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Thomas Cymer CFP® CRPC® Presents:

WEEKLY ECONOMIC UPDATE

February 2, 2015

WEEKLY QUOTE

"Never promise more than you can perform."
- *Publilius Syrus*

WEEKLY TIP

Retirement living is fundamentally about income versus expenses. If you retire with numerous debts and liabilities and high expenses, retirement may fast become financially uncomfortable for you. Do what you can to whittle debt and expenses down.

WEEKLY RIDDLE

A ship cruised out of the Pacific Ocean and into the Atlantic Ocean through the Panama Canal - but as it went through the Panama Canal, it didn't travel east. How is this possible?

Last week's riddle: Francis had finished cleaning the windows on his 2-story house when he slipped and fell off a ladder. He wasn't injured, however. How come?

Last week's answer: He slipped off of one of the ladder's lowest steps, so he was only a few feet above the ground when he fell.

FOURTH QUARTER SAW 2.6% GROWTH
Given the final 5.0% GDP reading for Q3, this initial Commerce Department estimate displeased many investors - even though the personal spending rate rose an impressive 4.3% in Q4. Investors also disliked the 3.4% overall dip in hard goods orders for December, which followed a 2.1% descent in November.[1,2]

HOUSEHOLDS IN AN UPBEAT MOOD
At 102.9, January's Conference Board consumer confidence index shattered the 96.9 forecast of analysts polled by MarketWatch. The University of Michigan's January consumer sentiment index reached 98.1, its best final monthly reading in 11 years.[1,2]

NEW HOME SALES ACCELERATE
They advanced 11.6% in December, with the Census Bureau noting an 8.8% yearly rise in the sales pace. On the other hand, the National Association of Realtors found pending home sales down 3.7% in December. November's S&P/Case-Shiller home price index showed an overall 4.3% yearly gain, 0.2% less than the October edition.[1,3]

A ROUGH MONTH ENDS ON WALL STREET
While the January 28 Federal Reserve policy statement bullishly referenced an economy growing at "a solid pace," disappointment over key earnings reports and the Q4 GDP number sent stocks further south. Losing another 2.77% across five trading days, the S&P 500 concluded January at 1,994.99. The Dow and Nasdaq also gave up ground last week - the Dow lost 2.87% to close at 17,164.95 Friday, while the Nasdaq retreated 2.58% in five days to slip to 4,635.24.[4,5]

THIS WEEK: Monday brings December personal spending numbers, ISM's latest factory activity index, new factory PMIs for the eurozone and China and earnings from ExxonMobil, Sysco, Hartford Financial and Pitney Bowes.Tuesday offers data on December factory orders and January auto sales plus earnings from Chipotle, UPS, Archer Daniels Midland, Walt Disney, BP, Aetna and Gannett.ISM's January services index and ADP's employment change report are out Wednesday, along with earnings from Clorox, Marathon Petroleum, Whirlpool, Sony, Yum! Brands, General Motors, Merck, Humana, Keurig Green Mountain, Ralph Lauren, Under Armour, Allstate and Suncor Energy. Thursday brings January's Challenger job-cut report, new initial claims figures and earnings from Twitter, Lions Gate Entertainment, Buffalo Wild Wings, Pandora, Sprint, Activision Blizzard, GoPro, Philip Morris, Symantec, AstraZeneca, Sirius XM, Michael Kors, Teva Pharmaceutical, Yelp, Dunkin Brands, LinkedIn and Expedia. Friday sees the release of the Labor Department's January jobs report plus earnings from Alcatel-Lucent and Moody's.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-3.69	+8.31	+14.10	+6.36
NASDAQ	-2.13	+12.42	+23.17	+12.47
S&P 500	-3.10	+11.19	+17.16	+6.89
REAL YIELD	1/30 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.03%	0.57%	1.30%	1.65%

Sources: online.wsj.com, bigcharts.com, treasury.gov - 1/30/15[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. 10-year TIPS real yield = projected return at maturity given expected inflation.

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We will contact them first and request their permission to add them to our list.

4 Money Blunders That Could Leave You Poorer

A "not-to-do" list for the new year & years to follow.

Provided by Tom Cymer CFP® CRPC®

How are your money habits? Are you getting ahead financially, or does it feel like you are running in place?

It may come down to behavior. Some financial behaviors promote wealth creation, while others lead to frustration. Certainly other factors come into play when determining a household's financial situation, but behavior and attitudes toward money rank pretty high on the list.

How many households are focusing on the fundamentals? Late in 2014, the Denver-based National Endowment for Financial Education (NEFE) surveyed 2,000 adults from the 10 largest U.S. metro areas and found that 64% wanted to make at least one financial resolution for 2015. The top three financial goals for the new year: building retirement savings, setting a budget, and creating a plan to pay off debt.[1]

All well and good, but the respondents didn't feel so good about their financial situations. About one-third of them said the quality of their financial life was "worse than they expected it to be." In fact, 48% told NEFE they were living paycheck-to-paycheck and 63% reported facing a sudden and major expense last year.[1]

Fate and lackluster wage growth aside, good money habits might help to reduce those percentages in 2015. There are certain habits that tend to improve household finances, and other habits that tend to harm them. As a cautionary note for 2015, here is a "not-to-do" list - a list of key money blunders that could make you much poorer if repeated over time.

Money Blunder #1: Spend every dollar that comes through your hands.Maybe we should ban the phrase "disposable income." Too many households are disposing of money that they could save or invest. Or, they are spending money that they don't actually have (through credit cards).
You have to have creature comforts, and you can't live on pocket change. Even so, you can vow to put aside a certain number of dollars per month to spend on something really important: YOU. That 24-hour sale where everything is 50% off? It probably isn't a "once in a lifetime" event; for all you know, it may happen again next weekend. It is nothing special compared to your future.

Money Blunder #2: Pay others before you pay yourself.Our economy is consumer-driven and service-oriented. Every day brings us chances to take on additional consumer debt. That works against wealth. How many bills do you pay a month, and how much money is left when you are done? Less debt equals more money to pay yourself with - money that you can save or invest on behalf of your future and your dreams and priorities.

Money Blunder #3: Don't save anything.Paying yourself first also means building an emergency fund and a strong cash position. With the middle class making very little economic progress in this generation (at least based on wages versus inflation), this may seem hard to accomplish. It may very well be, but it will be even harder to face an unexpected financial burden with minimal cash on hand.

The U.S. personal savings rate has averaged about 5% recently. Not great, but better than the low of 2.6% measured in 2007. Saving 5% of your disposable income may seem like a challenge, but the challenge is relative: the personal savings rate in China is 50%.[2]

Money Blunder #4: Invest impulsively. Buying what's hot, chasing the return, investing in what you don't fully understand - these are all variations of the same bad habit, which is investing emotionally and trying to time the market. The impulse is to "make money," with too little attention paid to diversification, risk tolerance and other critical factors along the way. Money may be made, but it may not be retained.

Make 2015 the year of good money habits. You may be doing all the right things right now and if so, you may be making financial strides. If you find yourself doing things that are halting your financial progress, remember the old saying: change is good. A change in financial behavior may be rewarding.

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Week of Se ptember 30th, 2013