



OUR MISSION IS TO CHANGE LIVES. **ONE "HEMINGTON" AT A TIME.**

HEMINGTON NEWSLETTER

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U.S. Recession – Are We There Yet?

By Amy Mitchell, CFA, CFP®

The prediction of an impending U.S. recession seems to be a perennial topic. According to a recent Wall Street Journal article, most experts expect a recession in the U.S. within the next few quarters (if we are not there already)... and we have heard a similar refrain for the past several years. With these unsettling headlines, many investors are concerned about the impact a recession could have on their portfolio.

WHAT IS A RECESSION?

A common definition of a recession is two consecutive quarters of negative GDP growth, but the actual determination of a recession is much more nuanced. The National Bureau of Economic Research (NBER) is a private, non-profit organization located in Cambridge, Massachusetts, which is responsible for declaring when the United States is in a recession.

According to a recent Forbes article, the NBER looks at the economy as a whole, weighing factors such as real personal income, unemployment rates, consumption, retail sales, and production. The NBER says there is "no fixed rule about what measures contribute information to the process or how they are weighed in our decisions." While a recession usually shows economic output contracting and unemployment increasing, each economic cycle is different, and no specific threshold must be crossed before a recession is declared.

SHOULD WE ACT ON THE ANNOUNCEMENT OF A RECESSION?

Because NBER uses economic data (that has already occurred) to declare a recession, it is always identified after the fact when the worst of its impact on markets has usually passed. Four of the last six recessions were called after the market bottom, including the 2007-2009 recession (see chart). Although this recession began in December 2007, the NBER officially announced it on December 1, 2008, an entire year later!

The stock market, however, is forward-looking. Market participants are constantly processing new information and expectations about the economy and companies, which is

what causes changes in securities' prices. By the time the 2007 recession was announced, stock prices had already dropped more than 40%. The contraction lasted for 18 months. U.S. stocks started to rebound before the recession was over and continued to climb through the NBER's official announcement in September 2010 of the recession's end.

History shows that markets incorporate expectations ahead of economic reports, including recession announcements. The best way to capture market returns is to own a globally diversified portfolio, have an appropriate asset allocation based on your unique financial situation, and remain disciplined to stay the course.

Stock Performance During the Global Financial Crisis S&P 500 Index, January 2007–December 2010



Source: S&P Data.



Dimensional Fund Advisors is Barron's #1 Fund Family for 2022



Barron's has named Dimensional Fund Advisors No. 1 in the outlet's "Best Fund Families of 2022" list. The rankings look at the one-year records of how each firm's actively managed funds performed versus peers, based on data from Refinitiv Lipper.

"Dimensional is known for its roots in academic research on factor investing, particularly involving value investing, and its tendency to favor smaller companies that are highly profitable," the outlet noted. "As such, the firm sidestepped the meltdown in mega cap growth names and companies with few, if any, profits."

Barron's also commented on how Dimensional keeps close tabs on equity premiums through daily price information. The firm's managers watch for buying opportunities when growth stocks fall into value territory, and they also rely on factors such as momentum to help determine if it is time to buy.

Dimensional is No. 17 on Barron's "5-year Ranking" of fund families and No. 7 on its 10-year list, the longest time horizon included.

"While nobody can control markets, we can control how we harness them," said Bryce Skaff, Co-Head of the firm's Global Client Group. "We've taken a consistent approach to designing and managing investment portfolios for more than 40 years. We'll continue to pursue long-term drivers of expected returns so we can work toward delivering reliable outcomes for our clients and investors."

Hemington remains committed to its investment philosophy grounded in Nobel prize-winning financial science. We believe that capital markets work and we control what we can control: global diversification, tax efficiency, and costs, with robust implementation at both the fund and portfolio levels. While we have the universe of investment options available to us as a fiercely independent firm, we believe Dimensional funds help enable us to deliver an outstanding investment experience for our clients.

Update on the TD Ameritrade & Charles Schwab Merger

Since 2020, TD Ameritrade and Charles Schwab have been working together on the logistics of their merger and integration. For Hemington clients who are currently custodied at TD Ameritrade, the final migration to Schwab is expected to take place this September over the Labor Day weekend.

Our team is in close contact with representatives of both TD Ameritrade and Schwab. We continue to receive assurances that the transfer will be paperless with a key caveat. It is important that each account holder logs into his or her account(s). This will help to ensure that all attributes of existing client accounts will come over during the migration, including transactional history and standing letters of instruction.

There is one main action item for all Hemington clients: Please make sure to log into TD Ameritrade's client portal at www.advisorclient.com/login. This includes each spouse, adult child, trustee, or other account owner, as may be the case. If you need help, please reach out to your Hemington team.

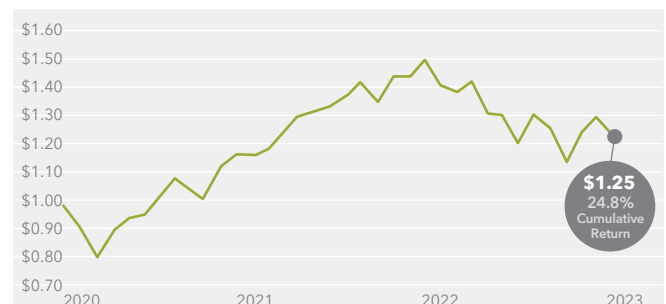
Staying the Course

In the past three years, investors have faced a global pandemic, supply chain issues, unexpected inflation, and a bumpy ride in both the stock and bond markets. If we could turn back time to December 31, 2019 (and you know what is ahead!), what would you expect stock market returns to be for 2020 through 2022?

Perhaps surprisingly, over this time the stock market was up by almost 25% - which includes last year's decline of 19%, making the case for not trying to time the market based on current events.

The S&P 500 posted a cumulative return of 24.8% from January 1, 2020, through December 31, 2022.

Growth of \$1 Invested in S&P 500, Jan 2020-Dec 2022



Source: S&P Data.



WHAT'S NEW AT HEMINGTON?



Jen Dawson Becomes Owner

We are delighted to announce that **Jen Dawson, CFP®**, Managing Director of our Chicago office, has become an equity owner in Hemington. The strategic expansion of ownership is a key part of our vision as a firm that is well-positioned to take care of our clients for many generations to come.

"Jen's leadership internally with the team and externally as a great wealth manager for her clients makes her a great addition to the partnership," Eileen O'Connor remarked. Please join us in celebrating Jen's significant and well-deserved professional milestone.

WASHINGTONIAN

Eileen O'Connor received the **2023 Washingtonian Top Wealth Advisers Hall of Fame** recognition. For at least 8 out of the past 14 years, Eileen has been featured on the annual Washingtonian Top Financial Advisers list which comes from hundreds

of financial professionals in the region naming whom they would trust with their own money. Those with the strongest recommendations make the list. Washingtonian considers this to be a "lifetime achievement" award for local financial experts. Eileen is **one of only 46 financial advisers** in the DC/Maryland/Virginia area to be honored with this elite distinction.

Forbes
**TOP WOMEN
WEALTH ADVISORS 2023**
SHOOK RESEARCH

Eileen O'Connor was honored as a **Forbes America's Top Women Wealth Advisors Best-In-State for 2023**, ranked 4th out of 41 Virginia advisors and ranked 3rd in the Northern Virginia area specifically. Chosen from a thorough vetting methodology

headed by SHOOK Research, Eileen was selected through qualitative and quantitative industry research focused on finding advisors who are leading the way in offering best practices and providing a high-quality experience for clients.

The Hemington team enjoyed some R&R over bowling.



Hemington Welcomes Cole DeLucas

Hemington is excited to welcome **Cole DeLucas, CFP®**, to our team as a Wealth Advisor! Cole has spent his entire career as a financial planner and is passionate about helping clients realize their goals by providing comprehensive wealth management solutions. He earned a Finance degree from Virginia Tech and is active in the Financial Planning Association, which provides an invaluable platform to get involved with other planners and allied professionals in the Washington, D.C. area.

Cole lives in Reston with his wife and their wonderful dog. On weekends, you may find them hiking, enjoying new restaurants, or traveling. Cole is also an avid golfer and enjoys playing competitively in Virginia and Maryland during the summer season.



Are your kids working a summer job? Open a Roth IRA!

One of the top priorities for many of our clients is to pass on strong money values to their children to help build great money habits. The Roth individual retirement account (Roth IRA) can be an excellent tool for your children to get hands-on experience with investing and a head start on retirement savings. A Roth IRA allows children with earned income to contribute after-tax dollars to an account that will grow tax-free and the funds can be withdrawn tax-free in the future (for qualified withdrawals).

To get started, even if your child chooses to spend some or all of her summer job income, you can open a Roth IRA and contribute on her behalf. One popular strategy is to offer to match your child's annual savings amounts. For example, if your child saves \$1,000 of their own earned income, you could match this with an additional \$1,000 (assuming she earned at least \$2,000 this year).

Please contact your Hemington team if you want to learn more about this strategy.

Key Benefits of Roth IRAs for Your Children

Build financial literacy. By having their own Roth IRA, children may be more invested (no pun) in learning about personal finance. For 2023, the Roth IRA contribution limit is up to \$6,500 or total earned income, whichever is less. The account can be funded up until the April 2024 tax filing deadline.

Tax benefits. Your children are likely in a very low income tax bracket, so this is a great time to lock in an ultra-low income tax rate for lifelong tax-free growth.

Jump start for retirement savings. Your child can experience the power of compounding!

Simple setup with no age restrictions. For a child under age 18, you would need to open a custodial Roth IRA controlled by a parent until the child reaches age 18 or 21 (depending on the state). As a best practice, maintain documentation of your child's earnings or file an income tax return for her.

Some flexibility for distributions. Account holders can always withdraw their contributions without tax or penalties. Penalties are also waived for certain special exceptions, such as a first-time home purchase (up to \$10,000) or qualified educational expenses.

Congratulations to our High School Graduates!

This year, Hemington celebrates the graduation of two students.



Owen Leinbach
Dominion High School
Owen will attend the University of Tennessee to study at The Haslam School of Business.
Go Vols!



Faith O'Connor
Georgetown Visitation Preparatory School
Faith will attend Christopher Newport University to study Biology and play for the Women's Lacrosse team.
Go Captains!

About Hemington Wealth Management

Hemington Wealth Management provides high net worth individuals and families with a broad range of wealth management services including portfolio management. We are collaborative, accessible and responsive, making it easy for clients to work with our team.

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