"*Are we headed for a recession?"* This seems to be the question of the moment. However, the answer is about as clear as mud. Just the word "*recession*" can create anxiety. And for good reason. A recession can mean lower home prices, lower stock prices and rising unemployment and takes time to unfold and move through.

Whether or not we are in or we'll experience a recession in the next few months isn't as important as whether you are prepared for one whenever they come around. You can control, your game plan and that is the best way to protect yourself, your money, and your mental health. The silver lining is that recessions can create opportunities for investors who remain calm and focused on their long-term goals.

Here are some facts about recessions:

- The Business Cycle Dating Committee of the National Bureau of Economic Research (NBER) is the arbiter of recessions. They look at a number of data points including declines in GDP, manufacturing production, employment and real income. It's important to keep in mind that the recession definition of two consecutive months of declining GDP, is a backward-looking metric, whereas the stock market is forward looking.

- According to NBER1, the Pandemic Recession was the shortest downturn in US history. It began in February 2020 and ended in April of 2020. Although it was the shortest downturn in U.S. history, it took the economy until July 2022 to recover the 21 million jobs lost during the slump.

- The average length of recessions going all the way back to 1857 is less than 17.5 months. This includes the Great Depression, which lasted 43 months. Post-World War II, recessions have been less harsh, lasting an average of 11.1 months. In part, that's because bank failures no longer mean that you lose your life savings, thanks to the Federal Deposit Insurance Corporation. The longest post-WWII recession was the Great Recession, which began December 2007 and ended in June 2009, a total of 18 months.

- Since 1857, a recession has occurred, on average, about every three-and-a-quarter year. Since World War II, we've gone an average of 58.4 months between recessions, or nearly five years. The last economic expansion, starting at the end of the Great Recession, lasted 128 months.

How to prepare for the challenges and opportunities that may lie ahead?

1. **Wear Your Seatbelt**: For workers, your job is your main source of income and it's important to have a minimum six months' salary in cash as an emergency fund. For retirees and those taking distributions, it's important to have at least 12 months of your expenses in cash. With short term interest rates ticking higher there are higher savings rate options.

2. **Beware Debt Interest**: Pay off credit card debt. Paying off a credit card that charges 18% interest is a rough equivalent of getting 18% return on your investment.

3. **Stress Test Investment Allocations**: There are investment planning tools that provide simulations so that you can see how your investment portfolio fared during the Great Recession of December 2007 to June 2009. This exercise can be a great litmus test for your risk tolerance to see whether you would adjust your investment mix or stay the course.

We recognize that these data points look short-lived but living through these uncertain times day by day makes for a long several months. Another normal reaction is recency bias. Since the market just dropped, it will continue to do so. Again, recessions are backwards looking, and we all are looking ahead to the future with a long-term perspective. It is only natural to feel anxious about recent drops, especially since as a culture we are not strong at being patient. With a long-term lens, we see that investment opportunities will present themselves again at some future point. Make sure you are in your correct allocation for that future day. Reach out to us should you want to revisit your allocations. We are here to guide you and to help.

Source: National Bureau Economic Research

56 Depot Road| Falmouth, ME 04105| (207) 541.9500

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