

WEEKLY MARKET COMMENTARY

For the Week of Jan. 18, 2016

THE MARKETS

Trading was unusually heavy Friday. Stocks fell, due to tumbling oil prices and concern over China's economic trouble. The S&P dropped to its lowest figure since October 2014. For the week, the Dow fell 2.16 percent to close at 15,988.08. The S&P lost 2.15 percent to finish at 1,880.29, and the NASDAQ dropped 3.34 percent to end the week at 4,488.42.

Returns Through 1/15/16	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	-2.16	-8.16	-5.39	8.30	9.02
NASDAQ Composite (PR)	-3.34	-10.36	-1.80	13.00	10.25
S&P 500 (TR)	-2.15	-7.93	-3.62	10.79	10.09
Barclays US Agg Bond (TR)	0.33	0.97	-0.09	1.82	3.42
MSCI EAFE (TR)	-2.82	-8.79	-8.00	0.74	1.34

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 Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. The NASDAQ is based on price return, which is the capital appreciation of the portfolio, excluding income generated by the assets in the portfolio in the form of interest and dividends. (TR) indicates total return. (PR) indicates price return. MSCI EAFE returns stated in U.S. dollars.

Good Year — On Jan. 8, 2015, General Motors CEO Mary Barra predicted car and light truck sales could reach 17 million in 2015, a total last achieved in 2001. Actual car and light truck sales for 2015 hit 17.5 million, breaking the auto industry's 17.4 million sales record from the year 2000 (source: LMC Automotive, BTN Research).

Did We? — Laurence Fink, head of BlackRock, predicted in the Jan. 31, 2015, issue of the Wall Street Journal that 2015 "could bring the best U.S. economy in several years." GDP growth was 0.6 percent in the first quarter, 3.9 percent in the second quarter and 2.0 percent in the third quarter of 2015. Fourth quarter growth will be released on Jan. 26, 2016 (source: Wall Street Journal, BTN Research).

Avoid the Worst — The total return for the S&P 500 was a gain of 1.4 percent (total return) in 2015. If you avoided the three worst percentage days last year, the 1.4 percent gain rises to 12.3 percent gain (source: BTN Research).

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WEEKLY FOCUS – Hybrid Long-Term-Care Insurance Policies

Although studies indicate up to 70 percent of Americans 65 and older will eventually need some form of long-term care, a much smaller percentage is prepared to pay for it. Consequently, many may need to depend on Medicaid to cover their future care. But Medicaid will do so only after these individuals spend down a large portion of their assets for care. This can be particularly problematic for married couples; if one spouse requires extended care, a healthy spouse may be left with minimal resources.

People don't invest in traditional long-term-care insurance for several reasons. It is expensive and becoming more so. Due to rising costs, many carriers are raising rates, and some are even exiting the industry. Policy holders who find themselves unable to continue paying premiums can lose their previous investment. If the insurance is never needed, it can seem like a large, unnecessary expense (even though other types of insurance aren't viewed that way).

In response to these concerns, hybrid policies, which combine fixed annuities or life insurance policies with LTC riders, have become increasingly popular. Individuals who purchase hybrids will not be liable for future premium increases but are often required to make large, upfront payments. (Some policies allow clients to spread this payment over a period of time.) Long-term-care payments will come out of the death benefit first, but if no LTC is needed, heirs can still receive the death benefit. Applicants who have been rejected for a traditional policy for health reasons may qualify for a hybrid, especially one with an annuity.

On the downside, account growth could be limited or you could pay extra for the LTC rider, and hybrids provide less comprehensive long-term-care coverage for the money than traditional policies. Unlike traditional policy premiums, hybrid premiums are not tax deductible. (This isn't important unless you reach the minimum needed to deduct medical expenses.) Only conventional LTC policies with certain features qualify for the government-endorsed Long Term Care Partnership Program, which allows individuals who outlive their coverage to protect some assets and still qualify for Medicaid.

Give us a call to schedule a review of your risk management plan; we'll be happy to help you weigh the benefits of stand-alone LTC policies and hybrid products for your situation.



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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. Written by Securities America. SAI# 1395433.1