

# WEEKLY MARKET COMMENTARY

For the Week of Aug. 25, 2014

## THE MARKETS

U.S. markets realized a third straight week of gains, with the Dow and the S&P 500 posting their strongest week of gains since April. Still, stocks mostly fell Friday as Ukraine-Russia tensions escalated. For the week, the Dow gained 2.10 percent to close at 17,001.22. The S&P rose 1.75 percent to finish at 1,988.40 and the NASDAQ climbed 1.65 percent to end the week at 4,538.55.

Returns Through 08/22/14	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	2.10	4.18	16.31	19.16	15.29
NASDAQ Composite (PR)	1.65	8.67	24.73	24.61	17.56
S&P 500 (TR)	1.75	9.02	22.53	33.62	16.58
Barclays US Agg Bond (TR)	-0.22	4.43	6.17	2.66	4.59
MSCI EAFE (TR)	0.76	1.93	13.23	13.14	8.46

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.

**At Time of Death** — Federal estate tax law allows a 2014 decedent to pass onto his or her heirs \$5.34 million estate tax-free. Under the "American Taxpayer Relief Act" signed by President Obama on Jan. 2, 2013, the amount that can be passed estate-tax free to the heirs of a decedent in 2014 and beyond will be increased according to the rate of inflation. The federal estate tax exemption was \$1 million in 2003 (source: Treasury Department, BTN Research).

**Beast of Burden** — Of more than 1,000 American workers surveyed that are less than or equal to 35 years of age, 41 percent anticipate that during their own retirement years they will be required to financially support their parents and/or their siblings (source: Transamerica Center for Retirement Studies, BTN Research).

**About the Same Number** — Seventy percent of retirees surveyed in 2007 (i.e., seven years ago) were "very" or "somewhat" confident that they would have a "comfortable" retirement; 67 percent of retirees feel that way in 2014 (source: Employee Benefit Research Institute, BTN Research).

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## WEEKLY FOCUS – Consider a Possible Roth 401(k) Option

According to a recent survey by T. Rowe Price titled, “Roth IRAs: More Effective (and Popular) Than You Thought,” the benefits of these retirement options go beyond the ability to maximize income, giving retirement savers and retirees alike more flexibility. Today some 50 percent of employers offer a Roth 401(k), according to benefits consultant Aon Hewitt, but only 11 percent of employees with access saved in one in 2013.

Roth 401(k)s operate on the same assumption as Roth IRAs: that those who use them will be in a higher tax bracket after retirement than they are now. Both Roth products are funded with after tax dollars, making withdrawals of contributions and earnings tax free. Traditional 401(k)s and traditional IRAs work the opposite way: dollars are contributed pre-tax or with an attached tax deduction now, and contributions and earnings are taxed upon withdrawal, when the employee expects to be in a lower tax bracket.

A rollover may also be beneficial to someone turning 70½. At that age, Roth 401(k) accounts, traditional 401(k) accounts and traditional IRA accounts begin minimum required distributions. Roth IRAs have no mandatory distribution, so the money in them can continue to grow tax-free for as long as you wish – even for the beneficiary of your Roth IRA account.

Like Roth IRAs, Roth 401(k) contributions are subject to a five-year investment requirement, meaning that to receive distributions without penalty the account holder must be age 59½ *and* have held the account for five years. When rolling funds from a Roth 401(k) to a Roth IRA – or in any other conversion – keep careful records to verify the date you made the contributions so you can establish the base for that five-year holding period.

Many factors can affect your personal decisions about traditional versus Roth, and 401(k) versus IRA, including your age, your tax bracket now, your expected tax bracket in retirement, the amount you are contributing, and your ability and desire to pass funds to future generations. We can help you weigh the pros and cons of each account and contribution type to determine which best meets your needs.



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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#997702.1