



# LANDMARK

## WEALTH MANAGEMENT

## **The Government is Heading for a Shutdown...Again**

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With September drawing to a close, it has become more likely that the federal government will close its doors; at least temporarily.

### **Why is This Happening**

Going back to the mid-1970s, there have been twenty-one government shutdowns. October 1st marks the start of the new federal fiscal year. In a perfect world, the twelve spending bills that fund activities ranging from national park operations, to defense, to salaries for federal employees for the coming year should be passed by this date. In reality, all twelve bills have not passed before this deadline since 1997 and for eleven of the past thirteen years, lawmakers have not passed a single spending bill on time. If the bills are not passed on time, temporary spending resolutions are typically reached until a full agreement can be reached. If not, temporary government shutdowns happen.

### **What Does This Mean**

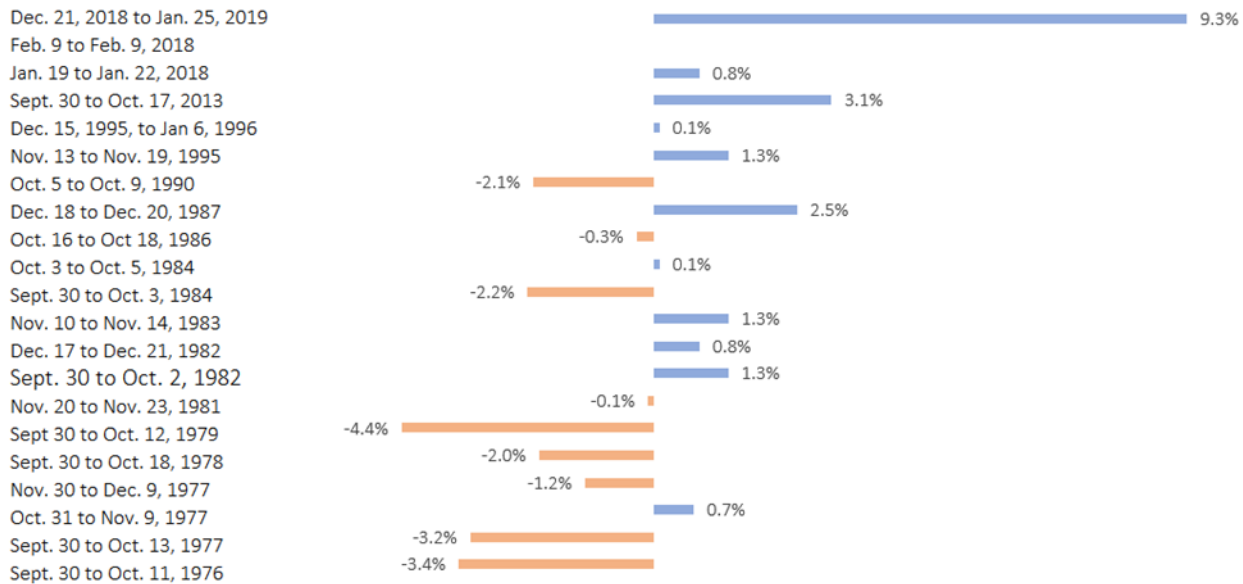
Not everything shuts down and critical services will continue. The mail will still be delivered, social security checks will still be issued and interest on US debt obligations will be paid – a different situation from the debt ceiling impasse in May. However, federal workers will not be paid and non-essential workers could be temporarily laid off until funding is secured. These potential worker shortages may have impacts on things like air travel with long TSA lines and delays at airports if not enough air traffic controllers come in. Also, most national parks would close to visitors. Typically, shutdowns are short-term in nature and their impact on the economy mild as lost wages to most federal workers are made up when spending is authorized.

### **How Will the Market React**

Although markets can experience volatility in the short term, there does not appear to be a relationship between federal government shutdowns and market returns. Over the twenty-one previous shutdowns,

markets have been positive eleven times, negative nine times and were closed for one shutdown (pending resolution happened overnight).

**S&P 500 Performance during federal gov't shutdowns**



**Sources:** Vanguard, Broadridge

## **Staying Disciplined**

A government shutdown, although not ideal, is one of many positive and negative factors that affect markets. It is important that investors remain disciplined, diversified, and avoid market timing (especially based on Congressional politics). We will continue to monitor the situation and recommend adjustments if needed.

## ***About Landmark Wealth Management***

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