

Market Update 3-3-14 and Wise Decisions for Your Retirement!

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Thomas Cymer CFP® CRPC® Presents:

WEEKLY ECONOMIC UPDATE

March 3, 2014

WEEKLY QUOTE

"One man practicing sportsmanship is better than a hundred teaching it."

- *Knute Rockne*

WEEKLY TIP

Consider scheduling automated bill payments and account transfers. It could remove some "busy work" from your financial life.

WEEKLY RIDDLE

I have rosy cheeks, I am round and cute - yet debate persists over whether I am vegetable or fruit. What might I be?

Last week's riddle:

I'm comprised of solid ground, and yet I see water all around. What exactly am I?

Last week's answer:

An island.

MIXED RESULTS FROM CONSUMER INDICES

Wet, cold weather didn't dampen the consumer outlook in February - at least according to the month's final University of Michigan consumer sentiment index, which came in at 81.6. The index finished January at 81.2. On the other hand, February's Conference Board consumer confidence index slipped 1.3 points to 78.1 (January's reading was revised down to 79.4).^{1,2}

PACE OF NEW HOME SALES PICKS UP

Wall Street and Main Street cheered the Census Bureau's announcement of a 9.6% jump in new home buying in January - the rate of new home sales was the best in any month since July 2008. The National Association of Realtors' pending home sales index rose 0.1% in January, a nice change from the 9% fall it took in the past year. December's S&P/Case-Shiller Home Price Index showed a 13.4% yearly gain in home values, down from a 13.7% improvement in the November edition.^{2,3}

Q4 GDP REVISED SIGNIFICANTLY DOWNWARD

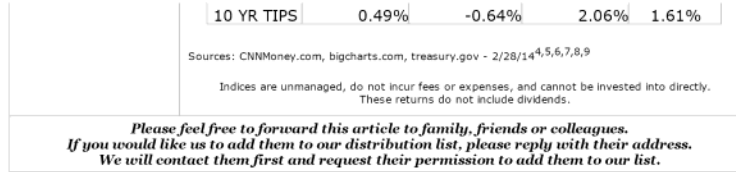
Last week, the Bureau of Economic Analysis lowered its fourth-quarter growth estimate from 3.2% to 2.4%. This did not shock economists - in a MarketWatch poll, the consensus was for a 2.4% reading. Lagging economic indicators released in February were worse than anticipated. In news pertaining to Q1 GDP, January saw a 1.0% drop in overall durable goods orders.²

STOCKS END FEBRUARY AT NEW RECORD HIGH

On February 28, the S&P 500 settled at a new record close of 1,859.45 and a gain of 1.26% on the week, even with growing concerns about Russian military action in Ukraine. The Dow stood at 16,321.71 after a 1.36% weekly advance; the NASDAQ ended the week at 4,308.12 with a 5-day gain of 1.05%.^{4,5,6}

THIS WEEK: Monday, the January consumer spending report arrives from the Commerce Department, along with ISM's February manufacturing PMI, data on February auto sales, and earnings from Acura and Icahn Enterprises. Tuesday, quarterly results are out from AutoZone, Smith & Wesson and Radio Shack. ISM's February service sector PMI comes out Wednesday, plus a new Federal Reserve Beige Book, the latest ADP employment change report and earnings from Revlon, BigLots! and PetSmart. Thursday brings the new Challenger job-cut report, new initial claims data, a report on January factory orders and earnings from Kroger, H&R Block, Pandora, Costco and Chesapeake Utilities; a European Central Bank policy meeting also occurs. The Labor Department's February employment report will be released Friday.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-1.54	+16.13	+26.22	+5.42
NASDAQ	+3.15	+36.32	+42.53	+11.22
S&P 500	+0.60	+22.76	+30.59	+6.24
REAL YIELD	2/28 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO



Wise Decisions with Retirement in Mind

Certain financial & lifestyle choices may lead you toward a better future.

Provided by Thomas Cymer CFP® CRPC®

Some retirees succeed at realizing the life they want, others don't. Fate aside, it isn't merely a matter of stock market performance or investment selection that makes the difference. There are certain dos and don'ts - some less apparent than others - that tend to encourage retirement happiness and comfort.

Retire financially literate. Some retirees don't know how much they don't know. They end their careers with inadequate financial knowledge, and yet feel that they can plan retirement on their own. They mistake retirement income planning for the whole of retirement planning, and gloss over longevity risk, risks to their estate, and potential health care expenses. The more you know, the more your retirement readiness improves.

Retire knowing that you'll have to assume some risk. Growth investing is increasingly seen as a necessity for retirees who want to keep ahead of inflation.

According to data and research compiled by the Social Security Administration, the average 65-year-old man will live to be 84 and the average 65-year-old woman will live to be 86. So that's a 20-year retirement. The SSA also notes that roughly a quarter of today's 65-year-olds will live past 90, and about 10% of them will live beyond age 95.¹

If these seniors rely on fixed-income investments for the balance of their lives, they may end up with reduced retirement income potential, and in turn a reduced standard of living. Look at the Rule of 72: if an investment is yielding 2%, it will take about 36 years to double your money. Yes, interest rates are rising - but inflation should rise with them.²

A generation ago, mature Americans were urged to gradually shift their portfolio assets out of stocks and into fixed-income investments. One old rule of thumb was to subtract your age from 100, with the resulting number being the percentage of your portfolio you should assign to

equities.³

Today, retirees and retirement planners are reconsidering this thinking. As the *Wall Street Journal* reported recently, one study of retirement money and longevity risk concluded that retirement funds may last longer if a retiree gradually increases the stock allocation within a portfolio about 1% per year from an initial range of between 20-50% to between 40-80%. The concept here is that a retiree's stock allocation should be lowest when their retirement nest egg is largest.³

Retire debt-free, or close to debt-free. Who wants to retire with 10 years of mortgage payments ahead or a couple of car loans to pay off? Even if your retirement savings are substantial, what will big debts do to your retirement morale and the possibilities on your retirement horizon? On that note, refrain from loaning money to family members and friends who seem quite capable of standing on their own two feet.

If the thought of using some of your retirement money to pay outstanding debts hits you, set that thought aside. You have dedicated that money to your future, not to bill paying. On second or third thought, other sources for the cash may be apparent.

Retire with purpose. There's a difference between retiring and quitting. Some people can't wait to quit their job at 62 or 65 - their work is "killing" them, or boring them senseless. If only they could escape and just relax and do nothing for a few years - wouldn't that be a nice reward? Relaxation can lead to inertia, however - and inertia can lead to restlessness, even depression. You want to retire to a dream, not away from a problem.

A retirement dream can become even more captivating when it is shared. Spouses who retire with a shared dream or with utmost respect for each other's dreams are in a good place.

The bottom line? Retirees who know what they want to do - and go out and do it - are contributing to their mental health and possibly their physical health. If they do something that is not only vital to them but important to others, their community can benefit as well.

Retire healthy. Smoking, drinking, overeating, a dearth of physical activity - all these can take a toll on your capacity to live fully and enjoy retirement. It is never "too late" to quit smoking, quit drinking or slim down.

Retire in a community where you feel at home. It could be where you live now; it could be a place hundreds or thousands of miles away where the scenery and people are uplifting. It could be the place where your children live. If you find yourself lonely in retirement, then "find your tribe" - look for ways to connect with people who share your experiences, interests and passions, and who encourage you and welcome you. This social interaction is one of the great intangible retirement benefits.

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Week of September 30th, 2013

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