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News from the Financial Front

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New Year's Resolutions

January is a great time to sit down with your financial records and formulate your goals for 2015 and beyond. Many New Year's resolutions are abandoned in a few short weeks. Don't let this happen to your financial resolutions!

Congratulations!

Congratulations to Sandy Grant who has been accepted as a Qualified Plan Financial Consultant (QPFC) by the American Society of Pension Professionals and Actuaries (ASPPA).

Do you have a properly executed power of attorney?

What if you were suddenly unable to manage your own financial affairs? Every day people become incapacitated through accident or sickness, or are diagnosed with dementia. Without a power of attorney in place authorizing another person to manage your affairs, your loved ones' only option is a complex process of seeking a legal guardianship through the courts. Be aware that whoever you name has authority to conduct your financial affairs immediately, unless the document states otherwise. So choose your attorney-in-fact wisely.

Retirement Myths and Realities

We all have some preconceived notions about what retirement will be like. But how do those notions compare with the reality of retirement? Here are four common retirement myths to consider.

1. My retirement won't last that long

The good news is that we're living longer lives. The bad news is that this generally translates into a longer period of time that you'll need your retirement income to last. Life expectancy for individuals who reach age 65 has been steadily increasing. According to the National Center for Health Statistics, life expectancy for older individuals improved mainly in the latter half of the 20th century, due largely to advances in medicine, better access to health care, and healthier lifestyles. Someone reaching age 65 in 1950 could expect to live approximately 14 years longer (until about age 79), while the average 65-year-old American today can expect to live about another 19 years (to age 84) (Source: National Vital Statistics Report, Volume 61, Number 4, May 2013). So when considering how much retirement income you'll need, it's not unreasonable to plan for a retirement that will last for 25 years or more.

2. I'll spend less money after I retire

Consider this--Do you spend more money on days you're working or on days you're not working? One of the biggest retirement planning mistakes you can make is to underestimate the amount you'll spend in retirement.

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Retirement Myths and Realities - *(continued from page 1)*

One often hears that you'll need 70% to 80% of your preretirement income after you retire. However, depending on your lifestyle and individual circumstances, it's not inconceivable that you may need to replace 100% or more of your preretirement income.

In order to estimate how much you'll need to accumulate, you need to estimate the expenses you're likely to incur in retirement. Do you intend to travel? Will your mortgage be paid off? Might you have significant health-care expenses not covered by insurance or Medicare? Try thinking about your current expenses and how they might change between now and the time you retire.

3. Medicare will pay all my medical bills

You may presume that when you reach age 65, Medicare will cover most health-care costs. But Medicare doesn't cover everything. Examples of services generally not covered by traditional Medicare include most chiropractic, dental, and vision care. And don't forget the cost of long-term care--Medicare doesn't pay for custodial (nonskilled) long-term care services, and Medicaid pays only if you and your spouse meet certain income and asset criteria. Without proper planning, health-care costs can sap retirement income in a hurry, leaving you financially strapped.

Plus there's the cost of the Medicare coverage itself. While Medicare Part A (hospital insurance) is free for most Americans, you'll pay at least $104.90 each month in 2014 if you choose Medicare Part B (medical insurance), plus an average of $31 per month if you also want Medicare Part D (prescription coverage). In addition, there are co-pays and deductibles to consider--unless you pay an additional premium for a Medigap policy that covers all or some of those out-of-pocket expenses. (As an alternative to traditional Medicare, you can enroll in a Medicare Advantage (Part C) managed care plan; costs and coverages vary.)

4. I'll use my newfound leisure hours to ______ (fill in the blank)

According to the Bureau of Labor Statistics 2012 American Time Use Survey, retirees age 65 and older spent an average of 8 hours per day in leisure activities. (Leisure activities include sports, reading, watching television, socializing, relaxing and thinking, playing cards, using the computer, and attending arts, entertainment, and cultural events.) This compares to an average of 5.4 hours per day for those age 65 and older who were still working.

So how did retirees use their additional 2.6 hours of leisure time? Well, they spent most of it (1.6 hours) watching television. In fact, according to the survey, retirees actually spent 4.5 of their total 8 leisure hours per day watching TV.

And despite the fact that many workers cite a desire to travel when they retire, retirees actually spent only 18 more minutes, on average, per day than their working counterparts engaged in "other leisure activities," which includes travel.

Healthy Resolutions Can Pay Off (Literally)

If you made a New Year's Resolution to get healthy, you may get more bang for your resolution buck than you bargained for. That's because healthy habits can benefit your wallet as well as your body.

The link between health and money

According to the Centers for Disease Control and Prevention (CDC), chronic conditions--including diabetes, heart disease, and cancer--account for more than 75% of all health-care costs nationwide. Nearly half of all Americans have a chronic disease, which can lead to other problems that are devastating not just to health but also to a family's finances. People with a chronic condition pay five times more for health care each year, on average, as those without a chronic disease.*

Many chronic diseases can be linked to four behaviors: tobacco use, excessive alcohol consumption, poor eating habits, and inactivity.* A closer look at each of these behaviors demonstrates the health-money connection.

Tobacco and alcohol

The American Cancer Society (ACS) reports that the average price of a pack of cigarettes in the United States is $6.36. That means the average annual cost for a pack-a-day smoker is more than $2,300. However, the average health-related cost to a smoker, says the ACS, is $35 per pack--or $12,775 per year for someone who smokes a pack a day.

The National Institute on Alcohol Abuse and Alcoholism defines moderate drinking as one drink per day for women and two for men. Drinking more than that can lead to health problems, including various forms of cancer as well as impairment of your brain, heart, liver, and pancreas. Such outcomes have economic costs. The CDC reports that in 2006, the national cost of excessive alcohol consumption was $223.5 billion, 42% of which was shouldered by excessive drinkers and their families.

Eating habits and activity level

Proper nutrition and regular exercise are vital to staying healthy, but they can also save you money. For example, reducing the amount of high-in-saturated-fat products, processed foods, and red meat in your diet can result in benefits to your heart and wallet. Replacing high-fat ingredients in some recipes with healthier, low-cost options--such as using beans instead of ground beef--can help trim your grocery bills. And replacing high-calorie meals eaten at restaurants with meals made at home using fresh, in-season ingredients can benefit both body and bank account.

Current guidelines from the U.S. Department of Health and Human Services recommend at least 2 1/2 hours of moderate physical activity per week. Many opportunities exist in everyday life to both accumulate active minutes and save money. Instead of driving to your destination, walk or ride a bike. Do your own yard work or house cleaning instead of hiring help. Go for a hike or play ball with your kids rather than going to the movies or visiting an amusement park.

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Healthy Resolutions Can Pay Off (Literally) - *(continued from page 3)*

Long-term considerations

Chronic disease also has indirect long-term costs. Leaving the workforce for extended periods--or having to retire early--means fewer paychecks, less chance to benefit from workplace-provided retirement plans and health-care benefits, and lower earnings to apply toward Social Security benefits. In addition, chronic diseases often necessitate home renovations, the hiring of specialized care providers, or even permanent nursing care. When viewed over the long term, taking steps today to reduce your risks of getting sick down the road may make good health and financial sense.

*Sources: Centers for Disease Control and Prevention, the Department of Health and Human Services, and the Partnership to Fight Chronic Disease

Annual Market Review 2014

Overview

The United States emerged from 2014 as the best house on a troubled block. Civil war in Ukraine, a slowing Chinese economy, a stagnant Europe worried about potential deflation, a new recession in Japan, the threat of a new Russian economic meltdown triggered by plummeting oil prices--it all made an improving situation at home look even brighter by comparison.

Even apart from the troubles overseas, the United States by almost any measure was stronger than it's been in years. The labor and housing markets improved, corporate profits were solid, Congress managed to avert another government shutdown, and the Ebola threat had little impact domestically. All in all, it was a Goldilocks economy: not too hot, which could have brought on higher interest rates from the Federal Reserve, and not too cold, which let the Fed end the QE3 bond purchases begun in the wake of the 2008 financial crisis.

That domestic strength fueled more gains for domestic equities than had been envisioned for the fifth year of this bull market. The S&P 500 ended 2014 up more than 200% from its March 2009 low, and the Dow saw its sixth straight yearly gain. However, in the coming year, investors will almost certainly be faced with the start of long anticipated interest rate increases. Though the Fed has promised patience in implementing rate hikes, higher borrowing costs and a strong dollar that makes U.S. goods more expensive overseas could create a headwind for domestic corporations. The question is whether that wind might blow the economy off its current promising course or will merely keep the game interesting.

Market/Index	2013 Close	As of 9/30	As of 12/31	Month Change	Q4 Change	2014 Change
DJIA	16576.66	17042.90	17823.07	-.03%	4.58%	7.52%
Nasdaq	4176.59	4493.39	4736.05	-1.16%	5.40%	13.40%
S&P 500	1848.36	1972.29	2058.90	-.42%	4.39%	11.39%
Russell 2000	1163.64	1101.68	1204.70	2.68%	9.35%	3.53%
Global Dow	2484.10	2534.47	2501.66	-2.71%	-1.29%	.71%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps	0 bps
10-year Treasuries	3.04%	2.52%	2.17%	-1 bps	-35 bps	-87 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

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Snapshot 2014

The Markets

- **Equities:** After a discouraging start, large-cap domestic equities spent much of the year climbing to new heights. Though they didn't come close to matching last year's fireworks, the S&P 500 and Dow industrials set 53 and 38 new record highs respectively during the year. However, little of that love spilled over to the small caps. The Russell 2000, which had soared in 2013, had trouble scaling the proverbial "wall of worry" and spent much of 2014 either flat or down before a Q4 rally returned it to positive territory. The Nasdaq proved the strongest of the four indices; by December it had come within 242 points of its all-time closing high of 5,048.62, set in March 2000. Beset by weakness worldwide, the Global Dow barely managed a positive return for the year.
- **Bonds:** The bond market confounded those who had feared bond prices would suffer from the unwinding of Federal Reserve support. Challenges overseas lured investors to the safety of U.S. Treasuries; prices rose as the benchmark 10-year yield dropped more than 3/4ths of a percentage point, especially after the threat of an imminent Fed rate hike faded and falling oil prices threatened the economies and currencies of several oil-dependent countries.
- **Oil:** A drop in crude prices that began in July accelerated in Q4 after Saudi Arabia chose market share over profit by deciding not to cut supplies. Prices promptly plummeted to levels not seen since the depths of the financial crisis, falling roughly 45% from the July high of $107 a barrel. The plunge in oil prices helped fatten consumers' wallets but renewed concerns about oil-dependent economies.
- **Currencies:** Falling oil prices coupled with the expectation of higher interest rates helped boost the U.S. dollar, which rose almost 11% over the course of the year. The dollar also benefitted from interest rates abroad, some of which were even lower than those for Treasuries. The strong dollar raised new concerns that countries and foreign corporations hurt by lower oil prices might have trouble repaying debt in currencies that were substantially weaker against the U.S. dollar.
- **Gold:** After plummeting in 2013, gold managed to stabilize a bit last year. The precious metal ended the year at roughly $1,180--not far from where it began in January despite a spring rally prompted in part by the crisis in Ukraine.

The Economy

- **Unemployment:** Improvement in the U.S. job market was slow but steady. The unemployment rate ended the year at 5.8%, its lowest level since July 2008 and better than last December's 6.7%. According to the Bureau of Labor Statistics, the unemployment rate is now down 4.2 percentage points from its October 2009 high of 10%. And after a slow start, job creation accelerated; by December, the number of new jobs added during the previous 12 months was the highest it's been since April 2006.
- **GDP:** After a slump during the first quarter, when the U.S. economy contracted by 2.1%, by Q3 the U.S. economy was growing at its fastest pace in 11 years. The Bureau of Economic Analysis said the 5% annualized growth of gross domestic product outpaced Q2's 4.6% and represented the strongest growth since Q3 2003's 6.9%. After-tax corporate profits also were up, rising 2.8% from Q2 and more than 5% from a year earlier.
- **Inflation:** Inflation remained well under historical averages, which allowed the Fed to postpone any interest rate hike until 2015. By December, the Bureau of Labor Statistics said consumer inflation for the previous 12 months stood at 1.3% while wholesale prices gained 1.4% over the same time. The lower gas prices that kept inflation in check also helped spur retail sales and consumer spending.

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- **Housing:** The most recent home prices measured by the S&P/Case-Shiller 20-City Composite Index were up 4.5% from a year earlier, and the National Association of Realtors® said that by November, new home sales were slowing but still up 2.1% year over year. However, both year-over-year figures were lower than in previous months, and slippage in both housing starts and building permits suggested that the pace of gains may be slowing.
- **Manufacturing:** Manufacturing was a fundamental component of the economy's strength during the year. The Federal Reserve said that by the end of the year, usage of the nation's industrial capacity had finally reached its long-term average. Meanwhile, higher exports helped shrink the U.S. trade deficit to $43.4 billion.
- **International markets:** Economic problems overseas contributed to the Fed's caution with interest rates. Though the European Central Bank cut a key interest rate to -0.1% and continued to say it was prepared to take stronger measures to try to avoid potential deflation, Europe entered the new year still waiting for additional stimulus. In Japan, two consecutive quarters of contraction marked an official recession, calling so-called "Abenomics" into question. Meanwhile, faced with growth that had slowed to 7.3% by Q3, China's central bank cut two key interest rates to try to stimulate domestic consumption; it also agreed to work with the United States to cut greenhouse gases. Finally, President Obama took steps to reestablish diplomatic relations with Cuba, though ending the trade embargo would require congressional action.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes) and Barron's (S&P 2014 total return); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprices.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

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10 Financial Terms Everyone Should Know

Understanding financial matters can be difficult if you don't understand the jargon. Becoming familiar with these 10 financial terms may help make things clearer.

1. Time value of money
The time value of money is the concept that money on hand today is worth more than the same amount of money in the future, because the money you have today could be invested to earn interest and increase in value.

Why is it important? Understanding that money today is worth more than the same amount in the future can help you evaluate investments that offer different potential rates of return.

2. Inflation
Inflation reflects any overall upward movement in the price of consumer goods and services and is usually associated with the loss of purchasing power over time.

Why is it important? Because inflation generally pushes the cost of goods and services higher, any estimate of how much you'll need in the future--for example, how much you'll need to save for retirement--should take into account the potential impact of inflation.

3. Volatility
Volatility is a measure of the rate at which the price of a security moves up and down. If the price of a security historically changes rapidly over a short period of time, its volatility is high. Conversely, if the price rarely changes, its volatility is low.

Why is it important? Understanding volatility can help you evaluate whether a particular investment is suited to your investing style and risk tolerance.

4. Asset allocation
Asset allocation means spreading investments over a variety of asset categories, such as equities, cash, bonds, etc.

Why is it important? How you allocate your assets depends on a number of factors, including your risk tolerance and your desired return. Diversifying your investments among a variety of asset classes can help you manage volatility and investment risk. Asset allocation and diversification do not guarantee a profit or protect against investment loss.

5. Net worth
Net worth is what your total holdings are worth after subtracting all of your financial obligations.

Why is it important? Your net worth may fund most of your retirement years. So the faster and higher your net worth grows, the more it may help you in retirement. For retirees, a typical goal is to preserve net worth to last through the retirement years.

6. Five C's of credit
There are character, capacity, capital, collateral, and conditions. They're the primary elements lenders evaluate to determine whether to make you a loan.

Why is it important? With a better understanding of how your banker is going to view and assess your creditworthiness, you will be better prepared to qualify for the loan you want and obtain a better interest rate.

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10 Financial Terms Everyone Should Know - *(continued from page 7)*

7. Sustainable withdrawal rate
Sustainable withdrawal rate is the maximum percentage that you can withdraw from an investment portfolio each year to provide income that will last, with reasonable certainty, as long as you need it.

Why is it important? Your retirement lifestyle will depend not only on your assets and investment choices, but also on how quickly you draw down your retirement portfolio.

8. Tax deferral
Tax deferral refers to the opportunity to defer current taxes until sometime in the future.

Why is it important? Contributions and any earnings produced in tax-deferred vehicles like 401(k)s and IRAs are not taxed until withdrawn. This allows those earnings to compound, further adding to potential investment growth.

9. Risk/return trade-off
This concept holds that you must be willing to accept greater risk in order to achieve a higher potential return.

Why is it important? When considering your investments, the goal is to get the greatest return for the level of risk you're willing to take, or to minimize the risk involved in trying for a given return. All investing involves risk, including the loss of principal, and there can be no assurance that any investing strategy will be successful.

10. The Fed
The Federal Reserve, or "the Fed" as it's commonly called for short, is the central bank of the United States.

Why is it important? The Fed has three main objectives: maximum employment, stable prices, and moderate long-term interest rates. The Fed sets U.S. monetary policy to further these objectives, and over the years its duties have expanded to include maintaining the stability of the entire U.S. financial system.

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