

AHWATUKEE FOOTHILLS NEWS

Take Action To Reduce The Impact Of Inflation, Recession



October 5, 2022 by Dr. Harold Wong

During the last 18 months, the US inflation rate has steadily increased and is at a 40-year high. The Federal Reserve Bank has two missions: fight inflation and promote full employment. These 2 missions are now in conflict. The Fed's main tool to fight inflation is raising interest rates.

Current and Future Recession: In a recent 9/21/2022 article by Rachel Siegel in The Washington Post, "We have to get inflation behind us," Federal Reserve Chair Jerome H. Powell said. "I wish there were a painless way to do that. There isn't." "The message came after the central bank raised rates by 0.75% for the third time this year and released new economic projections showing a significant slowdown in the economy later in 2022 and 2023."

We are technically now in a recession, because the GDP (Gross Domestic Product) has been negative for the first 2 quarters of 2022. A number of large companies, such as Bank of America, FedEx, and GE predict a recession in 2023 with rising unemployment due to the Fed increasing interest rates substantially. Here are some financial implications.

Action step: an increased recession means higher unemployment, less economic activity, and a declining real estate and stock market. Consider increasing your savings to cover at least 12 months living expenses and decreasing your exposure to bond and stock market holdings.

Mortgage rates have doubled from 3% to 6%+ on a 30-year fixed-rate mortgage! There has been a sharp increase in existing home purchase contracts that have been canceled. For a \$500,000 mortgage at 3% amortized

over 30 years, the monthly payment is \$2,102 vs. \$2,983 at a 6% interest rate. The \$880/month increase equates to a 42% increase in one's mortgage payment.

Action step: If you want to sell your vacation or rental house, do it now and be prepared to lower your price and pay some of the buyer's closing costs. The Phoenix Metro market is normally ranked one of the 5 most over-priced markets in America, based on high appreciation over the last 3-10 years. Many forecast a 10-20% decline in house prices over the next 1-2 years.

Stock Market Declines! On 9/26/2022, the S&P 500 Index reached a new low for 2022 and the Dow-Jones Index dropped 329.60 points, or 1.11% to 29,260.81. This is down about 20.4% from its 1/04/2022 closing high and so is officially in "bear market" territory. Many financial institutions and managers of multi-billion dollar stock funds predict that the stock market could drop another 20-30% if the Fed keeps increasing interest rates to fight inflation.

Action step: consider lowering the % of your financial portfolio that is in bonds or stocks, because higher interest rates historically cause both asset classes to drop.

What can you do to deal with a deeper recession, higher interest rates, and a declining real estate and stock market?

Consider finding investment opportunities in the alternative energy field. The Inflation Reduction Act, passed 8/16/2022, will allocate \$370 billion in green energy projects. According to the CA government, In Mesa, AZ, Advanced Energy Machines has invented the

only zero-emission technology that is commercially viable. The seminar will cover how this technology offers a 10-14% steady annual return for 10 years and is the most powerful way of saving income tax in our current Tax Code. Folks have been able to do \$200,000-\$600,000 Roth IRA conversions and not pay any federal income tax.

Free Live Seminar and Lunch: Saturday 10/22/2022 at Hyatt Place, 3535 W. Chandler Blvd. Chandler, AZ 85226. The seminar is 10 am-12 noon, followed by a Free Catered Lunch from 12:15-1:30 pm. Topic is "Beat Inflation by Saving Taxes and Increasing Income!"

To RSVP for the seminar or schedule a free consultation, please contact Dr. Harold Wong at (480) 706-0177 or harold_wong@hotmail.com.

Free Information on Retirement Planning, Solar Business Investments, and Tax Savings can be found at www.drharoldwong.com or www.solarbusinessinvestments.com.

To schedule your Free Consultation Contact Dr. Harold Wong at (480) 706-0177 or harold_wong@hotmail.com to RSVP.

Dr. Harold Wong earned his Ph.D. in Economics at the University of California/Berkeley and has appeared on over 400 TV/Radio programs.