SPECTRUM
INVESTMENT ADVISORS

2nd Quarter | 2015
As of 3/31/2015

Upcoming Events:

Spectrum Investor® Coffee House Educational Series

Wednesday, May 6, 2015
Social Security Strategies

Featuring Guest Speaker
Ryan Bostwick, CIMA®, CRPC®
Transamerica Capital Mgmt.

10th Annual Retirement Plan Investment Seminar

Wednesday, June 10, 2015

Co-Sponsored by Spectrum
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Past performance is not an indication of future results

We appreciate your business

Quarterly Economic Update

James F. Marshall
President

Jonathan J. Marshall
Chief Investment Officer

The S&P 500 rose 0.4% in the first quarter 2015, its ninth quarter in a row of gains, while the DOW edged down 0.3%. The bull market celebrated its **sixth birthday** on 3/9/15, making this run the fourth longest bull market in history. Exceptionally low interest rates around the globe are a key reason for bull markets to continue in many countries (*WSJ,* 4/1/15). The slow growth of this recovery so far has been a major reason why the bull market has lasted so long. Slower growth and lower energy prices have kept the usual price/inflation issues that often derail an expansion, at bay, keeping stocks in the black (*Fidelity Monitor,* 3/15).

Following the launch of a huge economic stimulus effect by the European Central Bank in March (led by **Mario Draghi**) German 10-year government bond yields were driven down to 0.18%, versus 10-year US Treasury notes at 1.93% as of 3/31/15. As a result of the stimulus, the German benchmark DAX Stock Index surged 22%, while the Nikkei Index in Japan rose 10%. During the first quarter, the US dollar rose 13% against the Euro. **Tighter monetary policy strengthens a currency, while a looser policy tends to weaken a currency (by lowering interest rates).** A stronger dollar, however, tends to hurt the profits of multi-national stocks that dominate the DOW and the S&P 500 Index by making their products more expensive overseas (*WSJ,* 4/15).

Plunging oil prices were another focus as they fell 11%, closing out the quarter at $47.60 per barrel up from a low in mid March of $43.46 per barrel. Lower oil prices should help consumer discretionary (growth) stocks with consumers having more money to spend, but it also has a negative impact on the **earnings** of the S&P 500 since 8% of the S&P is made up of energy companies (*WSJ,* 4/15).

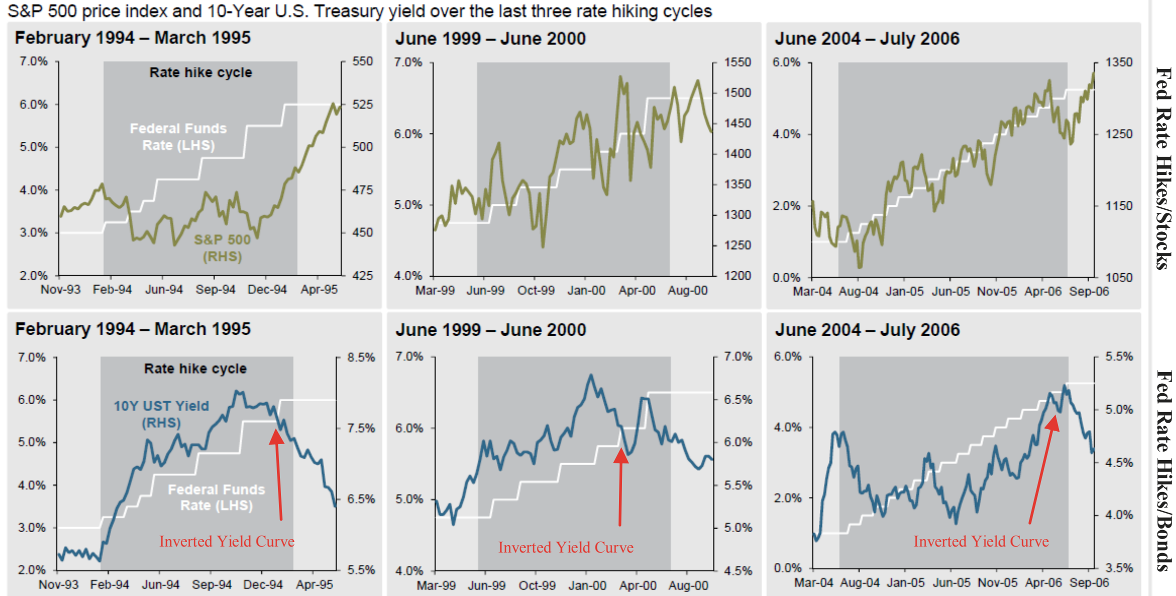
The word 'patience' has been taken off the table by Fed Chairman **Janet Yellen**. In anticipation of higher interest rates ahead, we wanted to illustrate the impact of rising interest rates on stock markets and bond markets based on the last major rate hikes in '94, '99 and '04. (See below)

One pattern to consider is the impact of the 2nd and 3rd rate hike by the Fed on the stock markets and bond markets. The stock market corrected between the second and third rate hike in all three cases. A second pattern to consider is that 10-year bond yields went up with each Fed rate hike, but reached a tipping point when short-term rates exceeded long-term rates; this is called the **inverted yield curve**. According to **Burt White**, CIO at LPL, historically, in the past 50 years, when the yield curve inverts, the US economy goes into a recession within a year, with a lead-time ranging from 5-16 months.

April marks the final month of what is traditionally the best six-month period for stocks (November-April). We suggest that if investors have not **rebalanced** their portfolios in 3-4 years, they may want to consider doing so in late April/early May, 2015. For assistance in rebalancing, call Spectrum. The next Fed meeting is scheduled for 4/29/15 (*USA Today,* 4/1/15).

In case you missed our recent press release, we have had the good fortune of receiving two National Leadership Award Nominations. Spectrum was one of 10 finalists for the 2015 NAPA 401(k) Advisor Leadership Award and one of nine finalists for the 2015 PLANSPONSOR Retirement Plan Adviser Team of the Year. At Spectrum, we love what we do.

Returns and Yield Changes During Rate Hiking Cycles
S&P 500 price index and 10-Year U.S. Treasury yield over the last three rate hiking cycles



Source: Standard & Poor's, FactSet, JPMorgan Asset Management. Data are as of 3/31/15

Wealth Management

Social Security Misconceptions

Brian E. White, CFP®
Wealth Manager

On May 6th, Spectrum is continuing its Coffee House Educational Series with a session on Social Security Benefits. Ryan Bostwick from Transamerica will be sharing his extensive knowledge of Social Security Retirement Benefit strategies. According to AARP, 8,000 baby boomers are turning 65 each day and with more and more people taking Social Security, the rumors and myths start to fly. Below are three of the most common misconceptions. For these illustrations we'll be using a full retirement age of 66, but for anyone born in 1960 or after, your full retirement age is 67.

Misconception #1: Social Security is Going Bankrupt Soon
The availability of retirement benefits for future generations is definitely a concern. According to the Social Security Administration website, the Old-Age and Survivors Insurance (OASI) retirement trust fund will be exhausted in 2033. This is if the current laws and trends continue in place without changes. After that, the payments into Social Security will only be enough to pay out 75% of benefits.

The majority of this country's reliable voters are retired or nearing retirement, so elected members of Congress have a big motivating factor to ensure the OASI retirement trust fund is able to pay future benefits. Congress will eventually fix this problem by raising taxes, increasing retirement age or some combination of the two, but until that happens you can rest assured that your Social Security Retirement Benefit payments are safe for the next 18 years.

Misconception #2: If you take your Social Security Benefits at age 62, you'll receive more money over time.
We often hear misconception #2 paired with misconception #1 – "You had better collect at age 62 while there's still money available!" This all depends on how long you live, of course. According to the Social Security Administration, one in four 65 year-olds will live past age 90. On average, a man who is able to reach 65 today can expect to live until 84.

The JPMorgan chart below shows the power of delaying Social Security Retirement Benefits. As long as you live past the age of 76, you're better off collecting at your full retirement age of 66. And if you live past age 78, you'll accumulate more by waiting until age 70 to collect. In this illustration, an individual who waits until age 70 to collect benefits will collect over $200,000 MORE in 15 years than if they started at 62 and collected for 23 years.

Social Security breakeven data

	Claim at age 62	Claim at age 66	Claim at age 70	At age 65, probability of living to at least age	
70	$239,514	$186,262	$51,828	91%	94%
76	$433,667	$445,133	$393,538	75%	83%
78	$505,595	$541,036	$520,130	69%	78%
80	$581,459	$642,188	$653,650	62%	72%
82	$661,475	$748,876	$794,479	54%	65%
85	$789,784	$919,955	$1,020,303	42%	54%

Source: Breakeven calculated using the Social Security Administration calculator for beginning values at each age. Assumes maximum benefits received for individuals turning 62 and 1 month, 66 and 70 in 2015 and assumes the benefit will increase each year based on the Social Security Administration 2014 Trustee's Report "intermediate" estimates (starting at 1.7% in 2015 and gradually rising to 2.7% in 2020). Monthly amounts without the cost of living adjustments (not shown on the chart) are: $2,014 at age 62; $2,713 at age 66; a $3,606 at age 70.

An individual can gain an 8% increase in benefits for each year they delay taking retirement benefits. There are, of course, situations where an individual needs to take their benefits early. Health concerns, the need for income and other factors can be a valid reason for taking retirement benefits early.

Misconception #3: The Social Security Administration Office will help me choose a strategy.
The Social Security Administration gets over 850,000 weekly visitors to their offices and fields more than 68 million phone calls each year. The employees in the Social Security Administration offices are experts when it comes to answering your questions. However, they will not be able to tell you the best strategy to maximize your benefits. Should I take my spousal benefit? What about the file-and-suspend feature? Should I start taking the retirement benefits while I'm working? When it comes to the best strategy for Social Security Retirement Benefits, there are multiple options. The Social Security Administration (www.ssa.gov) and the AARP (www.aarp.org) websites are two good resources.

The advisors at Spectrum can also help you develop a strategy, so if you are unable to make it to our May 6th Social Security seminar, give us a call and we can discuss your options!

Spectrum Investor® Update 3/31/15

Morningstar Category Averages	1st Qtr	1 Year	3 Year
Intermediate-Term Bond	1.54%	4.75%	3.44%
Moderate Allocation	1.81%	6.19%	9.45%
Large Cap Value	0.18%	7.86%	14.42%
Large Cap Blend	1.13%	10.34%	14.87%
Large Cap Growth	3.45%	13.30%	15.06%
Mid Cap Value	2.58%	8.89%	**16.30%**
Mid Cap Blend	3.29%	8.76%	15.68%
Mid Cap Growth	5.35%	11.20%	14.95%
Small Cap Value	2.28%	3.94%	14.29%
Small Cap Blend	3.60%	6.03%	14.88%
Small Cap Growth	**5.78%**	8.06%	15.21%
Foreign Large Blend	4.70%	-0.76%	7.86%
Real Estate	4.38%	**22.53%**	13.07%
Natural Resources	**-1.42%**	**-15.69%**	**-2.91%**

Source: Morningstar, 3 yr return is annualized. Morningstar classifies categories by underlying holdings and then calculates the average performance of the category. Past performance is not an indication of future results. Returns in **Blue** = Best, Returns in **Red** = Worst

DOW: 17,776	**10 Yr T-Note: 1.93%**
NASDAQ: 4991	**Inflation Rate: -0.1%** (2/2015)
S&P 500: 2068	**Unemployment Rate: 5.5%** (2/2015)
Barrel of Oil: $47.60	Source: Morningstar, bls.gov, eia.gov

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.

IRS Indexed Limits for 2015: 401(k), 403(b), 457 Plan Deferral Limit is $18,000. Catch-up Contribution limit is $6,000. Source: 401khelpcenter.com

In Other Words

Emotional Investing: Avoid the Big Mistakes

Angie Franzone
Newsletter Editor

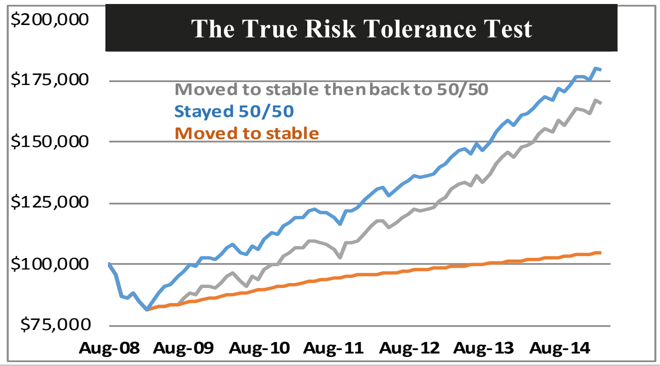
The very first column I ever wrote for this newsletter was in the fourth quarter of 2009. We were coming off the Great Recession and it made sense to write about emotions and how not to let them get the best of you when it comes to investing. That was over five years ago and during that time the stock market (DOW) has grown from 10,428 as of December 31, 2009 to 17,776 as of March 31, 2015, a 70% gain, despite two corrections, (a market drop of 10% or more) along the way. How much of that run were you able to take advantage of? Did your emotions take over and send you running from the market each time it corrected? With this year off to a rocky start in the markets, reflecting on how our emotions steered our investment choices in the past is a good exercise to undertake.

Often times you will hear people say, "Keep your emotions out of investing", which seems to make sense on the surface, but how practical is it really? Saying it is one thing, actually doing it is another and I would venture to say, unless you're a robot, it's pretty much impossible. In their book, *Fund Management: An Emotional Finance Perspective*, professors David Tuckett from University College London and Richard Taffler from Warwick Business School interviewed 52 experienced fund managers and what they learned was that even those in the know experience anxiety and emotional conflict when investing. According to the professors, "Individuals and pros perform better when they acknowledge that investing is inherently emotionally charged and when they understand how emotions affect their behavior" (*WSJ*, 5/2/13).

That's the key, understanding how your emotions affect your decisions. We cannot predict or control the future of the stock market, so in order to feel comfortable investing your money in it; you need to have a strategy in place. Repeat after me, **be proactive, not reactive**. One way to be proactive is to take a risk tolerance quiz. The risk quiz helps the advisors at Spectrum to determine what the best mix of investments is for you. Finding an appropriate investment mix (asset allocation) is an integral part of helping to keep your emotions in check and your money invested when the market starts becoming volatile.

The idea of volatility, or the possibility for rapid and unpredictable change, is an interesting one because while it can be measured, it is also very subjective in terms of what you personally feel constitutes a volatile market. For example, so far in 2015 as of the quarter end, the market has seen 19 days when the S&P 500 rose or fell 1 percent or more, on pace to be the most volatile year since 2012. Compare that with last year which saw 10 days a quarter of 1% or greater market moves. It's an important comparison to make because in the midst of things last year you may have felt the market was extremely volatile, when in actuality, it was pretty calm. Another indication that this is shaping up to be a volatile year is that "while the index has gone 41 months without a 10 percent tumble, it's had more retreats of at least 3 percent [so far this year] than any time since 2011" (*Bloomberg News*, 3/16/15).

At Spectrum we're always talking about the big picture when it comes to investing and it is of particular importance when discussing emotional investing because you cannot make good decisions if you're basing them on what happens in the market on a daily basis. The True Risk Tolerance Test chart to the right illustrates exactly what's wrong with letting your emotions lead your decisions and exiting your strategy at the wrong time.



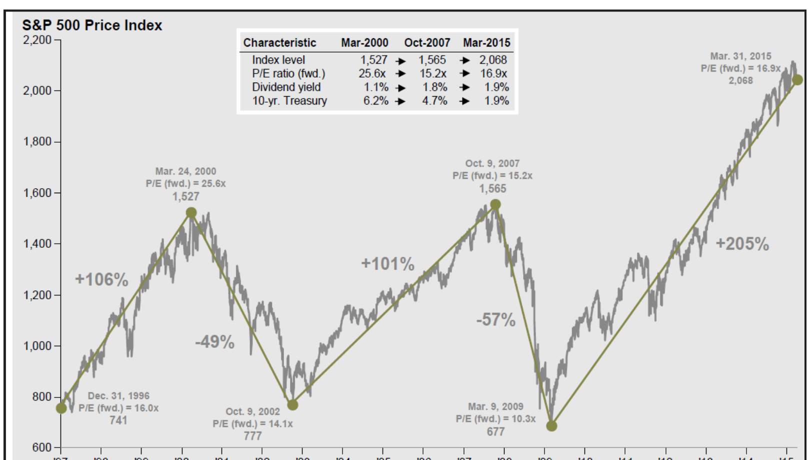
The example above shows a 50/50 moderate investor (50% S&P 500, 50% Barclays US Aggregate Bond) who stayed the course through the 2008-2009 downturn versus getting out, and re-investing at 50/50. All three examples assume $150/month contributions.

The moral of the story is, avoid the big mistakes and invest for the long-term. Choose a diversified portfolio that you're comfortable with and that doesn't keep you up at night, stay put and rebalance annually. If you don't have a strategy, aren't sure how you're invested, or are getting nervous about the market, call our office and talk to an advisor.

60% Stocks/40% Bonds Allocation vs. Indices Ending 3/31/15

15 Yr	10 Yr	5 Yr	3 Yr	1 Yr	Index Definition
Real Est. 12.86%	Mid Cap 10.32%	Sm. Growth 16.58%	Sm. Growth 17.74%	Real Est. 25.26%	Real Estate: DJ US Select REIT Index TR
Sm. Value 10.10%	Sm. Growth 10.02%	Real Est. 15.89%	Mid Cap 17.03%	Lg. Growth 16.11%	Large Growth: S&P 500 Growth TR
Mid Cap 9.16%	Real Est. 9.45%	Lg. Growth 15.77%	Lg. Growth 16.85%	Lg. Blend 12.73%	Large Blend: S&P 500 TR
60/40 7.58%	Lg. Growth 9.02%	Mid Cap 15.72%	Sm. Blend 16.27%	Mid Cap 12.19%	Mid Cap Blend: S&P MidCap 400 TR
Sm. Blend 7.77%	Sm. Blend 8.82%	Sm. Blend 14.57%	Lg. Blend 16.11%	Sm. Growth 12.06%	Small Growth: Russell 2000 Growth TR
Nat. Res. 7.11%	Lg. Blend 8.01%	Lg. Blend 14.47%	Lg. Value 15.34%	Lg. Value 9.12%	Large Value: S&P 500 Value TR
Bonds 5.66%	60/40 7.91%	Lg. Value 13.14%	Sm. Value 14.79%	Sm. Blend 8.21%	Small Blend: Russell 2000 TR
Lg. Value 5.23%	Sm. Value 7.53%	Sm. Value 12.54%	Real Est. 13.95%	60/40 7.48%	60/40: 60% Diversified Stocks/40% Bonds
Sm. Growth 4.17%	Lg. Value 6.93%	60/40 9.66%	60/40 9.61%	Bonds 5.72%	Int.-Term Bonds: Bar-Cap Aggregate Bond
Lg. Blend 4.15%	Nat. Res. 6.24%	Intl. 6.16%	Intl. 6.16%	Sm. Value 4.43%	Small Value: Russell 2000 Value TR
Lg. Growth 2.96%	Intl. 4.95%	Bonds 4.41%	Bonds 4.41%	Intl. -0.92%	International: MSCI EAFE NR
Intl. 2.88%	Bonds 4.93%	Nat. Res. 3.86%	Nat. Res. 0.50%	Nat. Res. -13.47%	Natural Res: S&P North Am. Nat. Resources TR

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.



Source: Standard & Poor's, Compustat, FactSet, J.P. Morgan Asset Management.

Dividend yield is calculated as the annualized dividend rate divided by price, as provided by Compustat. Forward Price to Earnings Ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns.

Data are as of March 31, 2015.

J.P.Morgan Asset Management

Invest In Your Health

Is Butter Now Better?

David Meinz, MS, RD, FADA, CSP

America's Personal Health Improvement Expert

If you've been following the health headlines in the last several months you may have been just as surprised as I was to learn that formerly bad foods are now good for you. According to a major study, it turns out that saturated fat isn't the bad guy we've been saying it was. That's right, butter, cheese, cream, and that fat on the outside of a nice juicy steak are all OK.

What??

A meta-analysis published this March in *Annals of Internal Medicine* concluded that reducing saturated fats was not important. A meta-analysis is basically a study that just combines the results of a lot of earlier, related studies. The idea is that all the studies together make a stronger case for or against a certain conclusion. In this case, 72 separate studies were reviewed. That's good, that's a lot of data. But surprisingly, the authors concluded that "current evidence does not clearly support cardiovascular guidelines that encourage high consumption of polyunsaturated fatty acids and low consumption of total saturated fats."

"If you can finish the entire 60-ounce steak, we'll put your name on a special plaque next to the defibrillator."

So how can the advice of health experts for the last 30 years be suddenly turned upside down? As you know, I've been pointing my finger at saturated fats as the <u>bad</u> guys for years myself. Here's what you need to know.

How research is set up is extremely important to the validity of its conclusions. There were a number of problems of how the researchers did their meta-analysis. For example, they included a study that replaced saturated fat with polyunsaturated fat from margarine that, unfortunately, had lots of trans fats in it. Because of the trans fat, the polyunsaturated diet didn't show any benefit compared to the saturated fat diet.

By the way, you should also know that studies that replace saturated fat with polyunsaturated fats like soybean oil, not trans-fat containing margarine, DO show a lower risk for heart disease. What's more, the publishers of the meta-analysis misinterpreted an important study that clearly showed that the polyunsaturated omega-3 fish oils are helpful in decreasing cardiovascular risk. The authors of the study are quoted as saying, "The main message is that there's a lot more work that needs to be done." Unfortunately, that's not true.

The main message that the media picked up on was that the amount of saturated animal fat that you eat really doesn't matter. **Cardiovascular disease remains the number one killer of Americans.** As I enter my 35th year in the field of nutrition, I'm more and more convinced that the best diet is one that contains less animal products and is more plant based, with more whole fruits and vegetables (not their juices), whole grains, nuts, and some omega-3 containing wild fish.

Better broccoli, than butter.

David Meinz will be speaking on the topic of staying healthy and wealthy, as part of our Spectrum Investor® Coffee House Educational Series on Thursday, October 1, 2015. It will be the second time that David has spoken at a Spectrum event.

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**

David Meinz is not affiliated with LPL Financial or Spectrum Investment Advisors