

# SUMMIT PERSPECTIVE

## THE RECESSION DEBATE

By Connor Merrigan and Dash Grammer

Last year was a volatile one for investors. We experienced market ups (a few) and downs (more than a few) that no one could have predicted. War in Ukraine, the highest inflation in 40 years, and unprecedented interest rate increases were the primary culprits for last year's slide, and these issues remain. As we head into 2023, it is entirely possible that markets remain unsettled, but we suspect the headlines may turn from inflation and interest rates to focus on the "Recession Debate".

As we review 2022, inflation and rising interest rates had the most impact from an economic perspective. Close behind was the war in Ukraine and continued supply chain issues, which were plenty significant. But inflation and interest rates ruled the day. Inflation peaked last summer at over 9 percent, its highest reading since 1981!<sup>1</sup> As a result, the Federal Reserve embarked on an unprecedented increase of interest rates, driving the fed funds rate up over 400 percent in just 9 months!<sup>2</sup> This combination whipsawed American consumers. The cost of their food, energy, and entertainment was rapidly rising, while the cost of borrowing increased and the value of their investments took a hit.

Ultimately, 2022 was the year where even traditionally safe assets did not feel safe. The unprecedented rise in interest rates hurt bonds badly, in fact, they posted their worst ever return with the Barclays Aggregate Index down -13 percent for the year.<sup>3</sup> The equity market wasn't spared either with large growth companies bearing the brunt of the pain. The S&P 500 ended the year down just shy of 20 percent, and the Nasdaq closed the year down 33 percent.<sup>4</sup> It was a bona fide bear market, and even balanced investors felt the pain. The real estate market was not immune either as mortgage



rates reached 7 percent, and prices began to decline.

This background surrounds the recession debate for 2023. Fed Chair, Jerome Powell, at the end of December said, "I don't think anyone knows whether we're going to have a recession or not, and if we do, whether it's going to be a deep one or not, it's not knowable."<sup>5</sup> We agree, but that is not likely to stop the financial media from preaching the recession mantra far and wide. The textbook definition of a recession used by economists is *two consecutive quarters of negative real GDP*. While this may be the most common definition of a recession, the official answer is a bit murkier.

For the official word on recession, we need to wait until the National Bureau of Economic Research (NBER) weighs in. As official scorekeeper for recessions in the U.S., the NBER uses a large amount of research data to determine whether a recession has occurred. Their definition is, "a significant decline in economic activity that is spread across the economy and lasts more than a few months". Pretty vague indeed! Since the NBER must use data from many government sources with reporting lag times, they cannot call a recession until it has already begun. Back in the Financial Crisis of 2008, it took them nearly a year to confirm the recession that started in December 2007!

Now that you know how recessions are defined, you may wonder why we care. The answer is because recessions are no fun! A slowing economy brings job layoffs,

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*Uncertainty is the only certainty there is, and knowing how to live with insecurity is the only security.*

**– John Allen Paulos**

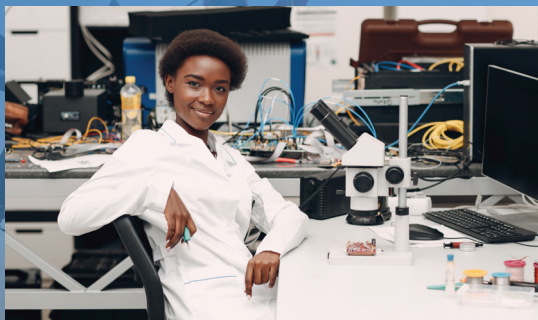
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# KUDOS!

## Summit Spirit Award: Cody Smith & SHE-CAN

Each quarter, Summit recognizes one team member who receives kudos from their peers and managers for going the extra mile. The winner receives \$1,000 to donate to the charity of his or her choice. Congratulations to Financial Advisor Cody Smith as the recipient of this quarter's Summit Spirit award!

*Cody:* I am donating my Summit Spirit Award to SHE-CAN, an organization that provides full-ride U.S. college scholarships and leadership mentoring to young women from developing nations in order to empower them to become leaders and resolve issues in their home countries upon graduation. At



the core of SHE-CAN's mission is the belief that women can have a profound impact on systemic global challenges. The organization aims to give women an opportunity to become leaders and effect positive change globally.

As a father of two daughters, I want to empower them to seek the skills to become future leaders, and I want to support girls who may not have the same opportunities.

For additional information about SHE-CAN and to help in Cody's efforts to support this organization, visit : <https://www.shecan.global/>

# SUMMIT UNIVERSITY



## Upcoming Workshops



*It's time to sign up for our winter/  
spring retirement seminars!*

### RETIREMENT PLANNING TODAY

Whether you plan to retire 20 years from now or have just recently retired, the information you'll learn in this class can deliver rewards throughout your lifetime. During this two-evening workshop, you will learn how to create an informed retirement plan and set goals for a successful retirement.

### Second Saturday Divorce Workshop

Are you considering divorce, or in the midst of a divorce? As you contemplate your next steps and possibly plan your next chapter, it is important to have the tools needed to evaluate the impact divorce can have on your personal and financial life.

This workshop run by an attorney, a therapist, and a financial advisor will touch on the legal, emotional, and financial topics involved with divorce. Discussions will include issues and challenges that everyone considering or going through a divorce should understand. Come educate yourself and explore various options available to you as you work toward building a strategy for future emotional and financial success.



Financial professionals do not provide specific tax/legal advice and this information should not be considered as such. You should always consult your tax/legal advisor regarding your own specific tax/legal situation.

*Learn more and register for  
classes through the Summit  
University page on our website:*

[summitadvisors.com/  
education/university/](https://summitadvisors.com/education/university/)  
*OR call 925-866-7800.*



## COMMUNITY CORNER

# GOOD NEWS FROM THE SUMMIT FINANCIAL FOUNDATION

In this first Community Corner article of 2023, we would like to re-introduce and recognize our Summit Financial Foundation. Created in 2016, the foundation is the result of our desire to formalize a giving process that has been in place at Summit since its beginnings in 2006. Our firm operates under a mindset of abundance, and we want that spirit to grow and prosper in the resources and gifts that the foundation may provide for generations to come.

When we began the foundation, we weren't sure exactly how it would be used, where the opportunities in making a difference would lie, or how we could ensure the Summit team could benefit from the impact our collective efforts could bring. We feel that picture has become clearer as the foundation has evolved and we would like to share our vision. One of Summit's core missions is to enrich the lives of others, and over the past seven years, we feel strongly that our foundation contributed to that goal. Here's how:

First, if you have attended our annual Summit Symposium you know that our foundation bestows a generous grant to a local charity each year. Often these organizations are introduced to us by members of our Summit team or the clients we serve. The Symposium not only allows us to support these organizations, but also to create awareness. In recent years, recipients of this annual grant have included Open Heart Kitchen, The Wheelchair Foundation, Down Syndrome Connection of the Bay Area and more. In 2022 our foundation supported Goodness Village, an organization dedicated to providing housing and support for people wanting to break the cycle of chronic homelessness. (Join us at our 2023 Symposium to see who we honor this year!)

Second, through our longstanding Summit Spirit Award program, we put the decision of where to spend foundation dollars in the hands of our team members. This honor is

awarded quarterly to someone on the team nominated by a peer for going above and beyond. The winner receives \$1,000 to donate to the charity of his or her choice. It is truly rewarding to see the philanthropic interests of the Summit team making a difference in our communities. (See who won the privilege this month in the Spirit Award section of this newsletter.)



Expanding this effort in 2022, the foundation achieved another major milestone through the newly instituted Matching Grants Program. Going forward, the foundation will match the charitable donations for Summit team members, up to a prescribed limit, so that the individual giving goal is supported, and more organizations are helped. As 2022 came to an

end, this new program was utilized by the majority of our team, and we are looking forward to learning where our foundation dollars will go in 2023. We are proud to have served those organizations carefully selected by the hearts of our giving members.

Lastly, this Community Corner will continue to highlight the philanthropic ambitions of our clients, and when that occurs, we have decided to support the organization featured. And in the spirit of giving, one of the first acts of the foundation in the New Year was to present grants to the two non-profits highlighted in our 2022 newsletters: HERS Breast Cancer Foundation and Missing Man Ministry. We admire and appreciate the efforts of our clients to support the community and are proud to assist these two organizations on behalf of Kirstin Litz and David and Anita Doyle. We love to be inspired and we look forward to learning of more worthy missions in the future.

Visit our website to learn more about our foundation and view a list of the organizations we have supported over the years: [www.summitfinancialfoundation.org](http://www.summitfinancialfoundation.org).



## SUMMIT TRIVIA CHALLENGE

The answer to this quarter's question can be found on the Summit Facebook page [facebook.com/summitfinancialgroup/](https://facebook.com/summitfinancialgroup/).

Each person to submit the correct response will be entered to win a \$25 Starbucks gift card.

*Congratulations to last quarter's winner, Carol Benterou!*

**Ready? Here it is ...**

**What classic holiday film did the Summit Team watch at their holiday party?**

Know the answer?

Email it to [angela@summitadvisors.com](mailto:angela@summitadvisors.com) by February 17. The Trivia Challenge winner will be notified via email.

# STAFF SPOTLIGHT Hello, Goodbye, and I Do!



## Welcome to Summit! Tyler Bailey, Financial Planning Associate

Tyler is the newest addition to the Financial Planning team. Prior to joining Summit, he supported leading wealth management teams in San Francisco and Roseville within financial planning and client service capacities. Tyler enjoys helping families and individuals achieve their financial goals by building customized, comprehensive financial plans tailored to their needs.

Tyler attended the University of California, Santa Barbara where he attained a bachelor's degree in Economics and Accounting. He currently holds the Series 7 and 66 licenses.

Born and raised in Northern California, Tyler currently resides in Walnut Creek. Outside of the office, Tyler enjoys playing golf, fly fishing, skiing, and spending quality time with family and friends.

## A Fond Farewell to Wanda Ladrillono!

Congratulations are in order as we bid a fond farewell to our beloved coworker Wanda Ladrillono as she embarks on her retirement journey! Wanda has been providing exceptional service to both our clients and our team for over a decade at Summit. Starting off at the front desk when Summit was newly minted, Wanda quickly became an irreplaceable asset for the team. She soon transitioned to the role of Practice Manager for advisors Steve Wilcox and Vanessa Savage not long after her arrival, eventually working exclusively with Steve as our firm grew. She remained an integral part of his practice until she was promoted to Client Services Manager where she oversaw our team of practice managers and assistants, sharing her wisdom and helping them achieve their common goal of providing high-level service to our clients and advisors.

Wanda leaves behind some big shoes to fill! We will miss her greatly. Her contributions to Summit were extensive, and we were fortunate to have her. Please join us in wishing her the best!



## Advisor Connor Merrigan Ties the Knot

Highschool sweethearts Connor Merrigan and Danielle Sullivant were wed on November 6, 2022— exactly 10 years after their first date— at Casa Bella in Sunol. The couple honeymooned in Kaanapali, Maui, and will reside in San Ramon. Congratulations, newlyweds!



Join us at our signature event! Learn, be inspired,  
and enjoy great food and wine.

Saturday

February 25, 2023

SUMMIT  
SYMPOSIUM  
entertain . educate . inspire

## CASA REAL AT RUBY HILL WINERY

410 Vineyard Ave, Pleasanton, CA 94566

10:00 a.m. - 3:00 p.m.



### John Kriesel, Author and Motivational Speaker

In 2006 John Kriesel was nearly killed by a 200-pound roadside bomb in Iraq while serving in the Army National Guard. He endured dozens of surgeries and a painful recovery. Although he lost both legs and suffered major injuries, it was the loss of his two comrades that hurt most.

John was told he would likely be wheelchair bound the rest of his life, but through determination and the power of positive thinking, he walked out of the hospital after nine months. He went on to serve in the Minnesota House of Representatives and co-authored a book *Still Standing: The Story of SSG John Kriesel*. He now acts as Director of Veteran Services in Anoka County, is a frequent guest on a local radio station in Minnesota and travels the country spreading his motivational message. John's story, sense of humor, and positive outlook will leave you feeling inspired and ready to take on any challenge that comes along.



### Ryan Leak, Author, Executive Coach and Motivational Speaker

In times of challenge and great uncertainty it's easy to feel paralyzed by fear, but what if you could stand in the face of fear and know that these are the exact moments in life where you can rise to be your best self? Rooted in the idea of chasing failure and not being afraid of stretching further, speaker Ryan Leak has motivated Fortune 500 companies, professional sports franchises, and organizations across the country. Using humorous wisdom and a poignant narrative, Ryan inspires his audiences to recognize the value in chasing failure to become the best versions of themselves. Ryan is the author of two books: Bestselling *Chasing Failure* and his newest release, *Leveling Up*. Prepare to be entertained and touched by Ryan's compelling program and find out why his audiences rave about him.



### Jeffrey Rosensweig, International Business and Finance Professor

Dr. Rosensweig is the Director of the John Robson Program for Business, Public Policy, and Government at Goizueta Business School of Emory University. Previously, he served as the Associate Dean for Corporate Relations. An international business and finance professor, he is a frequent keynote speaker on topics related to global and U.S. economic and financial trends and forecasts. Yale, MIT and Oxford educated, Dr. Rosensweig has written three books, including the critically acclaimed *Winning the Global Game: A Strategy for Linking People and Profits*. Dr. Rosensweig will provide insight into our ever-shifting economy and the impacts it will have as we navigate the 2023 financial landscape.

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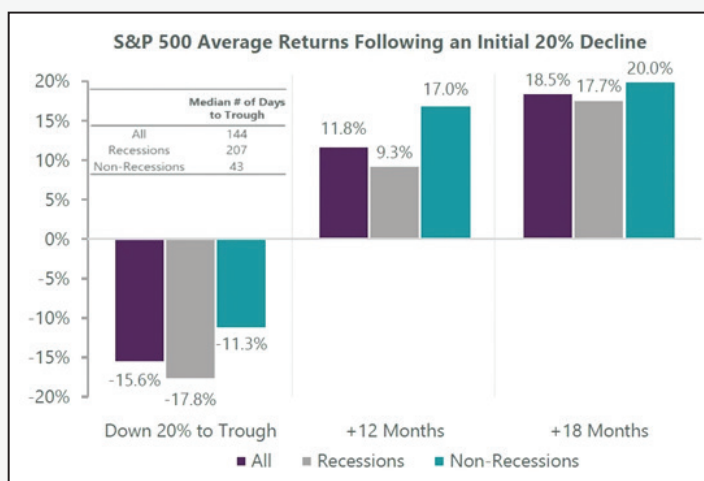
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# THE RECESSION DEBATE *Continued from Page 1*

financial instability, less spending by consumers, and lower profits by companies as a result. In short, the whole economy slows down, and it negatively impacts people's financial health. The natural worry for investors is whether recession means continued downward market performance, and nobody wants to see values fall farther after the bear market of 2022. Interestingly, however, the data suggests that it might be darkest before the dawn! Note the chart below from ClearBridge. Historically, after markets have fallen an initial 20 percent, they are 17-20 percent higher 18 months later, and it did not matter if there was a recession or not.



This might suggest that markets price in a recession well before the NBER gets around to calling it a recession. Most importantly, it illustrates the folly of trying to time market bottoms based on whether a recession occurs. You are going to see plenty of debate in the financial press about whether the recession will occur, and whether it will be short and shallow or longer and pronounced. For example, current forecasts from Goldman Sachs indicate a soft landing without recession while JP Morgan's Chief Economist is claiming an "economic swamp" that is shallow but takes a while to get out of.<sup>7</sup> Two titans of Wall Street, two markedly different opinions. Expect more of that in the months to come.

We encourage you to maintain a long-term view regardless of whether a recession appears. If you recall the Financial Crisis, the market fell 57 percent at its low point in March of 2009. However, \$100,000 invested in the S&P 500 that day with dividends reinvested would be worth over \$746,000, at the end of 2022!<sup>6</sup> Keep in mind that in the last few years, an investor would have experienced the "worst start in stock market history" in 2016, the almost bear market of 2018 (-19 percent), the -33 percent pandemic swan dive in 2020, and the most recent bear market of 2022!

The current environment is no cause to panic. Rising yields have made low risk securities attractive for dollars that are meant to be spent in the short-run, and markets have already fallen significantly from their peaks. While there is no way to know when markets will bottom, bear markets are not permanent, and the great companies of the world will continue to innovate and drive profits regardless of whether recession occurs. Talk with your advisor and reaffirm your investment strategy for the long run. Let the recession debate rage on without you!

<sup>1</sup> Consumer Price Index – July 2023

<sup>2</sup> Forbes – Federal Funds Rate History, 12/14/22

<sup>3</sup> Blackrock Student of the Market – worst year ever for bonds, January 2023

<sup>4</sup> Price returns for S&P 500 and Nasdaq courtesy of Ycharts

<sup>5</sup> Business Insider – Even the Fed isn't comfortable predicting ... 12/14/2022

<sup>6</sup> Calculations via YCharts, total return ^SPX, 3-9-2009 through 12-31-2022

<sup>7</sup> Marketwatch – 3 recession scenarios in 2023 – 1-3-2023

The S&P 500 Index is an unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the U.S. Please note an investor cannot invest directly in an index.

The Nasdaq Composite Index is a market-value weighted index, which measures all securities listed on the NASDAQ stock market. Please note an investor cannot invest directly in an index.

The Barclays U.S. Aggregate Bond Index is a broad-based bond index comprised of government, corporate, mortgage and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.

## CONTACT US



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