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INVESTMENT ADVISORS

4th Quarter | 2013

Upcoming Events:

Spectrum Investor®

Coffee House

Educational Series

Wednesday, Jan 29, 2014

Global Markets Review

Featuring Guest Speaker

Quentin Foley

Executive Director, JPMorgan

Retirement Seminar

9th Annual

Wednesday, June 18, 2014

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Quarterly Economic Update

James F. Marshall
President

Jonathan J. Marshall
Sr. Investment Analyst

The S&P 500 Stock Index reported its best return since 1997, up 29.6% for the year 2013. The US economy is expected to strengthen, which boosts the odds that the GDP (Gross Domestic Product) could grow at a 3% annual clip for the first time since 2005. According to Thomson Reuters, corporate profits are expected to grow 11% in 2014, up from around 6% in 2013.

Best year for S&P 500 since '97

In 2013, the benchmark U.S. stock index posted its biggest annual gain in 16 years. S&P annual total returns:

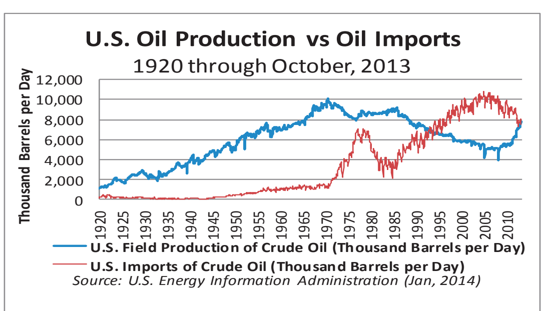
Year	Return	GDP Growth
2013	+32.4	3.6%*
2012	+16.0	2.8%
2011	2.1	1.8%
2010	+15.0	2.5%
2009	+26.5	- 2.8%
2008	-37.0	- 0.3%
2007	+5.5	1.8%
2006	+15.8	2.7%
2005	+4.9	3.4%
2004	+10.9	3.8%
2003	+28.7	2.8%
2002	-22.1	1.8%
2001	-11.9	1.0%
2000	-9.1	4.1%
1999	+21.0	4.8%
1998	+28.6	4.4%
1997	+33.4	4.5%

*GDP growth updated as of third quarter end. Source: S&P Dow Jones Indices 1/2/14

Stocks have performed consistently well in periods when the GDP was trending around 3%, according to LPL Financial. **The S&P 500 has posted gains in 93% of the quarters in the past 35 years when GDP growth was between 2.5% and 3.5%.** "It's the growth sweet spot for stocks," says **Jeffrey Kleintop**, LPL's Chief Market Strategist. The market tends to get expensive when the GDP growth exceeds 4%.

Unemployment has fallen from 9.8% in 2010 to 7.0% ending 2013. A good barometer to watch is whether the improving economy can generate 250,000 new jobs a month and push unemployment to near 6%. Forecasts for housing starts in 2014 run from just under 1 million to as high as 1.35 million, up from about 950,000 in 2013 (Moody's Analytics). Moody's study estimates that each new housing start creates approximately three new jobs, which could push unemployment down by 0.7% in 2014. Housing starts peaked in 2007 at 1.9 million.

A major long-term upside for the US economy is that crude oil production in our country is surging mostly from shale formations in Texas and North Dakota. *(See our website for our November 2013, Fracking in the Bakken, newsletter)*. The Energy Information Administration forecasts that crude production will rise by 24% to 9.6 million barrels by 2019, breaking the US record set in 1970. In comparison, the US economy uses approximately 18 million barrels of crude oil per day.



The US has virtually banned the export of crude oil in the wake of the mid 1970s energy crisis, but as America pumps more crude, 2014 could be the year those restrictions are lifted (*WSJ* 1/2/14). The reason is, if the price of a barrel of oil drops below $60/barrel, the hydraulic fracking process is no longer profitable, which could slow or reverse the growth of drilling rigs in the US. Exporting natural gas and/or oil could steady prices, which would be good for our economy long-term vs. rotating between over production and under production.

In December 2013, **Ben Bernanke**, Chairman of the Federal Reserve, reduced the Fed bond purchase by $10 billion from $85 million to $75 million per month, which resulted in a year-end market rally. So far it looks like Bernanke got it right in 2008 when he flooded the markets with dollars (helicopter Ben) as well as beginning to taper in December 2013 prior to his final term ending on January 31, 2014. Janet Yellen, who thinks very much like Bernanke in terms of the Fed supporting the economy, will likely be his successor.

Jason Trennert, Chief Investment Strategist at Strategas, explains that "Whatever the Fed might taketh away (tapering) it seems the Bank of Japan and European Central Bank will giveth." While much of the focus in 2013 was on the prospects for less stimulus from the Fed, investors are keeping a close eye on declining inflation rates across developing markets, especially in Europe. The lingering threat of deflation in Europe could result in the European Central Bank's monetary policy being looser than expected, which could fuel continued rallies in stocks, while keeping bond yields relatively low *(WSJ* 1/2/14*)*. As we have said previously, **"Don't fight the world's central banks."**

According to **William Stromberg**, Director of Equity Research at T. Rowe Price, the end result is a possible "mini-correction" of 5-10% for stocks sometime in 2014 as the Fed responds to an improved economy by tightening monetary policy. Financial Journalist, **Tom Saler,** believes the strongest argument against stocks being in a bubble is that so many investors remain concerned about the possibility. When caution turns to complacency, it will be time to worry (*JS, Historical Perspectives* 1/5/14).

March 9, 2014 will mark the 5th birthday of the latest bull market starting in March 2009. The average bull market lasts from 3-6 years with an average of 4.5 years. As **David Kelly** from JP Morgan often states, stay in a balanced portfolio in this market. We suggest overweighting stocks over bonds, underweight Treasury Inflation Protected Securities (TIPS) and Real Estate Investment Trusts (REITS) with the eventual rise in interest rates. You may also want to lighten up on small cap stocks as they are getting expensive in favor of large cap stocks. Bottom line, stay the course.

Wealth Management

A New Year & A New Way to Track Finances

Brian E. White, CFP®
Wealth Manager

New Year's Day brings a little excitement into the White house. Not THE White House – the Brian & Kara White house. My lovely wife is a self-described "nerd" when it comes to the budget and most of the paperwork for our family. January 1st is the day where we can file the last of the documents for 2013 and prepare the new files for 2014. Kara is pretty excited about buying new file folders and starting with a clean slate. We also get to create a new Excel file for our 2014 budget, another thrilling chapter in the life of a financial advisor.

This year, Kara is going to try something different and I would encourage you to do the same. With the technology available, we're going to track our finances online as well as through our traditional method of documenting receipts and balancing checkbooks. We'll be using a free website called Mint.com. If you're not currently keeping track of your spending and are looking for a good system, consider visiting Mint.com to see if it will work for you. Here's why:

It's easy to use. To begin, you'll need to sign up and spend a little time up front establishing all of your assets and liabilities. Most banks and credit card companies grant online access to their customers. Mint.com uses those online access portals to gain access to your transactions through a completely secure connection. If your bank/credit card isn't listed on Mint.com, you can submit a request for them to add it to their available sites.

After connecting your accounts, all of your transactions are automatically uploaded to Mint.com and most can be automatically categorized. For example, if you purchase a $4.25 latte at Starbucks, Mint.com will categorize your transaction as "Coffee Shop". Not all transactions (i.e. checks, cash) can be categorized, and you may need to manually enter any cash transactions. Some transactions such as corner gas stations may not be recognized by Mint.com and you'll need to categorize that transaction. Once you manually select a category for a transaction, Mint.com will generally remember that for the future.

It will help with budgets. As you use Mint.com, your historical spending will help to create budgets and savings goals for future months. When it comes to these budgets, more is better. That is, more information (and historical transactions) will create budgets that more closely align with your goals. It may take some time for accurate budgets to develop, but that's really the case for any method you use.

Should you already have specific budgets established, Mint.com allows you to easily change the dollar amounts and the frequency (Monthly, Quarterly, Annually) of those budgets. You can also set up specific savings goals for large purchases like a new car or college tuition.

It's free. How is it free? Mint.com makes their money through some advertising, but mostly through recommending banks, insurance and credit card companies. It then receives a referral fee from those companies. When you log on, you'll see recommendations for higher interest savings accounts, credit cards with cash rewards, etc. You certainly don't need to click on those links and they're not overwhelming.

It's accurate. This point comes with a caveat: It's as accurate as you make it. When you go out to eat and pay with cash, Mint.com won't be able to track it unless you manually enter the transaction. It's not hard, it just takes time. To lighten your workload, you may want to log in every week or two. The transactions are updated periodically, but you'll want to log in to be sure all of the transactions are assigned to a category. Mint.com has free applications for smartphones and tablets, which gives you mobile access and the ability to update anywhere.

Mint.com is owned by Intuit, the maker of TurboTax and Quicken. If you prefer to have a desktop (not online) budgeting software experience with no advertising, Quicken is one of the most respected and well known programs available. Pricing for Quicken 2014 starts at $30 for a Starter Edition and goes up to $105 for all the bells and whistles. There are many other players in the world of budgeting tools, so be sure to do your research to find the method that works best for you.

If you have any questions about budgets or anything else related to financial planning, please call our office. We're here to help!

Spectrum Investor® Update 12/31/13

Category Average	4th Qtr	1 Year	3 Year
Intermediate-Term Bond	0.29%	**-1.44%**	3.64%
Moderate Allocation	5.39%	16.48%	9.16%
Large Cap Value	9.34%	31.22%	14.49%
Large Cap Blend	9.76%	31.54%	14.49%
Large Cap Growth	**10.29%**	33.93%	14.89%
Mid Cap Value	9.04%	35.15%	14.83%
Mid Cap Blend	8.76%	34.10%	14.22%
Mid Cap Growth	8.30%	34.93%	14.09%
Small Cap Value	9.24%	36.20%	14.22%
Small Cap Blend	9.22%	37.48%	15.15%
Small Cap Growth	8.15%	**40.91%**	**15.84%**
Foreign Large Blend	6.03%	19.46%	6.74%
Real Estate	**-0.40%**	1.48%	8.65%
Natural Resources	3.96%	8.75%	**-0.16%**

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

DOW: 16,576	**10 Yr T-Note: 3.03%**
NASDAQ: 4176	**Inflation Rate: 1.2%** (11/2013)
S&P 500: 1848	**Unemployment Rate: 7.0%** (11/2013)
Barrel of Oil: $98.42	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

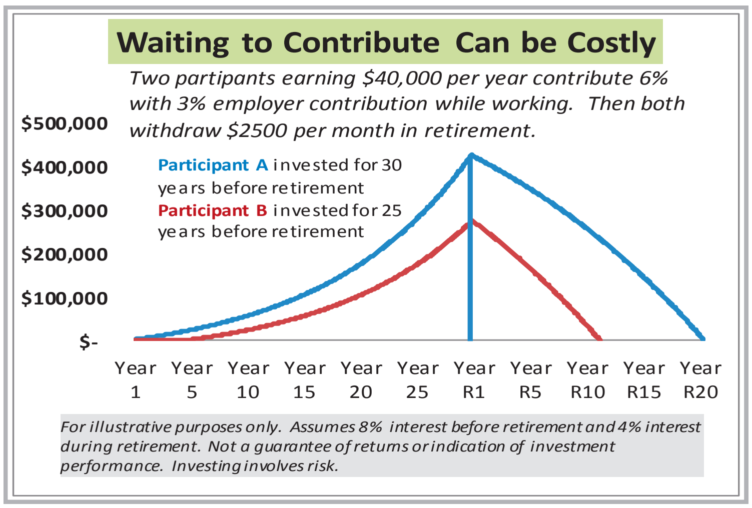
In Other Words

It's Never Too Early to Prepare for Retirement

Angie Franzone
Newsletter Editor

The first thing that pops into my head when I think about saying goodbye to the year 2013 and ushering in 2014 is the image of Father Time stepping aside and making way for Baby New Year to take over. But what happens after Father Time retires from his job? What does he do and where does he go? Retiring can be very difficult without the proper preparation and planning and if Father Time didn't make a financial plan before stepping down, he might find himself hitting up Baby New Year for a loan!

American Century Investments sponsored a national study this year of over 1000 full-time employed plan participants between 55 and 65, to understand how well the participants felt they did in saving for retirement. Among those surveyed, 82% wished they could talk to their younger self to tell themselves to save more, 76% said that when they were young they underestimated how much they should be saving for retirement and 57% said that not saving enough was the biggest mistake of their lives. Those are some staggering numbers!



According to the Stanford Center on Longevity (SCL), two in three pre-retiree men underestimate the life expectancy of the average 65 year-old man and about half of female pre-retirees underestimate that of a 65 year-old woman (Society of Actuaries 2011). The Employee Benefits Research Institute (EBRI) reports that half of all 65 year-old men will live an additional 17 years and for women, another 20 years. The message is clear, **people are living longer than ever before and you need to be financially prepared to live for at least another 15 - 20 years after retirement.**

In addition to underestimating life expectancy, there is also a large gap between retirement-age expectations and actual experience. The median expectation for retirement is 65, but the actual average age is 61 (EBRI 2012). And when it comes to working in retirement expectations vs. reality, the gap is also considerable. According to Jeremy Kisner, president of Surevest Wealth Management, "sixty-nine percent of people plan to earn some money after they retire, but only 27% report that they have worked for money after retirement."

The three main things that impact your balance at retirement are your contributions, how long you work and your asset allocation. The chart above shows an example of two retirement plan participants earning the same income for 30 years ($40,000). Participant A started contributing to the plan right away at 6% and took advantage of the company matching program. Participant B delayed contributing for five years. Upon retirement, if both participants withdraw the same amount ($2,500 per month before taxes) participant B would run out of money just over 11 years into retirement while participant A would still have money to withdraw going into the 21st year of retirement.

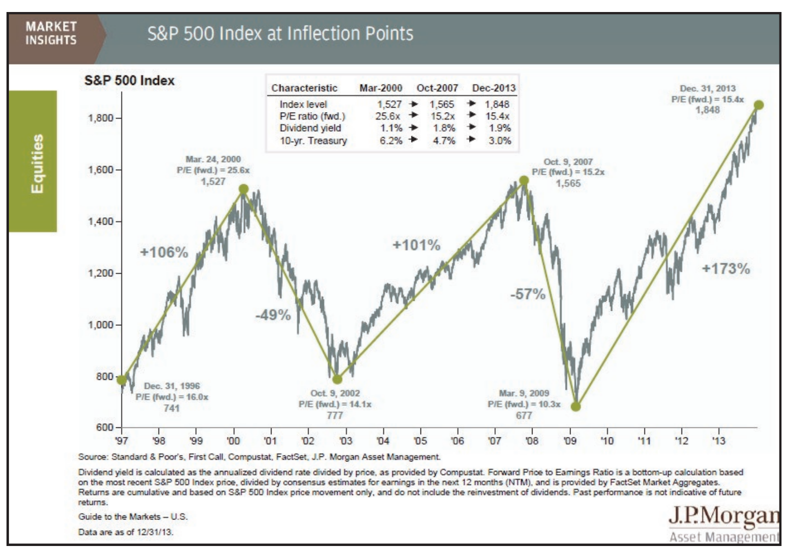
So what does this all mean? The point is not to scare you (but if it does a little, maybe that's a good thing), but rather to learn from other's mistakes. There's a reason there's an abundance of data on the topic of retirement; it's a complicated process that not a lot of people are sufficiently prepared for. Have a financial plan and take advantage of the advice your investment advisor has to offer.

David Laster, director of investing analytics at Merrill Lynch Wealth Management says that "failure to plan is one of the most common reasons why retirees run into problems." "In one survey by the EBRI, only 42% of workers try to calculate a budget before going into retirement. If you don't do that, that leaves you vulnerable to some unpleasant surprises in retirement, and it can be painful" (Laster, as quoted in *USA Today)*.

60% Stocks/40% Bonds Allocation vs. Indices Ending 12/31/13

15 Yr	10 Yr	5 Yr	3 Yr	1 Yr	Index Definition
Real Est. 10.48%	Nat. Res. 11.18%	Sm. Growth 22.58%	Sm. Growth 16.82%	Sm. Growth 43.30%	Small Growth: Russell 2000 Growth TR
Nat. Res. 10.04%	Mid Cap 10.36%	Mid Cap 21.89%	Lg. Growth 16.77%	Sm. Blend 38.82%	Small Blend: Russell 2000 TR
Mid Cap 9.97%	Sm. Growth 9.41%	Sm. Blend 20.08%	Lg. Blend 16.18%	Sm. Value 34.52%	Small Value: Russell 2000 Value TR
Sm. Value 9.82%	Sm. Blend 9.07%	Lg. Growth 19.24%	Sm. Blend 15.67%	Mid Cap 33.50%	Mid Cap Blend: S&P MidCap 400 TR
Sm. Blend 8.42%	Sm. Value 8.61%	Lg. Blend 17.94%	Mid Cap 15.64%	Lg. Growth 32.75%	Large Growth: S&P 500 Growth TR
60/40 7.84%	Real Est. 8.22%	Sm. Value 17.64%	Lg. Value 15.62%	Lg. Blend 32.39%	Large Blend: S&P 500 TR
Sm. Growth 6.48%	60/40 8.10%	Lg. Value 16.61%	Sm. Value 14.49%	Lg. Value 31.99%	Large Value: S&P 500 Value TR
Lg. Value 5.32%	Lg. Growth 7.69%	Real Est. 16.36%	60/40 9.39%	Intl. 22.78%	International: MSCI EAFE NR
Bonds 5.23%	Lg. Blend 7.41%	60/40 13.52%	Real Est. 9.04%	Nat. Res. 16.49%	Natural Res: S&P North Am. Nat. Resources TR
Lg. Blend 4.68%	Lg. Value 7.05%	Nat. Res. 13.45%	Intl. 8.17%	60/40 15.38%	60/40: 60% Diversified Stocks/40% Bonds
Intl. 4.54%	Intl. 6.91%	Intl. 12.44%	Nat. Res. 3.32%	Real Est. 1.22%	Real Estate: DJ US Select REIT Index TR
Lg. Growth 3.83%	Bonds 4.55%	Bonds 4.44%	Bonds 3.26%	Bonds -2.02%	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.



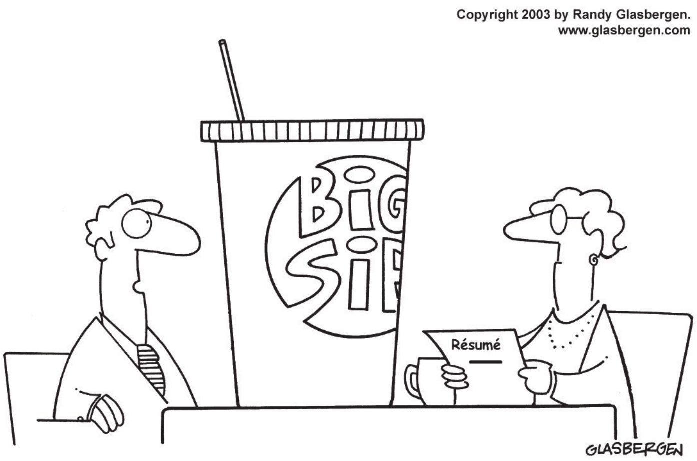
Invest In Your Health

You Want a Soda With That?

David Meinz, MS, RD, FADA, CSP

America's Personal Health Humorist

You've probably heard that the New York Supreme Court recently overturned Mayor Michael Bloomberg's so-called "soda ban." Whether you thought his ban on soda servings larger than 16 ounces was a good idea or not, it certainly identifies an important factor on why Americans are getting fatter every year. According to the United States Department of Agriculture, the average American is consuming about 28 added teaspoons of sugar per person per day from processed foods and sugars added at the table; 36% of that sugar comes from soda, energy drinks, and sports drinks. That comes to about 50 extra pounds of sugar a year per person just from those beverages.



"Will I be required to take a urine test?"

A lot of people are also concerned about the high fructose corn syrup found in soda. Ironically, some sodas are now being made with old-fashioned cane sugar like they used to be in the old days. Somehow consumers are supposed to think this is a better, more natural alternative. Better? More natural? Just because they're using plain sugar? I don't think so. That's just more marketing. The fact of the matter is that high fructose corn syrup is almost identical to regular sugar. The issue is not whether there is something uniquely bad for you in high fructose corn syrup, the issue is that it's just more sugar in the American diet.

People come up to me after a seminar and complain that everything has high fructose corn syrup added now. They say, "It's in my Doritos, it's in my Ding Dong's, it's in my Dr. Pepper, it's in my Mountain Dew, it's in everything!" While they didn't mean to, they just told me a great deal about how they eat. It's processed foods that are often the ones with high fructose corn syrup added. The fact of the matter is you don't have to worry about high fructose corn syrup very much if you eat foods closer to the way they grow.

Couldn't we solve a lot of these problems if we just all started drinking diet soda? **Interestingly, researchers at the University of Texas found that diet soft drink consumption was actually associated with an increase in waist circumference.** Another 2012 study showed that consumption of at least one diet soda per day was associated with an increased risk of vascular problems like stroke. To be fair, other studies have found that diet soda helps control calorie intake. Of course, an ever-present problem is the fact that people can often justify an extra helping or "treat" because they had a diet soda at the same time.

Here's my opinion of the real issue. **The more sweet tasting things you consume, regardless if they're sweetened with sugar or artificial sweeteners, the less desirable natural, non-sweetened foods become.** An apple tastes naturally sweet, but it cannot hold a candle to a piece of apple pie. An orange is naturally sweet, but it cannot compete with orange soda. When a lot of the foods you eat taste sweet because of sugar or artificial sweeteners you establish a new standard of acceptability for your taste buds.

Totally separate from the issue of the safety of sugar or artificial sweeteners is the fact that anything that sweetens your food is going to make you want more sweetened food in the future. So the issue is not if you should drink diet soda or regular soda, the issue is that you should drink less of both. I know water is boring but that's only because you've been sold a bill of goods about the exciting life you get with soda consumption. Were you a member of the Pepsi generation? Do you believe things go better with Coke?

The average family spends about $850 a year on soda, and yet a lot of people tell me they can't afford fresh fruits and vegetables.

Sometimes people ask me at my seminars to bottom line the topic. They ask for one thing they could do to improve their family's health. Without exception, I tell them to cut down on their bubbled, sweetened, drugged water. Maybe Mayor Bloomberg was on to something after all.

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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