Weekly Market Notes

For the Week of March 22, 2010

THE MARKETS

The Dow closed Thursday at its highest level since Oct. 1, 2008, even as investor concerns rose regarding Greek debt and India's central bank raising interest rates to fight inflation. The U.S. central bank left interest rates unchecked at its meeting on Tuesday, citing tame inflation, slight job market improvement and increased business spending on equipment and software. For the week, the Dow gained 1.11 percent to close at 10,741.98. The S&P climbed 0.87 percent to finish at 1,159.90, and the NASDAQ rose 0.29 percent to end the week at 2,374.41.

Returns Through 3/19/10	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials	1.11	3.68	49.46	-1.50	2.87
NASDAQ Composite	0.29	4.64	60.06	-0.28	3.41
S&P 500	0.87	4.48	51.17	-4.01	1.60
BarCap US Agg Bond (TR)	0.18	2.14	8.33	6.21	5.51
MSCI EAFE	-0.11	-0.14	51.70	-6.55	3.04

Source: Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The S&P, excluding "1 Week" returns, is a reflection of return to an investor, by reinvesting dividends after the deduction of withholding tax.

More Rolling Over – A new study by Charles Schwab of its 401(k) plans found that 69 percent of plan participants roll over their 401(k) account when changing jobs. Of that group, 80 percent moved their savings to an IRA, 8 percent moved the money to their new employer's plan, and 10 percent took cash distributions. A similar study in 2008 found only 57 percent of 401(k) plan participants rolled over their accounts. (Source: Financial Planning)

Deep Pockets – If Medicare projections of health cost increases hold true, median annual out-of-pocket costs will double over the next 30 years, according to a survey from the Urban Institute. The study found that almost 10 percent of people 65 and older will spend more than $14,000 on health care annually by the time the youngest boomers reach age 76 in 2040. With household income expected to grow more slowly, the percentage of wealth that a household spends on health care will increase from 10 percent to 19 percent over the next three decades. (Source: Boomer Market Advisor)

Retirement Home – The decline in home-equity valuations may wind up being a bigger blow to future retirees than the stock market turmoil of 2008 and 2009. According to the Center for Retirement Research (CRR), the drop in home equity has put more than 60 percent of U.S. households' retirements at risk. CRR's National Retirement Risk Index, which is based on conservative assumptions, is a percentage gauge of how many working Americans are at risk of being unable to maintain their standard of living during retirement. (Source: Financial Advisor, Center for Retirement Research)

WEEKLY FOCUS – A New Mindset For Income Distribution

In terms of your finances, your preretirement earning years focus on accumulation and growth of your money. You earn money from your job or business to pay for your current living expenses. You set some aside for emergencies and for future needs like college and retirement. Your goal is to accumulate as much as possible by earning it and investing it.

After retirement, you typically no longer have money earned from your job or business to pay for your living expenses. You need safety and liquidity to ensure available funds for day-to-day costs of living, along with growth to help ensure your funds last your lifetime. The growth-oriented portfolio structure of your earning years may no longer apply as you enter into retirement, and you may have to change the way you evaluate your portfolio's performance.

In fact, in an effort to help reduce risk and protect principal, many retirees move their assets to more conservative investments. Such a portfolio is designed to provide higher rates of current income and less volatility. Put another way, your need to preserve what you have now typically outweighs your need to grow your money at the same rate as the stock market, although you still need enough growth to ensure inflation doesn't reduce your purchasing power during retirement.

A retirement distribution plan seeks to find that middle ground between reduced risk and greater return, taking into consideration all income streams (i.e., Social Security, wages, pensions, investment income, annuity income, etc.), assets, inflation risk, investment risk and tax exposure. Numerous variables can come into play, so each factor must be evaluated based on each individual's circumstances.

Creating a retirement distribution plan can be complex and requires a thorough understanding of investment products and strategies and their associated risks. We can help you create a plan designed to efficiently and effectively use the assets you've accumulated to fund your retirement. Call our office if you have questions.

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* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years.
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