

RED WING CREDIT UNION



QUARTERLY FOCUS

Preview Fall 2020

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INSPIRING HOPE FOR A GLOBAL COMMUNITY

Celebrate 72 Years of International Credit
Union Day at Red Wing Credit Union



On October 15, 2020, credit union members around the world will celebrate International Credit Union Day, an annual event to commemorate the credit union movement's impact and achievements. This year marks the 72nd anniversary.

Since 1948, International Credit Union Day has been celebrated annually on the third Thursday of October. Each year, the international event affords the opportunity to remember credit unions' proud history and promote awareness of and support for the credit union and financial cooperative difference.

**This year's theme is
"Inspiring Hope for a Global Community."**

Throughout the COVID-19 crisis, credit unions around the globe have continued to provide a high level of service to their members and demonstrated a generosity to their local communities that has set them apart from other financial institutions. We are truly inspiring hope for a global credit union community. ICU Day 2020 is a celebration of the impact credit unions and other financial cooperatives have made – and continue to make for their members. It is also a chance to be thankful for the lives and communities that have been improved by our movement.

Thank you for joining us to celebrate the 72nd anniversary of International Credit Union Day! One member at a time, we are working to build a stronger community and look forward to serving you and your family for years to come!

Credit Unions Give Back Through the **CU FORWARD KINDNESS INITIATIVE** Monday, October 12, 2020



CU Forward Day – held annually on the second Monday in October, is a Minnesota credit union state-wide initiative of credit unions employees, members and partners coming together to volunteer with local organizations, to give back to our communities, commit random acts of kindness and generally just say “thank you” to the people who deserve it most.

In 2019, Minnesota Credit Unions held their third annual CU Forward day on Monday, October 14, 2019. Across Minnesota, 4,000 volunteers from 58 credit unions and partners dedicated the day to community service projects and volunteer opportunities totaling over 20,000 hours.

Red Wing Credit Union will be participating in CU Forward Day on Columbus Day, Monday, October 12, 2020. The credit union will be open from 8:30 until noon. After closing our doors at noon, the staff of the credit union will participate in community service projects.

We are pleased to announce the following new team members to our credit union staff:



With over 5 years of experience assisting people with their financial needs, we are excited to welcome Kayla Treague to our Member Service Department. Kayla was born and raised in Red Wing and resides here with her family. She has two children Lucian (9) and Lillian (2). Her family is a huge fan of hockey, (especially Lucian and Dad) and her daughter loves the movie Frozen. In Kayla’s free time she enjoys reading outside during the summer and at the ice rink watching hockey in the winter.

We are delighted to introduce our newest Financial Service Representative, Rebecca (Becca) Swenning. Becca is a Red Wing High School graduate and recently received her diploma, a Bachelor’s Degree in Psychology from The University of Wisconsin – River Falls. Away from work, Becca spends time with family and friends and her family’s new dog, Leo. She also loves sports, watching, participating and teaching her younger brother sports skills.



Cut the Cost of College: **SCHOLARSHIPS AVAILABLE**

Red Wing Credit Union is excited to partner with the Minnesota Credit Union Foundation Scholarship Council to offer \$16,000 in scholarships to our members. A total of 16 applicants will be awarded a scholarship of \$1,000. Any Red Wing Credit Union member pursuing education in the fall of 2021/spring 2022 or high school senior graduation in 2021 is eligible to apply. Applications are being accepted through November 30, 2020. Scholarship deadline is November 30, 2020. To apply, complete an application and essay online at www.mnfsc.org.

2020 Essay Question:

“Knowing that we have the power today to change the story of tomorrow, how will you prepare for future financial obstacles? Reflect on your personal and your family’s experiences.”
(Essay tips: Please share your personal story; use the specifics you identified in the preliminary questions to write your essay.)

Look for the Red Wing Credit Union’s annual scholarship information in the 2021 winter newsletter.

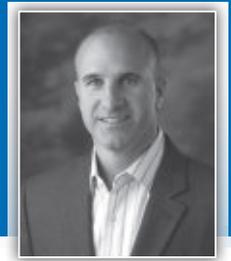
CHRISTMAS CLUB REMINDER

If you have a Christmas Club savings, the balance will be deposited into your share savings account the first week in November, unless you have made other arrangements.

Red Wing Credit Union has club accounts to help you save for all different life events, not just Christmas. You name it, “Vacation Club”, “Escrow Club”, “Emergency Club”, call it whatever you want and save simply through payroll or automated transfers. It is easy and fun to watch your balances grow!

INVESTMENT CORNER

by Rich Douglas



On June 8, 2020, the National Bureau of Economic Research (NBER), which has official responsibility for determining U.S. business cycles, announced that February 2020 marked the end of an expansion that began in 2009 and the beginning of a recession.¹ This was no great surprise considering widespread business closures due to the coronavirus pandemic and the resulting spike in unemployment, but it was an unusually quick official announcement.

The NBER defines a recession as “a decline in economic activity that lasts more than a few months,” so it typically takes from six months to a year to determine when a recession started. In this case, the NBER’s Business Cycle Dating Committee concluded that “the unprecedented magnitude of the decline in employment and production, and its broad reach across the entire economy,” warrants the designation of a recession, “even if it turns out to be more brief than earlier contractions.”²

Another common definition of a recession is two or more quarters of negative growth in gross domestic product (GDP), and it’s clear that the current situation will meet that test. The U.S. economy shrank at an annual rate of 5%

in the first quarter of 2020 — a significant but deceptively small decline, because the economy was strong during the first part of the quarter.³

The first official estimate for the second quarter will not be available until July 30, but the Federal Reserve Bank of Atlanta keeps a running estimate that is updated based on incoming economic data. As of July 9, the Atlanta Fed estimated that GDP would drop at a 35.5% annual rate in the second quarter.⁴ By comparison, the largest quarterly drop since World War II was 10% in the first quarter of 1958, followed by 8.4% in the fourth quarter of 2008.⁵

Most economists believe that GDP will turn upward in the third quarter as businesses continue to open.⁶ With the extreme decline in business activity during the first half of 2020, it will take sustained growth to return the economy to its pre-recession level. In its June economic projections, the Federal Reserve Open Market Committee projected a 6.5% annual drop in GDP for 2020, followed by 5.0% growth in 2021 and 3.5% growth in 2022.⁷ The simple math of these projections suggests the economy may not return to its 2019 level until 2022.

BY THE LETTERS

Economists traditionally view economic recessions and recoveries as having a shape, named after the letter it resembles.

V-SHAPED — a rapid fall followed by a quick rebound to previous levels. The 1990-91 recession, which lasted only eight months and was followed by strong economic growth, was V-shaped. This type of recovery would require control of COVID-19 through testing and treatment, a quick ramp-up of business activity, and a return to pre-recession spending habits by consumers.⁸⁻⁹

U-SHAPED — an extended recession before the economy returns to previous levels. The Great Recession, which lasted 18 months followed by a slow recovery, was U-shaped. If COVID-19 takes longer to control and the economy does not bounce back as expected in the third quarter, the current recession could be prolonged.¹⁰⁻¹¹

W-SHAPED — a «double-dip» recession in which a quick recovery begins but drops back sharply before beginning again. The U.S. economy experienced a W-shaped recession in 1980-82, when a second oil crisis and high inflation triggered a brief recession, followed by a quick recovery and another recession sparked by overly aggressive anti-inflation policies by the Federal Reserve. This type of recession could

occur if a second wave of COVID-19 forces businesses to shut down again later in the year, just as the economy is recovering.¹²⁻¹³

L-SHAPED — a steep drop followed by a long period of high unemployment and low economic output. The Great Depression, which lasted 43 months with four straight years of negative GDP growth, was L-shaped. This is unlikely in the current environment, considering the strength of the U.S. economy before COVID-19 and the unprecedented economic support from the Federal Reserve.¹⁴⁻¹⁵

A SWOOSH

In the July Economic Forecasting Survey by The Wall Street Journal, which polls more than 60 U.S. economists each month, 13.0% of respondents thought the recovery would be V-shaped, 11.1% expected it to be W-shaped, 5.5% indicated it would be U-shaped, and none thought it would be L-shaped.¹⁶

The vast majority — 70.4% — believed the recovery would take a “Nike swoosh” shape, which suggests a sharp drop followed by a long, slow recovery.¹⁷ This view factors in the possibility that businesses may be slow to rehire, and consumers could be slow to resume pre-recession spending patterns. It also considers that some businesses

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may be impacted longer than others. Airlines do not expect to return to pre-COVID passenger activity until 2022, and movie theaters, beauty salons, sporting events, and other high-contact businesses may struggle until a vaccine is developed.¹⁸

Adding to the prognosis for a slow recovery is the fact that the rest of the world is also fighting the pandemic, including many countries where growth was already more sluggish than in the United States. If the virus resurges in the fall or early 2021, the recovery may turn jagged with significant setbacks along the way.¹⁹

While the general consensus suggests that the duration of the actual recession may be brief, it is much too early to know the true shape of the recovery. However, the economy will recover, as it has in even more challenging situations. All of these projections indicate that a key factor in determining the shape of recovery will be control of COVID-19. Beyond that, the underlying question is whether the virus has fundamentally changed the U.S. and global economies.

1-2, 8, 10, 12, 14) National Bureau of Economic Research, June 2020

3, 5, 15) U.S. Bureau of Economic Analysis, June 2020

4) Federal Reserve Bank of Atlanta, July 9, 2020

6, 16-17) The Wall Street Journal Economic Forecasting Survey, July 2020

7) Federal Reserve, June 10, 2020

9, 11, 13) Forbes Advisor, June 8, 2020

18-19) The Wall Street Journal, May 11, 2020

Most economists believe that GDP will turn upward in the third quarter, but it will take sustained growth to return the economy to its pre-recession level.

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Use your Red Wing Credit Union Visa debit or credit card from October 1st through November 30th, 2020 to be entered automatically in the Visa NFL sweepstakes. Pay with confidence with the power of Visa. The convenience is unparalleled, accepted worldwide and backed by Visa.

Open only to legal 50 U.S. & D.C. residents who are 18 or older as of 10/1/20. Sweepstakes subject to complete Official Rules available at www.visa.com/NFLUltimateSweepstakesFullRules.

HOLIDAY CLOSINGS

We will be closed or closing early on the holidays listed below. Keep in mind that anytime day or night, you can access your accounts in all kinds of ways. On-line banking at www.redwingcu.com, Touch Tone Teller or with our Mobile Banking App. You can also obtain cash using your check card at our ATM or through cash back purchases at a big-box retailer.

Columbus Day (CU FORWARD Day)

– Monday, October 12, 2020 closing at noon

Veteran's Day – Wednesday, November 11, 2020

Thanksgiving – Thursday, November 26, 2020

Christmas Eve -Thursday, December 24, 2020

Christmas Day – Friday, December 25, 2020

The Board of Directors and the entire staff of Red Wing Credit Union would like to wish you and your entire family all the very best for the upcoming holidays and a happy and prosperous new year in 2021!