Quarterly Update
October 2019

Defining a Recession

Gary Webb, *RFC*®

The question of the day seems to be "Is a recession coming?" We've had similar long running expansions in the 1960s, 1980s and 1990s. Recessions followed these expansions. Is this time any different? Looking at Google Trends, searches containing the word recession are up 61% over the last six months. Have the changes in monetary and fiscal policy reduced the likelihood that a recession will actually happen? One thing that we know for sure is that analysts and short term traders have increased their focus on the economy and this has created more volatility in the market.

Stock market volatility, the steep corrections, an inverted yield curve and trade talks have contributed to worries about an economic downturn. The current economic expansion has celebrated its ten year anniversary and it just keeps going, slow and steady. It has become the longest on record, including the expansion of the 1990s, which lasted ten years.

Recessions are a normal part of the business cycle in a free market economy. Unfortunately, expansions do not simply fade out. Expansions end when economic and financial imbalances arise, such as a stock or housing bubble, rising unemployment or the Fed aggressively hiking rates.

In the third quarter of 2018 the Fed cut its forecast to two rate increases at the December meeting amid stock market uncertainty and signs U.S. growth was moderating. At the conclusion of the March 2019 meeting, the Fed will have no rate hikes this year. Recently, rates were reduced because of fear of what might happen with the trade war. Most likely, if it wasn't for the trade war, this market would likely be performing even better. I believe this market is long in the tooth but I also believe it still has more room to run. That being said, I expect the volatility to continue.

There is still much to be optimistic about. We have low unemployment, low inflation, low interest rates, stock market highs, an economy that is still moving forward and the biggest companies in the U.S. continuing to exceed their earnings expectations.

The recession will surely come some time down the road. Even so, let's not take our eyes off the ball, or listen to the media and other nay-sayers about how bad it is and how soon the next recession will be here. Keep investing, spending within your means, living life and focus on the long term.

You may be wondering if Webb Financial Group is preparing for what is currently happening or what is eventually coming. WFG has lowered the risk in client accounts three times over the last 18 months in these ways:

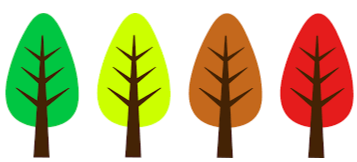
1) Adding more conservative bond exposure
2) Decreasing growth stocks
3) Increasing the percentage invested in more stable dividend companies
4) Decreasing the percentage in more volatile small cap stocks
5) Decreasing international risk
6) Continuing to rebalance portfolios to keep any over-exposure contained

We have added a software to help us better address risk for each client. It is used to accomplish the same return goal while taking on less risk. It's a great risk analysis method.

Thank you so much for the trust you continue to place in Webb Financial Group. If you need anything or have questions, please reach out to your advisor or any member of our team.

Fun Fall To-Do List

- ⇒ Try a new soup recipe
- ⇒ Decorate pumpkins
- ⇒ Host a Thanksgiving dessert night
- ⇒ Bake an apple pie
- ⇒ Have s'mores by candlelight
- ⇒ Take pictures in fall leaves
- ⇒ Get a fall scented candle
- ⇒ Enjoy a scenic fall drive
- ⇒ Have a movie marathon
- ⇒ Make pumpkin pancakes
- ⇒ Visit a farmers market
- ⇒ Bundle up & grab a latte for a stroll
- ⇒ Dress up for Halloween
- ⇒ Enjoy a nature walk
- ⇒ Get a pedicure



Attention Snowbirds:

Be sure to contact us with your winter address so you are able to receive your mail.

Webb Financial Group provides comprehensive wealth management solutions to individuals and businesses. For over thirty-five years, we have helped our clients achieve financial security.

Michael Bischoff, *CFP® & COO*
Gary Webb, *RFC®, CKA® & CEO*
Dave Verbeke, *Financial Advisor*
Tim Greife, *Financial Advisor*
Leslie Webb, *Investment Advisor*
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Kristi Mattiuz, *Controller*
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529 College Savings Plan Account—What You Can & Can't Pay For

Michael Bischoff, *CFP®*

Fall means that the football season has begun but also means the college students need to pay expensive tuition bills. It is my personal experience that the Bischoff kids don't give much needed notice to make qualified withdrawals from their 529 plans.

Qualified Expenses Include:

- Tuition for both full and part-time students at accredited institutions
- Room and Board including dorm rooms and other off campus living quarters as long as it is limited to the college's Cost Of Attendance (COA)
- Computers and peripheral equipment such as tablets, laptops, printers, internet access and necessary software
- Special needs resources for students that have a disability and need accommodations

Non-Qualified Expenses Include:

- Cell phones and data plans
- Transportation expenses (daily campus travel or traveling home for a holiday)
- Health insurance & medical bills
- School memberships (sororities, fraternities, sports or gyms)
- Student loan repayments

Side note: The Minnesota College Saving Plan (MCSP) is currently advertising up to a $500 account credit based on a qualifying account opening balance. On the surface this looks appealing but WFG continues to recommend the Fidelity Unique College Savings Plan because of its low internal costs and investment performance. Within the fine print, the MCSP costs are much higher and it also has a Minnesota administration fee that's paid directly to the state—making us the land of 10,001 taxes!!!

Health Care Plans and Health Savings Accounts

Tim Greife
Financial Advisor

You should review your health care plan each year to see how the benefits have changed. If your employer provides multiple options, you can weigh the cost and savings of each plan to fit your personal health care scenario.

You may have heard about Health Savings Accounts (HSA). HSAs are associated with High Deductible Health Plans (HDHP). They provide another option to saving money on taxes for health related expenses. Many employer sponsored plans provide a type of HDHP with an HSA. In addition to traditional methods of saving for retirement, the HSA can be another powerful tool.

Some employers still provide Preferred Provider Organization plans (PPO) for the employee. Many PPO plans carry significantly lower deductibles up front over an HDHP. They may also have lower life time maximum out of pocket expenses, as well as lower co-pays. PPO plans, in most cases, cost more per month than HDHPs.

Each person or family scenario is going to differ and will dictate which is more appropriate. Your health care plan may change based on what your level of health care needs are. HDHPs are most suitable for any individual or family who has below average health care expenses or who have saved enough to pay the out-of-pocket deductible. Those who are going to need more care within a given year may seek to use a PPO plan to take advantage of the lower deductibles and reduce out-of-pocket expenses.

If you have additional questions, please contact your advisor.