

Market Update 11/17/14 and Accentuating the Postive!

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Thomas Cymer CFP® CRPC® Presents:

WEEKLY ECONOMIC UPDATE

November 17, 2014

WEEKLY QUOTE

"Let no man imagine that he has no influence. Whoever he may be, and wherever he may be placed, the man who thinks becomes a light and a power."

- Henry George

WEEKLY TIP

Refrain from dipping into your retirement savings to pay college costs for your children. You don't see any retirement scholarships or retirement financial aid out there.

WEEKLY RIDDLE

The more of these you take, the more of these you will likely leave behind. What are they?

Last week's riddle:

My three eyes blink, and I give you commands. Although I can't see, the changing colors in me prompt you to obey me with your wheels, feet and hands. What am I?

Last week's answer:

A traffic light.

RETAIL SALES REBOUND FROM SEPTEMBER SLUMP

The 0.3% October gain announced by the Commerce Department exactly offset the September decline. Below the headline number, core retail sales (minus auto buying) also rose 0.3% last month. Sales increased in 11 of 13 categories; online retailers saw a 1.9% boost to lead the pack. Annually, overall retail sales were up 4.1% from last October.^{1,2}

MOOD OF U.S. HOUSEHOLDS BRIGHTENS

November's initial University of Michigan consumer sentiment index came in at 89.4 on Friday - the best reading since July 2007. This represents a return to normal, in a sense - the index averaged a reading of 89 in the five years preceding the Great Recession. Economists polled by Bloomberg had anticipated only a minor rise to 87.5 from the final October mark of 86.9.¹

CRUDE, GOLD & SILVER RALLY ON FRIDAY

Rising 2.1% on the COMEX trading day, gold ended the week at \$1,185.60 an ounce, its best price since October 30. Silver futures climbed 4.4% Friday to a close of \$16.31. NYMEX crude settled at \$75.20, up 1.4% on the day with some investors sensing that OPEC may move to reduce output.³

S&P 500 SEES FOURTH STRAIGHT WEEK OF GAINS

Across five trading days without any momentous market swings, the index rose another 0.39% to a Friday settlement of 2,039.82. The Nasdaq (+1.21% to 4,688.54) and Dow (+0.36% to 17,634.74) also advanced during the week.^{4,5}

THIS WEEK: Monday, Urban Outfitters and Tyson Foods report quarterly results; the Federal Reserve's report on October industrial output also arrives. October's Produce Price Index comes out Tuesday, plus earnings from Home Depot, TJX, PetSmart and La-Z-Boy. Minutes from last month's Federal Reserve policy meeting appear on Wednesday, along with earnings from Keurig Green Mountain, Lowe's, Target, J. M. Smucker, I Brands, Staples and Williams-Sonoma; additionally, the Census Bureau issues its report on October housing starts and building permits. Thursday, Wall Street considers the October Consumer Price Index, the October edition of the Conference Board's leading indicator index, data on October existing home sales and earnings from Best Buy, Perry Ellis, Gap Inc. and Dollar Tree. Nothing major is scheduled for Friday.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+6.38	+11.08	+14.34	+6.72
NASDAQ	+12.26	+18.02	+23.25	+12.39
S&P 500	+10.36	+13.92	+17.31	+7.23

REAL YIELD	11/14 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.43%	0.51%	1.31%	1.67%

Sources: online.wsj.com, bigcharts.com, treasury.gov - 11/14/14^{5,6,7,8}

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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Accentuating the Positive

Retiring? Saving for retirement? Here's some good news.

Provided by Thomas Cymer CFP® CRPC®

Are 90% of articles written about retirement pessimistic? Sometimes it seems that way. Repeatedly, we are reminded that most baby boomers haven't saved enough for the future. There's no denying this, but the media is giving short shrift to other, more positive developments that may be improving the economic and retirement outlook for many Americans. Here are a few worth noting.

401(k) savings have rebounded tremendously from Great Recession lows. For older savers, the recovery is especially pronounced. Fidelity just released its latest Quarterly Retirement Snapshot. Looking over account data from its retirement plans, it says that the average Q3 401(k) balance for employees who had contributed to their accounts for at least ten straight years was \$241,800, compared to just \$130,700 in Q1 2009 when the recession was ending. That's an 85% increase.^{1,2}

Data from Principal Financial Group points out similar gains. Earlier this year, it noted that the average balance in its 401(k) plans had risen nearly 70% since the market trough of 2008. Also, new research from the Investment Company Institute shows that if an employee made consistent per-paycheck contributions to a 401(k) during 2007-12, the balance on such accounts increased an average of 6.8% annually (and this is not even considering the great year the market had in 2013).^{3,4}

Incomes finally seem to be rising. This recovery has been marked by a lack of wage growth - a factor that has made it shallower than many analysts expected. That may be changing at last, as the Census Bureau's employment cost index increased 0.7% for Q2. That is solid, in fact it is the biggest quarterly boost seen in six years.⁴

Hiring has picked up in some crucial industries. ADP's latest employment change report shows

October payrolls swelling by 28,000 workers in the construction industry and 15,000 in the factory sector. There were 5,000 new hires at businesses with more than 500 workers, 102,000 new hires at small firms and 122,000 fresh hires at medium-sized companies.⁵

Americans aren't living on margin as much as they once were. In 2008, total U.S. credit card debt reached \$866 billion. In 2013, that fell to \$660 billion.⁴

Fewer Americans are letting consumer debt linger. The Federal Reserve Bank of New York says the latest debt delinquency rates are the lowest in more than six years - the 90-day-plus delinquency rate was at 4.8% in Q2. During 2010, it reached 8.7%. Additionally, overall household debt declined \$18 billion in the second quarter, and mortgage debt decreased \$69 billion.^{4,6}

Medicare spending didn't rise in the last federal budget year. It was flat for FY 2012-13 and while that may not hold true in successive years, it is certainly interesting. According to Medicare actuaries, fewer Medicare recipients than forecast went to hospitals for care during that budget year, and many of those who did used cheaper services. (Per-beneficiary Part A spending fell for a second consecutive year in FY 2012-13; enrollment in Part C plans expanded.)⁷

This lack of an annual spending increase led Medicare's trustees to adjust their forecast of when Medicare's main trust fund might run dry. It is now projected to do so in 2030, four years later than previously estimated.⁷

Baby boomers may be in for a more enjoyable retirement than the media assumes. This summer, T. Rowe Price surveyed recent U.S. retirees and found that 89% were somewhat or very satisfied with their quality of life. This level of retirement satisfaction surfaced even though the average respondent was now living on 66% of his or her pre-retirement income, with 85% of respondents saying that they didn't require as much money as they once did to maintain their standard of living.⁸

There you have it: a roundup of good news about the economy and the outlook for retirement. Stay positive and plan actively for your future.

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