32.24	-24.62	-6.54	-1.6	5.76
Small Blend	-22.5	-32.51	-32.51	-25.86	-6.42	-1.49	6.13
Small Growth	-18.42	-24.03	-24.03	-16.86	2.11	3.01	9.25
Small Value	-25.36	-36.62	-36.62	-31.45	-10.87	-4.02	4.28
Foreign Large Blend	-15.09	-23.38	-23.38	-15.44	-2.56	-1.15	2.34
World Large Stock	-13.65	-21.02	-21.02	-11.59	1.04	2.47	5.99

Don't panic and don't stare too long. We have already made up some losses since the end of March. And pay very close attention to the 10-year measures: none of them are negative. Keep in mind, these numbers represent the average return each year for the last 10 years. So Large Cap Blend produced an average of 9.2% each year since 2010. That is fantastic growth, even with the drag that we've received this last quarter. The point is the long-term outlook. If you have at least 10 years until retirement, this recent volatility should not break your stride. Analysts are saying that the market will continue to see a bit of a wild ride for a while. The second quarter reports will confirm if we are truly in a recession right now. Many suspect that we are so it shouldn't be a surprise when the numbers come out in July. But to what extent? Will it be far worse than we realize? Will we be in better shape than we thought? Better yet, how will everyone react to the reports? That is what will truly dictate the market swings. The market is reactive to what is being said but also what people think lies ahead. It's not really an indicator of where we are. Good moods, and high hopes make for a good market. The recession is a lagging indicator. We can have a recovering market during a recession and not know about it until later. Then we have an election in November. Regardless of how it goes, it could bring more volatility. We may be in for a crazy 7 months. It may be crazy for longer (hopefully not too long! For Everyone's sake!)

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Famous Quote:

"The unthankful heart discovers no mercies; but let the thankful heart sweep through the day and, as the magnet finds the iron, soit will find, in every hour, some heavenly blessings.

- Henry Ward Beecher

Food For Thought...

A survey released May 6th by Northwestern Mutual found that among people who have debt, as much as 33% of their monthly income goes to paying it down and 13% don't think they ever will.

Debt Puts Retirement Out of Reach… For Too Many

COVID-19 has put Americans out of work and in some very scary situations. Northwestern did a survey in February, before the stay-at-home orders went into effect across the country. Respondents said that their debt does prevent them from moving towards long-term financial security. They haven't been able to save for retirement to the extent they would like, or at all in some cases. While establishing credit to leverage some long-term opportunities is a good thing, it is often mismanaged, misunderstood, and leads to the debt crisis that we see now. It definitely doesn't help that most credit card interest rates are between 15% and 30%! Interest rates to buy a home are at all-time lows, but you never see credit card rates come down. Americans are becoming better educated though and are doing the right things to not rely on debt and pay off what they have. The average debt was $26,621, down from $29,800 in 2019, and $38,000 in 2018. That's major progress but now with the highest unemployment numbers since the Great Depression, what will that number be at the end of 2020? With the furloughs and layoffs, people are struggling more than ever to make daily ends meet. They are likely using their credit cards to buy groceries and pay rent which puts them in a much scarier position that we thought we were in February. Our outlook on debt is grim right now. For the more fortunate who are still working, are you part of that population that feels you may never be out of debt? It's easy to feel that way when your credit card interest payment is higher than the principal payment each month. It's never too late to change bad habits. There are a multitude of different programs, books, resources out there to help you improve your situation and get ahead of your debt. This is not a commercial to buy any program but financial discipline is much like physical fitness discipline. You can buy or subscribe to some program but the discipline really comes from us. All of us have some amount of discipline, some much more than others, but like fitness discipline, any improvement makes a difference. Being more disciplined is rarely ever fun. Unlike dragging yourself through a workout, you can become financially disciplined from the comfort of your couch.

People often fear what they need to give up in order to become more financially disciplined. During the recent quarantine, look at what we've been able to do without! We were forced to stop getting haircuts, mani/pedis, happy hours with friends, date nights at the restaurants, trips to the movies, travels with family, and random unnecessary purchases at Target (which we are guilty!). Without trying, we're finding out we can live with less and are relearning how to occupy our time and appreciate a simpler life. The fear of what you may have to give up has been eliminated. Maybe this new quarantine budget is something to continue after quarantine. Maybe this is the forcing hand we needed to get us ahead, out of debt. We certainly didn't ask for a pandemic, but it's the opportunity to make a change that will give us peace, and confidence in a better financial future. That's a silver lining!

The LBL Group

Providing Insurance and Financial Services Since 1973

Advisor: Alex Rasmussen
(657) 232-0534
Alexandra.rasmussen@npbfg.com

Getting Our Priorities Straight

What do we focus on first? While nothing beats working with a financial professional to give you a tailored financial plan, there are resources that are free and helpful! One of those is JPMorgan's Guide to Retirement. There's an online version here. Here is one of their slides about prioritizing our savings:

Keep in mind that you need a high-deductible health insurance plan for an HSA. View the guide for information on this topic and others including: social security, healthcare planning, managing expectations, portfolio strategies, and other retirement savings topics. No products are being sold in this guide. Great for all stages of life!

August 2020

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

Keep an eye out for August invites for One-On-One meetings with Alex Rasmussen, with The LBL Group, and group education with Ken Schlosser, with The Standard. While we hope they are in person, we will still hold them virtually to make sure you receive the same service from your retirement team