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**SENIORS/BOOMERS
NEWSLETTER**

"THE RETIREMENT EXPERTS"

March 2014

**"They couldn't pass the 10 commandments"
... retiring congressman speaking about Congress**

I'm sorry I cannot attribute the quotation referenced above. I was watching the news the other night and caught the tail end of an interview with said retiring congressman. When I heard the quote I laughed so hard I missed his name. Nonetheless, we all get his point.

Are we ever going to get meaningful spending and budget reform? One of the main responsibilities of Congress is determining how we spend our money. The chart below, courtesy of Stansberry Research, shows the yield(s) on the 10-Year Treasury note. This yield is the benchmark when examining the impact of interest rates.

10-Year Treasury Note Yield



In 2000, the total federal government debt was "just" \$5.6 trillion. Today, it's a staggering \$17 trillion. But with declining interest rates over the past decade, nobody, including our politicians, has really felt much of a pinch with our country's higher debt level.

The cost of carrying \$17 trillion at 2% – where rates were at the start of 2013 – is pretty much the same as carrying the \$5.6 trillion we had 14 years ago when rates were at 6%.

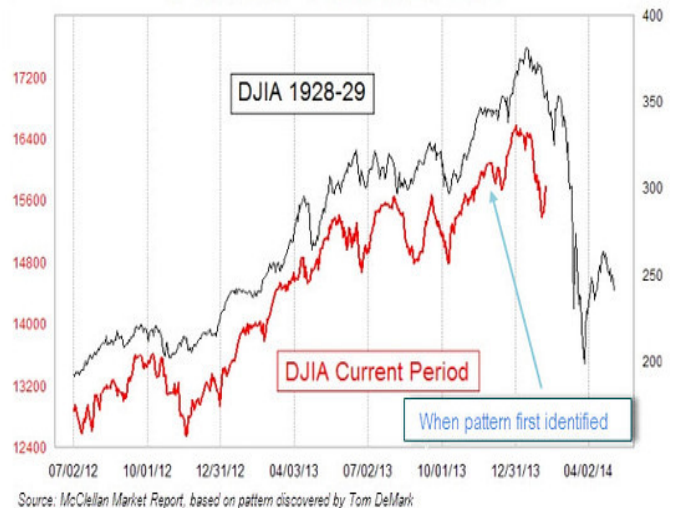
The reality is however, with the Federal debt level sitting at \$17 trillion, and assuming an interest rate of 3%-3.5% charged on the 10-year note, all of a sudden our interest burden is about 75% more than it was in 2000 and last year. Scary isn't it?

Here's the math:

(2000)	\$5.6T x 6%	=	\$336B
(2013)	\$17.0T x 2%	=	\$340B
(2014)	\$17.0T x 3.5%	=	\$595B

ANOTHER SCARY CHART MAKING THE ROUNDS

SCARY PARALLEL



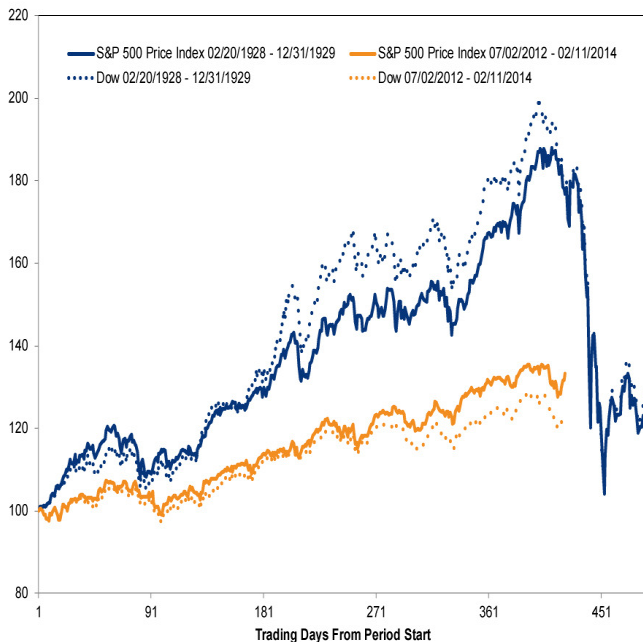
Many investors have recently viewed the above chart, and probably thought that now would be a good time to cash everything in and find a cozy cave to retire into. Don't do it! This is a classic case of being able to torture the figures until they'll say exactly whatever you want them to say.

Here are the facts:

Scale. The Y-axes on the chart have been manipulated to make two time periods look similar—they zoom in on each at whichever magnitudes necessary to make the comparison “work.”

Date range. Why was July 2, 2012 chosen as the starting point for this present-day series in the comparison? It's not the beginning of a bull market nor was it the bottom of a bull market correction. This is pure data mining.

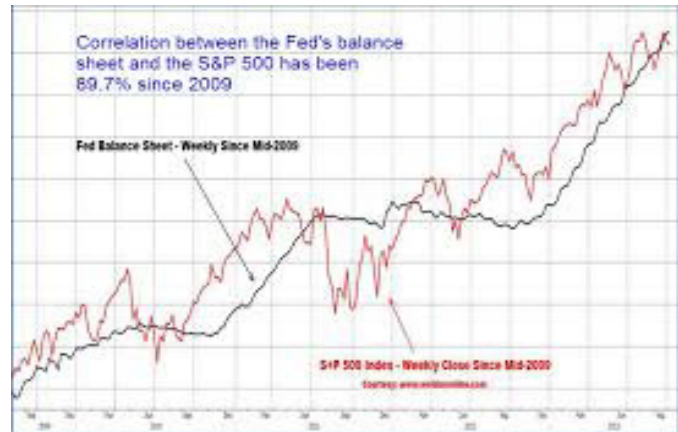
Exhibit: S&P 500 Price Index Level Comparison, Both Series Indexed to 100 at the Start



Source: Factset. S&P 500 Price Index and Dow Jones Industrial Average level for the periods 02/20/1928 – 12/31/1929 and 07/02/2012 – 02/11/2014. All four series indexed to 100 at the first date in each.

The most important reason that this ‘imaginary’ chart is totally fairy-tale, however, is because of the fundamental difference between the Federal Reserve in 1929 and the Federal Reserve of 2012.

Back then, the Fed was tightening the money supply. I think everyone in America is familiar with QE1; QE2; QE3, etc. Our money supply has flowed as easily as Niagara Falls, while seeing the Fed quintuple its Balance Sheet. The chart below illustrates how closely the market has followed the Fed



Case closed. Time to come out of the cave.

HOW TO AUDIT YOUR PORTFOLIO

One of the most important things you should do if you're managing your own portfolio is to review all of your positions at least once/year...and ask the following questions:

1. Are the reasons you originally bought this security still valid? If yes, keep it. If no, would you buy it again today?
2. Is this company still a dominant player in its field?
3. Is this company growing sales & profits at the same level as when you bought it?
4. Has the company hit your 'trailing stop-loss'. If you haven't set a stop-loss, it's time to figure out how much you are prepared to lose before getting out of the position.
5. Don't waiver here. If you've lost too much money on a stock that you may love...but the market hates (the market will win this one)... get out now before you sustain greater losses. Very few stocks that are going south suddenly reverse course. Remember. By minimizing your losses, you will have more money to buy it back later at a lower price, if/when it again changes direction.

CARING FOR A RELATIVE AND THE TAX CODE

As tax season is already upon us, it's important to get all the deductions that we are legally entitled to. Caring for loved one may also qualify. Here are some criteria:

- If the person you are caring for has \$3900 or less of gross income (pensions, taxable investments, taxable social security)
- And, you provide half of the person's financial support (including fair market value for space in your home for a relative who doesn't pay rent)
- They may qualify as a dependent. Ask your tax advisor.
- Even if a parent is in a facility and meets other criteria, s/he may still be considered a dependent.
- Generally, you can deduct medical expenses for a dependent (including Medicare Part B & D)
- If your relative is in a nursing home and is considered 'chronically ill', you may be able to deduct all or part of the annual expense.
- Caregivers that are paid more than \$1800/year, and that were paid as employees...following the IRS guidelines for withholdings, allow you to deduct these expenses.

In all cases, please consult a qualified tax advisor to find out what you may be able to deduct.

WHEN SHOULD YOU BUY THAT....

The Best Time to Buy Anything in 2014

Quarter	Items
First Quarter	Boats • Computer Monitors • Gas Grills & Air Conditioners • Wedding Supplies • Winter Coats & Clothing
01 January	Clothing • Broadway Tickets • Carpeting • Furniture • Gift Cards • Linens • Motorcycles • Suits • Video Games
02 February	Broadway Tickets • Cellphones • Televisions & Home Theaters
03 March	Chocolate • Frozen Foods • Golf Clubs • Luggage
Second Quarter	Televisions & Electronics • Houses • Cookware • Digital Cameras • Thrift Stores • Vacuum Cleaners
04 April	Cruises • Sneakers
05 May	Refrigerators • Mattresses • Office Furniture
06 June	Dishware • Gym Memberships & Equipment • Tools
Third Quarter	Computers
07 July	Furniture • Home Decor • Tools • Video Games
08 August	Linens & Storage • Office Furniture • Kids' Clothing • Office Supplies • Swimsuits
09 September	Appliances • Bicycles • Broadway Tickets • Cars • Lawnmowers • Holiday Airfare • Office Supplies • Wine
Fourth Quarter	Cars • Cookware • Digital Cameras • Gas Grills & Air Conditioners • Plants • Toys & Games • Wedding Supplies
10 October	Appliances • Broadway Tickets • Jeans • Patio Furniture
11 November	Appliances • Candy • Televisions & Electronics • Tools
12 December	Champagne • Golf Clubs • Pools • Televisions & Electronics • Tools

WHY THE CPI FOR SENIORS AND/OR RETIREES IS DIFFERENT FROM THE REST OF THE COUNTRY

TABLE 1. PERCENT CHANGE IN SELECTED CONSUMER PRICE INDEXES December 2012 - December 2013

The CPI rose 1.5 percent between December 2012 and December 2013, with significant upswings in housing and mild increases in other prices. Price change for specific categories of goods and services are shown below.

Expenditure Category	% CHANGE	Expenditure Category	% CHANGE	Expenditure Category	% CHANGE
ALL ITEMS	1.5				
FOOD AND BEVERAGES (15% of expenditures)	1.1				
Food	1.1	Water and sewerage maintenance	3.8	Medical care services	2.5
Food at Home	0.4	Garbage and trash collection	2.9	Physicians' services	1.9
Bread	0.7	Household furnishings and operations	-2.2	Dental services	2.8
Cookies	2.4	Floor coverings	-2.9	Eye glasses and eye care	1.2
Meats	2.2	Window coverings	-1.1	Inpatient hospital services	4.4
Beef and Veal	1.7	Bedroom furniture	-0.9	Outpatient hospital services	3.8
Pork	4.5	Living room, kitchen, and dining room furniture	-0.7	Nursing homes and adult daycare	3.0
Bacon, breakfast sausage, and related products	8.2	Major appliances	-5.8		
Pork Chops	3.1	Clocks, lamps, and decorator items	-7.1	RECREATION (6% of expenditures)	0.4
Poultry	3.0	Dishes and flatware	-3.2	Video and audio	2.2
Fish and Seafood	4.6	Tools, hardware and supplies	0.4	Televisions	-13.9
Eggs	5.8	Outdoor equipment and supplies	-1.1	Cable and satellite tv/radio service	2.7
Milk	0.1	Housekeeping supplies	-1.0	Video discs and other media	-9.9
Cheese and related products	-1.0	Household operations	2.0	Rental of video or audio discs	-0.6
Ice cream and related products	0.6	Domestic services	3.2	Audio equipment	-3.8
Fresh fruits and vegetables	-0.3	Repair of household items	3.5	Pet food	1.1
Apples	-6.1			Veterinarian services	3.2
Bananas	-1.1	APPAREL (4% of expenditures)	0.6	Sporting goods	-1.5
Citrus fruits	2.8	Men's apparel	0.7	Photographic equipment & supplies	-3.9
Potatoes	7.2	Suits, coats, and jackets	2.5	Toys-5.3	
Lettuce	2.0	Shirts and sweaters	0.0	Sewing machines, fabric and supplies	-4.4
Tomatoes	-0.2	Pants and shorts	-0.9	Music instruments and accessories	1.5
Canned fruits and vegetables	2.2	Boys' apparel	1.6	Recreation services	1.7
Frozen vegetables	-2.2	Women's apparel	3.2	Club dues and fees for sports and exercise	1.6
Candy and chewing gum	-0.6	Outerwear	6.9	Admissions	1.3
Butter	0.9	Dresses	7.1	Fees for lessons or instructions	0.3
Salad dressing	-1.7	Suits and separates	2.4	Newspapers and magazines	5.5
Peanut butter	-7.5	Girls' apparel	-5.1	Recreational books	-0.3
Nonalcoholic beverages	-1.4	Infants' and toddlers' apparel	-1.7		
Juices and nonalcoholic drinks	-0.5	Watches	0.6	EDUCATION AND COMMUNICATION (7% of expenditures)	1.6
Coffee	-7.6	Jewelry	-0.7	Education	3.5
Soups	0.0	Footwear	-1.0	Educational books and supplies	5.0
Food away from home	2.1			College tuition and fees	3.9
Full service meals and snacks	2.1	TRANSPORTATION (17% of expenditures)	0.5	Elementary and high school tuition and fees	3.8
Limited service meals and snacks	2.0	New cars	-0.6	Child care and nursery school	2.2
Alcoholic beverages at home	1.5	New trucks	1.4	Communication	0.0
Beer and ale	2.3	Used cars and trucks	2.0	Postage and delivery services	6.2
Wine	0.5	Car and truck rental	1.0	Telephone services	0.0
Distilled spirits	1.6	Gasoline	-1.0	Wireless telephone services	-2.0
		Motor vehicle maintenance and repair	1.6	Personal computers and peripheral equipment	-6.6
HOUSING (41% of expenditures)	2.2	Tires	-3.7	Computer software and accessories	-7.1
Shelter	2.5	Motor vehicle insurance	3.3		
Rent of primary residence	2.9	Motor vehicle fees	1.6	OTHER GOODS AND SERVICES (3% of expenditures)	1.8
Owners' equivalent rent of primary residence	2.5	Public transportation	-0.1	Tobacco and smoking products	3.2
Hotels and motels	0.6	Airline fare	-1.4	Personal care	0.8
Fuels and utilities	2.7	Ship fare	1.7	Cosmetics and related products	0.8
Fuel oil	-1.8	Public transportation within city	3.9	Haircuts and other personal care services	1.8
Electricity	3.2			Legal services	2.7
Utility (pipe) gas service	-0.1	MEDICAL CARE (7% of expenditures)	2.0	Financial services, incl. tax returns	2.6
Propane, kerosene, and firewood	14.0	Medical care commodities	0.3	Funeral expenses	2.6
		Prescription drugs	0.8		
		Nonprescription drugs	-1.3		
		Medical equipment and supplies	-1.6		

Source: BLS via Haver Analytics

When you look at the inflation chart from last year what stands out prominently is the importance of certain items for those in retirement. While the chart shows benign inflation in general, this is not the case for seniors and retirees who spend differently.

Missed Your RMD? Better Get Out Your Checkbook

Every so often bills don't get paid or paperwork is overlooked. Statements can get lost in the mail, you might be on an extended trip when the payment is due, or you may have forgotten to send in the forms.

Generally a commercial company will just tack on a late fee or overlook the delay. However, the IRS is not so generous, especially when it comes to your required minimum distributions (RMD).

IRA owners must start taking RMDs no later than April 1 of the year after they turn 70½. And by each December 31 thereafter, they must do the same. Failure to follow these rules can be very expensive.

IRA custodians are obliged to tell the treasury department if you are subject to RMD. They do not, however, have to report the amount. If you miss taking a distribution, or take one that is less than required, you must take the missed distribution and pay a 50% penalty on that amount.

Since distributions do not get special consideration such as dividends or capital gains, they are considered ordinary income. Unfortunately they are assessed at your highest federal and state tax rate. This means that the penalty and income tax could possibly total more than 85% (assuming a combined federal and state tax of 35% plus the 50% penalty).

If you have extenuating circumstances you must contact your tax advisor immediately and have he, or she, contact the IRS on your behalf to see if the penalty can be waived... just don't count on it. Either way you must make the missed distribution right away

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☺ The 1st tip this month comes from a client & friend Martin W. Most seniors and retirees don't access their credit very often; therefore the need to keep your credit file open for you (and ID thieves) is

quite limited. You can freeze your files so no one can get your report, unless you re-open it with the agencies. The links below will get you into each of the three agencies:

(these letters are case sensitive)

For EQUIFAX type:

bit.ly/LQEr1D

For EXPERIAN type:

ex.pn/1gimBjg

For TRANSUNION type:

bit.ly/leKMRV5



There is a web site where you can find special characters to imbed in your computer documents. Go to

<http://coppypastecharacter.com>



Have fun!

☺ Did you know you can access thousands of free full-length movies on YouTube? You can start at

<https://www.youtube.com/playlist?list=PLF7198D24E5EC5B3C>

(By the way, you can also find old TV series on the same site.)

☺ Have you ever wanted to be reminded of the time while working on your computer? You can easily do so at <http://e.ggtimer.com>



There's a website that allows you to edit PDF documents...for free. You can find it at <http://www.pdfescape.com/>