SPECTRUM[SM]

INVESTMENT ADVISORS

2nd Quarter | 2014

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Upcoming Events:

Spectrum Investor®

Coffee House

Educational Series

Wednesday, Sept. 24, 2014

Featuring Guest Speaker

John Choate

Former U.S. Navy Seal

THANK YOU

To all that attended our

9TH ANNUAL

RETIREMENT PLAN

INVESTMENT SEMINAR

On June 18, 2014

In Waukesha, WI

Good News! Spectrum has been selected as one of eight finalists for 2014 *PlanAdviser* Team of the Year

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

Past performance is not an indication of future results

We appreciate your business.

Quarterly Economic Update

James F. Marshall
President

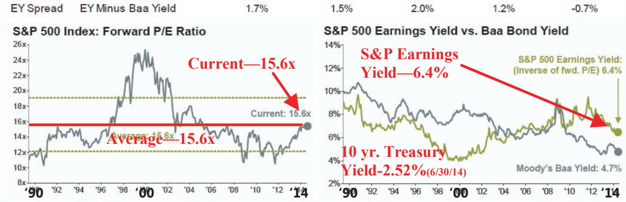
Jonathan J. Marshall
Chief Investment Officer

The S&P 500 Index TR rose 7.14% and the DOW Jones Industrial Average TR rose 2.68% for the first six months of 2014. On July 3, 2014 the DOW hit 17,000 for the first time, with the S&P 500 up 190% since the bottom of the market on March 9, 2009 (JPMorgan 6/30/14).

To help investors determine where we go from here, we invited (for the third time) market strategist, **Bruce Johnstone**, from Fidelity Investments to speak at our 9th Annual Spectrum/WICPA Retirement Plan Investment Seminar where over 260 people attended, arriving from as far away as New Mexico, Merrill, Wausau, Green Bay and Chicago. Fidelity Investments has over 40,000 employees; Bruce's tenure rank makes him employee #3, just under Ned Johnson, the head of Fidelity. Bruce stated that the shale oil/fracking business in our country is a **"game changer"** for our nation's economy, which should allow energy prices to remain close to steady. The result of shale oil fracking in ND and Texas/Oklahoma has increased our countries oil production by 3 million barrels per day in the last 6 years. Oil production in our country now exceeds oil imports for the first time since 1994. Our nation uses 17 million barrels a day. With the recent turmoil in the Middle East, without the fracking industry the price of oil could be approaching $145 per barrel and we would already be talking about the next recession *(Bloomberg)*.

Stock Valuation Measures: S&P 500 Index

U.S. Equity: Valuation Measures			Historical Averages			
Valuation Measure	Description	Latest	1-year ago	5-year avg.	10-year avg.	25-year avg.*
P/E	Price to Earnings	15.6x	13.8x	13.4x	13.8x	15.5x
CAPE	Shiller's P/E	25.6	24.4	21.7	22.9	25.1
Div. Yield	Dividend Yield	1.9%	2.0%	2.0%	2.0%	2.1%
PEG	Price/Earnings to Growth	1.5	0.8	1.1	1.7	1.4
P/B	Price to Book	2.8	2.6	2.2	2.4	2.9
P/CF	Price to Cash Flow	11.0	10.3	8.9	9.5	10.6
EY Spread	EY Minus Baa Yield	1.7%	1.5%	2.0%	1.2%	-0.7%



Source: Standard & Poor's, FactSet, Robert Shiller Data, FRB, J.P. Morgan Asset Management. Price to Earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months. Shiller's P/E uses trailing 10-years of inflation adjusted earnings as reported by companies. Dividend Yield is calculated as the trailing 12-month average dividend divided by price. Price/Earnings to Growth Ratio is calculated as NTM P/E divided by NTM earnings growth. Price to Book Ratio is the price divided by book value per share. Price to Cash Flow is price divided by NTM cash flow. EY Minus Baa Yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. *P/CF is a 20-year avg. due to cash flow data availability
Latest reflects data as of 6/30/14.
Guide to the Markets – U.S. Data are as of 6/30/14.

J.P.Morgan Asset Management

If Bruce has a concern for the future of the markets, it's the tidal wave of liquidity created by the world's central banks, with a possible property bubble in China where the price of the average home is 23 times a family's income, vs. 5 times the income for the average home in the USA. Bruce mentioned that China has built 95 new buildings the size of the Empire State Building and many of them are close to being unoccupied. Bruce continues to be positive on the future of the US economy and mentioned the next technological breakthrough will be companies that develop a process to recycle fracking water vs. driving it a mile into the earth.

Another one of our favorite economists is **Dr. David Kelly**, Chief Global Strategist from JPMorgan. Like Bruce Johnstone, Dr. Kelly has also previously spoken at our Spectrum/WICPA seminar. On a July 7, 2014 conference call, and also in the June 23rd issue of *Barron's*, Dr. Kelly said not to give up on stocks, especially when you consider the alternatives, such as cash and bonds. Dr. Kelly suggested to continue to underweight bonds.

At our 2011 seminar, Dr. Kelly correctly predicted that peak unemployment would drop from 10% in 2009 to near 6.1% today. He mentioned that unemployment has been going down an average of 0.8 of one percent per year since the recovery started. At that rate, by next summer, unemployment should be in the 5.4% range, which, according to Dr. Kelly, is considered full employment by the Federal Reserve and when the Fed will likely begin raising interest rates. Dr. Kelly stated that there is a demographic drag on our labor force, where our nation has seen no labor force growth in the past five years, resulting in slower growth. He indicated that since 2012, a million baby boomers have been retiring and leaving the labor force each year and will continue to be for the next 10-15 years. Dr. Kelly expects 3% growth in the next two years, followed by 2% growth thereafter, due to the demographic drag. According to **Mark Skousen**, stocks tend to do well in a slow-growth low interest rate environment" (*Forecasts & Strategies*, 7/14).

Dr. Kelly explained that what helps our economy is immigration, especially if it is skilled labor, because it helps offset our baby boom retirement issue. Because we are a nation of immigrants, people relocating to this country have an easier time adapting to our culture. This, however, is not the case in Japan, which has one of the oldest population bases in the world. Japanese immigrants find it harder to adapt to the culture in Japan. Compared to the US, Europe and emerging markets economies, Japan is Dr. Kelly's least favorite region in which to invest. Japan's population base is older than the US, allows fewer immigrants, if any, lacks natural resources and has twice as much debt as the US does.

Like Bruce Johnstone, Dr. Kelly's biggest concern is that the world's central banks will continue to pump liquidity (printing) into the markets and could possibly create the next bubble. He said there are a lot of complications when central banks begin to exit monitory easing strategies. An important data point to watch is the yield on S&P earnings at 6.4% vs. the yield on the 10 year treasury at 2.52% (see chart). Dr. Kelly said a possible tipping point for the markets could be when 10 year treasuries approach 4%-4.25%. To prepare for this, he suggests keeping your bond positions short, and maintaining a balanced portfolio.

Our final speaker at our conference this year was, **Jeff Skiles, co-pilot of Miracle on the Hudson**. The National Geographic Channel did an excellent two hour feature on that flight the Sunday after our conference. If you missed it, the next feature will be Saturday, August 2 on the National Geographic Channel at 9pm CST *(natgeotv.com)*.

Wealth Management

New Rules For Trustees: Wisconsin Trust Code

Brian E. White, CFP®
Wealth Manager

This quarter, Spectrum Wealth Management™ will be focusing on the Wisconsin Trust Code (WTC) and the changes associated with it. It becomes effective on July 1, 2014 and is a major change in Wisconsin law. WTC is a slightly modified adoption of the Uniform Trust Code. As of now, 28 other jurisdictions have adopted the Uniform Trust Code in some form, with more to follow.

The WTC modernizes Wisconsin trust law, answers questions not covered in the previous trust code, offers greater flexibility for trust management and further reduces the need for court involvement. So how does the WTC apply to you? Do you currently have a trust established for yourself or a family member? Are you a Trustee for a trust? Do you have family members or close friends who have a trust? If you answered yes to any of these questions, you may want to continue reading. Here are some other questions you may have:

I have a personal trust established prior to July 1, 2014. Is it still valid? Yes, the WTC applies to existing trusts as well as trusts created after that date. However, there are some changes to the law that may present opportunities to improve upon your current trust. We would encourage you to review the trust documents with your estate planning attorney.

The WTC talks about a "Directing Party". What is that? One of the biggest changes with this issue is that the WTC creates new protections for the Trustees. One of these is the Directing Party. This applies to the investment management of the trust's investments or distributions from the trust. If a Trustee is not comfortable managing the investments of a trust, they can appoint an individual or company to serve as the Directing Party. This may be particularly useful for relieving the investment management or distribution responsibilities from the trustee. A Directing Party can be appointed through the trust document or through a court order.

The Directing Party and the Trustee are both fiduciaries to the trust and its beneficiaries. This means that they are required to act in the best interest of the trust and its beneficiaries. The Directing Party is also liable if he/she breaches his/her duties. For example, if ABC Investment Advisors is listed as the Directing Party for the John Smith Trust, ABC is a fiduciary and liable for any breach of duty. Keep in mind that ABC Investment Advisors is not subject to a lawsuit if the stock market drops by 10%. However, if they fail to execute an investment policy and invest in an illegal pyramid scheme, that is a breach of duty. Even if that does happen, the Trustee is probably not liable as long as they didn't willfully breach their duties as a Trustee.

The WTC also authorizes a Trust Protector. What's the difference? A Trust Protector is a person such as an attorney or accountant who is granted powers over the trustee, trust or Directing Party. They're often appointed for trust flexibility and to safeguard a trustee. In the case of income tax changes or other future events, the Trust Protector can be in place to protect the initial intention of the trust grantor. This is a role that may or may not be in a fiduciary capacity.

I've placed assets in an irrevocable trust in the past. Things have changed – do I have options? The WTC does allow for the decanting of trusts in certain circumstances. Decanting boils down to transferring assets from one trust to another. For example, there may be irrevocable family trusts established where one party is paying the income taxes on the trust investments for the benefit of their children. They may decide to change that arrangement by decanting to a different irrevocable trust. This may seem like an easy way to change a trust arrangement, but there are definitely risks associated with making such a change. There may be tax issues as well. We strongly encourage you to speak with an accountant and your attorney before any decanting takes place.

I don't have kids, but I want to make sure my pets are well taken care of. Does the WTC say anything about that? Yes, the WTC allows for the creation of a Pet Trust. According to the American Pet Products Association, $58.5 billion will be spent in the pet industry. That's right, $58.5 BILLION. Now you can establish that trust for the future care of your non-human companion.

As we stated earlier, we strongly suggest that you consult with your estate planning attorney to make sure your estate plan is still appropriate. If you have any questions or aren't sure who to contact, please start with Spectrum.

Spectrum Investor® Update 6/30/14

Category Average	2nd Qtr	1 Year	3 Year
Intermediate-Term Bond	2.09%	5.07%	4.08%
Moderate Allocation	3.60%	16.03%	9.61%
Large Cap Value	4.53%	22.21%	14.88%
Large Cap Blend	4.63%	23.65%	14.86%
Large Cap Growth	4.18%	26.22%	14.42%
Mid Cap Value	4.67%	25.44%	15.33%
Mid Cap Blend	3.90%	24.74%	14.15%
Mid Cap Growth	2.66%	23.98%	12.59%
Small Cap Value	2.91%	23.58%	14.50%
Small Cap Blend	2.31%	23.78%	14.25%
Small Cap Growth	0.57%	22.40%	12.73%
Foreign Large Blend	3.71%	20.83%	6.62%
Real Estate	6.88%	13.14%	10.89%
Natural Resources	8.34%	26.79%	2.37%

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

DOW: 16,826	**10 Yr T-Note: 2.52%**
NASDAQ: 4408	**Inflation Rate: 2.1%** (5/2014)
S&P 500: 1960	**Unemployment Rate: 6.1%** (6/2014)
Barrel of Oil: $105.37	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.

IRS Indexed Limits for 2014: 401(k), 403(b), 457(b) Plan Deferral Limit is $17,500. Catch-up Contribution limit is $5,500. Source: The Standard

In Other Words

Target-Date Investments and Your Life Expectancy

Angie Franzone
Newsletter Editor

For a 65 year old couple, there is nearly a 50% chance that one of them will live to the age of 90, up 2% from last year. This is one of the staggering statistics presented at our most recent retirement seminar on June 18, by **Sharon Carson**, Vice President and Retirement Strategist at JPMorgan. She explained that when saving for retirement, you should plan on living much longer, as much as 30 plus years! That means what you thought you needed to have saved for your golden years, is probably not enough. The below chart helps investors determine whether they are on track to be able to afford their current lifestyle level over 30 years in retirement. For example, if you were making $75,000 per year, you should have 3.1 times your income by age 50 **www.jpmorganfunds.com**

RETIREMENT INSIGHTS — J.P.Morgan Asset Management

Current age	$50,000 Checkpoint (x Current Salary)	$75,000 Checkpoint (x Current Salary)	$100,000 Checkpoint (x Current Salary)	$150,000 Checkpoint (x Current Salary)	$200,000 Checkpoint (x Current Salary)	$250,000 Checkpoint (x Current Salary)	$300,000 Checkpoint (x Current Salary)
30	0.4	0.6	1.0	1.7	2.0	2.2	2.4
35	0.7	1.1	1.5	2.3	2.8	3.0	3.3
40	1.2	1.6	2.2	3.2	3.7	4.0	4.3
45	1.7	2.3	3.0	4.2	4.9	5.3	5.7
50	2.4	3.1	3.9	5.5	6.3	6.8	7.3
55	3.3	4.2	5.2	7.2	8.1	8.8	9.4
60	4.4	5.5	6.7	9.2	10.4	11.2	11.9
65	5.7	7.1	8.6	11.6	13.2	14.1	15.0

How to use:
- Go to the intersection of your current age and your closest current salary.
- Multiply your salary by the checkpoint shown to get the amount you should have saved today, assuming you continue annual contributions of 5% going forward.
- Example: for a 40-year-old making $100,000: $100,000 x 2.2 = $220,000

Model assumptions:

Pre-retirement investment return: (60% S&P 500/40% BarCap Agg)	7.0%
Post-retirement investment return: (30% S&P 500/70% BarCap Agg)	5.0%
Retirement age:	65
Years in retirement:	30
Wage growth rate:	2.5%
Confidence level represented:	80%
Assumed annual contribution rate:	5%

Source: 2014 J.PMorgan Guide to Retirement (page 15)

To get an idea of your life expectancy, Sharon suggested taking a life expectancy quiz, such as the LifeSpan Calculator from Northwestern Mutual, which asks 13 questions ranging from your smoking and drinking habits to exercise and diet. This is a great calculator because it is short, you can see your estimated age change as you answer each question and it doesn't require you to sign up or provide an email. **It can be found by typing, *lifespan calculator*, into your search bar.**

So you've taken the quiz and calculated your estimated life expectancy. Now how do you determine what investment options are right for you? Some of our larger 401(k) plans have the option to choose a target date investment. Target date investment options are the fastest growing segment of employee 401(k) holdings and now have assets totaling over $685 billion, up from $270 billion in 2010 (Morningstar). The growth in target-date investment options, especially for larger employers with hundreds or thousands of employees, has been fueled by two things: the need for simple diversification, and the need for an investment solution to accompany automatic enrollment. Target-date investments can solve both needs by offering diversified portfolios that automatically rebalance and reduce risk as investors approach retirement. In theory, it is an easy answer for investors and plan sponsors. However, these so-called "auto-pilot" investment options have not flown without turbulence.

The risk level at age 65 is at the center of the discrepancy. There are two primary philosophies among target-date investment options. One philosophy manages "**to retirement**" and the other manages "**through retirement**". The first, managing to retirement, is typically the public perception that target-date investments manage to age 65, when they will reach and remain at its most conservative allocation for capital preservation and income distribution. However, some managers argue that being too conservative at age 65 could result in investors outliving their assets. As Morningstar explains, "The results serve as a reminder that investors or plan sponsors choosing more conservative target-date options don't just simply lower their market-risk exposure. They take on longevity - risk- the possibility of outliving savings – in return." Therefore, several target-date investments manage through retirement and maintain a larger equity position beyond age 65 for growth, to guard against asset depletion.

Both strategies may serve a purpose for different investor needs. The concern is that the difference in strategy is not distinguishable by name among competing target-date investments. Without reading a prospectus, investors could assume any target-date option would operate the same and become very conservative by age 65. This is a dangerous assumption, especially when target-date options are often used as a single solution for an investor's entire retirement plan portfolio. At Spectrum, we offer target date options, especially for auto-enrollments, but our concern is that target-date options are generally represented by only one family.

The issue was harshly demonstrated by the volatile markets of 2008 and early 2009. Particularly for those invested in the 2010 option, which meant that participants were likely only about two years from age 65, and only after the markets rapidly sank in value did some of those investors realize their assets were actually more aggressive than was thought.

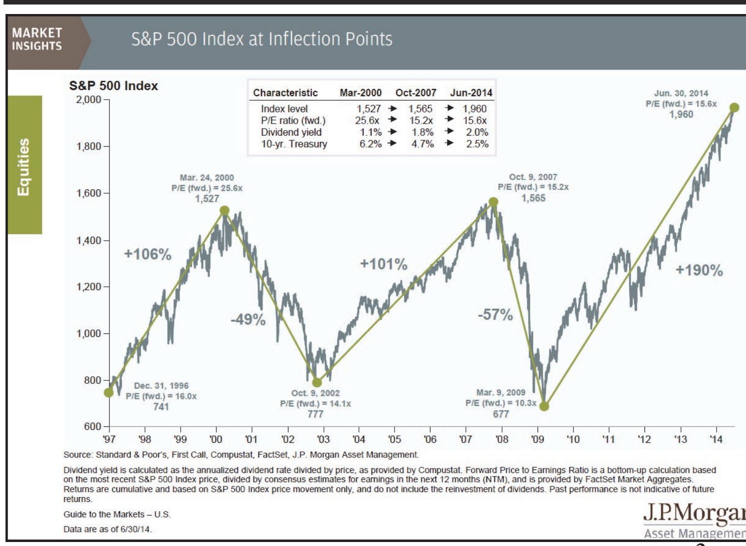
The clear message is that target-date investments are not completely hands free as originally perceived. Investors still need to know the core principles and risks of investing. Even with improved labels and marketing, basic knowledge or guidance is critical to interpret those labels, especially when approaching retirement age and when life expectancy is increasing every year (Center for Disease Control).

If you have any questions regarding the above, please contact Spectrum.

60% Stocks/40% Bonds Allocation vs. Indices Ending 6/30/14

15 Yr	10 Yr	5 Yr	3 Yr	1 Yr	Index Definition
Real Est. 11.28%	Nat. Res. 12.01%	Real Est. 23.76%	Lg. Growth 16.96%	Nat. Res. 33.14%	Natural Res: S&P North Am. Nat. Resources TR
Mid Cap 10.01%	Mid Cap 10.50%	Mid Cap 21.67%	Lg. Blend 16.58%	Lg. Growth 27.13%	Large Growth: S&P 500 Growth TR
Sm. Value 9.74%	Real Est. 9.41%	Sm. Growth 20.50%	Lg. Value 16.25%	Mid Cap 25.24%	Mid Cap Blend: S&P MidCap 400 TR
Nat. Res. 9.45%	Sm. Growth 9.04%	Sm. Blend 20.21%	Mid Cap 15.26%	Sm. Growth 24.73%	Small Growth: Russell 2000 Growth TR
Sm. Blend 8.01%	Sm. Blend 8.70%	Sm. Value 19.88%	Sm. Value 14.65%	Lg. Blend 24.61%	Large Blend: S&P 500 TR
60/40 7.88%	60/40 8.39%	Lg. Growth 19.19%	Sm. Blend 14.57%	Sm. Blend 23.64%	Small Blend: Russell 2000 TR
Sm. Growth 5.78%	Sm. Value 8.24%	Lg. Blend 18.83%	Sm. Growth 14.49%	Intl. 23.57%	International: MSCI EAFE NR
Bonds 5.60%	Lg. Growth 8.16%	Lg. Value 18.52%	Real Est. 11.38%	Sm. Value 22.54%	Small Value: Russell 2000 Value TR
Lg. Value 4.88%	Lg. Blend 7.78%	Nat. Res. 14.76%	60/40 9.79%	Lg. Value 21.99%	Large Value: S&P 500 Value TR
Intl. 4.59%	Lg. Value 7.34%	60/40 13.85%	Intl. 8.10%	60/40 16.32%	60/40: 60% Diversified Stocks/40% Bonds
Lg. Blend 4.35%	Intl. 6.93%	Intl. 11.77%	Nat. Res. 6.73%	Real Est. 13.27%	Real Estate: DJ US Select REIT Index TR
Lg. Growth 3.59%	Bonds 4.93%	Bonds 4.85%	Bonds 3.66%	Bonds 4.37%	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.©2014 Spectrum Investment Advisors, Inc.



Invest In Your Health

Gluten Schmooten

David Meinz, MS, RD, FADA, CSP
America's Personal Health Humorist

Have you noticed lately how many people are coming down with gluten sensitivity? There seems to be a sudden epidemic of gluten intolerance in the U.S. You probably know someone who's told you how much weight they've lost since they stopped eating bread.

Gluten is a natural protein found in wheat and other grain products. Some people, a very *small* number of people by the way, have a genetic disorder that causes an autoimmune response when they eat it. GI symptoms can include stomachache, bloating, diarrhea, gas, and unexplained weight loss. **Gluten sensitivity is a less dramatic form of the more serious problem called celiac disease. Only 1% of the population has celiac disease. About one out of a hundred. That still adds up to a lot of people, but odds are you personally don't have it.**

"I still smoke, but I'm careful to buy cigarettes that are gluten-free with no trans fat."

If it turns out you do have celiac disease or gluten sensitivity, and you stop eating products with gluten in them, you *will* feel dramatically better very quickly. But people who lose weight on a gluten-free diet are usually incorrect when they self- diagnose themselves as having a gluten sensitivity. What it often means is that they've cut out a significant number of calories that used to come from wheat and grain products. When you cut out foods made with wheat like breads and cereals, but also muffins, doughnuts, cookies, Twinkies, and Ding Dong's you will–naturally–lose weight. That's because you're cutting calories, not because you have a sensitivity to wheat products.

Besides, whole-grain products like 100% whole wheat bread are an important part of a well-rounded diet and supply important nutrients and fiber that you just can't get in other food sources. What's more, the research is clear that consuming whole-grain products that are high in fiber can help you feel more full and actually help you control your calorie intake and lose weight. To cut out an entire food group is not the way to go.

Researchers at Mayo Clinic have found that about 80% of people that are currently on the new gluten-free diet have never been diagnosed with a gluten problem in the first place. But equally important, of that 1% of the population that does have celiac disease, the vast majority of them don't know they have it. Why? Because they've never been tested for it.

Surveys show that many consumers believe that gluten-free foods are healthier and will help them lose weight. The fact is that they're only healthier for a very, very small number of people. For the rest of us, **just because some cakes, cookies, and chips say they are gluten-free does not make them good for you.**

The bottom line is that you most likely don't have celiac disease or gluten sensitivity. Your physician can do a blood test to help find out. However, you have to be using some wheat or gluten products for the sensitivity to actually show up during testing. The thing not to do is to go into your physician's office after you've been off of wheat products for several months. The problem won't show up in the test.

It won't hurt for you to avoid wheat and grain products for a couple of weeks if you think you might have a sensitivity. If you are bothered with GI problems that go away or vastly improve, you may be one of the small minority that, in fact, will do better by avoiding these foods. Your doctor can confirm your suspicion with some tests, but for the vast majority of us, gluten sensitivity is just the latest way for some food manufacturers to sell a lot of higher-priced items in the grocery store. Remember "with oat bran", "fat-free", and, most recently, "low-carb" everything? I predict you'll find a lot of gluten-free items in the clearance section of your supermarket in the very near future.

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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