SPECTRUM℠
INVESTMENT ADVISORS

2nd Quarter | 2013

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Upcoming Events:

Spectrum Investor® Coffee House Educational Series

Wednesday, Sept. 25, 2013

Stories from Jack Harbaugh

THANK YOU
To all that attended our 8TH ANNUAL RETIREMENT PLAN SEMINAR
On June 19, 2013
In Waukesha, WI

For an electronic version of this newsletter, our ADV Part 2A and our Privacy Policy, please visit our website at www.spectruminvestor.com

We appreciate your business.

Quarterly Economic Update

James F. Marshall
President

Jonathan J. Marshall
Sr. Investment Analyst

For the quarter ending June 30, 2013 the S&P 500 Index finished up 2.4% with a year-to-date return as of June 30, 2013 of 13.82%, according to Morningstar.

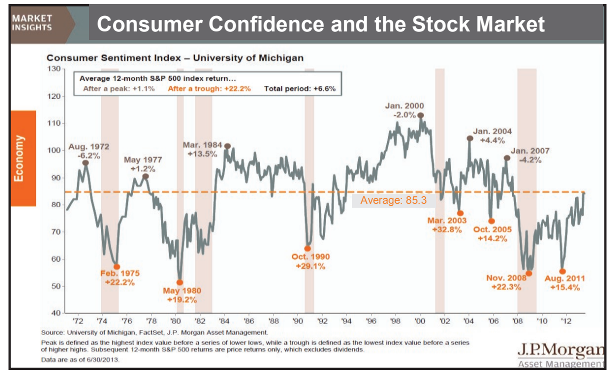
Prices of stocks and bonds sank toward the end of the second quarter, as the Federal Reserve signaled that it might begin what Wall Street has called **"the taper"** or the reduction of bond purchases, which the Fed has used to drive down interest rates to boost the economy.

The Dow hit a high of 15,542 on May 22, the day Fed Chairman **Ben Bernanke** reported to Congress to begin "**tapering**" bond purchases in the future. The decline in stocks that started that day, accompanied by a drop in bond prices, raised interest rates on the 10-year treasury to 2.71% by July 5, 2013 from 1.63% on 5/02/13. The reaction by the market was more violent than the Fed may have anticipated. Ben Bernanke's Fed philosophy is transparency. His predecessor Alan Greenspan tended to be not so transparent. The markets prefer transparency; however, the downside can be painful as the Fed takes the punch bowl from the party (*NYT* 7/7/13).

Spectrum recently co-sponsored the 8th Annual Retirement Plan Seminar with the WICPA in June 2013 featuring an economic review with **Anastasia Amoroso, CFA**. **The seminar handout included J.P. Morgan's Guide to the Markets, which is updated quarterly and can be found at our website.** Anastasia is co-author of the guide along with **Dr. David Kelly** who leads the team at J.P. Morgan. Most recently, the Spectrum team attended the J.P. Morgan due diligence meeting in Chicago on July 10, 2013 of which Dr. Kelly was the keynote speaker. Dr. Kelly presented his economic outlook, which reflected much of Anastasia's assertions from our June seminar.

Dr. Kelly presented at our seminar in June 2011. At that time he stated that the economy would recover. His presentation was optimistic that our economy had hit bottom, would not double dip and would begin a long recovery. In hind sight, Dr. Kelly was right on. Today, Dr. Kelly remains optimistic about the future of our economy. He mentioned that since this recent expansion has been a slow expansion, it could also be a longer lasting expansion. At Spectrum we talk about market cycles lasting 3 to 6 years, averaging 4.5 years. Based on Dr. Kelly's thoughts, the economic expansion could last closer to 6 years into 2014. Past performance is not necessarily an indication of future results.

Dr. Kelly stated that we will have cut the deficit in half in one year ending September 30, 2013. According to Dr. Kelly improving consumer sentiment is generally positive for stocks. **Consumer sentiment is dependent on four measurements**: **1. Unemployment, 2. Home prices, 3. Stock prices** and **4. Gasoline Prices.** Also positive is the average age of an automobile in the US at just under 12 years old. Pent up demand has driven new light vehicle annual sales back to normal at 15.2 million.



1. Unemployment Rate	10.0% (Oct. 2009)	7.6% (June 2013)	*bls.gov*
2. Home Prices (median)	$154,700 (Jul. 2012)	$208,000 (May 2013)	*realtor.org*
3. Stock Prices	DJIA: 6,547 (3/9/09)	DJIA: 15,461 (7/11/13)	*Morningstar*
4. Gasoline Prices	$4.05/gal. (7/7/08)	$3.50/gal. (7/10/13)	*eia.gov*

Dr. Kelly said that **fracking** in the US should keep oil and natural gas prices from skyrocketing upward. He expects the US production of natural gas to soon exceed Russia and production of oil should exceed Saudia Arabia by the end of the decade. As **Warren Buffet** would say, "a durable competition advantage for our country".

Dr. Kelly said the bad news is that the Fed's balance sheet will grow from $3 trillion to $4 trillion by June 2014, based on the rate of its current bond purchases. The Fed's target before stopping these purchases is a 6.5% unemployment rate if inflation stays below 2.5%. Since 2010, unemployment has come down .6% per year. At that rate, we should hit the Fed target by late 2014. He also stated the slow down in China is more dependent on Europe's consumer than the US consumer. This slow down partially caused by the cooling of China's overheated real-estate market has also dampened the price of commodities worldwide.

Dr. Kelly stated to under weight TIPS (Treasury Inflation Protection Securities) because of their longer duration and maturities, overweight US stocks versus international stocks and slightly overweight equities versus bonds because of pressure on interest rates. As we have said in the past, don't overdo any position, stay diversified, stay balanced and keep contributing.

We have recently added two new employees to our Spectrum team. **Matt Demet,** who spent 10 years at M&I Trust and 14 years heading up the 401(k) and Wealth Management divisions for Johnson Bank (Milwaukee). Matt will be a shareholder in Spectrum and involved in business development. Also, **Sara Poppe**, an addition to our support team, who recently graduated with a master's degree from UW-Whitewater. We now have 16 employees (5 part-time, 8 shareholders) at Spectrum, to better serve your needs.

Wealth Management

Advance Care Planning

Brian E. White, CFP®
Wealth Manager

Elder care is a growing industry and is an important facet of financial planning. Advance care planning is a necessity when it comes to elder care and is the process of discussing and determining such things as a living will or a healthcare proxy decision maker. Advance care planning can be difficult and emotionally draining, but learning what your parent's wishes are ahead of time can decrease the chance of future conflicts and help relieve stress in the family. Glenn and Margaret, two individuals who have personal experience in taking care of their parents, provide insight into advanced care planning and share the challenges they've faced while doing so.

What are the biggest challenges when it comes to caring for your parents?
Margaret: *The biggest challenges in caring for parents compress into one: being (becoming) a very strong advocate on their behalf. It's difficult to actually know/predict when this occurs. There is reluctance with parents to acknowledge change. There is even greater reluctance (regret) of parents to ask for help. Advocacy means allowing them to be part of the decisions, allowing them to keep their self-respect.*
Glenn: *Decisions regarding appropriate care are difficult. This is especially challenging when one parent is failing and the other isn't ready or doesn't recognize that they can no longer care for the other one. Once involved in care, it may take a long time to get a good handle on all their assets and life insurance policies. The entire process gets more complicated when there are multiple siblings involved.*

What is your best resource for Medicare/Social Security questions?
Margaret: *There are multiple resources. Frequent and regular materials arrive in the mail from both Medicare and Social Security. The Social Security Administration and AARP both have very helpful websites with excellent tools and links. Each elder care facility has a contact on staff that answers questions and makes suggestions that may help the parent's (or plural) situation become easier and have coverage by one or both. The key is being proactive about both Medicare and Social Security options.*
Glenn: *The Social Security/Medicare website is very helpful if you have time to dig into it. Networking with friends who have parents in similar situations is very helpful.*

Are there any responsibilities you delegate to another adviser like an elder care attorney, financial planner or accountant? If so, what are the advantages/disadvantages?
Margaret: *My parent (mother) is fortunate to have ALL of those listed. It alleviates the frustrations of the caregiver (child, etc.) when professionals can handle those areas of responsibilities. I expect and forecast a growing need in this arena.*
Glenn: *An attorney is essential to ensure proper documents are created (POA's, trusts, wills) and kept current. Also, an elder care attorney will know the laws and options to protect assets during a period where expense can be extremely high. Working with a financial planner is essential for managing assets, determining the appropriate financial risk and projecting how long the assets will last. I don't see working with these resources as delegation, but rather as essential advice.*

How has this impacted your view of retirement? How have you changed your plans?
Margaret: *We have been in a caregiver mode of some type with parents for approximately 20 years. It has brought a clear message to constantly review our own situation, both on a personal communication level and with professionals. It's given us an awareness of the aging process and we have taken necessary and preliminary steps. Sadly, many of the boomers do not have a plan or access to developing a plan with advisors. From what we continue to read, it's going to be an extremely difficult time for unprepared boomers.*
Glenn: *I have tried to create good records and be sure that we have the appropriate trusts, wills and POA's created. Beyond that, we really have not done anything different.*

What expectations do you have of the relatives who will be taking care of you?
Margaret: *We have no expectations that relatives should step in and take care of us. From our experiences thus far, it's best to set a plan, which we are doing. There is always one (perhaps two) relatives who have the ability to carry the torch for an aging relative, either by design or by default. It's irreversible and it's textbook. There are many families who carry on generational care giving with in home family living arrangements. Those are fortunate families. However, with the dispersement of families across the country and the globe, it becomes difficult to have that arrangement. It's a luxury. There will be an increasing dependence and importance on professional elder advocates working on behalf of the family.*
Glenn: *At the appropriate time, initiate discussion of assuming financial responsibilities in managing our resources, discuss appropriate next steps for living and heath care and offer plans for care of our disabled son. The timing of this depends on our health and mental capacities. Hopefully we will recognize when it is the right time for these changes too.*

As Glenn and Margaret mentioned, there are many resources available online or through individuals who specialize in elder care. If you'd like to speak with someone and don't know who, contact us and we'll be glad to utilize our resources to find the most appropriate individual for you.

Spectrum Investor® Update 6/30/13

Category Average	2nd Qtr	1 Year	3 Year
Intermediate-Term Bond	-2.62%	**0.91%**	**4.29%**
Moderate Allocation	0.04%	12.20%	11.11%
Large Cap Value	3.28%	23.03%	16.87%
Large Cap Blend	2.56%	20.83%	16.69%
Large Cap Growth	2.02%	17.22%	16.51%
Mid Cap Value	2.65%	**26.71%**	17.61%
Mid Cap Blend	2.20%	25.06%	17.40%
Mid Cap Growth	2.10%	19.77%	17.01%
Small Cap Value	2.70%	25.61%	16.70%
Small Cap Blend	2.58%	24.56%	18.00%
Small Cap Growth	**3.52%**	22.25%	**18.57%**
Foreign Large Blend	-1.21%	16.25%	9.28%
Real Estate	-2.03%	7.74%	16.89%
Natural Resources	**-7.23%**	3.11%	6.50%

Source: Morningstar, 3 yr return is annualized by Morningstar. Past performance is not an indication of future results.

DOW: 14,909	**10 Yr T-Note: 2.48%**
NASDAQ: 3403	**Inflation Rate: 1.4%** (5/2013)
S&P 500: 1606	**Unemployment Rate: 7.6%** (6/2013)
Barrel of Oil: $96.56	Source: Morningstar

The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors. The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index.

In Other Words

What's happening in the bond market?

Angie Franzone
Newsletter Editor

Lately, the stock market has been reminding me of my nearly three-year-old twin girls. One minute they're laughing and singing, the next they're screaming and crying. Just the mention of getting ready for bed sends them into inconsolable fits and I swear, they know exactly the moment I get comfortable and relaxed and Bam! There's another tantrum to deal with and I'm back on edge.

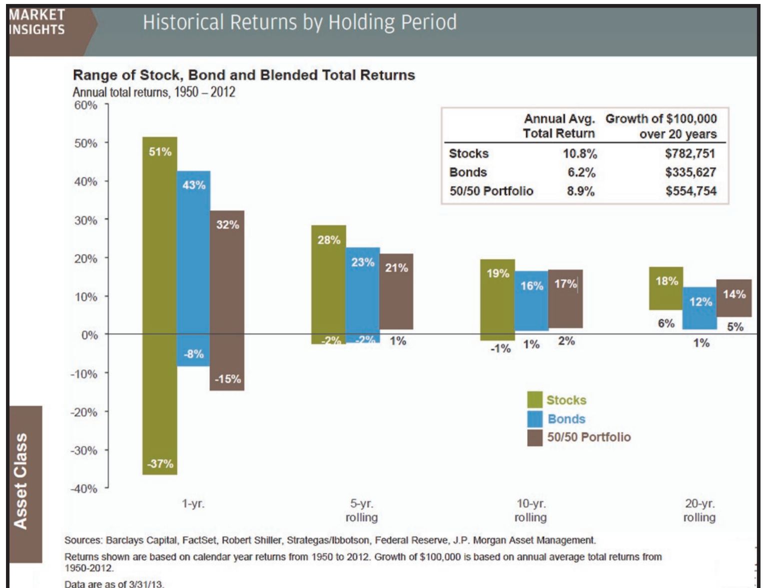
The market went on an almost surreal run for awhile there where it seemed like every time you checked, the Dow was up. It was a great feeling, but also a scary one because it made you wonder, when is it going to end and what will happen when it does? It's sort of like when I'm out at the store with my little girls and they're behaving like perfect angels. I'm happy in the moment, but also a part of me is wondering how long it will last and how far I should push my luck.

By late May the Dow was breaking records left and right, but at the same time yields on 10-year U.S. Treasury notes were rapidly rising, bringing the value of bonds down. Interest rates and bond prices are inversely related, so when interest rates rise, bond prices fall and vice versa. (More on this in a minute.) Then on June 19, Fed Chairman Ben Bernanke stated that the Federal Reserve may begin tapering their $85 billion monthly bond purchase in the Fall of 2013 and possibly ending the program entirely by the middle of 2014 if consistent economic growth continues. Those words sparked a major sell-off that caused bonds as well as stocks to fall. It's the old, "time to get ready for bed" experience I have with my twins. Just the knowledge that it's on the horizon is enough to send things into a tailspin. "While much of the year's optimism remains, investors have become increasingly jittery as the Fed gets closer to taking the proverbial punch bowl away. Meanwhile, investors are trying to stay ahead of the Fed's next move" (*Personal Finance*, *WSJ*, 6/29/13).

So why do rises in interest rates have such an affect on the value of a bond? Let's say you buy a bond that pays $1000 at maturity and has a coupon rate of 5%, meaning it will pay out interest of $50 a year. If interest rates rise to 6%, that bond is no longer desirable at the $1000 price tag so if you want to sell it, you must lower the price to make up for the difference between its coupon rate and the new higher interest rate. When you think about it, it makes a lot of sense. You can't expect someone to purchase your $1000 bond with a coupon of 5% for the same price as a $1000 bond with a coupon of 6%. Conversely, if interest rates fall to 4%, then investors will pay more than $1000 for your bond in order to get the higher rate.

While it's true that when rates rise, bond prices fall, not all bonds were impacted the same by the rise in Treasury Yields and that's due to a bond's duration and maturity. Duration measures a bond's sensitivity to changes in interest rates and is stated in number of years. The higher the duration number, the more sensitive your bond investment will be to changes in interest rates. The same concept holds true for a bond's maturity, which is the length of time until the principal must be paid back. The shorter the maturity the less hurt you get when interest rates rise. Therefore, long-term treasury bonds got hit the worst followed by intermediate treasury bonds and then shorter-term treasury bonds. As a rule of thumb, if the duration of a bond is 8 and interest rates rise by 1%, the value of the bond will decrease by 8%.

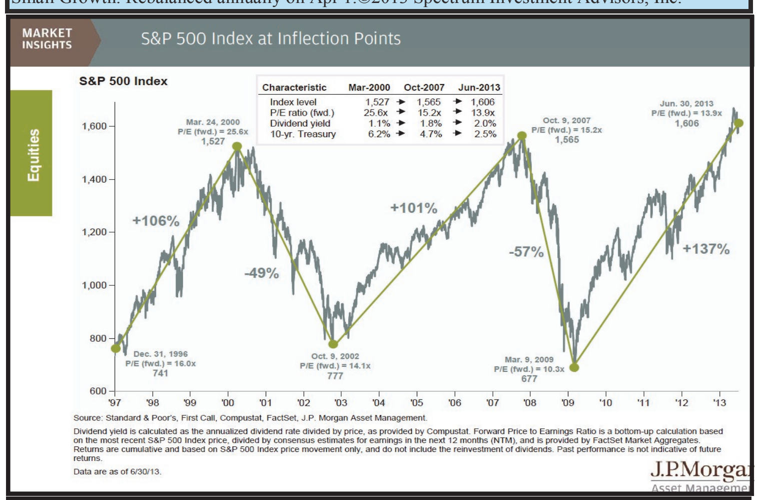
"U.S. Treasuries are now providing less than half the yield of stocks, giving investors little reason to keep the three-decade bull market in bonds alive as housing starts, consumer confidence and corporate profits point to an improving economy" (*MSN Money*, 6/24/13). And there's the silver lining; slowly but surely the economy is improving, which tends to raise interest rates. When the market behaves like a 3-year old child, knee-jerk reactions are inevitable, especially when that child hasn't even taken a moment to consider what it's hearing. As always, stay diversified in a balanced portfolio of both stocks and bonds and if you're unsure of your allocation call our office and talk to an advisor.



60% Stocks/40% Bonds Allocation vs. Indices Ending 6/30/13

15 Yr	10 Yr	5 Yr	3 Yr	1 Yr		Index Definition
Real Est. 9.81%	Nat. Res. 11.87%	Mid Cap 8.91%	Sm. Growth 19.97%	Mid Cap 25.18%		Mid Cap Blend: S&P MidCap 400 TR
Mid Cap 9.53%	Mid Cap 10.74%	Sm. Growth 8.89%	Mid Cap 19.45%	Lg. Value 25.04%		Large Value: S&P 500 Value TR
Nat. Res. 8.18%	Real Est. 10.68%	Sm. Blend 8.77%	Lg. Growth 18.89%	Sm. Value 24.76%		Small Value: Russell 2000 Value TR
Sm. Value 7.84%	Sm. Growth 9.62%	Sm. Value 8.59%	Sm. Blend 18.67%	Sm. Blend 24.21%		Small Blend: Russell 2000 TR
60/40 7.39%	Sm. Blend 9.53%	Lg. Growth 7.57%	Lg. Blend 18.45%	Sm. Growth 23.67%		Small Growth: Russell 2000 Growth TR
Sm. Blend 6.60%	Sm. Value 9.30%	60/40 7.21%	Lg. Value 18.10%	Lg. Blend 20.60%		Large Blend: S&P 500 TR
Bonds 5.52%	60/40 8.47%	Lg. Blend 7.01%	Real Est. 18.08%	Intl. 18.62%		International: MSCI EAFE NR
Sm. Growth 4.79%	Intl. 7.67%	Real Est. 6.97%	Sm. Value 17.33%	Lg. Growth 16.78%		Large Growth: S&P 500 Growth TR
Lg. Value 4.56%	Lg. Value 7.36%	Lg. Value 6.47%	60/40 11.43%	60/40 11.19%		60/40: 60% Diversified Stocks/40% Bonds
Lg. Blend 4.24%	Lg. Blend 7.30%	Bonds 5.19%	Intl. 10.04%	Nat. Res. 10.63%		Natural Res: S&P North Am. Nat. Resources TR
Lg. Growth 3.65%	Lg. Growth 7.17%	Intl. -0.63%	Nat. Res. 9.64%	Real Est. 7.69%		Real Estate: DJ US Select REIT Index TR
Intl. 3.63%	Bonds 4.52%	Nat. Res. -3.82%	Bonds 3.51%	Bonds -0.69%		Int.-Term Bonds: Bar-Cap Aggregate Bond

Annualized returns. The above indices are unmanaged and cannot be invested into directly. Past performance is not an indication of future results. Diversification cannot protect from market risk. Source: Morningstar. *60/40 Allocation: 40% Bonds, 6% Lg. Value, Blend, & Growth, 12% Mid Cap, 6% Sm. Value & Blend, 6% Intl., Nat. Res., and Real Est. Allocation, excludes Small Growth. Rebalanced annually on Apr 1.©2013 Spectrum Investment Advisors, Inc.



IRS Indexed Limits for 2013: 401(k), 403(b), 457(b) Plan Deferral Limit is $17,500. Catch-up Contribution limit is $5,500. Source: Principal Financial Group

Invest In Your Health

The Truth About Coffee—Part 2

David Meinz, MS, RD, FADA, CSP

America's Personal Health Humorist

In spite of all the good news about coffee we discussed last time, there still are definite potential health problems with caffeine consumption, especially as you increase your intake. High blood pressure can be, at least temporarily, raised if you consume caffeine before an exercise session or during stressful periods in your life. That could be a problem if you already have high blood pressure. Women who are pregnant, or want to become pregnant, may also want to moderate their caffeine consumption. Some research indicates that women consuming more than 200mg of caffeine a day may increase their chances of having a miscarriage and those taking in over 300 mg a day decrease their chances of becoming pregnant in the first place. Since caffeine does cross the placental barrier, it can cause abnormal heart rhythms in the unborn baby or nervous behavior immediately upon birth. If a woman consumes a lot of caffeine, it may cross through the breast milk and have a negative effect on the baby as well. Here again, the amount seems to be important. If you're pregnant and you must have caffeine, keep it under 300 mg a day.

And while caffeine can actually help relieve headaches, daily exposure may also increase the likelihood of migraines in people who are susceptible to them. Also keep in mind that excessive coffee consumption is often associated with many other truly harmful health practices, including cigarette smoking, drinking too much alcohol, and a high dietary fat intake. So it may not necessarily be the coffee, but what's consumed with it.

"I'm promoting you to Executive Director of Personal Energy Management. From now on, you're responsible for the coffee and donuts."

Of course, caffeine is addicting and, if you don't get enough or you get too much, you'll pay the price in either decreased performance or jittery nerves and insomnia. This is important. **The research is clear that the only people who get a real boost from caffeine are those who only use it now and then.** For the vast majority of coffee users, that morning cup of coffee is just helping you get over caffeine withdrawal. You feel better because you've re-fed your addiction to caffeine. As hard as it is to believe, you could function just as well without caffeine as you do with it. But once you get hooked, it becomes a necessity. You can break the habit, but it's not easy.

But what if you just like the taste of coffee and enjoy a hot beverage first thing in the morning? **What about decaf?** I'm sure you've heard all kinds of scare stories about what they do to coffee to take the caffeine out. One I keep hearing is that they use formaldehyde, the main ingredient in embalming fluid, to remove the caffeine. Not true, not true. Remember, if you hear something often enough, even if it's wrong, you begin to believe it's true. We can put this one to rest. **They don't use formaldehyde to make decaf coffee. Period.**

Here is what they actually do. Manufacturers all first soak the coffee beans in water to release the caffeine. Then they have several choices to remove it. The first is a process called Swiss Water decaffeination that uses water and a carbon filter. Another option is the use of the effervescence of carbon dioxide gas, and last is by using the substances methylene chloride or ethyl acetate. Now since ethyl acetate is derived from fruit, decaffeinated coffee made this way is often described as "natural" decaf.

On the other hand, the use of the other substance, methylene chloride, has raised some concerns in the past because some studies had found that it caused cancer when inhaled by laboratory animals. By the way, lab animals did not get cancer if they drank the substance. The FDA allows methylene chloride to be used and of those few companies that still use it, the levels left over on the coffee beans are 100 times lower than what the FDA says is safe. So, there should be no problem there. But what if you don't want to take any chances?

Well, when a review was done a few years ago here's who was decaffeinating their coffee and how: Maxwell House, Sanka, and Yuban use the carbon dioxide effervescence method. Starbucks Decaf Mocca Java uses the Swiss Water process; Chase and Sanborn, Folgers, and Hills Brothers use the ethyl acetate method (that's the one derived from fruit), and Chock Full O'Nuts, and the Starbucks line (except for the one we just mentioned) use the methylene chloride method. Why do a couple of companies still use the methylene chloride method? Simply because a lot of people think decaf made this way tastes better. If you choose to drink decaf, I don't think it matters which one you choose.

The bottom line on coffee is that the average American consumption of a couple of cups a day isn't doing you any harm. If you know that decaf agrees with you better, that's a good choice as well. **But an important question to ask yourself is why you drink it in the first place? Are you so low in energy that you NEED the caffeine to cover up a lack of sleep, a poor diet, or otherwise unhealthy lifestyle? If so, the caffeine is a short-term patchwork answer to a much bigger issue. The human body does NOT require the drug called caffeine to function at optimal levels. But it does, once it gets addicted to it.** I used to drink coffee, but I stopped. I didn't like being so dependent on something, just to function. Take a hard look at your health habits and see if you can make some improvements so you won't be so addicted to caffeine anymore. You can live well without it. And THAT may be real truth about coffee.

David Meinz presents keynotes and workshops to businesses and associations around the US and Canada based on his new book, *Wealthy, Healthy & Wise: How to Make Sure Your Money and Your Health Last As Long As You Do*. For more information on his speaking services, or to order an autographed copy of his book, visit **www.davidmeinz.com**.

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