WEEKLY MARKET COMMENTARY

For the Week of August 17, 2015

THE MARKETS

After big gains last Monday, U.S. stocks ended the week higher. Oil prices edged up from near six-and-a-half year lows, but weak global demand and oversupply concerns are expected to keep them down. For the week, the Dow rose 0.67 percent to close at 17,477.40. The S&P gained 0.73 percent to finish at 2,091.54 and the NASDAQ climbed 0.09 percent to end the week at 5,048.24.

Returns Through 08/14/15	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	0.67	-0.44	7.09	12.63	14.02
NASDAQ Composite (PR)	0.09	6.59	13.37	18.72	18.36
S&P 500 (TR)	0.73	2.88	9.18	16.65	16.59
Barclays US Agg Bond (TR)	0.14	0.51	1.98	1.79	3.14
MSCI EAFE (TR)	-1.36	5.68	-0.88	10.62	7.95

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.

At the Pump — Through Friday, Aug. 7, 2015, the average nationwide price of a gallon of gasoline has dropped or stayed the same for 23 consecutive days, finishing last week at $2.616 a gallon (source: AAA, BTN Research).

First, But Declining — Oil is the world's leading source of energy (ahead of coal, natural gas and nuclear energy), responsible for 32.6 percent of global energy consumption. However, oil's share of worldwide energy utilization has declined each and every year for the last 15 years, i.e., 2000-2014 (source: BP Statistical Review of World Energy 2015, BTN Research).

College Is Expensive — Of the 40 million Americans that currently hold student loans, 8 million of the borrowers are in default (source: Bureau of Consumer Financial Protection, BTN Research).

WEEKLY FOCUS – Does the Four Percent Rule Work Today?

When counseling investors about drawing down their retirement accounts, advisors historically quoted the four percent rule. The rule was created in 1993 by a registered investment advisor who examined 30-year retirement periods since 1926 and tested different portfolio withdrawal percentages.

He determined withdrawing 4 percent annually, adjusted for inflation, normally kept funds from running out for 30 years, based on a portfolio with a 60/40 split between large cap stocks and intermediate-term government bonds. Later, he included small cap stocks and changed his recommendation to 4.5 percent, but the original "four percent rule" name stuck.

For the rule to work optimally, withdrawals primarily consist of interest and dividends – which is why advisors are debating whether the rule needs to be reduced for our times. Things are quite different from when it appeared. The yield on a Treasury bill in 1993 was over 6 percent, and stock returns in the 90s averaged 18.17 percent.

In typical environments, a well-diversified portfolio with adequate equity exposure is essential for the rule to work well. If too much is allocated to conservative assets like bonds and CDs, recouping subtractions may be unlikely; this is especially true in our low-interest rate environment. Some retirees looking for greater certainty have turned to immediate fixed annuities, deferred income annuities or managed payout funds.

The rule definitely doesn't work if retirees don't track withdrawals accurately or if they "cheat" by making big purchases – even in years when their investments outperform expectations. High inflation during the first years of retirement is another danger; removing too much early on can have a disproportionate impact on a portfolio's future growth.

No matter what the markets are currently, it's important to remember a set withdrawal rate is at best a starting point. Because it's impossible to predict economic fluctuations or future health challenges, course corrections may be required in days to come. Our office can help you devise an allocation and withdrawal strategy to reduce the risk of asset depletion.

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# 1275392.1