



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

August 4, 2014

WEEKLY QUOTE

"I will love the light for it shows me the way, yet I will endure the darkness for it shows me the stars."
- Og Mandino

WEEKLY TIP

If your kids are under age 18 and work for you, you can deduct their wages as a business expense, but you must submit a W-2 form and follow withholding rules for each child. Pay them in cash, and track their hours via time sheets and payroll records.

WEEKLY RIDDLE

Fill in the blank: if Ruby's mom is Patricia, then then Patricia is the _____ of Ruby's mother.

Last week's riddle:

A father tells his young son, "I will pay you \$6.00 per hour for the 6 seconds you took to wash your hands before dinner." So how much does the boy earn for these 6 seconds of effort?

Last week's answer:

One cent. At a rate of \$6 paid per 60 minutes, \$6 divided by 60 works out to 10¢ a minute. Six seconds is one-tenth of a minute, so the boy earns 1¢.

SUSTAINED HIRING, RENEWED CONFIDENCE

In July, 209,000 Americans found new jobs. Hiring topped 200,000 for a sixth straight month, which hasn't happened in 17 years according to Labor Department data. The jobless rate ticked up to 6.2% and the underemployment (U-6) rate inched up to 12.2%, but that signaled more jobseekers. June also saw a 0.4% boost in consumer spending and incomes. The Conference Board's July consumer confidence survey came in at an impressive 90.9, while the University of Michigan's final July consumer sentiment index advanced to 81.8.^{1,2}

TERRIFIC Q2 GDP, ISM INDEX RISES; FED STAYS COURSE

America's economy expanded 4.0% in Q2. That was the first estimate from the Bureau of Economic Analysis, which also revised Q1 GDP upward last week to -2.1%. The Institute for Supply Management's manufacturing PMI increased 1.8 points to a mark of 57.1 in July. As expected, the Federal Reserve announced it would cut monthly asset purchases to \$25 billion in its July 30 policy statement.^{2,3}

TWO TEPID HOUSING INDICATORS

May's S&P/Case-Shiller home price index showed a 9.3% overall annual advance in house prices - nice, but down notably from the 10.8% yearly gain in the April edition. The National Association of Realtors said pending home sales slipped 1.1% in June, a disappointment after the 6.0% rise in May.²

WALL STREET JITTERS SEND STOCKS INTO THE RED

Argentina's second debt default in 13 years, middling earnings, the slow fade of QE3 - it was too much for investors to take last week. In 5 days, the Dow dipped 2.75% to 16,493.37, the S&P 500 2.69% to 1,925.15 and the Nasdaq 2.18% to 4,352.64.⁴

THIS WEEK: Monday offers earnings from DISH Network, Loews, Marathon Oil, Hillshire Brands, Jamba, Michael Kors, Sempra Energy and Scripps Networks.

Tuesday brings ISM's July services PMI, China's July PMI, and data on July factory orders; earnings arrive from Archer-Daniels-Midland, CVS, Toyota, Cablevision, Coach, Activision Blizzard, Rosetta Stone, Vulcan Materials, Motorola, Office Depot, Papa John's, Emerson and First Solar. Wednesday sees earnings from AOL, Health Net, Jack in the Box, Keurig Green Mountain, Dunn & Bradstreet, Ralph Lauren, Starwood Properties, Symantec, Transocean, Time Warner, Red Lion Hotels, Viacom, Molson Coors, Novatel, Zulily, Prudential Financial and Parker-Hannifin. Thursday, earnings from CBS, Monster, Chiquita Brands, DeVry, ConEdison, Lions Gate, Orbitz, Wendy's, News Corp., Mitel, Zynga, Nvidia and Manulife arrive, plus fresh initial claims figures. Friday, data on June wholesale inventories is published.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-0.50	+5.54	+15.97	+6.20

NASDAQ	+4.22	+18.42	+24.00	+13.00
S&P 500	+4.15	+12.79	+18.99	+7.40
REAL YIELD	8/1 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.25%	0.48%	1.71%	2.00%

Sources: online.wsj.com, bigcharts.com, treasury.gov - 8/1/14^{4,5,6,7}

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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The Retirement Mindgame

Your outlook may influence your financial outcome.

Provided by Thomas Cymer CFP® CRPC®

What kind of retirement do you think you'll have? An outstanding one? A depressing one? What if it all starts with your outlook? Qualitatively speaking, what if the success or failure of your retirement begins with your perception of retirement?

A whole field of study has emerged on the psychology of saving, spending and investing: behavioral finance. Since retirement saving is a behavior (and since other behaviors influence it), it is worth considering ways to adjust behavior and presumptions to encourage a better retirement.

Delayed gratification or instant gratification? Many people close to retirement age would take the latter over the former. Is that a good choice? Often, it isn't. Financially speaking, retiring earlier has its drawbacks and may lead you into the next phase of your life with less income and savings.

If you don't love what you do for a living, you may see only the downside of working longer rather than the potential boost it could provide to your retirement planning (i.e., claiming Social Security later, tapping retirement account balances later and letting them compound more). If you see work as a daily set of unfulfilling tasks and retirement as an endless Saturday, Saturday will win out and your mindset will lead you to retire earlier with less money.

On the other hand, if you change your outlook to associate working longer with retiring more comfortably, you may leave work later with a bigger retirement nest egg - and who wouldn't want that?

If you don't earmark 66 or 70 as your retirement year, you can become that much more susceptible to retiring as soon as possible. You're 62, you can get Social Security; who cares if you get less

money than you get at 66 or 70, it's available now!

Resist that temptation if you can. While some retirees claim Social Security at age 62 out of necessity, others do out of inclination, perhaps not realizing that inflation pressures and long term care costs may render that a poor decision in the long run.

The good news is that Americans are waiting longer to claim Social Security than they once did. Increased longevity may be a factor in that trend, but the findings are encouraging nonetheless. The number of men claiming Social Security at age 62 increased 2.3% from 2007-09 to 35.8%, and the number of women claiming Social Security at age 62 increased 2.6% in that span to 38.9%. Still, these percentages fell short of those a generation before. From 1986-97, roughly half of all women claimed Social Security when they turned 62 and nearly half the men did; since 1997, the percentages have never approached those levels.^{1,2}

Setting a target age for retirement - say, 65, 66, or even 70 - before you turn 60 can help mentally encourage you to keep working to that age. Providing your health and employment hold up and you can work longer, patience can lead you to have more Social Security income rather than less.

Take a step back from your own experience. For some perspective on what your retirement might be like, consider the lives of others. You undoubtedly know some retirees; think about how their retirements have gone. Who planned well and who didn't? What happened that was unexpected? Financial professionals and other consultants to retirees can also share input, as they have seen numerous retirements unfold.

Reduce your debt. Rather than assume new consumer debts that advertisers encourage us to take on commensurate with salary and career growth, pay down your debts as best you can with the outlook that you are leaving yourself more money for the future (or for unexpected situations).

Save and invest consistently. See if you can increase your savings rate en route to retirement. Don't look at it as stripping money out of your present. Look at it as paying yourself first, and investing for the comfort of your retirement.

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

Securities offered through NEXT Financial Group, Inc Member FINRA/SIPC

Citations.

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Citations.

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Week of September 30th, 2013

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