

Market Update Week Of 1-27-14 and Deadlines for 2013 IRA Contributions!!!

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Thomas Cymer, CFP(r), CRPC(r)
President and Financial Professional
[Opulen Financial Group, LLC](#)

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Thomas Cymer CFP®, CRPC® Presents:

WEEKLY ECONOMIC UPDATE

January 27, 2014

WEEKLY QUOTE

"Don't let the past steal your present."
- *Cherrie L. Moraga*

WEEKLY TIP

If you receive an inheritance, make sure your spouse understands your expectations for the money. Do you consider those assets yours to manage, or do you consider them joint assets?

WEEKLY RIDDLE

You can make it and read about it today, and many classes are taught in it, but it is not part of the future. What is it?

Last week's riddle:

Dave is at the hardware store to buy something for his house. Yesterday, he bought 1 for \$1. The week before he bought 10 for \$2 and his friend bought 100 for \$3. Today he bought 907 for \$3. If the prices haven't changed, how is this possible?

Last week's answer:

Dave and his friend have been buying house numbers. 907 is \$3 because it costs \$1 per numeral.

MORE HOMES MOVE IN DECEMBER

Last month saw a 1.0% gain in existing home sales, a nice change for this key economic indicator after a few subpar months. Analysts surveyed by Dow Jones Newswires anticipated sales improving 0.6%. The National Association of Realtors did revise November's sales decline to 5.9% (it had been 4.3%).^{1,2}

GAUGE OF NEAR-TERM PROSPECTS EDGES HIGHER

The Conference Board's index of leading indicators - intended to assess economic prospects for the next 3-6 months - ticked up 0.1% for December. Additionally, the CB revised the November gain of the index from 0.8% to 1.0%.³

GOLD RALLY CONTINUES

Futures advanced for a fifth straight week, settling Friday at \$1,264.30 an ounce on the COMEX after rising 1.0% in 5 days, helped by a wave of disappointing economic news from overseas. The precious metal hasn't had such a long winning streak since September 2012.³

STOCKS STAGE A MAJOR RETREAT

Weak manufacturing data from China and an exit from emerging market currencies triggered a 2-day global selloff at the end of last week. The Argentine peso dropped 15% in 5 days, and the Russian ruble, South African rand and Brazil real also slumped. As a result, the DJIA had its poorest week in more than 2 years (-3.52%). The Nasdaq lost 1.65% for the week while the S&P 500 fell 2.63%. At the close Friday, here was where the big three stood: S&P, 1,790.29; DJIA, 15,879.11; NASDAQ, 4,128.17.^{4,5}

THIS WEEK: Monday brings Q4 results from Apple and Caterpillar and the Census Bureau's report on December new home sales. On Tuesday, investors will consider the Conference Board's January consumer confidence index, the November Case-Shiller home price index, December durable goods orders and earnings from Amgen, Ford Motor Co., Yahoo, Comcast, AT&T, Siemens and Pfizer. The earnings parade continues Wednesday with quarterly results from Dow Chemical, Novartis, Qualcomm, Boeing and Biogen - and the Federal Reserve makes a policy announcement. Thursday, NAR reports December pending home sales, the first federal estimate of Q4 growth appears, and earnings arrive from Amazon, Google, Banco Santander, Ericsson, LVMH, Royal Dutch Shell, H&M, Exxon Mobil, Visa, UPS and 3M. Friday, the Commerce Department issues its December personal spending report, the University of Michigan's final January consumer sentiment index appears, and earnings arrive from Chevron, MasterCard and BBVA.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-4.21	+14.86	+19.32	+5.03
NASDAQ	-1.16	+31.87	+35.89	+9.44

S&P 500	-3.14	+19.77	+23.04	+5.68
REAL YIELD	1/24 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.61%	-0.62%	1.93%	1.82%

Sources: USATODAY.com, bigcharts.com, treasury.gov - 1/24/14^{6,7,8,9}

Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly.
These returns do not include dividends.

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2014 IRA Deadlines Are Approaching

Here is what you need to know for 2014.

Provided by Thomas Cymer CFP® CRPC®

Financially, many of us associate April with taxes - but we should also associate April with important IRA deadlines.

***April 1** is the absolute deadline to take an initial IRA Required Mandatory Distribution (RMD).

***April 15** is the deadline for making annual contributions to a traditional or Roth IRA.^{1,2,7}
Let's discuss the contribution deadline first, and then the deadline for that first RMD (which affects only those IRA owners who turned 70½ last year).

The earlier you make your annual IRA contribution, the better. You can make a yearly Roth or traditional IRA contribution anytime between January 1 of the current year and April 15 of the next year. For example, you can make your IRA contribution for 2014 anytime from January 1, 2014-April 15, 2015. The IRA contribution window for 2013 is January 1, 2013- April 15, 2014.¹ So you have more than 15 months to make your IRA contribution for a given year. But why wait? Savvy IRA owners pour new money into their accounts each January - as early as they can - to give those dollars more months to grow and compound. (After all, who wants less time to amass retirement savings?)

You cut your income tax bill by contributing to a deductible traditional IRA. That's because you are funding it with after-tax dollars. To get the full tax deduction for a 2014 traditional IRA contribution, you have to meet one or more of these financial conditions:

*You aren't eligible to participate in a workplace retirement plan.

*You are eligible to participate in a workplace retirement plan, but you are a single filer with

adjusted gross income of \$59,000 or less. (Or if you file jointly with your spouse, your combined AGI is \$95,000 or less.)

*You aren't eligible to participate in a workplace retirement plan, but your spouse is eligible and your combined 2014 gross income is \$178,000 or less.^{2,3}

If you are the initial owner of a traditional IRA, by law you are required to stop making contributions to that IRA starting in the year you turn 70½. If you are the initial owner of a Roth IRA, you can contribute to it as long as you live.⁴

If you are making a 2013 IRA contribution in early 2014, be aware of this fact. You must tell the investment company hosting the IRA account what year the contribution is for. If you fail to indicate the tax year that the contribution applies to, the custodian firm may make a default assumption that the contribution is for the current year (and note exactly that to the IRS).¹ So, write "2014 IRA contribution" or "2013 IRA contribution" as applicable in the memo area of your check, plainly and simply. Be sure to write your account number on the check. Should you make your contribution electronically, double-check that these details are communicated.

How much can you put into an IRA this year? You can contribute up to \$5,500 to a Roth or traditional IRA for the 2014 tax year (just as you could for the 2013 tax year). If you have multiple IRAs, you can contribute up to a total of \$5,500 across the various accounts. Should you contribute in excess of \$5,500, you will not be rewarded for it: you have until the following April 15 to correct the contribution with the help of an IRS form, and if you don't, the amount of the excess contribution will be taxed at 6% each year the correction is avoided.⁵

If you earn a lot of money, your maximum contribution to a Roth IRA may be reduced because of MAGI phase-outs, as follows.⁶

<i>2013 Tax Year</i>		<i>2014 Tax Year</i>	
Single/head of household: \$112,000-127,000		Single/head of household: \$114,000-129,000	
Married couples: \$178,000-188,000		Married couples: \$181,000-191,000	

You can't make a Roth IRA contribution if you are married filing separately with MAGI of \$10,000 or more and lived with your spouse in any part of a year.

A last-chance RMD deadline rolls around on April 1. If you turned 70½ in 2013, the IRS gave you a choice: you could a) take your first Required Minimum Distribution from your traditional IRA before December 31, 2013, or b) postpone it until as late as April 1, 2014.⁷

If you chose b), you will have to take two RMDs this year - one by April 1, 2014 and another by December 31, 2014. (For subsequent years, your annual RMD deadline will be December 31.) The investment firm hosting your IRA should have already notified you of this consequence, and the RMD amount(s) - in fact, they have probably calculated the RMD(s) for you.⁷

Original owners of Roth IRAs will never face this issue - they are not required to take RMDs.⁷

Thomas Cymer CFP®, CRPC® may be reached at 571-299-2053 or tcymer@opulenfg.com

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Week of September 30th, 2013

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