RFC FINANCIAL PLANNERS

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Planning Points

Spring Newsletter - 2013

OUR THOUGHTS:

Market Update: During the first five months of this year, the S&P 500 Index has experienced a double digit rally, 10 year Treasury values have begun to decrease due to yields rising and some global markets have seen nice gains as well. We know what you may be thinking, "Why didn't all of my investments go up by double digits?" Remember that a properly diversified investment portfolio is made up of more than simply the S&P 500 and because other investment classes, such as bonds, may act differently during various time frames, this can help smooth out "the ride" during down markets and yet also during up markets.[1]

Although both corporate fundamentals and economic indicators are supportive and encouraging, the speed and strength of the rally suggest it may be time to take a step back and reassess risks, opportunities, and overall investment strategy allocations. Considering the rally so far and the outlook for the rest of the year, key themes for investors will be:

- Opposing pressures and the outlook for U.S. economic growth
- The Fed, QE, and the outlook for interest rates
- International markets growing middle class and rise of the global consumer

In a quote from the most recent quarterly commentary from Hancock Horizon Funds, they stated the following reflecting on the market outlook[2]: "It sure would be nice if we had just a little more certainty about the future. Certainty, however, is what investors crave because, as the psychologists tell us, humans are essentially risk-averse and instinctively deficient in dealing rationally with an unknown future."

Might it be smart to consider taking some gains off the table from the areas of your investment portfolio that have dramatically increased in value and rebalancing your investment accounts back to where they should be focused for the long-term? With this being said, it is our opinion that investing for the long-term is the best approach.

We have noticed a number of clients getting caught up in the excitement of markets over the last six months and suddenly indicating a desire for more growth; thus a willingness to take on more risk than they have been comfortable with since prior to 2008/2009. Are investors beginning to forget the pain experienced in the early 2000s & 2008-2009 already? This behavior is becoming more widespread and thus we feel it is important to remind our clients about the importance of staying focused on your own personal goals and the savings rates/returns needed to achieve your goals instead of simply comparing your portfolio to the S&P 500. Don't let the media and emotions sway you from your plan either. Long-term goals require dedication to a long-term investment strategy enjoying good times and enduring tough times. Now this is not to say that occasional adjustments are not helpful because strategy positioning and allocation are important components to investing intelligently. Diversification, however, is the main component to smart long-term investing.

Further quotes from the Hancock Horizon Funds commentary: "We believe that current index price levels fully reflect expectations for corporate earnings growth going forward. On average, flat to moderately positive total returns could be in store following fully valued readings, but the historic average does not highlight the greater volatility that often ensues. The Federal Reserve's continued commitment to easy money policies no doubt fostered a degree of enthusiasm for equities among investors that might not have existed otherwise. We see little to suggest that economic growth or earnings trends will improve significantly in coming months. Is a repeat

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of 2012 likely? We suppose anything is possible, but investors are encouraged to remember that when valuation is stretched, as it is today, there may be no valuation shock absorber to reduce the impact of bad news. Should the unexpected occur, investors could experience, in the short run, the negative side of volatility. In our opinion, the weight of evidence argues for an approach to common stock investing that avoids expanding equity exposure and therefore risk in a portfolio beyond a level that is commensurate with an investor's risk tolerance and long-term objectives. In other words, investors should remain in their comfort zones and follow their plans."[2]

If you wish to review or discuss your investment strategy, please contact us to schedule an appointment.

Where Is My Social Security Statement?

Have you noticed that those annually updated Social Security Statements haven't come in the mail recently? The Social Security Administration has ceased mailing annual statements and has introduced online access to your statement, plus your earnings history, estimated benefit amounts, and eligibility information. To view your statement online, you must first create an online account at: https://www.socialsecurity.gov/myacount . Let us know if you would like help setting up your access.

DID YOU KNOW?

S&P 500 YTD- The S&P 500 is up +16.7% YTD (total return) through Friday May 24th 2013, a performance that is almost triple the index's +5.7% YTD result as of Memorial Day 2012. 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: www.bigcharts.com).

DJIA - The Dow Jones Industrial Average is now over one hundred seventeen years old. Only twelve stocks were used in the index's original calculation in May 1896 and only one stock (GE) in that group remains in the index today. The Dow Jones Industrial Average is a popular indicator of the U.S. stock market based on the average closing prices of 30 active U.S. stocks representative of the overall economy (source: Dow Jones).

REBALANCING - If you had invested $100,000 on 1/01/81 (in a pre-tax account) and split the money 70/30 between stocks (S&P 500) and bonds (Barclays Aggregate Bond Index) and never rebalanced, your total would have been $2.194 million (before-tax) after 32 years (1/01/13). If you rebalanced back to a 70/30 split at the end of each year, your total would be $2.334 million (before-tax) as of 1/01/13, i.e., $140,000 more. The Barclays Aggregate bond index, calculated using 6,000 publicly traded government and corporate bonds with an average maturity of 10 years, was used as the bond measurement (source: www.bigcharts.com).

BAD TREND - There were sixteen American workers for every one Social Security retiree receiving benefits in 1950. It is estimated that by 2035 there will be just two American workers for every one Social Security retiree receiving benefits (source: Social Security Trustees 2012 Report).

FEARS - More than three out of every five Americans surveyed (61%) between the ages of 44-75 fear running out of money during retirement more than they fear death (source: Allianz).

RFC NEWS

Laura Modjeski in our office is now a notary public so this offers a nice convenience to our clients. If you, your friends, and or family need something notarized, please contact us for this complimentary service.

Our business continues to be successful because of great clients like you. If you know anyone else who is looking to simplify and organize their financial lives, please let us know. With their permission, we would be happy to contact them and introduce ourselves.

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[1]Asset Allocation or Diversification does not ensure a profit or guarantee against loss; it is a method used to help manage risk. It is not possible to invest directly into an index. [2] The material represents the manager's assessment of the market environment as of March 2013 and should not be relied upon by the reader as research or investment advice regarding any security, nor is it intended to be a forecast of future events or a guarantee of future results.
Source: Quarterly Commentary- http://www.hancockhorizon.com/FundInvestors/FundOverview.aspx