# WEEKLY MARKET COMMENTARY

For the Week of Jan. 19, 2015

## THE MARKETS

Stocks rose Friday on positive U.S. consumer data, but the rally wasn't enough to erase losses from earlier in the week. The University of Michigan said sliding gasoline prices increased spending and increased consumer sentiment in January following income and employment gains. For the week, the Dow fell 1.25 percent to close at 17,511.57. The S&P lost 1.22 percent to finish at 2,019.42 and the NASDAQ dropped 1.48 percent to end the week at 4,634.38.

| Returns Through 01/16/15 | 1 Week | YTD | 1 Year | 3 Year | 5 Year |
|---|---|---|---|---|---|
| Dow Jones Industrials (TR) | -1.25 | -1.66 | 9.17 | 14.98 | 13.43 |
| NASDAQ Composite (PR) | -1.48 | -2.15 | 9.85 | 19.57 | 15.16 |
| S&P 500 (TR) | -1.22 | -1.85 | 11.66 | 18.65 | 14.58 |
| Barclays US Agg Bond (TR) | 0.48 | 1.35 | 6.57 | 2.98 | 4.48 |
| MSCI EAFE (TR) | 0.73 | -1.84 | -6.70 | 10.22 | 4.34 |

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.

**What They Thought** — On Dec. 16, 2013, 10 Wall Street equity strategists forecasted the closing value of the S&P 500 as of Dec. 31, 2014. The predictions ranged from a low of 1,900 to a high of 2,100, up from an actual Dec. 31, 2013, close of 1,848. The actual Dec. 31, 2014, closing value for the S&P 500 was 2,059, equal to a 13.7 percent total return result. Only two of the 10 strategists had year-end 2014 predictions of at least 2,059. 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: Barron's, BTN Research).

**A Lot More Than That** — Forbes magazine wrote on May 1, 2013, that "over the coming few years, look for oil prices to decline at least below $80 a barrel and quite possibly more." The price of oil was $91.03 a barrel on May 1, 2013. The price of oil closed at $48.20 a barrel on Jan. 9, 2015 (source: Forbes, BTN Research).

**Really?** — In early July 2010, market analyst Robert Prechter forecasted that the Dow Jones Industrial Average would fall below 1,000 within six years. The Dow closed at 17,737 last Friday, Jan. 9, 2015 (source: BTN Research).

## WEEKLY FOCUS – Saving 15% in 2015

At first it may sound like a great marketing tactic: “Save 15% in 2015.” But this isn’t a discount coupon, it’s the ideal contribution rate a 35-year-old worker should make if he or she plans to retire at 65, according to Wade D. Pfau, professor of retirement at the American College.

In a recent InvestmentNews article by Darla Mercado, Pfau is quoted as saying, ‘If you’re 40 years from retirement, 8 percent to 10 percent [contributions] is fine, but if you’re already 45, 50 years old and you haven’t saved much, 15 percent isn’t going to get you a very good lifestyle at retirement.’

Of course saving such amounts isn’t without consequences. While historically many 401(k) plans have a default contribution rate of 3 percent of salaries, employees are usually able to contribute as much as they would like to their 401(k) until they reach their maximum annual contribution. But at 3 percent, even with a 100 percent employee match bringing it to 6 percent, most American workers won’t reach their annual 401(k) max of $17,500 for under age 50 (or $23,000 for 50 and over if your plan allows a catch-up amount).

Pfau isn’t the only one looking at 15 percent contributions. In a June 2014 press release, The Vanguard Group reported that at the end of 2012, the average savings rate for Vanguard 401(k) clients was just under 11 percent, though they encourage clients to make a 12-15 percent annual contribution. But jumping from 3, 6 or even 11 percent to 15 percent or more can have a potentially negative impact your current lifestyle.

Workers increasingly have more responsibility for their own retirement income than ever before. Taking full advantage of your employer’s 401(k) plan can help you save for your future retirement, and while “Saving 15% in 2015” has a nice ring to it, your individual case will vary depending on your age, health, standard of living and retirement goals, and the amount you already have saved. Contact our office today to discuss your retirement savings plan and see if 15 percent in 2015 is the right contribution amount for your 401(k).

WEALTH HAPPENS.

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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#1101421.1