



Tune Out the Noise

There's a reason that investors tend to only hear about "looming" market doom or "imminent" market growth. While many news outlets have incentive to draw viewer attention with wildly bullish or bearish predictions, these sensationalized views may be a distraction to a sound investment approach. When tempted to make a radical change to your investment portfolio based on these headlines, it is important to recall some basic fundamentals to keep your plan on track.

Drown out the noise. Market movements are notoriously difficult to predict. The media outlets that scream the loudest are not always the most accurate. The fallout from attempting to time the market in response to one of these predictions can be dangerous to your portfolio.

Look, but don't stare. While it's important for

investors to know the performance of their accounts, short-term market fluctuations can be quite volatile. While the probability of realizing a loss within any given day is high, the likelihood of realizing a loss historically has decreased over longer holding periods. Periodic review of an investment portfolio is necessary, but investors shouldn't let short-term swings affect their view of the future.

Stay focused on the long term. Investors who have taken the time to determine a sound investment plan based on specific goals and risk tolerances are best advised to stick to that plan. While it may not always grab headlines, a sensible, tailored investment plan may be the best solution to meeting long-term goals.

Holding a portfolio of securities for the long term does not ensure a profitable outcome, and investing in securities always involves risk of loss.



The SWA Team

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What's Happening at SWA

We are pleased to announce that Robin McElfresh has joined our firm as Executive Assistant.

With over 20 years of experience in the accounting, legal, and client service fields, Robin brings a vast wealth of knowledge of operations and administrative procedures to our firm. She works closely with our team to support our general operations as well as assist clients with account administration and day-

to-day requests.

Robin studied accounting and business while attending Mesa Community College.

We are excited to have Robin on board and hope that you will take the opportunity to get to know her better.

Monthly Market Commentary

Overall, April data brought some very welcome good news. April auto sales looked great, stacking together two 16 million-plus unit sales months in a row. Pending-home sales looked much better too, indicating that the decline in existing-home sales may be nearing its end. Employment data looked great, but not perfect. Manufacturing continued to make modest progress with another month of increasing ratings from purchasing managers in the sector. Even chain store sales managed year-over-year growth of 3.1% in the latest period, their best performance since December.

GDP: First-quarter GDP growth was sharply below expectations, barely at 0.1%. Just about every category was flat or down, with only consumption of services saving the U.S. from an outright decline in GDP. However, a lot of data points from April (enumerated above) pointed sharply higher. All this may suggest that growth of 3% or more is possible in the second quarter, offsetting the sting of a disappointing first quarter. However, these numbers are not the start of a new normal of rapid and always-accelerating growth. Instead, growth for the full year is likely to remain stuck in a 2.0%–2.5% range.

Employment: April's nonfarm job growth of 288,000 plus revisions to the previous two months was a pleasant surprise. However, the longer-term trend, using an average of three months of data compared year over year, has not broken out of its slow upward trend, even with April's great performance. The report did contain one ominous dark cloud: Hourly wage growth was nonexistent for the second month in a row. Adjusted for inflation, the United States has seen two months of hourly wage declines. The inflation-adjusted wage data (combining employment, hourly wages, and hours growth) shows that the economy is still running a little below average.

Longer-term, we may be talking about job shortages, not the unemployment rate. The U.S.-born working-age population numbers (22- to 62-year-olds) are slated to decline for the first time in decades sometime in 2015. Spot shortages are already beginning to creep up in skilled machinists, airline pilots, and truck drivers (average age 55). Even homebuilders are

complaining about a lack of skilled workers. Some of this is already becoming visible, with the unemployment rate dropping to 6.3% in April (from 6.7% the previous month). That rate could drop to under 6% by the end of 2014.

Housing: The housing market hasn't been doing well for some time, partially because of higher prices and higher mortgage rates and partially because of the weather. The numbers for March transactions, new and existing, were horrific. Still, there was one ray of hope with a decisive turn in pending home sales, which were up 3.4% in March, the first improvement in eight months. Pending sales are generally a reliable predictor of existing-home sales. The gap between these two indicators is beginning to narrow sharply, so existing-home sales should be bottoming out soon, too. Also, better permits data points to improved housing starts in the months ahead.

Consumption and Personal Income: Consumption has been stuck at the 2% level for some time, but that number has begun to break out over the past two quarters. Spending growth is outpacing incomes again at a relatively healthy pace. While the two metrics can become untethered for a few months, longer-term they do tend to move in tandem. So in the months ahead, consumption will need to come down or incomes will need to come up.

Trade Deficit: Overall, the trade deficit narrowed to \$40.4 billion in March from \$41.9 billion in February. Additional oil and gas production and shipments explain why the trade deficit has held steady or even improved over the past couple of years. Petroleum represents about 5% of all U.S. exports, which are up modestly over the past few years, while petroleum-related imports have fallen from 14% to 10% in real terms over the past three years.

Property and Casualty Insurance

Just as in driving, when planning your finances you have to learn to be defensive. While the word "insurance" makes some people cringe, it might not seem so bad if you can find ways to protect your family and save money at the same time. Let's investigate homeowners, auto, and umbrella insurance coverage.

Homeowners Insurance: As scary as it might be to even think of, homeowners are at the risk of losing their property to a fire. Those who live in certain parts of the country are also prone to floods, tornadoes, hurricanes, you name it. Unfortunately, none of us is immune. Homeowners insurance protects what is most likely your biggest investment (your house) and all of its contents. It also provides much-needed liability coverage in case you are ever sued. Because disasters happen when we least expect them, proper preparation is a must. It is recommended that homeowners take an inventory of the contents of their houses, preferably on videotape if possible. Then put the video record in a safe deposit box or a flame-resistant home safe. Next, take a closer look at your insurance policy. Does it provide for 100% guaranteed replacement value for your house and possessions? Is there an inflation clause? Is there "loss of use" coverage that pays for expenses while you can't live in your house? What are the limits on items such as computers, cameras, jewelry, furs, or other valuables? If you've accumulated more "stuff" over the past few years, have you included it in your inventory of assets? Most people should update that at least every two years. Also, it never hurts to comparison shop. You can obtain free insurance quotes from a number of companies on the Internet. Be sure to get the best bang for your buck. For renters, you should be covered by renters insurance. The building owner's property coverage will not pay to replace your apartment's contents. You never can predict if an upstairs neighbor will leave a candle lit or trip over one of your kids' roller skates.

Auto Insurance: Most importantly, your auto insurance policy needs to cover liability. It is not unusual for people to end up in multimillion-dollar lawsuits if they were at fault in an auto accident. You might also need medical coverage, but check your health policy to make sure you are not duplicating coverage. Furthermore, be sure you have protection

from uninsured or underinsured drivers—not everyone is as responsible as you are. Physical damage is another important aspect of car insurance. There are two basic types of coverage: collision and comprehensive. As the value of your car goes down, it may not make sense to continue collision coverage. You can check out the value of your car according to Kelly Blue Book. If you know you'll replace your car if you have an accident, you probably don't need the collision protection. Comprehensive covers all risks other than collision (fire, theft, storm damage, etc.).

Umbrella Insurance: Umbrella coverage gets its name because it sits on top of your homeowners and auto insurance. It extends the liability coverage of those policies. You must have the underlying coverage (assuming you own the asset) in place. Be careful to read the underlying coverage liability limits. You don't want to have a gap between what the homeowners coverage pays for and what the umbrella policy pays for. If you do, you will be responsible for the gap. Be sure to check into discounts if you purchase all of these policies from the same insurance company. Umbrella insurance may be worth considering especially if you have a swimming pool, a big dog, teenage drivers, or if you employ babysitters or cleaning people. Here's the good news: this coverage is cheap. It will cover accidents at your home, in your car, slander, defamation of character, invasion of privacy, libel, and plagiarism. The more assets you have, the more you need this coverage.

So remember to protect those assets that you've worked so hard to accumulate. You never know when something unexpected can ruin not just your day but your financial plans for the future.

