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Solutions for a New Economy

Our goal is to provide confidence in guiding complex decisions, provide oversight based on wisdom, and offer extensive knowledge, backed with formal educations.

Our services include retirement plan consulting, endowment & foundation consulting, along with individual investment & retirement management services.

By always acting in a fiduciary capacity, we provide objective and unbiased investment advisory services to our clients.

Prospects for a Rewarding 2011

Once in awhile we want to peek into the future. It is obviously impossible to know the future but many times we take an educated guess and make some predictions. Here are some thoughts, or a guess, on why 2011 might be a rewarding year.

To start, we are seeing improvement in the labor market. Recent initial jobless claims stood at 428,750. A level of 425,000 indicates modest job growth. Employment is slowly improving as corporations have had strong profits in 2010. With strong profits and cash flows, corporations are once again investing in technology and equipment. We are starting to see employment broadening to the service sector, the largest sector of US employment.

Consumer confidence is also improving and helping to move the stock market forward. Consumer sentiment, as measured by the University of Michigan Index, finished the year at its second highest level since January 2008.

Although investors continue to prefer fixed income, the valuation of S&P 500 stocks is within historic averages and not overvalued. Moving into 2011, we believe that investors are going to focus on corporate top-line revenue growth in addition to bottom-line profits. Top-line growth should be forthcoming given an improving employment environment.

Concerns in the markets continue to focus on housing, tight credit, and potential inflation. Unfortunately, it may take several more years for the housing market to improve. Tight credit standards will also keep housing and business activity constrained. However, households are saving more and continue to de-leverage. We are experiencing inflation in commodities. It probably will be several years before we see broad based inflation given the employment and housing situation.

Overall, the prospects for a rewarding stock market in 2011 look favorable. Only the future will let us know for sure.

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This Issue's Trivia Question

Q: When did the US Government start the national debt?

A: The US has always had a national debt. The first bonds were issued at the outset of the American War of Independence in 1776.

Once the fighting started, the Continental Congress authorized the issue of $2 million of debt to finance the war.

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Are you Retirement Ready?

According to the Deloitte's 2010 Top Five Total Rewards Survey, an individual's ability to afford retirement ranked as a number one challenge. The Deloitte survey goes on to indicate that only 15% of employers believe that most of their employees are financially prepared for retirement.

Here is an example of how the American experience plays out. The average retired person receives $1,174 per month and the average couple receives $1,907 in Social Security benefits. The median household income in the United States is around $50,000. In this example, Social Security replaces 46% of the annual income. If the couple wanted to replace the balance of income ($27,116), they would need approximately $400,000 saved for retirement. Given that the median individual 401(k) balance at retirement is in the $50,000 to $60,000 range, most families are not retirement ready.

The Employee Benefit Research Group (EBRI) produces an annual retirement confidence survey which highlights some interesting additional facts. Americans are thinking that they will need to work longer than in the past. In 2000, 13% of respondents to the survey indicated that they would be working at age 70. In 2010, the percentage thinking that they will be working at age 70 increased to 24%. In contrast, 41% of retirees reported that they retired sooner than they had planned due to health or company downsizing issues.

> Almost half of workers report they are not confident they will have enough money in retirement.
>
> Source: EBRI

Given this backdrop, what will ensure that you are retirement ready? One imperative is to seek out the educational opportunities presented by your employer. Many employers offer annual education meetings focused on retirement benefits. These are typically hosted by firms administering the retirement plan or investment consulting firms.

Other ways to be retirement ready include understanding three principals. The largest determinants of achieving a successful retirement include saving over time, saving the right percentage every year, and selecting the appropriate investments. Social Security will also play a role but is not a lever that we can control.

Here are a few simple examples to show the power of these determinants. If you start saving $6,000 per year at age 40, you could have $440,000 by retirement. However, if you wait until age 50, your retirement balance would be reduced to $163,000. From an investment perspective, if you take the time to learn about the investment options and can increase your returns by 1% per year, the 40 year old would add $69,000 to their ending value. Seeking out the right advice will only add to your retirement readiness.

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