

WEEKLY MARKET COMMENTARY

For the Week of Feb. 2, 2015

THE MARKETS

Stocks fell Friday, finishing January out with a loss, including the first back-to-back monthly loss for the S&P 500 since April-May 2012. Instability in Europe coupled with slow U.S. economic growth in the fourth quarter led to Friday's volatile session and ultimate decline. For the week, the Dow fell 2.87 percent to close at 17,164.95. The S&P lost 2.75 percent to finish at 1,994.99 and the NASDAQ dropped 2.58 percent to end the week at 4,635.24.

Returns Through 01/30/15	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	-2.87	-3.58	11.91	13.56	14.16
NASDAQ Composite (PR)	-2.58	-2.13	12.95	18.10	16.64
S&P 500 (TR)	-2.75	-3.00	14.22	17.47	15.60
Barclays US Agg Bond (TR)	0.59	2.10	6.61	3.07	4.57
MSCI EAFE (TR)	-0.26	0.49	-0.43	9.33	6.39

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.

Skin in the Game — Twenty percent of American workers today have health insurance that has an annual deductible of at least \$2,000 (source: Kaiser Family Foundation, BTN Research).

Lowest Ever — Economic turmoil throughout Europe has driven global debt investors to the U.S. Treasury market. Increased demand for 30-year U.S. paper has pushed prices up and yields down. The closing yield on Jan. 23, 2015, for the 30-year bond was 2.37 percent, its lowest closing yield ever. The 30-year Treasury bond has been traded globally since 1977 (source: Treasury Department, BTN Research).

They Like Our Stuff — Of the \$6.1 trillion of U.S. Treasury securities held by foreigners, \$2.5 trillion are owned by residents of China and Japan, i.e., 41 percent of the total (source: Treasury Department, BTN Research).

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Page 2 of 2

WEEKLY FOCUS – College Savings Starts NOW

With the holidays still fresh in our minds, it can be difficult to remember that in just a few short months millions of high school students will be graduating and heading to college this August. And those millions of high school seniors interested in higher education, already have their first college assignment: complete the U.S. Department of Education's Free Application for Student Financial Aid (FAFSA).

FAFSA forms have a mathematical formula that determines a student's Estimated Family Contribution (EFC). This is the amount of money a family is expected to contribute towards a child's education. This number does not represent how much the family can *afford*, but rather what they believe you *should be able to afford*. To complete the FAFSA and receive an EFC, students need their personal tax information and their parents tax information for 2014. (You do not need to have filed taxes in advance of completing the FAFSA, but W-2 information should be included for speedier processing). The EFC is given to your student once a FAFSA is submitted, and must be recalculated annually.

The higher the EFC, the lower the amount of financial aid your student will receive. Because EFC is based on income history of students and their parents, it's best for affluent parents to save for future college education early on. 529 accounts are one way to do this. 529s allow you to take out an account in your name and then name a beneficiary to the account. The beneficiary will eventually receive the money for a post-secondary education. While 529 accounts can increase a student's EFC and reduce financial aid eligibility, *savingforcollege.com* says that "the effect 529 assets have on your financial aid eligibility is significantly less than the effect of other savings vehicles," because "funds in 529 accounts are considered parental assets," and are thus assessed at a rate less than many other savings accounts and traditional trusts.

Grandparents can also contribute to college education savings with 529 accounts, though *savingforcollege.com* warns grandparent 529 contributions are counted as student income the following year and can have a drastic impact on a student's future EFC. "To lessen the blow, grandparents...can wait to make withdrawals until the student's junior or senior year of college after their last FAFSA has been submitted." There are also other higher education savings accounts available that grandparents may want to consider, such as Coverdell accounts.

If you have children or grandchildren, it's probably safe to assume they'll go to college someday, and the more you can save in your name now, the more they'll be likely to receive in extra aid later. We can help you start planning – and saving – for their future education. Contact our office today.



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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#1113498.1