

# WEEKLY MARKET COMMENTARY

For the Week of Jan. 20, 2014

## THE MARKETS

The NASDAQ and S&P 500 slipped on Friday after fourth-quarter earnings reports from Intel and General Electric were lower than expected. So far 10 percent of the S&P 500 companies have announced earnings, with half of those exceeding expectations – currently below the historical average of 63 percent for a full season. Markets are closed today in observation of Martin Luther King, Jr. Day. For the week, the Dow rose 0.15 percent to close at 16,458.56. The S&P fell 0.18 percent to finish at 1,838.70 and the NASDAQ climbed 0.55 percent to end the week at 4,197.58.

Returns Through 01/17/14	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	0.15	-0.62	24.04	14.75	17.91
NASDAQ Composite (PR)	0.55	0.50	33.85	15.07	22.38
S&P 500 (TR)	-0.18	-0.45	26.81	14.90	19.25
Barclays US Agg Bond (TR)	0.15	0.87	-0.84	3.52	4.55
MSCI EAFE (TR)	0.50	0.24	19.21	7.69	14.03

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.

**Way Too Low** – At the end of 2012 (Dec. 17, 2012), 10 Wall Street equity strategists forecasted the closing value of the S&P 500 as of Dec. 31, 2013. The predictions ranged from a low of 1,434 to a high of 1,660, with only two of the 10 predicting that the stock index would finish above 1,600. The 1,660 prediction is equal to a 19.2 percent total return prediction. The actual Dec. 31, 2013, value for the S&P 500 was 1,848, equal to a 32.4 percent total return result. 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).

**On The Money** – Sheila Bair, the chairwoman of the Federal Deposit Insurance Corporation (FDIC) from 2006-11, predicted on Nov. 10, 2009, that the number of bank failures "would peak in 2010 and then subside." Nationwide bank failures were 140 in 2009, 157 in 2010, 92 in 2011, 51 in 2012 and just 24 in 2013 (source: FDIC, BTN Research).

**Still Dependent** – President Nixon declared in January 1974 that "in 1980, the U.S. will not be dependent on any other country for the energy we need." Of the 18.6 million barrels per day of petroleum products that Americans consumed in 2012, 7.4 million barrels or 40 percent were imported (source: Department of Energy, BTN Research).

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## WEEKLY FOCUS – The Tough Conversation About Intergenerational Estate Planning

There are two scenarios where lack of planning and communication regarding inheritances can create discourse – not receiving an expected inheritance and receiving an unexpected inheritance. Each situation has financial and emotional repercussions, but many people are uncomfortable starting necessary conversations for fear of creating relationship problems within the family.

Unmet inheritance expectations can happen for a variety of reasons. People are living longer and those in long-term care situations may be applying funds to cover those expenses, which leaves little or nothing to be passed on. Others may want to bequeath their money to an organization or cause they care deeply about as part of their legacy.

Not being aware an inheritance is coming can create some serious issues as well, leaving heirs ill-prepared to receive these funds. Some respond with a spending spree, while others become paralyzed by fear they will make a mistake and disappoint or dishonor the parent who worked so hard to leave them a cushion. Even if the heir manages to find a middle ground, an unexpected inheritance can push him into a higher tax bracket or trigger the alternative minimum tax.

Communication may be key, but that doesn't make it easier for parents and children to talk about how wealth will be transferred at the parent's death. An intergenerational estate plan that looks at the parent's need to mitigate taxes and distribute wealth *and* at the impact that wealth will have on the recipient can help families work through the taboo issues. It can also eliminate the surprise element if their plans do not include passing funds to family members.

Whether you are the parent or the child, we can help initiate and guide those conversations that will help ensure both generations are ready for the inevitable. Call our office today to discuss the next steps related to your intergenerational estate plan.



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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#800732