

WEEKLY MARKET COMMENTARY

For the Week of May 26, 2014

THE MARKETS

Stocks rose on Friday, pushing the S&P 500 above 1,900 to a new record close as housing stocks rallied on increased single-family home sales. In April, the supply of houses on the market hit a three and a half-year high. U.S. markets were closed Monday in observation of Memorial Day. For the week, the Dow rose 0.76 percent to close at 16,606.27. The S&P gained 1.25 percent to finish at 1,900.53 and the NASDAQ climbed 1.45 percent to end the week at 4,185.81.

Returns Through 05/23/14	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	0.76	1.18	11.18	13.19	18.01
NASDAQ Composite (PR)	1.45	0.22	21.01	14.58	19.05
S&P 500 (TR)	1.25	3.68	17.59	15.50	18.96
Barclays US Agg Bond (TR)	0.00	3.49	1.66	3.56	4.93
MSCI EAFE (TR)	0.41	3.07	15.36	8.91	12.11

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.

Surplus — The U.S. government reported a \$107 billion surplus for April 2014, its first monthly surplus this calendar year. The \$414 billion of tax receipts in April 2014 was the largest monthly total ever collected (source: Treasury Department, BTN Research).

No Monthly Mortgage — Thirty-one percent of the existing homes sold nationwide in calendar year 2013 were purchased for "all cash" (source: National Association of Realtors, BTN Research).

Not Interested — Fifty-four percent of U.S. physicians do not accept Medicaid patients, up 10 percentage points (i.e., from 44 percent to 54 percent) from four years ago (source: Merritt Hawkins & Associates, BTN Research).

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WEEKLY FOCUS – Emergency Cash Good Idea at Every Age

A basic tenet of managing your finances is to have a cash reserve equal to three to six months of your basic fixed expenses – mortgage or rent, insurance premiums, car payment, etc. – as well as variable expenses such as food and gas, in the event that you lose your job, become ill or injured, or experience any other crisis that interrupts your ability to earn your salary.

When you retire, your need for a cash reserve continues but the reasons change. Your income in retirement comes from assets you accumulated during those earning years, from Social Security (depending on your age), and possibly from a pension. So while you don't have to worry about job loss disrupting your income stream, you may need cash to cover unexpected expenses such as car or home repairs and health needs that may not be covered by Medicare or your insurance, such as dental work, vision care, hearing aids or medical tests.

If you don't have a pension plan, and your retirement income depends heavily on your own accumulated assets, how you meet emergency cash needs can be even more critical. You may not be able to sell long-term assets like bonds, CDs or real estate quickly. Or you may be forced to sell investments during a market downturn, when you may get less for them than you planned. You may then have more ground to make up to get back on track when the market rebounds.

Having a cash reserve – or the flexibility of instruments like a credit card or home equity line against which you can draw cash – plus paring expenses during an emergency may help you avoid withdrawals from your portfolio to meet unexpected costs during retirement. But remember, your cash reserve needs can also change over time. If you or a loved one would like to better prepare for unexpected change in circumstance that requires you to reconsider your emergency funds, please call our office to discuss potential options.



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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#933636