KEEN ON
RETIREMENT

2017 Mid-Year Outlook: What Four Key Economic Indicators Project for Your Money

Welcome to Keen on Retirement
With Bill Keen and Steve Sanduski

Linda Sanduski:	Hello, everyone, and welcome back to Keen on Retirement. This is the show that helps you thrive before and during your retirement years. I'm Linda Sanduski, and I'm here with Carissa Keen.
Carissa Keen:	Hi, everybody, I'm Carissa Keen. Linda and Steve came to Kansas City to visit us. Thanks for coming, Linda.
Linda Sanduski:	Oh, our pleasure.
Carissa Keen:	How was your flight?
Linda Sanduski:	It was great.
Carissa Keen:	You just got in?
Linda Sanduski:	Mm-hmm (affirmative).
Carissa Keen:	It was easy flight?
Linda Sanduski:	Yeah.
Carissa Keen:	Good. Well, hey, Bill, Steve, and Matt were getting ready to record in their studio and they left their posts, so we thought it would be fun if we get things started. What's the topic today, market outlook?
Linda Sanduski:	Oh, good the guys just walked in.

Bill Keen: Steve, what the heck is going on here?

Steve Sanduski: I don't know.

Bill Keen: It looks like someone's commandeered our studio.

Steve Sanduski: Yeah, well, lucky us.

Bill Keen: My goodness, it's Linda and Carissa here.

Steve Sanduski: Yeah.

Bill Keen: Matt, how did you let them into our studio?

Matt Wilson: You know, they snuck in and they overpowered me.

Bill Keen: Okay, all right. Very good. You're tired from all that running and training you've been doing.

Matt Wilson: That's right, yeah. Those big purses are pretty heavy, I don't know how they carry those things around.

Bill Keen: Now, we need to know what you all said to introduce this podcast. I guess we can go back and listen to it, can't we, Steve?

Carissa Keen: I don't think, I think you should trust us.

Bill Keen: Okay, that I can do. Very good.

Steve Sanduski: All right. Thank you for introducing the show.

Carissa Keen: Our pleasure.

Linda Sanduski: You're welcome.

Steve Sanduski: Yeah.

Bill Keen: We are very glad to have you and Linda in town, Steve. They were gracious hosts to us, Carissa, weren't they-

Carissa Keen: Yes.

Bill Keen: ... when we were in Milwaukee?

Carissa Keen: We had a great time.

Linda Sanduski: Yes.

Bill Keen: Yes, we did and we've invited them down here for a few days to spend some time with us and record an episode in our studio here with Matt. We had a little bit of a diversion here with the intro, but I think, like last episode that we introduced ... We can have some fun with this, can't we, Steve?

Steve Sanduski: We can. We had your mom on for the last episode unexpectedly, and now we've got our two wives on here unexpectedly.

Bill Keen: Well, you know, the theme that I'm seeing playing out here is last episode was my mother at the open, my son in the first five or six minutes and it was regarding my great aunt. This is kind of turned into a family show, hasn't it?

Steve Sanduski: It has.

Bill Keen: We've got our wives with us today.

Steve Sanduski: Yeah, exactly.

Bill Keen: Well, they can keep us in line, I think. That's kind of the theme around my house, as well. You all are welcome to stay in the studio if you'd like.

Linda Sanduski: Absolutely.

Carissa Keen: Yeah, I think we'd like to listen in live.

Steve Sanduski: All right.

Matt Wilson: All right.

Bill Keen: Okay, very good. Are you up for that, Matt? They might throw some questions at you that Steve and I might not know.

Matt Wilson: Well, they better be prepared for some questions.

Bill Keen: Oh boy.

Steve Sanduski: All right, so today we want to talk about a market update, just kind of update what's happening here recently. We're getting toward the end of Summer and still warm around these parts here in Kansas City. Beautiful sunny day, today, as we're recording this.

Bill Keen: Yes it is, well, you know, we've seen this market in the economy run up pretty nicely since the Presidential election and really since '09, wasn't it Matt? If you look at where we've come from since the recession in '09.

Matt Wilson: Yeah, that's correct, I mean the market and the economy. It hasn't been a phenomenal growth phase since '09, but it has just chugged along and slow and steady growth will take it. It's better than the alternative.

Bill Keen: That's right and we receive a lot of questions in the firm regularly about are we at a top in the market and what are we supposed to do about that? As most folks know here that listen in, we operate a firm that focuses on retirement planning. Individuals that have a nest egg that they need to make last the rest of their lives and we really can't afford to make major timing mistakes with those assets. The question that we are faced with is what do we do about where we are in the market cycle and are we getting distracted by the headlines out there and is there a correction coming?

Steve, I've asked Matt to pull together the information that we think is important to follow and this will be a mid-year outlook, in essence. Something similar to what we put out in January that we did as a podcast, as well. I think it's important to go over some of the scare tactics that we see in the headlines we see out there. North Korea is one and there's many others that we can talk about, right now. We want to get back to the basics. The wisdom that we know works.

Matt Wilson: We want to focus on the economy and certain macro indicators that are what really drives it. There's a handful of them that are important to us. The very first one for us is really looking at the consumer and how healthy is the consumer. There's several factors that deal with it when we look at the economy. The first one is employment.

Bill Keen: Steve, I'm sorry, Matt. Steve, why are you pointing at Linda? Is the consumption good around your house? I was thinking Carissa on that, as well.

Steve Sanduski: Linda has a classic quote about the consumer, right?

Linda Sanduski: You can't predict the consumer.

Steve Sanduski: Yeah.

Bill Keen: Very nice, very nice.

Matt Wilson: That is true, you can't. We are going to talk about retail sales so we would like your opinion on maybe what you think about retail sales when we get to that, so I'll ask you a question. Be prepared.

Carissa Keen: I feel like you're stereotyping us women on the retail sales.

Steve Sanduski: That's a good point.

Matt Wilson: Well, I could ask you about initial jobless claims if you prefer.

Carissa Keen: Okay.

Linda Sanduski: Let's stick to retail.

Carissa Keen: Fair enough, fair enough.

Matt Wilson: Okay.

Steve Sanduski: That was quick, Matt.

Matt Wilson: Yeah.

Bill Keen: All of them are important, though.

Matt Wilson: They are, they are.

Steve Sanduski: We are very fortunate to have two very talented, smart women here with us, today.

Matt Wilson: Yeah, and everyone has their role in the economy.

Bill Keen: Absolutely.

Carissa Keen: You know, I just want to make mention on Bill's dress code, I buy all his ties.

Bill Keen: Yes she does, so thank you for that.

Carissa Keen: You're welcome.

Bill Keen: We got a little bit of heat on our dress code blog we put out last week and it was good. We had people agreeing and people not agreeing and it spurred conversation which is really all we're trying to do, isn't it Steve?

Steve Sanduski: That's right, that's right. You'll notice, I'm the only man in the room here without a tie on today.

Bill Keen: Well, I needed to be clear here about the dress code here at Keen Wealth. It's only for the team members. If you're a guest, a client or someone, a friend of the firm that's coming to see us you don't have to abide by our dress code just to make that clear, okay?

Matt Wilson: Yeah.

Steve Sanduski: All right.

Matt Wilson: Now, I do have extra ties in my desk so we might put one on you.

Steve Sanduski: Throw one on me, okay.

Bill Keen: And a jacket just to make me happy.

Steve Sanduski: We'll make sure we get a picture of our studio here with me not in my tie.

Matt Wilson: That's right.

Bill Keen: Yes. Shall we let Matt get back to-

Steve Sanduski: Yes, we digress.

Bill Keen: That's right. Well it's all important, though. It's good.

Matt Wilson: When we look at employment, so we talk about the consumer and the health of the consumer, employment is a very large factor in terms of how healthy the consumer is doing. The current employment rate, or unemployment rate is a better measure of that, is at 4.4%. Since 2010, you know, we kind of talked about that recovery since the market bottomed in 2009. Well, since 2010 after the employment markets, they kind of, a lot of jobs were being lost, essentially. We had 8.8 million jobs lost between '07 and '09. Starting in 2010 we started getting job gains back. Since then, we've had 16.8 million jobs gained here in the US. We haven't had a negative quarter of job growth over that recovery.

Jobs market is very strong and in using economic terms we'd call the job market tight, meaning there's a lack of supply of workers. That's a good thing in the economy, because typically, when we have a low supply of workers, companies that are trying to recruit workers have to do certain things. They have to one, probably produce better benefits than what their current job is, increase their wages, you know, provide some incentive to them to recruit them over. If you're a consumer, if you're a worker that's a good thing. That's a good place for the worker to be in today.

Bill Keen: Absolutely.

Matt Wilson: Yes, go ahead.

Steve Sanduski: You can see I've got my finger up.

Matt Wilson: Yeah, yeah, there's a question.

Bill Keen: It's nice to be in the same room with you, Steve.

Steve Sanduski: It is. Okay, so here's my question. The unemployment rate is extremely low. Most people would say the job market is pretty tight, like you're just describing, yet there's a significant percentage of our population is dissatisfied with their economic progress. How do we square those two? Where the job market is super strong, the economy has been growing, all be it, not at a high rate, but it's been growing for years yet there's still a segment of the population that is dissatisfied with how things are going. How do we square those two?

Matt Wilson: Yeah, I know. There are pockets of the economy that are struggling. You could look at the energy market and say people that are in the energy field probably are going through some recessionary kind of pull back. We deal with a lot of engineers here locally and there are struggles around some of those different industries there. When we look at it we take a high level view and say the economy as a whole, are wages going up or are they going down? Are jobs being added or are they being subtracted? Are people spending money? They can have polls, but as we all know the polls aren't very accurate, we saw that with the election. They have polls and someone may, depending on the state of mind they're in currently, may say yeah they're not happy and they wish it was better, but are their actions really equating to that? If they're spending money, if they're doing the things they want to do, yes, they might like it better but they still have a standard of living that's higher than what it was 15 years ago or 20 years ago.

Bill Keen: That's right, in those studies that you're referencing, Steve, I wonder what the cross-section of the participants really was. Do you know?

Steve Sanduski: Yeah, I think you made a good point there, Matt, about there's pockets of the economy that have like rolling recessions or technology is making the way the industry used to work a little different and so the people that were skilled in one way of doing business now technology has changed it or new sources have changed and so people get left behind if they can't make the shift there. I think there's probably rolling areas of the economy that that's happening to. At any given point and time, even though the economy is tightened and the unemployment rate is low, there are still pockets that are suffering.

Matt Wilson: Of course, yeah. Everything isn't just rosy just because the economic data from a high level says it is.

Steve Sanduski: Right.

Matt Wilson: The other fact of that is very important on jobs is initial jobless claims. That is when people first get laid off. That is a, for us, a very important indicator because there's a lot of commentary on is the unemployment rate right? Are people being counted that dropped out of the work force?

Bill Keen: Or underemployed. Maybe that's some of the cross section that we're talking.

Matt Wilson: Yeah, another way, too, people that took a job lower skill level, lower paying that otherwise wouldn't have if they had a better job option. Initial jobless claims picks up people who first got laid off. We're at the lowest level on initial jobless claims since the 1970s. We are not seeing signs of job losses here in US.

If someone gets laid off, they're going to file initial jobless claim. That lasts for some period of time where you get unemployment. When we look at that and we monitor that, that is a very good leading indicator into when the next recession might happen because typically we're going to see that rate start to increase six months prior to the next recession. Right now, we're hitting new lows. Again, lows we haven't seen since the 1970s.

Bill Keen: That's right, and that's lows in unemployment.

Matt Wilson: That's right.

Bill Keen: Just to be clear.

Matt Wilson: The other factor is retail sales. Are people spending money? Job market might be good, but are they actually then turning that into consumption? Again, consumption is two-thirds of the economy. Retail sales here in the US has continued to improve. Linda and Carissa, in your experience would you say, if you've been out shopping lately, is it more or less crowded than it's been over some period in the past?

Carissa Keen: Even in '07 and '08 we would go out and be like this is a recession? I think, also, during the depression didn't makeup sales, they didn't decrease? People are still going to buy what they want. They'll find a way for certain things. I do a lot of online shopping, so I don't know if I can speak to the present.

Steve Sanduski: Yeah, well I mean, that's a good point. The whole retail sector is really in turmoil with the traditional bricks and mortar retailers because of Amazon and other online retailers, but Amazon, in particular. There's a real split there in the retail area with some of the ... A lot of the traditional retailers are not doing well, but then you've got the Amazon's out there that are just growing like crazy.

Linda Sanduski: Although, I do think you're seeing a revival in the boutique shopping.

Carissa Keen: Yeah.

Linda Sanduski: People are looking for unique, again.

Carissa Keen: I agree.

Linda Sanduski: Looking for something that your next-door neighbor doesn't have.

Steve Sanduski: Like Etsy. People that are-

Linda Sanduski: I'm thinking not even online. I'm thinking in a shopping mall setting you're seeing more boutique shops, again.

Matt Wilson: Yeah, that's very good points because retail sales, it is positive so it has been increasing, but the biggest growth, 10% year over year, that's a phenomenal growth rate, has been online sales. People are spending money. They aren't doing it in the traditional sense of you're seeing that in Macy's and JC Penney and some of these traditional bricks and mortar stores. Sales are declining there, but the online piece of it is increasing. Consumers are spending money. We're also seeing it on what we would call pleasure items. Motorcycles, boats, personal aircraft, those have had double digit growth rates year over year, which aren't signs that we're headed into a slowdown. If we thought the economy was slowing down I don't think we would see that kind of double digit growth, do you?

Bill Keen: I do not. For sure.

Matt Wilson: Yeah, I mean it would first be seen, that's the first thing people are going to cut out is some of those pleasure items. Even like those are maybe big-ticket items, amusement parks, campgrounds also having double digit growth year over year. Even if people aren't spending money on the high luxury items, they might be spending it in other ways.

Bill Keen: Certainly not just the, I guess, the durable items that Carissa was talking about.

Matt Wilson: That's right.

Bill Keen: Consumer durables is what that's called. I saw a stat recently that the average FICO score in the US now just hit 700 again. It's the highest it's been since 2005. I didn't know if you knew that, but it kind of speaks to the strength of the consumer and their balance sheet today.

Steve Sanduski: That's their credit score, right?

Bill Keen: That's right, that's right.

Matt Wilson: That's right, yeah. I mean, that is a very good sign and balance sheets are very strong. Household's net worth, we watch this every quarter, it's at 94 trillion dollars. Net worth is the asset, so right now household assets are 110 trillion. Household liabilities are 15-16 trillion, right now. Of that, the majority of that, 66% of that debt is mortgage debt. It's not revolving debt, it's not student loans, those are bigger components, too. Two-thirds of the debt is related to housing.

Bill Keen: Housing that's not highly leveraged like it was seven, eight, nine, ten years ago.

Matt Wilson: That's right. I mean, house prices have recovered across the US. We're seeing house prices highest they've been ever. The previous high, '07, we hit about $274 in the median house in the US. Right now, we're at about $284 on house sales.

Bill Keen: 284?

Matt Wilson: Thousand.

Bill Keen: Thousand per median price.

Matt Wilson: Yes. That's right.

Bill Keen: Okay.

Matt Wilson: Housing is improving so consumers are feeling good from that standpoint, too. Here in the Midwest, there's been a big shortage of real estate, existing homes have sold extremely quickly and above asking in most cases. Again, not signs of a slowdown. People wouldn't be buying all this real estate if they were fearful for their job or fearful about the future.

Bill Keen: We don't believe, Steve, that that's signs of a bubble, either. Some folks might say, what? Your houses are selling for more than you're asking? That sounds like bubble territory and we don't believe that we're close to that, yet. We really don't for a number of reasons, do we, Matt.

Matt Wilson: No, we don't. I mean, real estate's got a long way to go. We look at housing starts to housing starts are just getting back to the long term average. They were significantly higher when we hit the bubble territory in '06-'07. You know, other factors that are improving too are wages. Wages are going up, the trend is positive, now. It hasn't been as good as the 50-year average. The 50-year average growth rate in wage is about 4%. Right now, we're sitting at about 2.5% in our year over year growth rate in wages. I think, to your point, Steve, that might lead to some people maybe not feeling as good about it because maybe their wages aren't increasing as much as they had been in the past. Wages tend to follow inflation very closely. Right now, inflation is very low. Right now, inflation, according to the government, is around about 2% a year.

Bill Keen: We were just in a financial planning meeting here with the team this week where we really examine the inputs that we're using for our financial plans going forward. It was brought to our attention by one of our financial planners here at CFP, Ray, does a great job for us, that the government has come out with a new notice saying that they would like to keep inflation under 2%, now, for the next 10 years. Steve, did you know that?

Steve Sanduski: Well, I thought it was around 2%. They're saying under 2%, now?

Bill Keen: They'd like to keep it at two or under over the next 10 years is their objective. What was inflation now, they said? 1.7?

Matt Wilson: Yeah, last I saw 1.9 last month when they came up with the data.

Bill Keen: For our financial planning we typically use 3% when we project inflation every needs going into the future, but it's interesting when we look at our capital markets assumptions for the planning that we do.

Steve Sanduski: Which is another whole paradox in that with unemployment so low, with the economy having grown for years and years now and inflation is still so low. Usually people would say, "Well, if unemployment is so low it's going to put pressure on wages." We haven't seen that yet, so is that really a function of technology? Is continuing to keep wages down or we're still outsourcing or offshoring things? What do you attribute that to?

Matt Wilson: Yeah, I think it's all of the above. There's a lot of different factors. We have our traditional measures of GDP and inflation and you know, sometimes those baskets of goods that we track for inflation maybe need to be adjusted. The way that we tracked it in the past may not be typical of what someone's spending currently. They've done that over history. The government has changed some of the formulas. Some people argue that they did it to lower the cost of living adjustments that they provide for Social Security and some of the other metrics, but-

Bill Keen: Right, right, well the more volatile aspects, food and energy you commonly hear inflation ex food and energy. I'm wondering when they're going to come out and say inflation ex technology, because think about the price of your big screen TVs or your computers. Massive deflation in the prices of technology.

Steve Sanduski: Yeah, Linda and I were taking Uber and the price of taking Uber is a lot less than a taxi.

Matt Wilson: That's right.

Steve Sanduski: There's an example of how technology has lowered the price of something, yet we're still getting the same result which is we're getting from point A to point B.

Matt Wilson: In competition to, I mean, the taxi cab industry was kind of restrictive on how you could do that and Uber has even kind of opened that up, too. Those are some factors that are why inflation maybe isn't as high as it would be, because that was the rest, the big fear coming out of the '08-'09 recession was the Federal Reserve is going to stimulate the economy. They're going to print all this money, essentially ...

Steve Sanduski: Like hyperinflation.

Matt Wilson: ... yeah, and it definitely made sense. That's why all the commercials told you to buy gold to protect yourself from inflation and it never materialized.

Steve Sanduski: Right, so now we just buy bitcoin.

Matt Wilson: That's right.

Bill Keen: That's going to be a whole other episode.

Steve Sanduski: Another whole episode, there. That's right.

Matt Wilson: Yeah, that's right.

Steve Sanduski: This is not a recommendation for bitcoin.

Matt Wilson: That's right.

Bill Keen: Thank you. It always comes back to when we're talking about these things, you know, the basis of all economic policy and the basis of capitalism, really. Which, I know, is that a bad word? I don't think it is. I think the basis of these things is to raise the standard of living for everybody to make people's lives better. With technology, we're able to speak with people around the world. It's opened up communication. It's giving us all choices and choices are good.

Matt, you've done a great job tying in employment, retail sales, the consumer, interest rates, inflation, personal income, housing. He's hit a lot of nice things here, hasn't he, Steve.

Steve Sanduski: Well, housing Linda and I have been working with an architect to design a house for us. When we first started talking to them ...

Bill Keen: There's more consumption there.

Steve Sanduski: ... a few months ago, they were just doing remodeling for the most part. They had like one on the drawing board. Recently, now, they've got six houses that they're designing. We're not sure that it's going to happen for us, but I mean, there was just a simple example of how within a matter of a few months these people went from basically one house to six that they're designing.

Matt Wilson: Mm-hmm (affirmative), yeah I've noticed that, too, in our neighborhood. We had some landscaping done and one of the people that we spoke to said it was three months until they could get around to it they were so busy.

Steve Sanduski: Here's another thing, Bill, you brought up this idea here a minute ago about raising a standard of living. One of the components of that is productivity. Our standard of living goes up as our productivity goes up where we can get more output per unit of input or labor. Yet, that number productivity growth has been relatively slow in the past 10 years since we've come out of the great recession. Any thoughts on that as far as what's happening there or can we expect the productivity rate to start picking up here in the near future?

Matt Wilson: Again, to the measurement statistics on some of that because there has been a lot of chatter about how do we get our current work force more productive. That is, we want to have our inputs and we want to extract more value from them, which means make them more productive in any economic society. The more productive we can make ourselves and our technology, the more we can produce and grow our GDP. With all the advance of technology, I don't know if they have the ability to measure it as well as they had in the past. Again, we are so interconnected in different ways that it may not be picked up in the traditional sense.

Bill Keen: You had a great example of that I believe with all the Uber drivers they're not actually able to capture the productivity of those drivers, are they? In the normal economic measures.

Matt Wilson: When I went up to Omaha to see Buffet and Munger speak and that was one of the things that they both said is our standard of living 50 years from now will be significantly better than what it is today. Munger, he doesn't talk a whole lot but he does pipe in from time-to-time and he thinks just the way that some of this stuff is measured just is not even picking up how good it's going to be compared to where we're at today.

Bill Keen: Well, and I think about my parents when they were growing up and what their lifestyle was like versus what our lifestyle is like today and even like when I was growing up as a kid. I think about what was kind of expected back then, what life was like versus today. Back then, basically three television stations, ABC, NBC and CBS. Today we've got cable. Well, it's basically, expected that you're going to have cable television unless now I guess people are kind of cutting the cord and they're getting Netflix and they're getting Hulu and so they're getting all these streaming services so maybe you don't need TV. Cell phones, okay? We didn't have cell phones 15-20 years ago. Now it's like everybody's got a cell phone and a lot of people don't have a landline. We've got the Internet today so we have to pay a monthly fee for the Internet. We didn't use to have the Internet. We have all these new things that are now like standard utilities, almost, that today's standard of living most people have but we didn't have 30-40 years ago when I was growing up.

As we think about how the standard of living changes, what we define as how this is what kind of a normal household is going to have for their daily experience it's, as I said, so different today than it was 40 years ago and it's going to be, who knows what it's going to be 40 years from now with virtual reality or artificial intelligence and who knows what's going to be dreamed up next.

Matt Wilson: Yeah, well just think about Uber. They've already created the solution to Uber and that's self-driving cars.

Bill Keen: Right.

Matt Wilson: Uber upset the taxi cab industry. Self-driving vehicles are going to upset Uber in much less time than what it took Uber to upset the cab industry.

Bill Keen: Right, and Netflix did the same thing. Netflix when they had their DVD by mail disrupted Blockbuster and then Netflix disrupted itself by coming out with the streaming service which disrupted their DVD by mail, so that's a sign of a smart company when you can disrupt yourself.

Matt Wilson: Apple does a great job of that, too. Even to Bill's, with your mother coming in on the iPod, you know? The Apple dropped iPod from their website.

Bill Keen: Oh they did?

Matt Wilson: It does not list it at the top as one of the products they sell. One of the things that they do is they cannibalize their own products. They basically were almost bankrupt and the iPod brought them back out of bankruptcy but then they created that, now they created the smart phone, which kind of killed the iPod and then the tablets and everything since then.

Steve Sanduski: There's a lot of positives here and the society, economy continues to advance. New technology creates all these wonderful things. Has this erased the business cycle? Are we still going to have times when the economy turns into a recession again? I know the last one we had was 10 years ago. What's your take on where this is leading with exponential technology? Has it changed the business cycle or are we not immune to that?

Matt Wilson: You know, that's the four most dangerous words in investing are this time it's different. They were saying the same thing in the late 90s. It's different and maybe the business cycle, we won't have that anymore. I don't agree with that. We will always have the business cycle. We are driven by people, that's what drives the economy, individuals, and that's what makes up the economy and people make decisions and they get over confident and they do things that in the long run may not work.

Steve Sanduski: What's that saying Linda?

Linda Sanduski: You can't predict the consumer.

Matt Wilson: We will continue to have recessions and since the US, since 1776, we've had 47 recessions here in the US. I don't know how many we're going to have in the future, but we will continue to have them. When we look at this data, we look at it through the lens of how far out could the next recession be? We don't know for certain. This data changes every single month but right now what we're looking at is we don't see signs of a slowdown for at least 12 months. It could happen sooner assuming the data changes, but right now based on where the data is at, with the Feds signaling with raising rates, I mean that's a very strong sign, too. They're hinting that the economy is strong. All those factors put together tell us that there's at least a year before we start to see potentially any signs of a slowdown.

Not all slowdowns are created equal, either. You know, we've had the '08-'09 was the great recession. That was a very deep, very penetrating recession here in the US. A lot of jobs lost and a lot of people affected by that, of those 47, many of them were just mild slowdowns. Most people may not even realize that we were even in a recession depending on what industry they were in. We're probably more likely to have something like that in the future than we are some of these deep recessions and deep pull backs in the markets.

Steve Sanduski: Well, speaking of deep pull backs in the market, can you have a deep pull back in the market while the economy is doing fine?

Matt Wilson: You can. That's not common, so most major market pull backs are always around a recession. Generally that disconnect, we might see the normal disconnect is the economy starts to slow down but the market just continues to improve. That's more common. Again, that speaks to the people over reacting and getting over confident. We don't typically see the market going down significantly. We'll have pull backs on any given basis and Bill's got some data on what we could expect to see in any given year.

Bill Keen: I went back to 1946 and looked at some information, but Matt really beat me on that one. He went back to 1776. Did you hear that on that data? That was some long term data he's working on.

Steve Sanduski: That was before we were born, I think.

Bill Keen: That's right. We don't think that a recession looms on the horizon in the next year or so, but we do know there's going to be volatility. We know that since 1946 there were 57 times that the market actually sold off 10% from its high before going back toward its permanent advance. In that time frame, the S&P 500 started the period of 1946 at 15 and it went out of 2016 at 2240. I've quoted similar stats before on the Dow. The S&P is up 150 times. Not 150%, but 150 times since 1946. There were 57 times over that time period that the market pulled back 10%. It actually equates to about every 15 months. By the way, our last 10% correction was about 15 months ago. It would be very reasonable for us to go through a 10% correction in this market place.

To Matt's point on the status of the health of the economy. Yes. Will there be corrections? Yes, there will be corrections. You might feel like that's a mixed message, but what we understand around here is that you have to be positioned appropriately no matter what happens tomorrow in the market place so that you can make those corrections opportunities to rebalance and not something that you're afraid of and running for the door and making emotional decisions that you can't recover from.

Matt Wilson:	That's right, yeah. Having that plan, sticking to the plan knowing that we're going to have challenging times and turbulent times in the market. Knowing that ahead of time and just being ready for it.
Steve Sanduski:	We had 57 corrections of 10% or more since what, 1946? Is that what you said?
Bill Keen:	That's right.
Steve Sanduski:	How many recessions do you think we've had since 1946? More or less than 57?
Matt Wilson:	We've had less since we've only had 47 since ...
Bill Keen:	'76.
Matt Wilson:	... that's right. You know, market volatility is here no matter how healthy the economy is doing.
Steve Sanduski:	Right, so that reminds me of that old saying that the stock market has predicted like nine out of the last five recessions.
Matt Wilson:	That's right, yeah. You can say the same for economists, too.
Steve Sanduski:	Yes. Excellent.
Bill Keen:	Well, this has been fun.
Steve Sanduski:	Yeah, it has. It's real enjoyable to have Carissa and Linda here in the studio as you guys just kind of co-opted it here before we got ready, so thank you for that.
Carissa Keen:	Yeah, we've enjoyed it, and I've learned a lot. You can't predict the consumer.
Linda Sanduski:	There's that.
Steve Sanduski:	That's our one take away from today, for sure.
Carissa Keen:	There's been many takeaways.
Bill Keen:	Well, I sure appreciate all the work that we do, Steve, and I sure appreciate all the work, Matt, we do here in the firm. Linda, thank you for taking the time to come in town with Steve and visit and be a part of our podcast today. What a blast.
Linda Sanduski:	Thanks for having us.
Bill Keen:	You bet. Carissa, I wouldn't be here without. Thank you for joining us. What a fun time.

Carissa Keen: Yeah, it's been great. Thank you.

Bill Keen: All right, everybody. We'll talk to you on the next episode ...

Steve Sanduski: … of Keen On Retirement.