THE Wealth REPORT

COVID OUTLOOK: ECONOMY, FINANCES, HEALTH

Overview

Compared to 2008, the current pandemic-induced recession is three times worse in terms of annualized gross domestic product (GDP) decline. Economists have urged Congress to pass additional stimulus legislation for unemployment benefits, forgivable loans to small businesses, aid to the travel industry and allocated funds to save local government jobs in the wake of reduced tax revenues.[1]

The good news is that vaccine manufacturers Pfizer and Moderna both recently announced they have developed vaccines that are more than 90% effective; the bad news is that it may take a while for production to ramp up enough to vaccinate the entire U.S. population.[2] And globally, until the majority of intercontinental travelers are immune, we're not out of the woods yet.

The country is in a precarious state. We have more than 1,500 deaths and 160,000 new positive cases of coronavirus per day, contested election results and potential shutdowns threatening a fragile economy.

Economic Prospects

In addition to the U.S., Europe, Brazil, India and others, emerging markets have been hit hard economically. Even the Swedish economy, which never locked down, suffered due to lack of consumer demand. Domestic consumers have displayed a reduced willingness to spend throughout the course of the pandemic, especially those whose employment — and livelihood — remains tenuous.

Interestingly, countries that mandated strict protocols have emerged less scathed. For example, China technically escaped a recession altogether. South Korea and Taiwan conducted widespread testing and contact tracing, so they were able to quash outbreaks and largely contain the virus, saving their economies from the wrath of consumer fear.[3]

Because widespread vaccination immunity is still many months away, economists warn that the U.S. will face a very dark winter. However, one thing a vaccine does provide is optimism; we can now see a light at the end of this dark tunnel.

Financial Lessons for the Future

The pandemic brought with it a whole new set of variables for investment opportunity. For example, some companies flourished in the glow of the stay-at-home culture this year, such as Zoom, Amazon and Netflix.[4]

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On the day Pfizer announced its vaccine, the stock market rejoiced. The Dow Jones Industrial Average jumped 834 points, up 2.95%, while the S&P 500 rose to 1.17%.[5] The vaccine news also boosted pharmaceutical stocks and industries hurt by the pandemic, such as cruise line, movie theater and airline stocks, as well as oil prices.[6]

The pandemic has been a good reminder that we cannot predict a global crisis or its potential impact on markets. It's useless to try to time investment decisions, particularly when saving for a long-term goal such as retirement. Instead, time in the market allows for steady, sustainable growth, a key factor in achieving long-term financial goals.

It's important to balance your long-term investing strategy in order to weather short-term bouts of market volatility. By maintaining an appropriate mix of a variety of financial vehicles, your asset allocation strategy can help you pursue financial goals within a specific time horizon.

Personal Safety Net

The pandemic left many people who had never been unemployed before with no income. Even those without much in savings may have felt immune from hard times because they had a steady job, employer-sponsored health insurance and a retirement plan. Then suddenly, they found themselves with no insurance, no way to pay their bills and worried about withdrawing money from their 401(k).

For those living paycheck-to-paycheck, this underscored the need for an emergency savings fund to cover three to six months' worth of expenses. Having a separate, liquid savings account can provide a safety net to help people stay in their homes, keep their car and put food on the table during difficult times — without taking on debt or threatening their future financial security.

Health Outlook

While a near-term vaccine is great news, it does not negate the damage already caused by COVID-19, both economically and physically. The medical community warns that we still don't understand the long-term effects of this potentially debilitating and fatal disease.

Follow-up among people who survived serious COVID-19 cases suggests that many may never return to their previous health status. Studies show that the virus can cause serious damage to the heart, lungs and other organs that are likely to cause problems in the future. There is evidence that even those who suffered only mild symptoms may have lingering effects.[7]

While we continue to learn more about the long-term effects of

COVID-19, the challenge of the Affordable Care Act (ACA) has many Americans concerned. They worry that, if the Act is overturned, insurance providers could consider a previous COVID-19 diagnosis as a pre-existing condition and deny coverage as a result. As of this writing, the Supreme Court had not reached a decision regarding the future of the ACA.

President-elect Joe Biden outlined his steps to mitigate these types of foreseen ramifications of the virus with a plan that includes:[8]

- Communicating national, evidence-based guidance designed to slow community spread and stop outbreaks.
- Working with state- and local-level officials to implement prevention protocols and strengthen public health facilities.
- Boosting vaccine distribution and personal protective equipment production.
- Hiring thousands of public health workers to perform contact tracing and provide health services for high-risk populations.
- Strengthening the Affordable Care Act by expanding coverage for people eligible for premium subsidies and reopening the federal marketplace for special enrollment as necessary for those who lose employer-sponsored insurance.
- Creating a caregiving workforce for families struggling to find affordable care for their children, aging relatives or loved ones with disabilities, as well as helping improve the outlook for women's employment.

"We have to function as one nation. That means having a national plan." — President-Elect Joe Biden[9]

Final Thoughts

COVID-19 has impacted not only the U.S. but the entire global population in many ways. Throughout this pandemic, economists have cautioned that economies hit hard by the pandemic cannot fully recover until the coronavirus is contained. The big question on everyone's minds is exactly when that might happen. Uncertainty and anxiety linger for many Americans, especially among rising case numbers and lack of additional stimulus from Congress.

There is light on the horizon, however. The promise of a new vaccine provides hope that we might begin to return to normal soon. Additional treatments for COVID-19 symptoms also look promising and could provide assistance in lowering death rates while shortening the length and strength of the illness. As we make progress on treatments for our physical health, our economic health should improve as well. Although questions around the coronavirus and its after-effects remain, we feel optimistic that we may be poised to turn the corner and open a new chapter for our economy.

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[1] Scott Egan. CNN. Nov. 9, 2020. "A vaccine might be coming, but the Covid economy still desperately needs stimulus." https://www.cnn.com/2020/11/09/business/coronavirus-vaccine-economy-stimulus/index.html. Accessed Nov. 9, 2020.

[2] Zachary Brennan and Sarah Owermohle. Politico. Nov. 16, 2020. "There are two effective Covid-19 vaccines. What's Next?" https://www.politico.com/news/2020/11/16/moderna-coronavirus-vaccine-effective-436776. Accessed Nov. 16, 2020.

[3] Ceri Parker. World Economic Forum. Sept. 25, 2020. "World Vs Virus podcast: An economist explains what COVID-19 has done to the global economy." https://www.weforum.org/agenda/2020/09/an-economist-explains-what-covid-19-has-done-to-the-global-economy/. Accessed Nov. 9, 2020.

[4] David Goldman and Anneken Tappe. CNN. Nov. 9, 2020. "Dow soars more than 1,000 points after Pfizer announces great news about its vaccine and Joe Biden declared victorious." https://www.cnn.com/2020/11/09/investing/dow-stock-market-today/index.html. Accessed Nov. 9, 2020.

[5] Joseph Woelfel. The Street. Nov. 9, 2020. "Dow Closes Up 800, Nearly 3%, on Coronavirus Vaccine Progress." https://www.thestreet.com/markets/stock-market-dow-pfizer-vaccine-coronavirus-110920. Accessed Nov. 9, 2020.

[6] Richard Beales. Reuters. Nov. 9, 2020. "Breakingviews - Pfizer jolt delivers taste of post-Covid markets." https://www.reuters.com/article/us-health-coronavirus-vaccine-breakingvi/breakingviews-pfizer-jolt-delivers-taste-of-post-covid-markets-idUSKBN27P1YP. Accessed Nov. 9, 2020.

[7] David Hunter and Anne Moore. World Economic Forum. Oct. 2, 2020. "7 things we still don't know about coronavirus, even after 1 million deaths." https://www.weforum.org/agenda/2020/10/million-deaths-coronavirus-experts-questions/. Accessed Nov. 9, 2020.

[8] Allison Aubrey. NPR. Nov. 8, 2020. "President-Elect Biden Has A Plan To Combat COVID-19. Here's What's In It." https://www.npr.org/sections/health-shots/2020/11/08/930887069/hold-president-elect-biden-has-a-plan-to-combat-covid-19-heres-what-s-in-it. Accessed Nov. 9, 2020.

[9] Ibid.

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