

WEEKLY MARKET COMMENTARY

For the Week of May 11, 2015

THE MARKETS

A positive jobs report caused U.S. stock indexes to surge more than one percent Friday. The unemployment rate is currently near a seven-year low, suggesting U.S. economic growth is gaining traction. For the week, the Dow rose 1.07 percent to close at 18,191.11. The S&P gained 0.44 percent to finish at 2,116.10 and the NASDAQ dropped -0.04 percent to end the week at 5,003.55.

Returns Through 05/08/15	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	1.07	2.90	12.51	14.88	14.78
NASDAQ Composite (PR)	-0.04	5.65	23.50	19.31	17.17
S&P 500 (TR)	0.44	3.49	15.13	18.28	16.19
Barclays US Agg Bond (TR)	-0.09	0.83	3.58	2.34	3.94
MSCI EAFE (TR)	0.82	9.74	1.60	12.92	9.81

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.

Flip-Flop — Twenty-two individual stocks in the S&P 500 that finished in the bottom 20 percent of performers in 2014 (i.e., bottom 100 of 500 stocks) are in the top 20 percent of performers (i.e., top 100 of 500 stocks) YTD through April 30, 2015 (source: BTN Research).

Six Month Periods — The six-month period from November-April has gained 548.3 percent for the S&P 500 since 1990, 8 ½ times the 65.1 percent return achieved during the six months from May-October. Both numbers are aggregate total return performance results calculated for their respective six-month periods beginning on May 1, 1990, and continuing through April 30, 2015. 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).

West Coast, Midwest — Just two San Diego companies made the Fortune 500 list (rankings based upon annual corporate revenue), while five Omaha companies made the listing (source: Fortune, BTN Research).

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WEEKLY FOCUS – Passing On Your Vacation Home

Vacation home sales increased nearly 30 percent in 2013, according to the National Association of Realtors® 2014 Investment and Vacation Home Buyers Survey. Census data now shows Americans own more than 8 million vacation homes. While most people purchase recreational property specifically for vacations and family retreats, others purchase a second home with the intent it will become a primary residence in the future; to rent out to others; to diversify their investments; or for use by a relative or friend. But what happens to your vacation home when you're no longer able to enjoy it? Many parents, hoping to keep it in the family, choose to pass it on to their children with their estate.

If your estate plan includes gifting or bequeathing a second home to your children, you may not be doing them a favor. Your heirs will be responsible for paying for maintenance, insurance and property taxes on a gift they may not use often enough to justify the ongoing expense. If you have multiple children sharing the property, the decision to keep or sell can be contentious, especially if one child can afford the expenses and another cannot.

Some parents may have the wherewithal to fund a trust specifically to cover the ongoing expenses of the home. Others, especially those already pressed to pay the mortgage on the second home, may want to consider a life insurance policy whose settlement can be used for property expenses. Another option is to specify in the will that the second home must be sold and the proceeds divided among the heirs.

Some heirs may not want fixed assets or real estate of any kind, viewing it as not only a financial burden, but an emotional one. Adult children may cherish the memories of family time spent at a vacation home, but the realities of their lives today may make it unfeasible to continue that tradition with their own children. Guilt ensues over paying upkeep on a property they cannot use or selling the vacation home their parents valued so highly.

Before including a vacation home or other real estate in your estate plan, you should consult with your children about their willingness and ability to handle the ongoing financial responsibility. Our office can work with your estate attorney to help you examine your options and broach the often difficult subject of money with your heirs. Call us for a family appointment. As always, we are happy to include your accountant or attorney.



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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# 1196350.1