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First Quarter GDP Beats Expectations, but May Not Tell the Whole Story

The U.S. economy beat all estimates and grew by 3.2 percent in the first three months of the year, putting to rest fears of an imminent recession. December saw severe market volatility and a government shutdown that continued into the new year. These factors had many worrying that we would join the rest of the globe in sluggish economic growth.



While Q1 may have bucked expectations, it does not paint an entirely rosy picture. Much of the GDP growth was driven by business inventories. Amidst ongoing trade tensions, American businesses are stockpiling now, and producing more than they are selling. While this created a boost in Q1, it may hinder GDP in future quarters as the supply on hand exceeds demand for new production.

Consumer demand was also muted for the quarter. Consumer spending, which accounts for two-thirds of U.S. economic activity, grew by just 1.2 percent in the first quarter. This was down from 2.5 percent growth in Q4 2018. Some of this slowdown can be attributed to the delay in tax returns caused by the government shutdown, and consumption is expected to rebound. Investment in business and construction slowed from the previous quarter, and housing investment contracted.

Still, the GDP for the first quarter shows the U.S. economy is continuing to perform well, and that America may be inured from the slowdown being felt in many other parts of the globe. It should also be noted that these are not final numbers. The GDP figures will be revised twice in the coming weeks, providing a fuller picture of our economic health.

Hope for the Best, but Prepare for the Worst

Financial Planning in case of Alzheimer's or Dementia

Estate planning is always a tough conversation to have. Even though we may hope to put it off as long as possible we all realize that our time will come, and we will need to have our affairs in order so that our loved ones can be cared for after we are gone. There are other aspects of estate planning though that are just as difficult to consider but less certain to impact our lives. One such aspect is Alzheimer's and other types of dementia.

Dementia can throw a wrench in the gears of even the most well thought out financial plan, but few of us are adequately prepared for this. In cases of dementia, it is not enough to simply have an estate plan that handles taxes and bequests. You should also have a financial and legal arrangement completed that authorize

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a caregiver—or two—to step in and manage your business affairs and healthcare. A 2014 report conducted by Merrill Lynch found that just 1 in 4 families had discussed how their parents will be cared for as they get older. The same study found that only 40 percent of people older than 50 have a written healthcare directive.

It is understandable that many of us would rather not consider the possibility of Alzheimer's and hope that we will not need to be prepared, but the odds are against us. Alzheimer's is one of the fastest growing diseases. The Alzheimer's Association estimates that there are 5.8 million Americans living with Alzheimer's today. By 2050, that number is projected to rise to nearly 14 million.

Of course, as people live longer the disease becomes more prevalent. Fully 10 percent of people over 65 have Alzheimer's and at 71, that percentage jumps to 14. By age 85 nearly one-third have the disease. With odds like that it is imperative that you have a plan in place to ensure that you are properly cared for according to your pre-determined wishes.

The most important steps to take are to establish a power of attorney, create a living will, and designate a healthcare proxy (also referred to as a Health Agent). A power of attorney (POA) is an agreement in which a person who needs assistance grants legal power to a person who will act on their behalf. There are a myriad of different types of POAs, each with their own directives and scopes of legal authority.

POAs can be set up to cover healthcare so that someone can make decisions regarding your care on your behalf. They can also cover finances in order for someone to handle your bills or make decisions about your investments and holdings. They can be limited so as to only cover a specific task such as selling a house and arranging a move into an assisted living community. With so many options it is important that you meet with an estate planning professional to determine the best course of action. It is also important to take action on this sooner rather than later. A POA agreement must be made when all parties are of sound mind. Waiting until after an Alzheimer's diagnosis could create legal problems down the road. You can set up what is called a "springing" POA that can be established now but will not take effect until certain conditions are met. For example, you could create a healthcare POA that would "spring" into effect if you become incapacitated or otherwise unable to manage your affairs.

It is also important for you to establish a Living Will. This is a document that gives advance directives regarding medical care. If you become unable to communicate your wishes, this legal document will give your physician instructions on how you want your care handled. Without a Living Will your family and caregivers may be left uncertain about how your end-of-life care should be approached. Because a Living Will may not cover all potential circumstances, it is also important to establish a healthcare proxy which empowers an individual of your choice to make decisions regarding your care. Having this established can avoid arguments among your family about who should have final say with regards to your care.

The best thing you can do is to begin planning as soon as possible. Once you have a plan it is also im-

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portant to regularly review it. State laws may be altered or life circumstances can change. Relocations, divorces, or deaths can alter your plans dramatically. It is also important for children to know their parent's wishes. End-of-life planning can be a difficult topic to broach, but thinking about and planning ahead for your future well-being will make it easier to start the conversation with your loved ones.

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Canada's Economic Troubles Could Migrate South

While the U.S. economy is beating expectations, our neighbor to the north has seen its economy practically grind to a halt in recent months, which could have consequences for our economy. The most recent data shows that Canada's economy actually contracted 0.1 percent in February and is up just 1.1 percent year-over-year. While falling oil prices meant a slowdown was anticipated, it has ended up being much more widespread and direr than expected, leaving Canadians in a precarious position.



Canada's housing bubble has burst. Toronto homes have lost 4.3 percent of their value, and sales are down 12.7 percent year-over-year. Vancouver fared even worse. Homes there have lost 4.5 percent of their value, and sales have fallen by a staggering 39.3 percent. This is bad news for the labor market too. At year's end, 7.7 percent of the Canadian workforce worked in construction. This means that any slowdown in construction could send unemployment sky high.

Household debt in Canada is already worryingly high, sitting at 174.6 percent of income, as compared to 99.4 percent in the U.S. Even at its peak, just before the financial crisis, American debt was at 133.8 percent of income. Many Canadians are already having trouble keeping their heads above water. Canadian officials report that 5.1 percent more households and 8.9 percent more businesses filed for bankruptcy protection in November 2018 than in the same month a year earlier. The situation could get even worse, as an MNP Ltd. poll conducted this January found that an increase of C\$200 in monthly expenses would send 46 percent of Canadian households into insolvency.

All of this could be bad news for U.S. companies. Canada is one of our largest trading partners, and exports to Canada totaled \$275 billion in 2018. As personal consumption dwindles in Canada, the amount spent on American goods and services will shrink along with it. The slowdown could also weaken Canada's currency, making it harder for American corporations to export goods to Canada and reducing their profits. The economic health of our two nations is intrinsically linked. A recent study from the Economic Cycle Research Institute showed that since World War II, every time Canada suffered a recession, the U.S. did too.

Oil Becomes More Volatile Heading into Summer

After suffering a steep decline at the end of last year, oil prices rallied in 2019. Prices are up nearly 40 percent for the year, and, for U.S. production it is looking like the first four months of the year will be the strongest first four months of any year since 1999. However, as we head into the summer driving season, the market is becoming more volatile.



Oil prices are highly susceptible to geopolitics. Ongoing trade tensions with China and uncertainty in the Middle East have sent prices sliding lately. Volatility in the market has some investors looking for less-risky sectors.

Still, overall sentiment remains positive. Commodity Futures Trading Commission data shows that investors are more bullish than bearish. Economic data in recent weeks has assuaged fears of a steep economic slowdown, meaning that fuel demand should remain high. However, even if the rally continues, some analysts feel that there is only so high prices can climb before gasoline and fuel costs begin to hinder economic growth.

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