

RBF Weekly Market Commentary August 25, 2014

The Markets

What do Harry S. Truman and Hindu goddesses have in common? Both were invoked to describe Federal Reserve Chairwoman Janet Yellen’s speech at the Jackson Hole Economic Policy Symposium last week.

In her opening comments, Yellen confirmed the economy had improved and suggested more data was needed before the Fed could determine its path. She said:

“...our understanding of labor market developments and their potential implications for inflation will remain far from perfect. As a consequence, monetary policy ultimately must be conducted in a pragmatic manner that relies not on any particular indicator or model, but instead reflects an ongoing assessment of a wide range of information in the context of our ever-evolving understanding of the economy.”

Afterward, some Wall Street professionals empathized with Truman, the 33rd President of the United States and a native of the ‘Show Me’ state, who once lamented the lack of resolute economic advice available. Truman pined for a ‘one-handed economist’ who wouldn’t hedge by saying, “On the one hand... on the other hand...”

Barron’s reported on the speech saying, “In discussing the labor market... Yellen introduced so many qualifications that, instead of the proverbial two-handed economist, she more resembled a Hindu goddess with a half-dozen or more appendages.”

No matter what anyone made of Yellen’s remarks, she was in the catbird seat compared to European Central Bank (ECB) President Mario Draghi who spoke after her. Unemployment in the Eurozone stands at 11.5 percent compared to 6.2 percent in the United States. The range of unemployment across the region is quite significant, from 5 percent in Germany to 25 percent in Spain.

Investors and analysts may not have received the insights they’d hoped to gain about U.S. monetary policy, but it’s important to remember that one person’s hedging may be another person’s careful analysis.

Data as of 8/22/14	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.7%	7.6%	20.0%	21.0%	14.2%	6.1%
10-year Treasury Note (Yield Only)	2.4	NA	2.9	2.1	3.5	4.3
Gold (per ounce)	-1.5	6.3	-7.1	-12.1	6.1	12.0
Bloomberg Commodity Index	-0.2	-0.3	-2.8	-7.8	-0.5	-1.6
DJ Equity All REIT Total Return Index	0.8	19.6	22.6	17.7	19.0	9.4

S&P 500, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. Sources: Yahoo! Finance, Barron’s, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

MIND THE GAP. Here in America, some of the most important gaps that need to be filled are in estate plans. It's not enough to have a plan. You also need to make sure all of the components of your plan – from retirement accounts to investments to property – are properly coordinated. Often the gaps in estate plans are related to:

- **Beneficiary designations:** Many financial assets – such as bank accounts, life insurance policies, brokerage accounts, annuities, and retirement accounts – give you the opportunity to name a beneficiary. Typically, assets pass directly to the named beneficiary regardless of instructions in a will. Consequently, it's important to review beneficiary designations and make sure they align with the intent of your estate plan.

It's also important to know the rules guiding investment distributions to beneficiaries. Generally, there are two possibilities:

- *Per stirpes* distribution indicates if a beneficiary dies before the account owner does, the beneficiary's share will go to his or her heirs.
 - *Per capita* distribution indicates each beneficiary receives the same amount. If a beneficiary predeceases the account owner, his or her share goes to the other named beneficiaries.
- **Joint ownership of assets:** While joint ownership is common for spouses, joint ownership with children and other relatives has the potential to create some estate planning headaches. Forbes.com suggests estate plans should include “a will, revocable living trust (for most people), and financial and health care powers of attorney – which can accomplish all of the same goals as joint ownership, without the risks and complications.”

A 2013 survey of wealthy investors found nearly 72 percent of participants did not have complete estate plans. If you feel you fall into this category, you may want to schedule a meeting with your financial advisor to assess your estate tax liability, determine your most important goals, and structure a plan that fits your needs. Once in place, you may want to review your estate plan regularly to ensure it is in line with current laws and regulations and that it still expresses your goals.

Weekly Focus – Think About It

“No matter what people tell you, words and ideas can change the world.”

--Robin Williams, actor and comedian

Best regards,

Tony Kalinowski

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- * The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- * The Standard & Poor's 500 (S&P 500) is an unmanaged index. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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- * Consult your financial professional before making any investment decision.
- * Stock investing involves risk including loss of principal.

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