

# Perspectives

FIRST QUARTER 2015

## 5 Reasons Economic Optimism Should Be Your New Year's Resolution

By Ryan George

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When was the last time you truly felt optimistic? A time when you were hopeful and confident about the days ahead and carried a strong belief that good things are going to happen? If optimistic memories aren't coming to mind, you're not alone. Constant connectivity to the Internet and a 24-hour news cycle focusing on scandal, death, debate and disaster have made the feeling of optimism an elusive one in today's world:

But times are changing.

A December Associated Press-Times Square Alliance Poll<sup>1</sup> revealed that nearly half of Americans are beginning the New Year with a belief that 2015 will be better than 2014. Is this swell of good feelings an indictment of the past 12 months or is it an indicator of good times ahead? Here are five reasons why my money is on the latter.

### 1) Falling Energy Prices

After several years in the \$90-100 per barrel range, oil prices fell to a five-year low in late December and have continued to fall further in 2015. The corresponding drop in gasoline prices significantly impacts many American pocketbooks. The U.S. Energy Information Administration estimates that the average U.S. household will spend about \$550 less on gasoline this year compared to 2014, the lowest amount in 11 years.<sup>2</sup> While this savings (roughly \$45/month) will be accrued throughout the year, paying less at the pump is something that the vast majority of Americans can feel good about.

### 2) Back to Work We Go

The U.S. unemployment rate fell to a post-recession low of 5.6 percent in December. This was the eleventh consecutive month employers hired more than 200,000 workers and contrary to what many assume - these are well paying jobs. In fact, two out

of every three jobs created in the U.S. last year paid more than the average private wage (see chart).<sup>3</sup>

### 3) Return of the American Consumer

The fall of oil has fueled a rise in U.S. consumer sentiment, reaching an 8-year high in December. This is extremely important for America's economy because a confident American consumer tends to do one thing - spend! Consumption accounts for 70 percent of U.S. gross domestic product (GDP) and growth in America. In recent years, spending has been sparse, but the return of confident consumers will refuel the American economy and promote growth.

### 4) Economic Momentum is Building

GDP is the primary indicator of our country's economic health because it represents the total value of all goods and services produced; and, after many years of so-so growth, America's GDP is gaining momentum.

The U.S. Commerce Department revised its GDP estimates for the third quarter to 5 percent from the previous year in late December, the fastest rate of economic growth we've seen in more than a decade. Combine that with the 4.6 percent growth rate

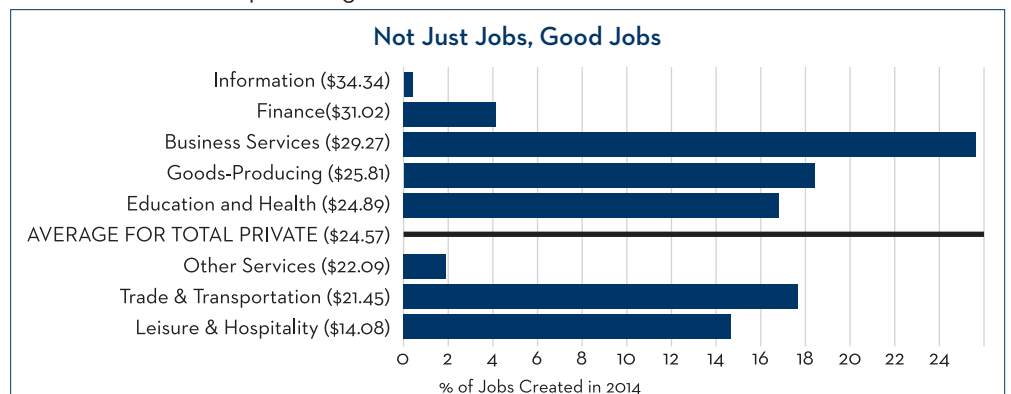
notched during the second quarter of 2014, and you can spot a trend forming. Currently, GDP forecasts show the growth trend (17 of 19 quarters with positive growth) will extend into 2015 at a rate of around 3 percent.

### 5) U.S. Dollar is Getting Stronger

Geopolitical unrest and economic weakness in the Eurozone and some emerging markets have strengthened the U.S. dollar, which has squelched inflationary pressures and increased American purchasing power. However, there can be too much of a good thing. While a stronger U.S. dollar is generally good for Americans, our globalized economy relies on participation from foreign markets, and currency weakness can tighten bank lending and capital investment. This is something the Federal Reserve and global central bankers will certainly keep their eye on in 2015.

### Tuning Out the Negativity

The future may be out of our control but your financial advisor is a resource for a fair and balanced view of the road ahead. Contact your advisor today and see how great the world looks when viewed through an optimistic lens.



<sup>1</sup> "AP-GfK Poll: 5 things to know about the economy," Associated Press-Times Square Alliance, December 27, 2014.

<sup>2</sup> "U.S. household gasoline expenditures in 2015 on track to be the lowest in 11 years," U.S. Energy Information Administration [www.eia.gov](http://www.eia.gov)

<sup>3</sup> "Jobs Machine in U.S. Created More Than Burger Flippers Last Year," Bloomberg News, January 13, 2015.

# Simple Tips for Smooth IRA Rollovers

By Mindy LeMoine

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Have you switched jobs recently or have retirement funds from that part-time gig in college in the 1980s that are still in their original account? These funds can be rolled into an IRA, making them easier to track and possibly open up the funds to be invested in new ways. A 2013 report by Cerulli Associates forecasts that IRA rollover contributions will surpass \$450 billion by 2017.<sup>1</sup> Your financial advisor can help simplify the IRA rollover process and assist you in coordinating the necessary forms and providing requested data.

For a successful move, there must be an IRA, a current custodian and a new custodian. A custodian is where your assets and securities are safely held, reducing the risk of loss or theft.

To facilitate the initial move, you will need to obtain a distribution form from your current custodian (i.e. Schwab, TD Ameritrade, Pershing). Typically, this form is generic in nature and available online from the current custodian's website. Once the form is completed and signed, it must be submitted to the current custodian. Don't forget to keep a copy of the distribution form for your records and to confirm receipt of the distribution form.

To ensure that the IRA is moved properly, a new custodian must be designated. To do so, you should obtain a rollover form from the new custodian or firm you've chosen to accept the IRA assets. These IRA forms are also generic in nature and available online from the newly designated IRA custodian. Once the rollover form is completed and signed, it should be submitted to the new custodian, who should confirm receipt of the rollover form.

Both of these forms should be completed and processed through their respective custodians. Custodians typically do not accept forms from other firms, and in this case, the forms are working at cross purposes. Sometimes, custodians will request and accept the form, however, that is becoming less frequent. For audit purposes, both forms should be completed. If the forms are completed and submitted correctly, the timeframe for movement of funds should take just a couple of weeks, but depends on the vendor's process.

If your transaction is a trustee-to-trustee transfer of qualified assets, the process may include an additional step. If moving funds from a 401(k) plan, the plan administrator or plan sponsor must approve the transfer as part of his or her fiduciary obligation to the plan. The approval piece of this is usually included on the plan's unique distribution form. That form may come directly from the plan sponsor, the plan sponsor's third-party administrator or the vendor, depending on the plan. This form will need to be completed, giving direction on where to send the account. The plan sponsor reviews the request, approves the movement from the plan and submits for processing to the vendor. A rollover form should be completed for the new custodian if the movement of the account is a trustee-to-trustee transition.

Your advisor can help gather the forms needed, but he or she cannot complete them for you.

Typically, when both forms are processed at the same time and submitted to the correct vendor, transitioning qualified funds from trustee to trustee is efficient, does not incur undue taxation issues and ensures that the funds aren't left in limbo.

It's important to understand that if an IRA isn't rolled over properly, there could be many implications including taxes, loss of assets and other penalties. If you're considering rolling over some funds, talk to your financial advisor to ensure obstacles are avoided and the funds are correctly placed in the new account.

<sup>1</sup>"IRA Rollovers to Hit Historic Highs as Boomers Near Retirement," ThinkAdvisor.com, February 2013.

## The IRA Rollover: 10 Tips to Making a Sound Decision

In a April 2014 Investor Alert, FINRA offered these 10 tips to decide whether an IRA rollover is right for you.

1. Evaluate your transfer options
2. Minimize taxes by rolling Roth to Roth and traditional to traditional
3. Think twice before you do an indirect rollover
4. Be wary of "free" or "no fee" claims
5. Realize that conflicts of interest exist
6. Compare investment options and other services
7. Understand fees and expenses
8. Engage in a thoughtful discussion with your financial or tax professional
9. Age matters
10. Assess the tax implications of appreciated company stock

Visit [FINRA.org/Investors](http://FINRA.org/Investors) to read the complete text of the Investor Alert, as well as other educational pieces on investing.



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