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INVESTMENT ADVISORS



4th Quarter | 2015

As of 9/30/2015

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Upcoming Events:

**Spectrum Investor®
Coffee House
Educational Series**

**January 2016
Economic Update**

More info to come

**THANK YOU
To all that attended our**

**10th Annual
Retirement Plan
Investment Seminar**

**On June 10, 2015
In Waukesha, WI
As well as our**

**SPECTRUM INVESTOR®
COFFEE HOUSE
EDUCATIONAL SERIES**

In January, May & Oct.

For weekly market updates,
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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

For nearly four years, stocks have been generally heading in one direction, up. Triggered by China's devaluation of its currency (Yuan) on August 11, 2015 and the uncertainty of the Federal Reserve, the S&P 500 Index officially entered a correction in the third quarter (*Barron's*, 10/5/15). A correction is defined as a decline of 10% or more. As of 9/30/15, bonds (aqua) are at the top of our Spectrum Investor® Historical Analysis chart, a clear sign that it hasn't been a great year. Expect volatility in the markets to be at a higher level than in the past four years as the Fed ponders raising interest rates (see below VIX (volatility) Index).

According to **Dr. David Kelly**, Chief Global Strategist for JPMorgan, China appears to be slowing more than it is letting on; however, the country is not collapsing. China has ample cash reserves to weather the storm. The Chinese economy is evolving from an infrastructure economy to a consumer economy, which takes time. For example, in the past 20 years, China has built 130 new airports. With \$3.6 trillion in foreign exchange reserves, China can allow their economy to slow, while preventing a meltdown.

The US exports less than 1% to China, Europe exports less than 2% and Japan exports 3%. For this reason, Dr. Kelly says there is little evidence that the Chinese economy is hurting developed markets like the US, Europe, Japan or Canada and he does not think this is the start of a global recession, but rather a pause for emerging markets. The good news is, US consumer spending is still strong, especially with auto sales at 18 million a year (20-year avg. 15.4 million) and new housing starts at 1.1 million per year (20-year avg. 1.33 million) (JPMorgan).

Dr. Kelly mentioned that 2015 has been a lousy year for earnings growth year over year, primarily because of the energy sector, which contributes one tenth of the earnings growth to the S&P 500 Index. He explained that if interest rates go up, financials will generally do better. However, if interest rates stay low, utilities will out-perform.

At the PLANADVISER National Conference in September, **Jeffrey Gundlach**, founder and portfolio manager at DoubleLine, was asked about the Fed hiking rates. He answered that commodity prices are at multi-year lows and emerging market equities are at six year lows, citing a Bloomberg article from earlier this year that looked at Fed rate hikes historically. Since 1948, the Fed has raised the federal funds rate 118 times. The average nominal gross domestic product (GDP) was 8.6%, more than double where it is today at 3.3%. Of the 118 rate hikes, 112 had a nominal GDP higher than 4.5%, only two of them (in 1958 and 1982) had a nominal GDP below 4.5%. The move in 1982 was almost immediately reversed. Mr. Gundlach does not believe the Fed will be able to justify raising rates this year, yet many members of the Federal Reserve continue to believe that a rate hike in late 2015 will occur.

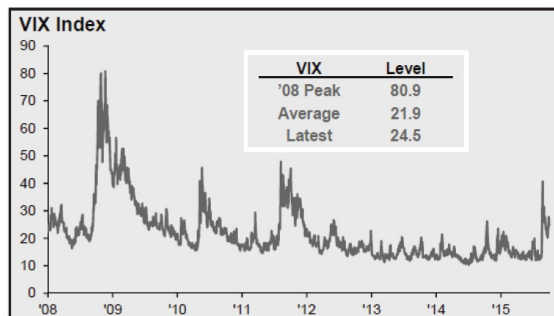
China devalued its currency in an attempt to be export competitive vs. other Asian countries, due to the continued strength of the dollar and the Yuan being pegged to it. We saw a massive increase in the Shanghai Index by mid year, which collapsed in conjunction with the devaluation. Margin lending, used for investing in China's market, quadrupled earlier this year and has completely reversed since (*Thought Leadership-DoubleLine*, 9/16/15). Chinese consumption demand has declined massively with iron ore prices dropping from over \$150 to \$56 today; 73% of the world demand for iron ore comes from China. In terms of oil, production is higher today than in 2014 and production will need to fall to gain any substantial rally in oil. Dr. Kelly mentioned, however, that by late 2016, oil could be in the \$60/barrel range vs. \$45/barrel today.

The good news, according to **Jack Bowers**, CEO of Independent Fidelity Investors, Inc., is that the US Federal debt has leveled off at about 75% of GDP, well below that of most other developed nations. With two-thirds of the debt held domestically, and given the large share of food, autos, housing and energy that are produced within our country, the risk of an economic catastrophe in the US is very low.

We suggest staying diversified, staying balanced and staying the course. If you haven't done so already, you may want to consider **refinancing again**.



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management, (Top right) CBOE, (Bottom right) Empirical Research Partners LLC.
*Capitalization weighted correlation of top 750 stocks by market capitalization, daily returns, Jan. 1, 1990 - Sep. 30, 2015.
Guide to the Markets - U.S. Data are as of September 30, 2015.



Wealth Management

Time For An Estate Plan Update?

Charles G. Maris, Attorney

Mark G. Kmiecik, Attorney

Guest Columnists - Davis & Kuelthau, s.c.

Fall is here and with it comes the annual ritual of the yard clean-up. This year, as we embark on putting together our “to-do” list of those tasks to complete before winter, we should be ever mindful of the importance of adding one essential task to this list, and that is performing a check-up of your estate plan. With the adoption of Wisconsin’s new Trust Code in 2014 and the higher estate tax exemption of \$5.43 million (2015), it is more critical to review your estate plan this year than in other previous years. For example, for those of you who created a Trust over 10 years ago that included a tax-planning arrangement called an “A-B” Type Trust (credit shelter plan), if you update now, you would learn that there are now better, and more flexible, estate planning options that make funding the “B” Trust optional (and not mandatory) and that accomplish the same tax objectives.

Why create a Will or Trust?

There are many reasons for creating a Will or Trust, starting with the opportunity to control how your wealth passes at your death and thereby avoid “intestacy.” Without a Will or Trust, your property passes by the laws of intestacy in the State in which you die - most state laws provide that your estate passes to your spouse and children in certain specified percentages. The main reason to create a Trust is the avoidance of probate at the courthouse. The use of a Trust to avoid the costs of probate and the delays and restrictions of probate can be of significant benefit to most estates.

Finally, the use of a Trust may meet financial planning needs by providing assistance to your spouse or children who are unable to properly manage their financial affairs. For example, you may appoint an Investment Advisor to oversee the management of trust assets or include terms that delay distributions of trust assets until a beneficiary gains more experience in managing assets.

Core Estate Planning Components

A well drafted estate plan includes the following core documents:

- A Will, or a Trust coupled with a “pour-over” Will, that provides for the transfer of wealth upon your death, and in the case of a Trust, terms for the administration of trust assets during your lifetime.
- A Marital Property Agreement that includes terms which clearly classify your assets as individual or marital property and provide for the transfer of assets upon death without probate at the courthouse.
- A Declaration of Trust Ownership that assigns all assets (except real property) otherwise not titled in the name of the Trust to the Trust.
- A Financial Power of Attorney that gives a person the power to conduct transactions with respect to your property if you are otherwise incapable (disability or incompetency).
- A Health Care Power of Attorney that gives a person the power to make health care decisions for you. This commonly includes provisions which allow you to be placed in a nursing home or assisted living facility and your desire as to end-of-life decisions, such as tube-feeding.
- A HIPAA Authorization indicates those persons who have the right to your medical records (generally includes your spouse, children and the successor Trustee to your Trust).

Funding the Trust and Coordinating Beneficiary Designations

Once a Trust is created, your attorney will assist you with retitling some or all of your assets in the name of the Trust. Alternatively, your Trust may be designed to remain unfunded until after your death when your

assets would pass free of probate under the terms of your Marital Property Agreement. Finally, your attorney will coordinate your beneficiary designations on your financial accounts to ensure your assets go to the right person(s). For example, your Trust might be named as primary beneficiary of non-retirement accounts that are jointly-owned with your spouse.

Besides the reasons set forth in this article, there are many other reasons why you may want to review your estate plan this fall. Whether you desire to change which beneficiaries receive your property or you want to reconsider the designation of trustees, personal representatives and agents, a review of your estate plan this year helps ensure that you avoid mistakes that could cost you and your family in terms of dollars and heartache. As you can’t correct mistakes in your estate plan until discovered, it is fundamental for you to review your estate plan now (and every few years). If you would like to avoid common mistakes associated with estate planning, please contact your Davis & Kuelthau attorney or the authors, Attorney Charles G. Maris at 262.792.2424 / cmaris@dkattorneys.com or Attorney Mark G. Kmiecik, at 414.225.1406 / mkmiecik@dkattorneys.com.

The authors of this article and the law firm, Davis & Kuelthau, are not affiliated with Spectrum Investment Advisors. Spectrum Investment Advisors does not provide legal advice and you should consult your attorney regarding all information provided in this article.

Morningstar Category Averages	3rd Qtr	1 Year	3 Year
Intermediate-Term Bond	0.32%	1.46%	1.58%
Moderate Allocation	-5.60%	-2.51%	6.41%
Large Cap Value	-8.42%	-4.97%	10.27%
Large Cap Blend	-7.53%	-2.48%	11.28%
Large Cap Growth	-6.69%	1.36%	12.52%
Mid Cap Value	-9.19%	-3.16%	12.04%
Mid Cap Blend	-9.14%	-2.41%	11.74%
Mid Cap Growth	-9.49%	0.83%	12.02%
Small Cap Value	-10.32%	-2.99%	10.12%
Small Cap Blend	-10.90%	-1.11%	10.38%
Small Cap Growth	-11.98%	2.39%	11.17%
Foreign Large Blend	-10.34%	-8.06%	4.62%
Real Estate	1.37%	8.58%	8.60%
Natural Resources	-20.00%	-31.55%	-8.92%

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: 16,284	10 Yr T-Note: 2.06%
NASDAQ: 4620	Inflation Rate: 0.2% (8/2015)
S&P 500: 1920	Unemployment Rate: 5.1% (9/2015)
Barrel of Oil: \$44.48	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

Social Security Turns 80

Angie Franzone

Newsletter Editor

The federal government's largest benefit program hit a milestone this August, turning 80 years old. Signed into law by President Roosevelt in 1935, Social Security has collected \$18 trillion, largely from Social Security taxes paid by workers and employers, and has paid out \$15.2 trillion in benefits and administration costs since it began (ssa.gov).

Today's average monthly Social Security check is \$1,221 (based on your lifetime earnings) and one in three people is dependent on it to cover 90% or more of his or her income, with two in three relying on it for 50% or more of their total income (ssa.gov, *CNNMoney*, 8/14/15). As can be seen in the chart, created from the 2015 Retirement Confidence Survey,

only 31% of workers expect that Social Security will be a major source of income in retirement, when in actuality, Social Security is a major source of income for 63% of retirees.

The current average retiree age is 64, that's four years younger than in 1950 when the average retiree age was 68. The reason for this is that in 1959 Congress created the "early retirement age" which means that you

can retire as early as 62 in exchange for receiving reduced benefits. Today, if you would like to receive full benefits you must be at least 66 years old, and that number is going up. If you're 55 or younger you'll have to wait until you're 67. The reasons for the increase in retirement age include improvements in the health of older people and increases in average life expectancy. Due to the fact that people are living longer and retiring earlier, the average retiree gets 12 more years of Social Security benefits than he or she did in 1940 (*CNNMoney*, 8/14/15).

There are definite challenges facing the Social Security program. In addition to an increase in average life expectancy, retiring baby boomers are putting a strain on the reserves. Every day about 10,000 people in the US turn 65 and typically did not have as many children as their parents did (*Business Insider*, 8/13/15). As a result, the ratio of workers to beneficiaries is shrinking. In 1960, there were five workers paying into the system for every person collecting benefits, today there are fewer than three (*CNNMoney*, 8/14/15).

Although the Social Security trust fund for its retirement program is expected to run out in 2035, Social Security will be able to pay full benefits through 2034 and three quarters of scheduled benefits through 2089 even if Congress doesn't reform the system at all. That's good news for the 81% of 20 somethings who are concerned that Social Security won't be there for them when they retire (Transamerica Center for Retirement Studies).

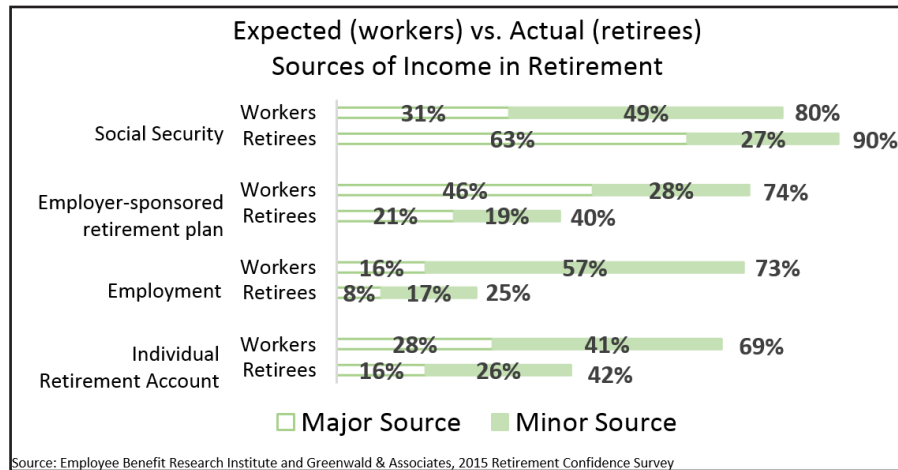
With nine out of 10 individuals age 65 and older receiving Social Security benefits (ssa.gov), it's clear that it is a much needed source of income that helps take some pressure off of volatile markets, like the ones we're

currently experiencing, and retirement plans. According to Catherine Collinson, president of Transamerica Center for Retirement Studies, "For many, Social Security benefits mean the difference between a passable retirement versus living in poverty." If we look to the chart again, we can see how this could be the case. Retirees are less likely than workers to expect to rely on any form of personal savings, or on employment, for their income in retirement. In fact, out of the sources of income illustrated in the chart, Social Security was the only source in which workers expect to need less than they actually wind up needing in retirement.

If the volatility in the markets is keeping you up at night, it's probably time to review your portfolio. As we stated in our August special edition Market Volatility newsletter, it's normal for stock prices to decline at some point every year. The important thing is to stay calm and be proactive, rather than reactive. Call

and talk to an adviser at Spectrum who can make sure you're diversified and that your portfolio allocation is appropriate for your risk tolerance.

And as for those millennials who are worried about Social Security not being there for them when they retire, keep this in mind, if you're young enough to worry about not getting Social Security, you're not old enough to worry about volatile markets.



Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey

60% Stocks/40% Bonds Allocation vs. Indices Ending 9/30/15					
15 Yr	10 Yr	5 Yr	3 Yr	1 Yr	Index Definition
Real Est. 9.98%	Sm. Growth 7.02%	Lg. Growth 12.64%	Lg. Growth 12.52%	Real Est. 8.58%	Real Estate: DJ US Select REIT Index TR
Sm. Value 9.15%	Lg. Growth 6.96%	Sm. Growth 12.11%	Mid Cap 11.74%	Sm. Growth 2.39%	Small Growth: Russell 2000 Growth TR
Sm. Blend 7.41%	60/40 6.47%	Lg. Blend 11.68%	Lg. Blend 11.28%	Bonds 1.46%	Int.-Term Bonds: Bar-Cap Aggregate Bond
Mid Cap 6.87%	Mid Cap 6.39%	Real Est. 11.19%	Sm. Growth 11.17%	Lg. Growth 1.36%	Large Growth: S&P 500 Growth TR
60/40 6.86%	Real Est. 6.18%	Mid Cap 11.19%	Sm. Blend 10.38%	60/40 -0.78%	60/40: 60% Diversified Stocks/40% Bonds
Nat. Res. 5.86%	Sm. Blend 6.11%	Sm. Blend 10.94%	Lg. Value 10.27%	Sm. Blend -1.11%	Small Blend: Russell 2000 TR
Lg. Value 5.35%	Lg. Blend 5.97%	Lg. Value 10.79%	Sm. Value 10.12%	Mid Cap -2.41%	Mid Cap Blend: S&P MidCap 400 TR
Sm. Growth 4.99%	Sm. Value 5.92%	Sm. Value 10.20%	Real Est. 8.60%	Lg. Blend -2.48%	Large Blend: S&P 500 TR
Bonds 4.96%	Lg. Value 5.26%	60/40 7.62%	60/40 6.39%	Sm. Value -2.99%	Small Value: Russell 2000 Value TR
Lg. Blend 4.00%	Bonds 4.29%	Intl. 3.30%	Intl. 4.62%	Lg. Value -4.97%	Large Value: S&P 500 Value TR
Intl. 3.04%	Intl. 2.91%	Bonds 3.15%	Bonds 1.58%	Intl. -8.06%	International: MSCI EAFE NR
Lg. Growth 2.69%	Nat. Res. 0.17%	Nat. Res. -3.19%	Nat. Res. -8.92%	Nat. Res. -31.55%	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. ©2015 Spectrum Investment Advisors, Inc.

To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

Invest In Your Health

The Vitamin You're Not Getting Enough Of

David Meinz, MS, RD, FADA, CSP

America's Personal Health Improvement Expert

Researchers are taking a new look at a very old vitamin. They thought they knew it all, but now it turns out that there's a lot more to this old stand-by than they thought. Of course, we knew vitamin D was good for the prevention of rickets in children and important for preventing osteoporosis in adults, but now there's some strong evidence that it may also play a role in preventing cancer, heart disease, arthritis, diabetes, and even multiple sclerosis.

Are you getting enough? Probably not. Aim for a total of 2000 IU from all sources per day. (The current official recommended level is 400 IU, and many don't even get that.) Make sure the vitamin D you take is D3. Look on the label of your multiple-vitamin or supplement, it should tell you what form you're getting.

You should probably also have a simple blood test done to see how much circulating vitamin D you have in your blood. Population studies suggest that a blood goal of around 50 nm/L of 25-hydroxyvitamin D might help you avoid some of these health problems. By the way, be sure you get the 25-hydroxyvitamin D test, not 1-25. Your physician can easily order this test. At a blood level of 50, studies found a lowered risk of breaking a hip or other bones and also improved muscular performance and decreased likelihood of falls.

Two studies found that those with higher blood vitamin D levels also had about half the risk of colon cancer over 8-11 years than those with low levels. Vitamin D is needed for optimal insulin secretion, too. In a review of a number of studies, those with the highest blood levels of vitamin D had 69% less risk of diabetes.

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**"That pill they advertise all the time on TV.
I'm not sure what it is, but I want it!"**

What's more, the risk of Multiple Sclerosis was 62% lower in those with the highest amount of vitamin D blood levels. Interestingly, observational studies have found that the farther you live from the equator, the greater your chance of developing MS. Could it be that people living near the equator just naturally get more vitamin D?

We've still got more to learn, but the evidence is strong enough now that you should start emphasizing foods with vitamin D, like salmon, as well as those fortified with vitamin D. To get your blood levels up to 50, you'll probably need to take a vitamin D supplement beyond what's just found in your multiple. You no longer have to worry about your children

and grandkids getting rickets, we've met those basic vitamin D needs easily; but, we're now learning that vitamin D can impact your health throughout life in some dramatic ways. Get your blood levels tested. If you're below 50, and most Americans are, start taking a supplement to get your numbers up.

We were pleased to have David speak at our most recent Coffee House Seminar on October 1, on the topic of making sure your health lasts as long as your money does. It was his second time speaking at one of our seminars, but not his last. David will be rounding out the speakers at our next Retirement Plan Investment Seminar, co-sponsored with the WICPA, on June 22, 2016. Spectrum also co-sponsored David at the Community Bankers of Wisconsin conference in Green Bay in 2010. He is a crowd favorite with his ability to make people laugh, while at the same time educating them about how to make informed choices when it comes to what you're putting in your body. As he says in the introduction of his book, *Wealthy, Healthy & Wise*:

"Everything's related. You need money, but it's not of much value if you're sick. Yes, it's important to be healthy, but life isn't near as much fun if you're broke! It has always seemed clear to me that financial and physical health are closely related."

You may also want to check out his new book entitled, "The Enemy Within", which focuses on how to decrease your risk of heart disease and cancer. You can order this book through his website at www.davidmeinz.com.



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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