

WEEKLY MARKET COMMENTARY

For the Week of June 29, 2015

THE MARKETS

With Greece on the brink of default, stocks slid Friday and the euro fell. Greece must come to an agreement with its creditors to avoid defaulting on its \$1.8 billion debt repayment on June 30, but it rejected a five-month bailout extension Friday. For the week, the Dow fell 0.38 percent to close at 17,947.02. The S&P lost 0.37 percent to finish at 2,101.61 and the NASDAQ dropped 0.71 percent to end the week at 5,080.51.

Returns Through 06/26/15	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	-0.38	1.88	9.06	15.52	14.98
NASDAQ Composite (PR)	-0.71	7.27	16.02	21.19	17.97
S&P 500 (TR)	-0.37	3.10	9.58	19.28	16.75
Barclays US Agg Bond (TR)	-0.90	-0.73	1.29	1.60	3.31
MSCI EAFE (TR)	0.90	8.75	-0.84	14.88	9.66

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.

Bad and Worse — The U.S.'s national debt is \$18.2 trillion, larger than our \$17.7 trillion economy. Japan's national debt is \$10.1 trillion, more than twice as large as its \$4.2 trillion economy (source: BTN Research).

Retirees Are Millionaires? — The maximum retirement benefit paid by Social Security to an individual retiring in 2015 at the full retirement age of 66 is \$2,663 per month. By comparison, \$3.2 million invested in a pre-tax account earning one percent annually on a tax-deferred basis would generate \$32,000 per year or \$2,667 per month of taxable income, i.e., income taxes are due upon withdrawal from the pre-tax account (source: Social Security, BTN Research).

More and More — There are 59 million Social Security beneficiaries today. That number is projected to grow to 78 million in 2025 and almost 100 million in 2040 (source: Congressional Budget Office, BTN Research).

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WEEKLY FOCUS – Consolidating Retirement Accounts

Over the course of a 40-year career, the average American changes jobs seven or more times – often leaving a chain of “stranded” 401(k)s under his or her former employers’ plans until retirement. But that may not always be the best strategy.

Consolidating can reduce paperwork and make it easier to balance investments, monitor their progress, plan a withdrawal strategy and update beneficiary changes. It may reduce administrative fees, which can add up over time, especially when factoring compound interest. Consolidating may also qualify investors for price breaks based on asset and trading thresholds.

While employer plans often accept rollovers from previous accounts, it’s wise to weigh the pros and cons of rolling former employer accounts into a personal IRA. Most 401(k) administrators don’t dispense individual advice to ensure investors make optimal choices for their situations. IRAs usually offer more personal control and flexibility. Typically, 401(k) plans include around 20 different funds to choose from, while IRAs encompass thousands of investment choices.

IRA accounts can also provide greater freedom in passing on funds. Under federal law, surviving spouses automatically receive their deceased spouses’ 401(k)s – unless the survivor has signed a waiver. IRAs usually allow multiple or contingent beneficiaries. *If handled correctly*, heirs can take minimum distributions from an IRA over their lifetimes; an inherited IRA must stay in the original owner’s name unless the beneficiary is a spouse.

On the other hand, 401(k)s carry some unique benefits. They are protected from all types of creditor judgments. IRA assets up to \$1,245,475 are shielded from bankruptcy claims, but safeguards from creditors in other types of lawsuits vary from state to state. If you leave your job after the age of 55, you can take penalty-free withdrawals from a 401(k) account. The minimum age for withdrawing from an IRA without a penalty is 59½. You can take up to a five-year loan from a 401(k); an IRA only affords a 60-day, tax-free rollover option.

Of course, it’s crucial to consider potential fees and tax implications before consolidating. It’s particularly wise to consult a tax professional if your 401(k) includes employee stock, as special tax rules may apply. Our office would be happy to help you decide if consolidating your accounts would be beneficial and to help you weigh advantages and disadvantages of rolling 401(k)s into a personal IRA.



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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# 1236756.1