Perspectives

FIRST QUARTER 2014

How do you see your retirement? Do you have a clear picture of what you want or how much you'll need?

Separating Retirement Dreams from Retirement Reality

By David Vaikness, CLU, ChFC®
Director, Distribution Planning, 1st Global Investment Management Consulting Group

This time of year, more than 60 percent of Americans resolve to lose weight, be better to their spouse, save more, spend less and live life to the fullest. For all the goal setting we do as the year turns, it may surprise you that only 8 percent of people succeed in following through on their resolutions. Why do so few reach their goals? Many resolutions are vague or unrealistic. Others lack plans or a method for tracking progress.

Similar impediments prevent many Americans from reaching their retirement goals. When you picture yourself in retirement, do you see yourself sailing on a 30-foot sailboat or on the country club golf course? What is your dream?

Do you have a plan to fund this lifestyle after you stop working or is it merely an expectation you have?

Many pre-retirees have a tendency to see what may seem to be a large 401(k) balance as they near retirement and convince themselves that they have saved more than enough to sustain their current lifestyle, and even enhance it. In their minds, they've made a retirement resolution and can now live the American retirement dream!

Unfortunately, many are about as successful in achieving their retirement dreams as they are about their New Year's resolutions. This is due to many factors. First, there's the impact inflation is likely to have on their retirement plan's ability to sustain a level of income they would consider comfortable. Poor market performance, tax law changes, inappropriate or nonaligned investments, unforeseen expenses, or a need for convalescent care not covered by Medicare can also put retirement resolutions at risk.

Fortunately, you and your advisor can implement several strategies to fight back against these pressures:

- **Be Specific:** Don't just picture your retirement dream; discuss the ins and outs of your retirement vision with your advisor. Together, you can look at your retirement "must-haves" and "nice-to-haves." Your goals should be realistic and you should calculate what is needed to reach them. This should increase the likelihood of your success.

- **Take it Step-by-Step:** Retirement goals can be overwhelming, but a process, such as the Sustainable Income Solutions℠ program, helps you take it one step at a time. This will help you and your advisor address the risks to your financial plan one-by-one. Breaking this process down into more manageable steps also places you in a much better position to successfully reach your retirement goals.

- **Don't Make Emotional Decisions:** Just as emotional eating can hamper weight loss resolutions, emotional investing can threaten a long-term plan. If you're feeling anxious about short-term market trends, have a conversation with your advisor about your risk tolerance and overall strategy to make sure you stay on track.

- **Track Your Progress:** Retirement resolutions may change. Life circumstances may change. Periodic reviews of your financial plan's performance can help keep you aligned with your goals and allows you and your financial advisor to make adjustments as influencing factors change.

Contact your financial advisor to start shaping what your retirement will look like. Take the first step on the road to fulfilling that retirement resolution.

[1] http://www.statisticbrain.com/new-years-resolution-statistics/ University of Scranton. Journal of Clinical Psychology.

Signs of Life in the U.S. Economy

By Ryan George
Director of Communications, 1st Global

Stock markets experienced an exceptional 2013 with the S&P 500 Index and Dow Jones Industrial Average posting the best years since 1997 and 1995, respectively[1]. Now that 2013 is squarely in our rear-view mirror, many are wondering, where do we go from here?

Several market mavens are predicting a pullback in 2014 after five straight years of positive gains, but data from Ibbotson show that the S&P 500 Index has been positive 11 out of 14 years following a year with 20-30 percent gains, with an average gain of 12.6 percent[2]. There's no way to predict if markets will follow this historical pattern, but market performance in 2014 will likely be driven by the strength and growth of the U.S. economy.

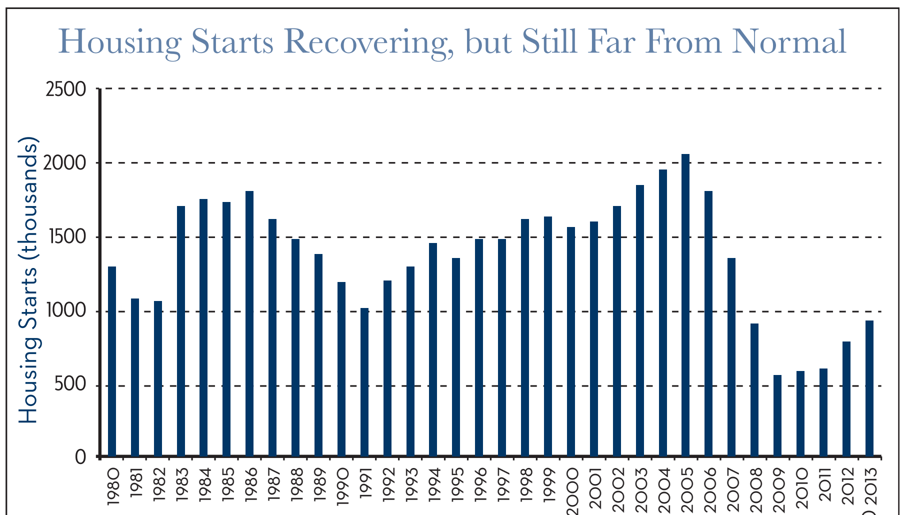
For the past 50 years, average year-over-year GDP growth for the U.S. economy is 3.1 percent. Fourth quarter 2013 figures haven't been reported yet, but data for the third quarter shows the U.S. economy grew just over 4 percent[3]. In December, Christine Lagarde, managing director of the International Monetary Fund (IMF), said the IMF sees a "lot more certainty" for the U.S. economy in 2014 as "growth is picking up ... unemployment is going down." This led the IMF to increase its growth forecast for the U.S.

The vitality of the U.S economy largely relies on the strength of consumers as nearly 70 percent of GDP is driven by consumption. Things are improving in this regard as consumer balance sheets, which include assets such as homes, pension funds and other financial assets, reached $90.9 trillion in December. This is up over 30 percent from the low point during the first quarter of 2009[2].

Much of this increase has been driven by a rebound in housing. Research firm CoreLogic predicts U.S. home prices rose 11.5 percent in 2013 and home prices are now at their highest levels since 2008. Despite the rise, housing still remains affordable as the average mortgage payment as a percentage of household income of 13.2 percent remains below the average of 20.5 percent, dating back to 1975. In addition, housing starts, the construction of new homes, are still less than half of the peak level reached back in 2005[4].

U.S. consumers and the economy are also benefiting from an energy renaissance. Technology breakthroughs have opened new reserves to production, dramatically reducing the amount of energy the U.S. imports from other countries. Surging U.S. oil production, up more than 50 percent over the past five years according the U.S. Energy Information Administration, has led to booming economies in Texas, Pennsylvania, Oklahoma and North Dakota.

So what do these signs of life in the U.S. economy mean to you and your portfolio? Like people and snowflakes, no two investment portfolios are alike. Your portfolio has been designed for your specific needs and goals; however, as things change in the stock markets—up, down or sideways—it's critical that you review your personal portfolio with your tax-centric financial advisor. Make sure you're ready for whatever 2014 brings by sitting down with your trusted advisor soon.



Source: National Association of Realtors. Data from 1/01/80 - 11/30/13

1st Global
RESEARCH & CONSULTING

12750 Merit Drive | Suite 1200
Dallas, TX 75251 | 877-959-8400
www.1stGlobal.com

[1] "Is slow start for stock in 2014 a warning sign?" USA Today, January 8, 2014.
[2] 2014 Investment Outlook, Robert C. Doll, CFA – Nuveen Asset Management.
[3] Barron's magazine, December 30, 2013.
[4] J.P. Morgan Guide to the Markets, 1Q 2014.