METIS WEALTH MANAGEMENT & PLANNING

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Still No Recession by Robert Sokolowski

On the topic of economic expansion, it's often said that "a rising tide lifts all boats." The idea is that an expanding economy benefits everyone. While over the long term that's probably true, the short run picture is usually more nuanced than that. The current economic environment has been particularly difficult to analyze because there have been some very high-profile sectors that have shown signs of stress while other pockets of the economy are showing persistent strength.

Showing Stress	Showing Strength
Regional bank blowups	Stock market performance
Tech sector layoffs	Strong overall labor market
Downtown office real estate	Travel and leisure spending
Existing home sales	New home construction

Despite eighteen months of anticipation and prognostication of an impending recession by the media and investors, one has not yet arrived. It is certainly still possible that we enter recession in the short term but barring some unexpected shock, it's difficult to see what would cause it. The economy has proved to be remarkably resilient to interest rate hikes and the Fed seems to be achieving its goal of lowering inflation while keeping employment strong.

Year over year inflation (as measured by CPI) is down to 4.1% from a peak of 9.1% just a year ago. The unemployment rate has been in the 3.4% to 3.7% range since March 2022. Economists generally consider unemployment around 4% to be indicative of a healthy jobs market. The labor force participation rate, which measures the percentage of working age people who are employed, has continued to grind higher and appears to still have room to run. Furthermore, US GDP has been solidly in expansion territory for the last three reported quarters.

Stock market returns year-to-date appear to be reflective of this economic environment. While the gains have not been even (they never are), we have seen broad-based strength in the returns of stocks of all sizes and geographic regions.

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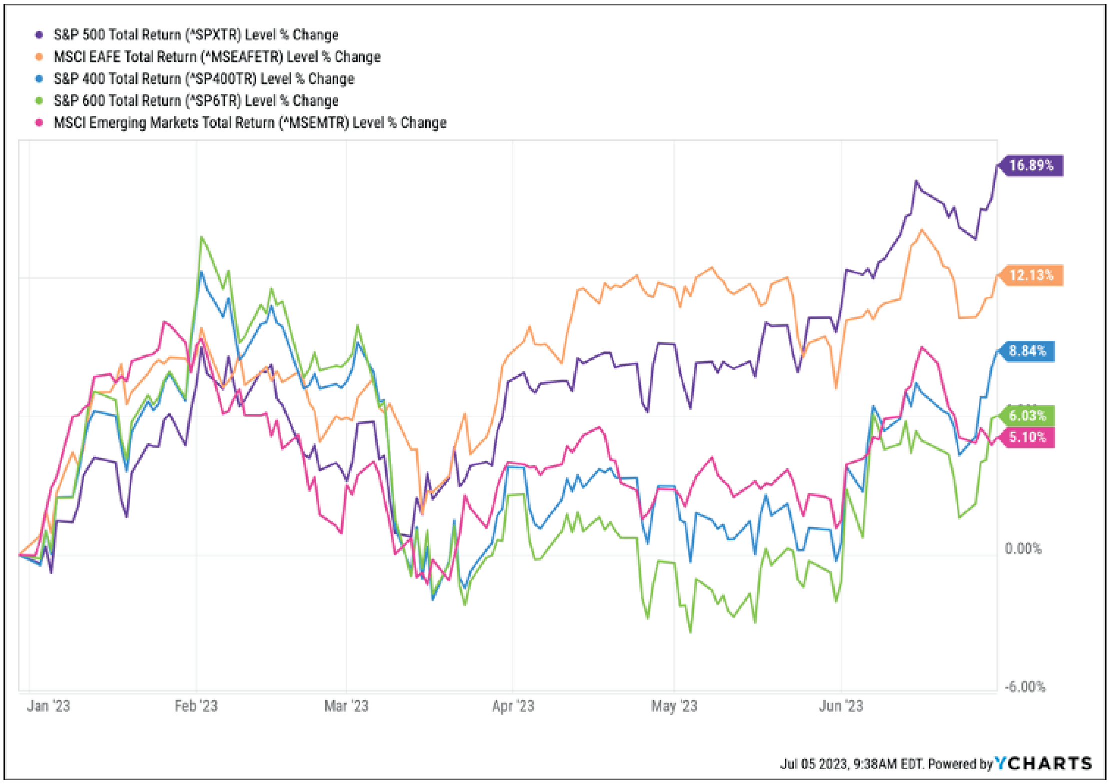
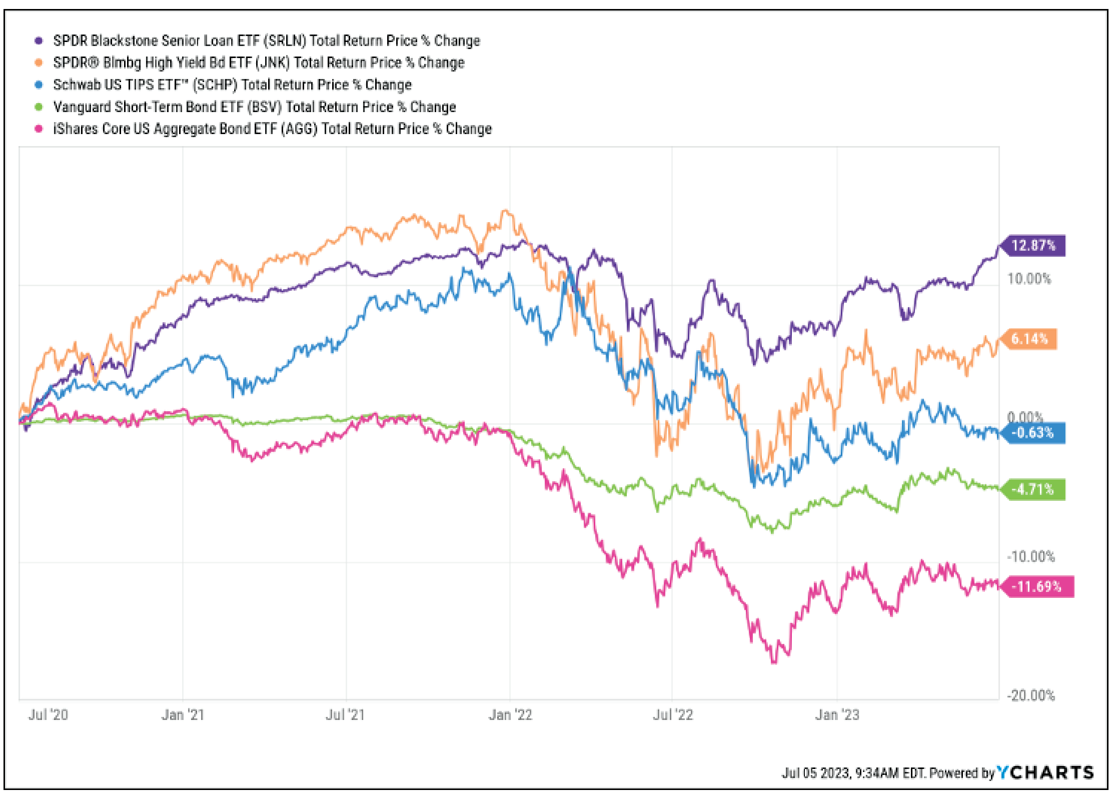
SPECIAL POINTS OF INTEREST

- We are traveling for client meetings July 18th-20th, 2023. We are still available, but may have to call you back if we are in a meeting.



The Bond Market

We have been very pleased with the performance of our bond strategy over the past several years. The environment for bonds since the Fed started raising rates has been historically poor- we noted in our January newsletter that 2022 was the worst year for bonds since 1788. That being said, our strategy has performed relatively well. The following chart compares the performance of three bond ETFs we use (SCHP, JNK, and SRLN) to the performance of the iShares Core US Aggregate Bond ETF (AGG). AGG is a bond index fund that tracks the performance of the entire US investment grade bond market.



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I also included the Vanguard Short-Term Bond ETF (BSV). This fund tracks the performance of U.S. investment grade debt that matures within 1-5 years. While none of our clients own this fund directly, it is a very good proxy for the strategy we have used for the individual bonds in client portfolios.

In the long run, bond returns roughly equal the interest they pay. Meaning that barring default by bond issuers, bond returns will be positive. The US Aggregate Bond Index posted negative returns in both 2021 and 2022. This will not last forever and bonds will start to provide a tailwind to portfolio performance once again. Bonds are up about 2.1% year-to-date, so the resumption of positive bond returns may already be underway.

Looking Forward

Since stocks broke out of their downtrend in late January, we have been steadily reducing cash levels in client portfolios. We have also been using the proceeds from maturing bonds to buy stocks, as many clients were overweight on bonds. Unless market and economic conditions begin to indicate we should do otherwise, we plan to continue this strategy.

We understand the causes for concern on the economy and we don't wish to come across as pollyannaish. We are certainly continuing to monitor potential pain points, but prudent management requires us to make sure we are participating on the upside when we believe markets are indicating conditions will be better than feared.

Market Index	Q2 Total Return	YTD Total Return	1 Year Total Return
S&P 500	8.7%	16.9%	18.3%
DJIA	4.0%	4.9%	13.0%
Nasdaq Comp	13.0%	32.3%	25.0%
MSCI EAFE	3.2%	12.1%	20.3%
Russell 2000	5.2%	8.1%	11.0%
US Aggregate Bond	-0.8%	2.1%	-1.5%

Student Loan Foregiveness Update

In a 6-3 decision, the Supreme court overturned President Biden's student loan forgiveness plan last week. Speaking afterward, Biden indicated he still intends to forgive student loans under a different legal authority, which is also expected to be challenged in court. While we await the ultimate fate of these efforts, here is what we do know:

- Interest on student loans will resume on September 1st.
- Payments will be due again starting in October.
- The Biden administration announced a temporary 12 month "on ramp" during which time there will be relaxed standards for default and negative credit reporting.
- Since interest hasn't accrued and most people haven't made voluntary payments during the pause, the monthly payment will be the same as before for most.
- Student loan servicers are expected to be inundated with phone calls in the wake of this decision. If you need to contact your servicer, expect to spend time on hold.

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Rising Insurance Costs By Jenn Sokolowski

If your auto and homeowner's insurance premiums have risen significantly this year, you are not alone. Auto rates in particular have jumped significantly and unfortunately premiums are expected to continue to rise. The Wall Street Journal recently reported rate increases for selected insurers and showed Allstate increased rates by 40% in Georgia and State Farm increased rates by 11% in New York. On average auto insurance rates were up more than 15% in May from the year prior which far outpaces inflation during that time according to BLS data. Increases are expected to continue through the end of 2024.

Insurers are implementing premium increases due to losses they have incurred. Since the pandemic, the quantity and cost of auto claims has risen. There has been an increase in the number of accidents, repairs costs and medical costs. If you are someone who hasn't filed a claim in many years (or ever), it can frustrating to continue to watch your premiums increase at a rapid and perhaps unexpected rate.

There are a few things you can do to potentially reduce your premiums without sacrificing coverage:

- Bundle policies together if possible. The more policies you have with the same insurer the more discounts you will typically receive. Consider bundling your home, auto, umbrella, etc.

- Many insurers will provide discounts for policies paid in full either for 6 months or an entire year. This is a large outlay of cash all at once, but if you can afford it, you can often save a significant amount of money. If this strategy is difficult given your cash flow, try to save a bit each month so when your premium is due you have the cash on hand. Using autopay for monthly payments may provide a discount as well.

- Make sure the annual mileage reported to your insurer for each vehicle is accurate. For example, we used to drive our truck and car every day, but now our truck is only driven a few times a month. Making the adjustment in annual mileage reduced the premium for that vehicle.

- Consider increasing your deductible. You should only do this if you have a sufficient emergency fund to cover the deductible and you are comfortable with it. Some people value the security of a low deductible and that is okay!

- Shop your rate. Although insurance rates are up across the board, you may still be able to find a better deal. Just be sure you are comparing apples to apples and don't settle for inferior coverage.

These are just few ideas that may help you have on your auto premiums- your agent may have some additional options to help you as well. We don't recommend resorting to cutting or reducing important coverages like collision, comprehensive or uninsured/underinsured motorist to save on premiums. That could quickly lead to regret in the event of an accident.

We have helped many clients analyze their home, auto, and umbrella policies over the years. If you would like us to take a look at your policies, don't hesitate to reach out to us!