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Thomas Cymer CFP® CRPC® Presents:

WEEKLY ECONOMIC UPDATE

November 3, 2014

WEEKLY QUOTE

"I can't give you a sure-fire formula for success, but I can give you a formula for failure: try to please everybody all the time."

- H.B. Swope

WEEKLY TIP

When was the last time you reviewed the beneficiary designations on your investment accounts, insurance policies and retirement plans? Now is as good a time as any to do so.

WEEKLY RIDDLE

You can separate them with a word, yet they are mostly inseparable. What are they?

Last week's riddle:

What starts with P and ends with E and has thousands of letters in it?

Last week's answer:
A post office.

Q3 GDP IMPRESSES, PERSONAL SPENDING DECLINES

Good news: America's economy expanded 3.5% in the third quarter. The Commerce Department's initial estimate topped the 3.1% consensus forecast of economists polled by MarketWatch, and offset September retreats in overall hard goods orders (1.3%) and personal spending (0.2%). Personal incomes rose 0.2% last month, the least since December; the dip in consumer spending was the first since January.^{1,2}

CONSUMER SENTIMENT: A TRULY POSITIVE 12 MONTHS

The Conference Board's October consumer confidence index vaulted over analyst predictions with a 94.5 reading. A year ago, it was at 71.2. Rising 2.3 points during the month, the University of Michigan's consumer sentiment index came in at a final October mark of 86.9 (compare that with 73.2 in October 2013).³

BETTER NEWS FOR PENDING HOME SALES

They were up 0.3% in September, according to the National Association of Realtors. After a 1.0% dip for August, that headline was welcome. August's S&P/Case-Shiller Home Price Index showed a 5.6% yearly overall gain in home values.¹

RALLY CONTINUES, WITH HELP FROM JAPAN

As the Federal Reserve ended QE3, the Bank of Japan ramped up its easing efforts in a surprise announcement. This made the week even sweeter for investors, with the major indices logging the following 5-day gains: Dow, 3.48% to 17,390.52; S&P 500, 2.72% to 2,018.05; Nasdaq, 3.28% to 4,630.74. October 27-31 represented the Dow's best week in two years.^{2,4}

THIS WEEK: ISM releases its October manufacturing PMI Monday; factory PMIs for China and the euro area also arrive, plus earnings news from Marathon Oil, Sprint, Alleghany, Nautilus, Herbalife and Loews. On Tuesday, September factory orders data complements earnings from Alibaba, Michael Kors, International Paper, Archer-Daniels-Midland, Motorola Solutions, Office Depot, Time, 21st Century Fox, WestJet and Valero Energy. Wednesday offers ISM's service sector PMI, the latest ADP employment report and earnings from Tesla, Toyota, Sunoco, Tim Hortons, Zillow, News Corp., Chesapeake Energy and Whole Foods. Thursday, the October Challenger job-cuts report and the latest initial claims figures arrive, EU finance ministers meet and earnings emerge from Lions Gate Entertainment, Molson Coors, Orbitz, AOL, Wendy's, Walt Disney and Zynga. The Labor Department issues its October jobs report Friday; in addition, Fed chair Janet Yellen speaks on monetary policy in Paris, and Scripps Co. and Humana present Q3 results.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
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DJIA	+4.91	+11.87	+15.81	+7.30
NASDAQ	+10.87	+18.14	+25.29	+13.39
S&P 500	+9.18	+14.89	+18.95	+7.85
REAL YIELD	10/31 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.43%	0.40%	1.41%	1.67%

Sources: online.wsj.com, bigcharts.com, treasury.gov - 10/31/14^{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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IRS Raises Retirement Plan Contribution Limits

Roth & traditional IRAs won't get 2015 COLAs, but other plans will.

Provided by Thomas Cymer CFP®, CRPC®

A little inflation means a little adjustment. As the Consumer Price Index is up 1.7% over the last 12 months, the federal government is giving Social Security benefits a 1.7% boost for 2015 and lifting annual contribution limits on key pension plans as well.¹

401(k), 403(b), 457 & TSP annual contribution limits increase by \$500. You will be able to defer up to \$18,000 into these plans in 2015. The catch-up contribution limit will also rise by \$500 to \$6,000 next year, so if you are 50 or older in 2015 you are eligible to contribute up to \$24,000 to these retirement savings vehicles. (The above adjustments do not apply to all 457 plans.)²

SIMPLE IRAs get a similar COLA. Their base contribution and catch-up contribution limits also go up \$500 for 2015. The limit for the base contribution will be \$12,500 next year, and the catch-up limit rises to \$3,000.³

Limits also rise for SEP-IRAs and Solo(k)s. Small business owners will want to take note of the new maximum deferral amount of \$53,000 for 2015, a \$1,000 increase. As for the compensation limit factored into the savings calculation, that limit will be \$265,000 next year, \$5,000 more than the 2014 limit. A side note: the threshold for an employee to be included in a SEP plan goes up \$50 to \$600 next year (i.e., that worker has to receive \$550 or more in compensation from your business in 2015).^{2,3}

Take note of the slightly higher phase-out range for Roth IRA contributions. Next year, you won't be able to make a Roth IRA contribution if your AGI exceeds \$193,000 as a married couple

filing jointly, or \$131,000 should you be a single filer or head of household. Those figures are \$2,000 above the 2014 eligibility thresholds. Joint filers with AGI of \$183,001-193,000 and singles and heads of household with AGI of \$116,001-131,000 will be able to make a partial rather than full Roth IRA contribution next year.³

Phase-out ranges on the deduction of regular IRA contributions have also been altered. Here are the 2015 adjustments to these thresholds (this gets pretty involved). If you are a single filer or file as a head of household and you contribute to a traditional IRA and you are also covered by a workplace retirement plan, the AGI phase-out range for you is \$1,000 higher next year (\$61,001-71,000). If you file jointly and contribute to a traditional IRA and are also covered by a workplace retirement plan, the AGI phase-out range is \$98,001-118,000. Above the high end of those phase-out ranges, you can't claim a deduction for traditional IRA contributions.²

If you contribute to a traditional IRA and your employer doesn't sponsor a retirement plan, yet your spouse contributes to a workplace retirement plan, the AGI phase-out on deductions of traditional IRA contributions strikes when your combined AGI ranges from \$183,001-193,000.² And if you are married, filing separately and covered by a workplace retirement plan, the phase-out range on deductions of traditional IRA contributions is \$0-\$10,000 (this never receives a COLA).^{2,3}

AGI limits for the Saver's Credit increase. Americans saving for retirement on modest incomes will be eligible for the credit next year if their AGI falls underneath certain thresholds: single filers and marrieds filing separately, adjusted gross income of \$30,500 or less; heads of household, AGI of \$45,750 or less; joint filers, \$61,000 or less.³

Contribution limits for profit-sharing plans rise as per limits for 401(k)s. A participant in such a plan is looking at a 2015 elective deferral limit of \$18,000 (\$24,000 if she or he is old enough to make catch-up contributions). The yearly compensation limit on such plans will be \$5,000 higher in 2015 at \$265,000.⁴

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Citations.

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3 - forbes.com/sites/ashleabeling/2014/10/23/irs-announces-2015-retirement-plan-contribution-limits-for-401ks-and-more/ [10/23/14]

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Citations.

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Week of September 30th, 2013

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