

Stages of the Economic Cycle for Financial Professionals

Success for your Clients

Our economy has natural rhythms. ¹[Success for your clients in financial markets is about helping them understand the bigger picture.](#) This 'larger picture' is the very essence of the economic cycle.

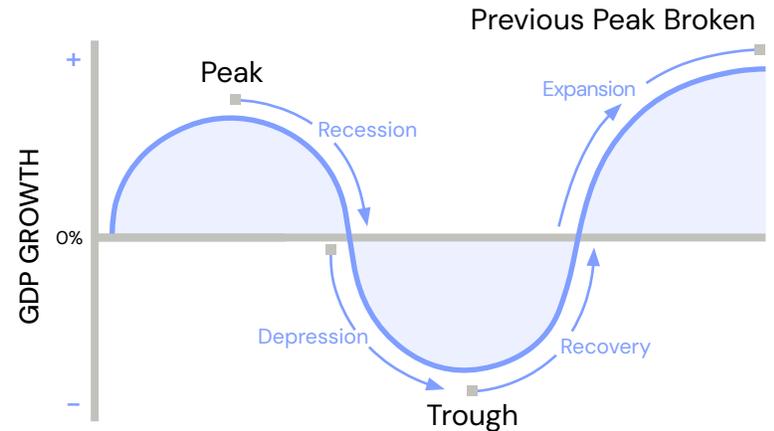
Like the ebb and flow of tides, our economy swells and contracts through economic seasons. This knowledge is crucial for understanding finance and making appropriate recommendations for clients.

²[Understanding the cycle](#) is not just about weathering downturns; it's about capitalizing on peaks and preparing for troughs.

Use this resource to brush up on how clients are affected and look for the corresponding client-facing version to help clients understand the wisdom of your advice.

The Economic Cycle

Peaks, Troughs and Recovery



1 Expansion

- Look toward locking in gains
- Take advantage of high rates
- Explore reliable income opportunities

2 Peak

- Lock in remaining appreciation
- Capitalize on rates before they decline
- Consider annuitization

3 Recession

- Guard against decline
- Explore guaranteed income
- Rebalance

4 Depression

- Provide stability
- Protect assets
- Address income gaps

5 Trough

- Explore conservative alternatives
- Protect and secure assets
- Stockpile opportunities

6 Recovery

- Capitalize on higher rates
- Transition retirees toward income
- Find greater security for market-fatigued clients



Application

Think of navigating a client's retirement like sailing a boat. The winds and tides are constantly changing, but experienced sailors can better reach their destination if they know how to adjust to new challenges they may encounter. With the unpredictability surrounding market cycles, the best thing advisors can do to guide clients through the storm is to lead them to clearer waters – transparency.



Annuity Example

Take the traditional relationship between bonds and annuities for example. In the past, these two markets often worked like a seesaw, and a change in strategies would often catch clients off guard. The correlation between these two strategies is no longer the case, but clients may still feel lost without proper updates or explanations when there needs to be a change in their planning.



Summary

Transparency is important on both sides of the advisor-client relationship because it establishes expectations and trust. If a captain and a first mate are looking at different maps, then the ship will struggle to reach its destination. Be sure to incorporate our two client-friendly pieces, Market Cycles Explained and Annuities on the Risk Return Spectrum to help educate clients and increase transparency.

Visit the Ride the Wave website to learn more about how you could establish more transparent client relationships.

¹Cyclical Industry: What It Is, Characteristics, and Examples (investopedia.com)

²Business Cycle - Definition, How to Measure and 6 Different Stages (corporatefinanceinstitute.com)

This resource is for general awareness and education purposes only.

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