The recess queen story pdf

A recession is a dramatic fall in the economy of a nation. To be called a recession, this decrease must last for at least six months but could be longer. This is marked by a fall in Gross Domestic Product (GDP), product sales, income, levels of employment and rates of manufacture. Many people believe that defining a recession relies on GDP alone. However, whether a country is in recession or not can only be judged by analyzing all of the above factors as a whole. 1. Recessions and GDP It's a commonly held misconception that a fall in GDP is the only sure indicator that a recession is underway. However, looking at GDP alone is not a reliable way of diagnosing an economies fall because the economic situation can already be on the downturn before the Gross Domestic Product reports are produced. For this reason, levels of manufacture, unemployment, income, and product sales are used alongside GDP as predictors of recession. MarioGuti / Getty Images The coronavirus pandemic has hammered the U.S. economy and Americans' incomes. The National Bureau of Economic Research (NBER) said on June 8 that in February 2020 the economy fell into recession, ending 128 months of growth – the longest growth period since 1854. The announcement was not altogether a surprise. Here's why and a look at how economists typically think about recessions. What Is a Recession?As we wrote in our article exploring the subject of recessions and depressions, "[R]ecessions occur when economies suffer sustained losses." Generally speaking, there are three broad elements to consider when economists ask the question of whether an economy has entered a recession: First, is the downturn significant or severe? A fairly small uptick in the unemployment numbers will not give rise to a recession on its own. Second, does this downturn extend beyond the stock market? Wall Street is not Main Street, and stock prices reflect just one aspect of the economy – not the economy as a whole. Third, what are the prospects that the negative economic conditions persist? A momentary crisis will not, generally, be considered a recession. The St. Louis Federal Reserve's ViewThe St. Louis Fed defines recession in terms of the business cycle:"Periods of economic growth are characterized as expansions, whereas times of economic contraction are considered recessions. Expansions begin when the economy has reached a trough (low point) in economic activity, and they end when the economy has arrived at a peak (high point). Recessions, on the other hand, occur when economic growth declines from a peak to a trough."Based on these factors, economists generally have two working definitions for what constitutes a recession.The first, or classic, definition holds that an economy is in recession when its inflation-adjusted gross domestic product (GDP) declines for two consecutive quarters. This is a backwards-looking metric, meaning that an economy will be in a recession for at least six months before the data makes that apparent. This is also the most commonly cited definition because of its clarity. Journalists and policymakers like to use the two-quarters rule because it's easy to understand and communicate.The second definition is widely adhered to, though somewhat ambiguous. It comes from the National Bureau of Economic Research, which states:"A recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales."Economists can also apply this measure more contemporaneously than the classic measure, which can only identify a recession six months after the fact. Does the Ongoing Crisis Count as a Recession?The short answer – according to the NBER – is yes. Economists often wait to declare recession until the economy has declined for two consecutive quarters.But the current downturn is unprecedented. By early May, more than 30 million claims for unemployment benefits had been filed. Most economists agree that this number significantly under-represents the scope of the crisis. Income, which had remained stable in the 10 years since the Great Recession, is likely to take a considerable hit as unemployed workers scramble for jobs.In April, private employers slashed 20.2 million jobs, according to the ADP National Employment Report. The unemployment rate jumped to 4.4% in March from 3.6% in January. Cowen & Co. said that by the end of March more than 190,000 retail stores, including Neiman Marcus and J.C. Penney, had temporarily closed, accounting for nearly 50% of the U.S. retail square footage. The nation's gross domestic product is estimated to have declined by 4.8% in the first three months of the year; before the pandemic, it was expected to grow by at least 2%. Businesses, small and large alike, teeter on the edge of bankruptcy or have already filed for protection from their creditors. The Bottom LineA recession is defined as either two consecutive months of falling GDP or – as is the case with the 2020 recession – a severe decline across several economic indicators. The NBER's model focuses on employment more than any other factor.Tips for Investing in a Recession Now, more than ever, it's essential to have a plan for managing your money. That means getting expert, personalized advice on your finances from a financial advisor. Finding the right financial advisor who fits your needs doesn't have to be hard. SmartAsset's free tool matches you with financial advisors in your area in five minutes. If you're ready to be connected with local advisors who will help you achieve your financial goals, get started now. A recession does not have to mean the end of your financial life. But it does require a strategy to safeguard your money and protect your financial future. Learn more about how to build that strategy in our guide to the navigating the 2020 recession. Photo credit: ©iStock.com/pick-uppath, ©iStock.com/MicroStockHub, ©iStock.com/PaperkitesPage 2Do you know enough about financial management to take care of all of your investing on your own? Or do you need help from a seasoned expert?That question comes up for millions of Americans each year.If any of these describe you, you could benefit from professional financial advice:1. You're retiring soon – Maximizing retirement income requires smart decisions around complex topics such as Social Security, 401(k) and IRA withdrawals.2. You manage your own investments – Individual investors should check their strategies with unbiased third parties. You may be overlooking opportunities in your portfolio.3. You have children – Whether you're saving for college or planning their inheritance, there are several ways to ensure your children are taken care of.4. You inherited money – Have you noticed lottery winners often declare bankruptcy? It can be difficult to manage sudden increases in wealth.5. You have a financial advisor – Depending on how you chose your advisor, there may be a better one for you. Family referrals are convenient but don't always produce results.6. You're divorcing – Untangling finances in a divorce can be messy. Impartial advice is key.7. You want to build wealth – If you're still decades from retirement, good decisions today can add thousands to your retirement accounts. See Your 3 Financial Advisor MatchesFinding the right financial advisor that fits your needs doesn't have to be hard. SmartAsset's free tool matches you with top fiduciary financial advisors in your area in 5 minutes. Each advisor has been vetted by SmartAsset and is legally bound to act in your best interests. If you're ready to be matched with local advisors that will help you achieve your financial goals, get started now. Five years after the Great Recession, Jennifer Butz still makes out a weekly budget. She writes down how much she gets paid, subtracts her bills and leaves $50 for gas and groceries. She takes her lunch to work and never buys coffee or on-the-go breakfast."It's worth the wait for things. I consider whether I really need or I really want something," says Butz, 35, who lost her job, her car, her house and filed for bankruptcy in the last four years."I think I'm doing pretty good on my own now," she says.The financial scars of the longest post-World War II recession remain etched in many Americans' everyday lives. Like Butz, many still hold on to the cost-cutting habits that kept them afloat after job losses, foreclosure and bankruptcy, as they regain financial security. Some are teaching younger generations these lessons. Still, some have yet to recover.By economists' definition, the Great Recession ended in the middle of 2009. Since then, the unemployment rate has dropped to 7.3 percent, down from 10 percent in October 2009. Home prices and sales are finally showing year-over-year gains. And consumer spending last year surpassed the peak recorded in 2008.Still, more than 19 million people remain without a job or are underemployed. Many Americans still feel uncomfortable with their savings. And many largely remain cautious about borrowing money."Consumers have realized that buying a sweater you can't afford today on credit isn't a good idea," says Amy Cutts, chief economist at Equifax. "It's much better to save up the money and buy it later."For an individual's personal finances, that seems financially savvy if a bit conservative. For the economy, especially one that is largely dependent on Americans' penchant for spending, lingering frugality means a sluggish recovery."The trends we see today may not foretell what will happen in the future," says Antoni Guitart, director of research and consulting at TransUnion. "The big key is how robust the improvement in consumer confidence is. If it remains volatile, it's harder to anticipate what it will take to get consumers to spend on credit."These four stories in the wake of the Great Recession show how it still affects the daily lives of Americans.Avoid spending and become debt-freeJennifer Butz, 35, of Atlanta, became a home loan officer in 2006 just as the housing bubble made its last hurrah. Not long after, she was diagnosed with a rare blood disorder. For the next year, the brisk pace of business along with credit cards and her savings helped Butz stay afloat despite multiple hospitalizations. Jennifer Butz "But then, 2008 rolls around, and that's when everything hit the fan," Butz says.Butz was hospitalized again for 38 days in 2008. By the time she got out, she had no job. Her house was going into foreclosure and her car had been repossessed. Her credit cards had gone to collections and she faced thousands of dollars in medical bills. She finally filed for bankruptcy in September 2009. A Catholic charity also paid for surgery to remove her spleen to keep her blood disorder in check.Butz now audits warranty claims for third-party, rent-to-own companies — a stable, well-paying job. Besides doing a weekly budget, Butz earmarks money for savings and debt, such as the $1,500 she got as part of a mortgage settlement. She's working to pay off the $6,000 on her car loan and $3,000 in credit card debt.She lives in the cheapest rental apartment she can find, one that doesn't exceed a quarter of her take-home pay. She still thinks about owning a home again, but says she's gun-shy after losing her previous home."If I want to buy a house or a car, I want to pay with cash," Butz says. "My biggest goal is to be debt-free." Age becomes a job applicant's nightmareKarla Sutton remembers her father as a fun guy. He listened to Jimmy Buffet. He played darts in a league. He was known for his annual Christmas party."He was everyone's pal," she says of her late father, David, who passed away at age 60. Karla Sutton and her father, David. At one time, David Sutton had $500,000 in retirement savings and a new fixer-upper house in Columbus, Ohio. That was before he lost his job in 2007 when he was 54. At first, Sutton, who had been employed by the same company for 30 years, visited the public library every day to apply for positions. He was interviewed multiple times but never was hired. His daughter believes it was because he was close to retirement age."I think he eventually gave up," says Karla Sutton, 37, who lives in New York. "He put on weight. He developed hypertension."David Sutton drained all but $30,000 from his retirement funds over the next five years, taking on hefty tax penalties for withdrawing early. He racked up $10,000 in credit card debt and large medical bills because he had no health insurance. His house, which he bought at the height of the bubble, lost its value. All the while, he refused any financial help from his children."For people of my father's generation, there is so much to owning a home and having a job," Karla Sutton says. "It's morally defeating in addition to being a financial disaster."Older Americans were less likely to become unemployed during the recession, but once they were, they looked longer for the next job and fell out of the workforce more often than their younger counterparts, says Sara Rix, senior strategic policy adviser at AARP Public Policy Institute.A 2010 AARP survey of Americans ages 50 and older found that a quarter of them had exhausted their savings while almost a fifth fell behind on credit card payments or accumulated more credit card debt."This recession will linger on the way the Depression did for older people," Rix says. "If you learned anything, it's that your retirement savings can disappear in a blink of an eye."One morning this past June, Karla Sutton spoke to her father on the phone, urging him to go to the emergency room for his worsening back pain. He never did. David Sutton collapsed, dying from either an aortic aneurysm or heart attack, both of which can be caused by hypertension."There is a part of me that blames the recession for his passing so early," says Karla Sutton, who ended up paying her father's funeral expenses because he no longer carried life insurance. "He was not in a position to take care of himself." Siphon money to savings each monthJewel Brown, 41, opened her own hair salon in Norcross, Ga., in 2008, a tale of bad timing. Within a year, Brown had to start running special discounts just to get customers through the door. She shouldered the work herself, unable to hire more staff to increase business. Jewel Brown On the homefront, she had a son to care for on her own and a mortgage payment that was too high.Refinancing was out of the question because she was upside-down in her mortgage, a common scenario during the recession where the value of the home is worth less than the mortgage."I didn't think I would last long," she says. "There were days when I cried because I thought I would have to close the salon. I kept thinking, 'How am I going to pay these bills?'"Brown did what many Americans across the country did. She cut back. She turned off her landline and depended on her cellphone. She nixed premium cable and settled for basic services. She stopped eating out. She blew through her six-month savings cushion, keeping the lights on at her business and at home.She and her son also developed a new saving habit together. They would save their coins in a jar, and every six months, she would deposit the full jar, worth $300, into a savings account. The strategy helped Brown buy her son a computer for school. It's also now helping her replace her depleted savings.This month, Brown got another boost. She received a mortgage modification after three years of applying for one without success. Her interest rate was slashed to 3.1 percent from 8.1 percent, saving her $5,000 per year."I feel really blessed," Brown says. "It was an eye-opening situation, but I learned how important it is to always save. Even if it's just a dollar, that will add up. I'm teaching my son that, too."