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SENIORS/BOOMERS NEWSLETTER

"THE RETIREMENT EXPERTS"

June 2014

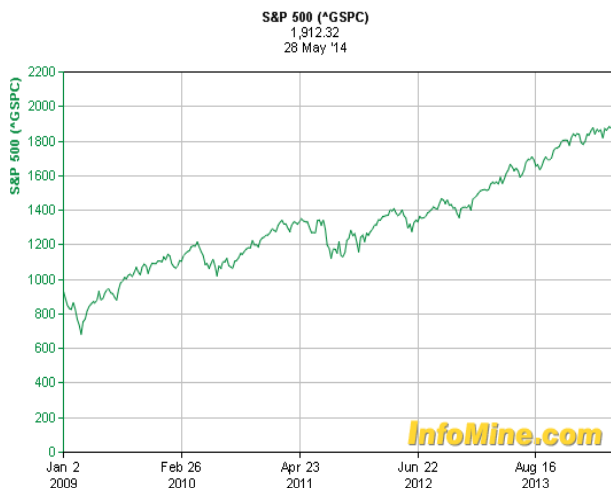
Who are you going to believe? Me, or your lying eyes..... Groucho Marx

Unless you've been vacationing on Mars, you are well aware that the stock market, along with the Federal Reserve, have both been quite accommodative with making us feel financially better off than we were, say five years ago.

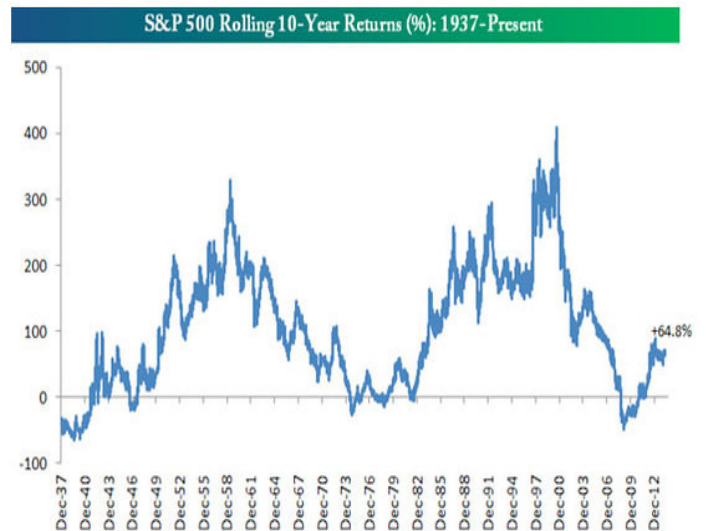
Now, a large number of talking heads on the cable news and financial channels, are warning us of the imminent decline...pull-back...CRASH which is expected any day now.

For the most part their collective track records for market prognostications seem to be unblemished by success. When will they learn the cardinal rule of predictions? You can give a number, or you can give a date. But, never give them both together.

This is not to say that I believe that this bull market can go on forever. It can't, it won't and I don't. But running around screaming that the sky is falling without anything more than 'we haven't had a meaningful correction in over 5 years' (see chart below) is not the factual way to review the data.



So, let's take a look at the facts:



So, yes, we are now in the sixth year of the bull market, but according to the Bespoke Investment Group, they say that stocks still have room to run.

Over the last ten years, the S&P 500 is up 64.8%, (chart above) they wrote in a recent blog post. "This might seem like a lot, but compared to past runs for the index, it barely shows up."

The index's average rolling 10-year return since 1937 has been 103%, so the current 10-year gain of 64.8% is roughly two-thirds of that average, according to the analysts. This is not proof of a continuation, but it is a positive indicator.

Another reason why stocks continue to claw their way higher (aside from the Fed's money printing) is yet another interesting fact. According to World Federation of Exchanges, the combined number of companies listed on the New York Stock Exchange,

the American Stock Exchange and NASDAQ has shrunk substantially since 1997.

Over the past 16 years, listed companies on the three major exchanges have fallen from 8,823 to 5,008 as of last year. That's a drop of **43%**. It stands to reason that with fewer stocks to buy, prices will move higher.

There are several other data points worth noting:

☑ By most accounts there is approximately three TRILLION dollars still sitting in cash in money market accounts. Because this money is earning next to nothing, it is a fair assumption that some of it will find its way into the stock market. This generally supports higher prices.

☑ The Price to Earnings (P/E) ratio on the S&P500 is currently 17. This is not out-of-line with historical averages. To put this in perspective with where it was in the bubble years of 1999/2000; it was then trading at a multiple of over 30!

☑ Historically, bear markets are often kicked off by a recession. According to the head of the Institute for Supply Management (ISM) Bradley Holcomb, he says that a recession is not likely at this time based upon economic activity.

☑ The Dow Theory has five tenets:

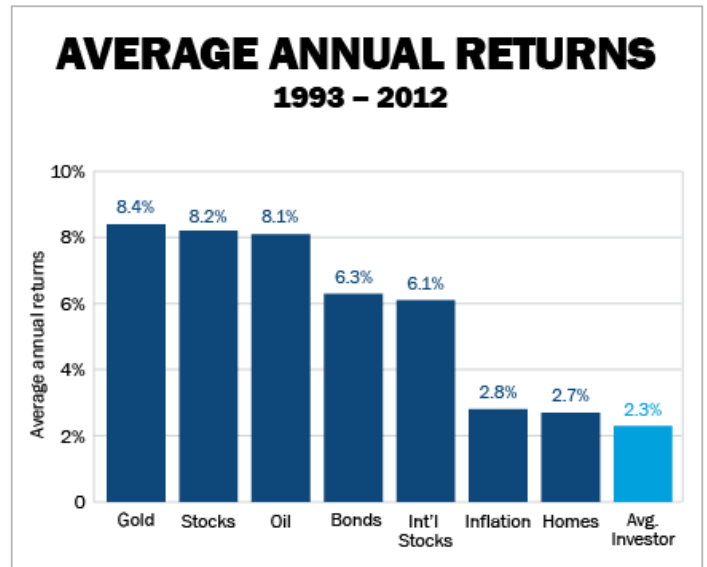
1. Industrial companies increase their earnings when they produce and sell more.
2. When industrial companies are selling more, transportation companies are delivering more.
3. In a healthy economy, both transportation and industrial companies exhibit revenue growth.
4. When industrial and transportation companies grow revenues, their stocks are attractive.
5. The industrial and transportation sectors are both making new highs at the same time.

These points all indicate a healthy economy and portend further gains in the stock markets. Both indexes are above their 200 day moving averages and have both set record highs.

Newton stayed up all night puzzling the movement of the sun...then it dawned on him.

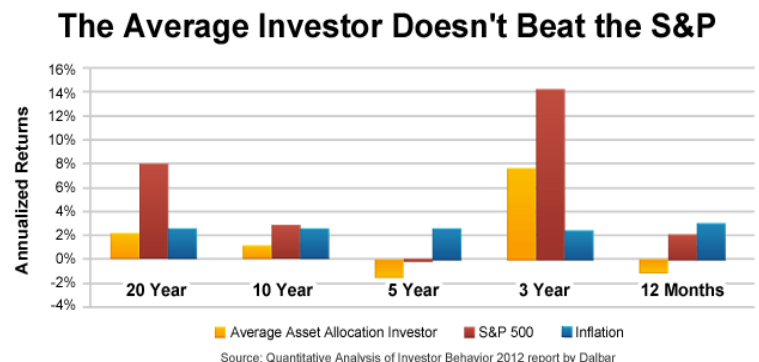
Most individual investors do not do the right thing at the right time.

In a study that covered a 20-year period from 1993 through 2012, asset-management giant BlackRock found that the average individual investor earned 2.3% per year before taxes. Stocks went up 8.2% annually during the same period.



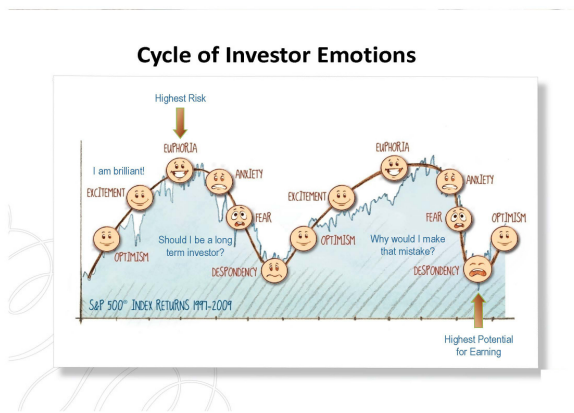
Source: BlackRock, DALBAR
www.stansberryresearch.com

Another research firm, Dalbar, has shown time and time again that individual investors underperform the market. The results of a recent study (shown below), illustrates how investors underperformed the S&P 500 over every time frame – 20 years, 10 years, 5 years, 3 years and 12 months.



Source: Quantitative Analysis of Investor Behavior 2012 report by Dalbar

One final chart below illustrates why the average investor underperforms the market. It's selling when they should be buying; and buying when they should be selling!



Your Mutual Funds Aren't Doing Great. But Compared to What?

Generally people love to talk about their investment successes. You may overhear them in the grocery store, while you are trying to eat lunch at the coffee shop, or even as you're relaxing around the pool. However, learning about someone else's mutual fund earning double-digit returns, while the fund you own does not have such bragging rights can be disturbing. But should you really take what you hear to heart and dump your fund?

You need to put a fund's returns into the proper perspective with an index of relevant stocks or bonds. These investment benchmarks are valuable tools to evaluate how well your investments weigh against the particular market they represent. The Securities and Exchange Commission requires that mutual fund companies include comparable return information from an appropriate benchmark in fund prospectuses.

No single benchmark covers all investments. For instance, the S&P 500 is a widely-used gauge of large-cap, U.S. based stocks. However, if you own a small-cap mutual fund, you might want to refer to the NASDAQ Composite or Russell 2000. These indexes cover approximately 7000 stocks and are skewed towards technology and small-cap stocks.

For the bond funds in your portfolio, the Barclays Capital Aggregate Bond Index can be a good yardstick. It contains 8,200 U.S. government and investment-grade corporate bonds with maturities of 1 to 10 years, as well as mortgage and asset-backed securities. It covers 43% of the entire U.S. bond market.

But what if your fund owns stocks and bonds? For example, suppose your fund's holdings are 60% large-cap stocks and 40% corporate bonds. The manager might put together a blended benchmark that is 60% S&P 500 and 40% Barclays Aggregate Bond Index.

It's important to compare apples with apples. A blended stock and bond fund generally will not generate the same returns as growth stocks in a rising market...but the blend offers a great deal of safety.

You should calculate overall returns as follows:

S&P 500 up 8% x 60%	= 4.8%
Barclays up 3% x 40%	= 1.2%
TOTAL	= 6.0%

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☺ With vacations upon us, now is a good time to review hotel secrets:

→ You get your best rate by calling the local hotel directly...not the 800 number.

→ Book your room reservation after 4 p.m. This is when they get rid of the no-shows.

→ If the hotel has no vacancies tell the manager you're willing to accept an out-of-order room with a minor problem.

→ Beware of thieves. They no longer take your entire wallet. Now they only take just one of your credit cards.

☺ Explore the outdoors and search by zip codes at www.NWF.org/NatureFind.aspx

☺ Shop the government auctions by going to www.USA.gov/shopping/shopping.shtml

☺ Get free e-books at www.Gutenberg.org

☺ Seniors can get travel discounts at Amtrak of up to 15%.

☺ Check the speed of your internet connection at www.SpeedTest.net

Whichever index you use, make sure it represents the asset category you want to evaluate. And depending on your portfolio mix you may want to consider benchmarks that measure other asset classes, like international bonds and real estate investment trusts.

Would Your Survivors Spend It All???

Like most seniors, you have worked hard to get where you are financially. And you want to make sure that your heirs receive everything that you had planned to leave them. To accomplish this, you may have established a trust to reduce transfer costs and possibly shelter taxes. But what will happen once your loved ones receive their inheritance?

Will they invest it wisely for the future or quickly spend it all? Or will angry creditors line up at their door to get paid? An additional special clause within your trust may possibly assure that the assets that you pass to your beneficiaries will last as long as you had wished.

A spendthrift clause prevents trust beneficiaries from voluntarily, or involuntarily transferring current or future rights in the trust. Without this, beneficiaries have unrestricted ability to use the assets, and thus their creditors can attach those funds. State laws determine the exact language and the degree of creditor protection spendthrift trusts offer. Nevertheless, the concept restricts the beneficiaries' access to the trust's property.

The trustee whom you select is usually given the discretion to distribute money as needed to the beneficiaries. This may be an ideal choice for a beneficiary who is financially irresponsible and likes to spend...or you may want to provide for a loved one who has special physical or mental needs.

If you worry about how your children, grandchildren, or other beneficiaries might spend the money you leave them, check with an estate planning attorney. He or she will be able to navigate the right course of action you probably need to take.

Choosing the Right Executor

A will is a "living" document; therefore whenever you have a major life change you should

consider reviewing your will. Part of this review should include making sure the person you have chosen to be your executor or personal representative is ready, willing, and able to perform the duties of that role.

The job of an executor is usually not simple. It can be time-consuming, require a surprising amount of effort and energy, and cost money. As you age, your executor is also aging. The "right" choice 10 or 15 years ago may not work over the next 10 or 20 years.

What should you consider when choosing your executor?

Always ask the person if they are willing to perform the tasks involved, and make sure they really understand what those responsibilities are. Consider how that individual will deal with your heirs, especially if he or she is also an heir. A sense of fair play, and a willingness to negotiate are critical traits.

What is his or her age, health, overall physical condition, and personal situation? An executor may have to travel, stand in long lines for hours, confront dueling heirs, go to court to resolve matters, deal with probate in your state and any other state where you own property, and much more.

Make sure your chosen executor can manage his or her own finances before you let them handle yours. You won't be able to guide them so they need to be responsible and willing to do things "your" way.

Another decision is whether to have co-executors. You may like the idea of executors looking over each other's shoulder, but some people (especially siblings) may not get along together well enough to jointly handle your affairs in an equitable manner. That can result in costly attorney fees to resolve problems.

Should your executor be an heir? Maybe. It does save money, since no attorney or bank trust department or other entity is charging a fee. But there can be serious conflicts with other heirs, so choose wisely.

Selecting the right person to handle your final affairs is just one very important part of financial planning. If you believe that your plan needs updating, there are many local professionals who specialize in estate planning.