

Market Update 9/1/14 and Debunking Retirement Myths!

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Thomas Cymer CFP®, CRPC® Presents:

WEEKLY ECONOMIC UPDATE

September 1, 2014

WEEKLY QUOTE

"One can never consent to creep when one feels an impulse to soar."

- Helen Keller

WEEKLY TIP

Retirement savings calculators are handy, but not all of them account for variables. Take their estimates with a grain of salt.

WEEKLY RIDDLE

Glittering points that downward thrust. Sparkling spears that cannot rust. What are they?

Last week's riddle:

What is located in the middle of nowhere?

Last week's answer:

The letter H.

WHY DID CONSUMER SPENDING DECLINE IN JULY?

Last month's 0.1% dip surprised analysts. In inflation-adjusted terms, the Commerce Department measured the pullback at 0.2%. Household confidence, though, continues to increase. The University of Michigan's consumer sentiment index finished August at 82.5, up from 81.8 at the end of July and refuting the *Wall Street Journal* consensus forecast for a retreat to 80.2. The Conference Board consumer confidence index also got an August bump, rising to 92.4 from the previous 90.3 reading.^{1,2}

HOME PRICE GROWTH CONTINUES TO MODERATE

So indicates the June S&P/Case-Shiller Home Price Index: its 20-city composite index shows a year-over-year overall increase of 8.1% (down from 9.3% in May). It did post a 1.0% monthly gain. The National Association of Realtors said pending home sales increased 3.3% in July, while the Census Bureau found new home buying declining 2.4% last month.²

RECORD MONTHLY LEAP FOR DURABLES

According to the Census Bureau, July saw a 22.6% gain in hard goods orders. What was behind that? A record order for Boeing jets. Minus transportation orders, core durable goods orders actually dipped 0.8% in July.^{2,3}

BROAD BENCHMARK SURPASSES 2,000

The S&P 500 crawled over that important psychological milestone last week and stayed above it at week's end, settling Friday at 2,003.37 and gaining 0.75% in five days. Last week also saw advances for the DJIA (+0.57% to 17,098.45) and the NASDAQ (+0.92% to 4,580.27).⁴

THIS WEEK: Wall Street is closed Monday for the Labor Day holiday. On Tuesday, the August ISM manufacturing index appears. Wednesday brings a new Federal Reserve Beige Book, federal government reports on August auto sales and July factory orders, and earnings from Toll Brothers and H&R Block. ISM's August service sector index comes out Thursday, along with the August ADP employment change report, the August Challenger job cuts report, new initial jobless claims numbers and earnings from Quiksilver, Hovnanian and VeriFone. The Labor Department issues its August employment report Friday.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+3.15	+15.21	+15.83	+6.89
NASDAQ	+9.67	+26.52	+25.15	+14.94
S&P 500	+8.39	+22.29	+18.94	+8.23
REAL YIELD	8/29 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.23%	0.65%	1.76%	1.83%

Sources: online.wsj.com, bigcharts.com, treasury.gov - 8/29/14^{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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Debunking a Few Popular Retirement Myths

Certain misconceptions ignore the realities of retirement.

Provided by Thomas Cymer CFP® CRPC®

Generalizations about money & retirement linger. Some have been around for decades, and some new clichés have recently joined their ranks. Let's examine a few.

"When I'm retired, I won't really have to invest anymore." Many people see retirement as an end instead of a beginning - a finish line for a career. In reality, retirement can be the start of a new and promising phase of life that could last a few decades. If you stop investing entirely, you can risk losing purchasing power; even moderate inflation can devalue the dollars you've saved.¹

"My taxes will be lower when I retire." You may earn less, and that could put you in a lower tax bracket. On the other hand, you may end up waving goodbye to some of the deductions and exemptions you enjoyed while working, and state and local taxes will almost certainly rise with time. So while your earned income may decrease, you may end up losing a comparatively larger percentage of it to taxes after you retire.¹

"I started saving too late, I have no hope of retiring - I'll have to work until I'm 85." If your nest egg is less than six figures, working longer may be the best thing you can do. You will have X fewer years of retirement to plan for, so you can keep earning a salary, and your savings can compound longer. Don't lose hope: remember that you can make larger, catch-up contributions to IRAs after 50. If you are 50 or older this year, you can put as much as \$23,000 into a 401(k) plan. Some participants in 403(b) or 457(b) plans are also allowed that privilege. You can downsize and reduce debts and expenses to effectively give you more retirement money. You can also stay invested (see above).^{1,2}

"I should help my kids with college costs before I retire." That's a nice thought, but you don't have to follow through on it. Remember, there is no retiree "financial aid." Your student can work, save or borrow to pay for the cost of college, with decades ahead to pay back any loans. You can't go to the bank and get a "retirement loan." Moreover, if you outlive your money your kids may end up taking you in and you will be a financial burden to them. So putting your financial needs above theirs is fair and smart as you approach retirement.

"I'll live on less when I'm retired." We all have the cliché in our minds of a retired couple in their seventies or eighties living modestly, hardly eating out and asking about senior discounts. In the later phase of retirement, couples often choose to live on less, sometimes out of necessity. The initial phase of retirement may be a different story. For many, the first few years of retirement mean traveling, new adventures, and "living it up" a little - all of which may mean new retirees may actually "live on more" out of the retirement gate.

"No one really retires anymore." Well, it is true that many baby boomers will probably keep working to some degree. Some people love to work and want to work as long as they can. What if you can't, though? What if your employer shocks you and suddenly lets you go? What if your health won't let you work 40 hours or even 10 hours a week? You could retire more abruptly than you believe you will. This is why even workaholics need a solid retirement plan. There is no "generic" retirement experience, and therefore, there is no one-size-fits-all retirement plan. Each individual, couple or family needs a strategy tailored to their particular money situation and life and financial objectives.

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Citations.

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Week of September 30th, 2013

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