

# WEEKLY MARKET COMMENTARY

For the Week of May 12, 2014

## THE MARKETS

U.S. stocks rose on Friday, pushing the Dow to a new record-high close. The gains came after a volatile week that saw the S&P 500 alternating between gains and losses each day, and the NASDAQ dropping for three straight sessions – its longest losing streak since early April. For the week, the Dow rose 0.56 percent to close at 16,583.34. The S&P lost 0.05 percent to finish at 1,878.48 and the NASDAQ dropped 1.26 percent to end the week at 4,071.87.

Returns Through 05/09/14	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	0.56	0.87	12.59	12.26	17.19
NASDAQ Composite (PR)	-1.26	-2.51	19.44	12.72	18.55
S&P 500 (TR)	-0.05	2.37	17.92	14.23	17.60
Barclays US Agg Bond (TR)	0.03	3.02	0.37	3.48	4.91
MSCI EAFE (TR)	-0.33	2.07	12.19	6.88	12.03

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.

**More and More** — Health care spending by the federal government represented 2.1 percent of federal spending in 1962, but had risen to 27.7 percent of spending by 2013 (source: Brookings Institution, BTN research).

**Through the End of April** — The S&P 500 was up 2.6 percent YTD (total return) through April 30, 2014, 10.1 percent less than the YTD return of the stock index as of April 30, 2013 (when the S&P 500 was up 12.7 percent). The total return for the stock index for all of 2013 was a gain of 32.4 percent. The S&P 500 consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market value weighted index with each stock's weight in the index proportionate to its market value (source: BTN Research).

**Many Less** — As of March 31, 2014, there were 1.99 million existing homes for sale in the U.S. Just five years earlier on March 31, 2009, the number of homes on the market was 3.65 million (source: National Association of Realtors, BTN Research).

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## WEEKLY FOCUS – Why You Shouldn't Use Your 401(k) Savings Early

According to a recent Bloomberg article, the Internal Revenue Service collected \$5.7 billion in 2011 from early retirement savings withdrawal penalties, meaning Americans took about \$57 billion before they were supposed to. And according to a Gallup survey released May 2, 48 percent of non-retired Americans plan to rely on retirement accounts as a major source of income.

While you are employed by a company that offers a 401(k), you usually have an opportunity to access savings under certain hardship conditions. The drawback, however, is that qualifying for this provision can be difficult. Just as the IRS has its list of qualifying financial hardships (medical expenses or disability), individual plans often do as well. That means you must qualify under both sets of rules, which may be more difficult. And just because you meet certain qualifications doesn't mean you should start siphoning your retirement fund just because it is there.

A withdrawal from your 401(k) may seem like a great option and an untapped resource for large expenses, like a down payment on a house, but there are consequences to consider. When you withdraw 401(k) funds, you will pay income taxes on the money withdrawn and face an early withdrawal penalty, usually 10 percent if you are younger than 59 ½ years. Additionally, future tax-deferred earnings and compounding on the savings are lost.

Also, depending on the rules of an employer's 401(k) plan, you may be able to borrow from their retirement accounts and pay the loan back with interest, without incurring the tax penalty. Most loans must be repaid within five years and there is added risk with these loans as many 401(k) plans require employees to immediately repay loans in full when leaving a job.

While this may allow you the funding you need for something now, this dent to your retirement finances could be enormous based on your age at the time of withdrawal and how much you have saved in total. With these consequences in mind, you should carefully evaluate before withdrawing from your 401(k) unless you are under extreme hardship conditions and you have no other options.

If you or someone you know is considering borrowing from a retirement nest egg early, call our office for a consultation and learn more about potential penalties and what other options might be available.



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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#923095