STRATEGIC Wealth Advisors

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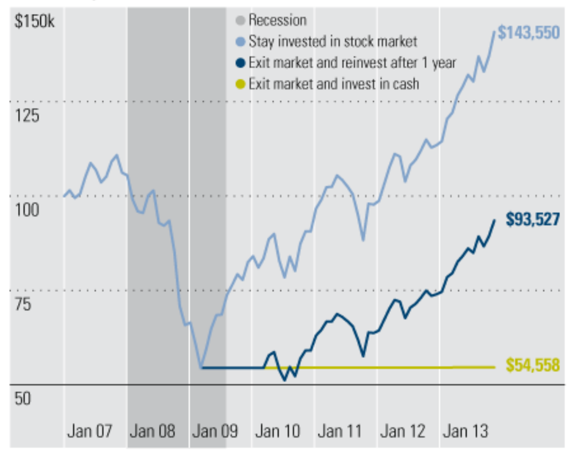
The Importance of Staying Invested

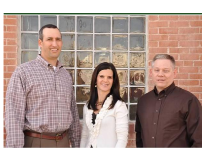
Investors who attempt to time the market run the risk of missing periods of positive returns. The image illustrates the value of a $100,000 investment in the stock market from Jan. 2007 to Oct. 2013, which included the global financial crisis and the recovery that followed. The value of the investment dropped to $54,381 by Feb. 2009 (the trough date). If an investor remained invested in the stock market, the ending value would be $143,550. If the same investor exited the market at the bottom to invest in cash for a year and then reinvest in the market, the ending value would be $93,527. An all-cash investment would have yielded only $54,558. The continuous stock-market investment recovered its initial value over the next three years, and provided a higher ending value than the other two strategies. Investors are well advised to stick with a long-term approach to investing.

Ending Wealth Values After a Market Decline
January 2007–October 2013



Source: The market is represented by the Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general. Cash is represented by the 30-day U.S. Treasury bill. An investment cannot be made directly in an index. The data assumes reinvestment of income and does not account for taxes or transaction costs. Returns and principal invested in stocks are not guaranteed. Stocks have been more volatile than bonds or cash. Holding a portfolio of securities for the long term does not ensure a profitable outcome and investing in securities always involves risk of loss.

What's Happening at SWA



The SWA Team

Info@xpertadvice.com
480-998-1798
www.Xpertadvice.com

All the votes are in and Strategic Wealth Advisors was voted the Best Investment Firm in the Valley in a contest sponsored by Arizona Foothills Magazine!

We strive to provide the highest level of service to our clients and colleagues and were honored to be included in the list along with some of the largest regional and national firms.

Thank you to those of you who made this possible and who took the time to show your support by voting for our firm. We are truly grateful!

Happy Holidays!

Monthly Market Commentary

The onslaught of positive economic news during the past couple of weeks has been relentless. Even fears of an earlier Federal Reserve reduction in bond purchases couldn't dampen spirits on Dec. 6 when a positive jobs report had everyone cheering. This and other recent numbers put a lot of fears to rest with accelerating purchasing manager data, robust auto sales, improving consumption data, better job growth, and more new-home sales. The economy appears to have gotten back what it lost this summer, and maybe there is even a slight acceleration. The data still doesn't show anything like a boom, but life is better.

GDP: GDP growth for the September quarter was revised up to 3.6% (the third-best quarter of this 17-quarter recovery) from 2.8%. It was also above the 3.1% post-World War II average and the consensus estimate of 3.2% growth.

However, almost all of the upward revision was due to a higher estimate of inventories. GDP counts production whether it is sold or whether it is still sitting on the shelves. The 0.8% increase in the estimated GDP contribution from inventory growth, combined with the original estimate of a 0.9% contribution, means that inventories added 1.7% to the GDP estimate, or almost half of the 3.6% total for the third quarter. Unless consumption, which grew at lethargic 1.4% rate, accelerates quickly, firms are likely going to need to cut production in the fourth quarter to bring inventories and sales into better alignment.

Speaking of consumption, these figures were revised downward in this week's report, which is not good news. Consumption contributed just 1.0% to GDP growth, down from 1.5% in the first quarter and 1.2% in the second quarter, hardly an encouraging sign. The services part of the economy was particularly disappointing, showing no growth in the third quarter.

Employment: The most recent employment report was consistent with slow and steady growth. 203,000 overall jobs were added in November, ahead of expectations of 180,000 jobs and the 200,000 total jobs added the previous month. The number was also surprisingly consistent with the average growth of 193,000 jobs added per month over the past 12 months. The report ranks number six out of the last 13 months and was below last November's 256,000 and February's 319,000.

Housing: New-home sales jumped a seemingly strong 25% in October compared with September. However, that was because sales in September were down sharply, and August sales figures were revised sharply downward. Sales of 444,000 homes for October were above the nine-month average of 420,000, but not by a lot. Sales in September were an embarrassing 354,000, the lowest level since early 2012. Overall, however, the seemingly great October data is a mirage, and it looks like the market for new homes isn't improving all that much. January sales of 458,000 topped the October report, as did several other reports this year. Year-over-year averaged data paints a picture of a housing market that is rapidly losing momentum.

Consumer spending: After months of sluggishness, consumer spending increased 0.3% in October. Incomes showed a small decline after months of massive increases. On a year-over-year basis, the data provides a clearer picture, with incomes improving at better pace than consumption after months of lagging behind (largely because of the payroll tax increase and the income tax increase early in the year).

Inventories: A number of industries, including autos, apparel retailers, homebuilders, and even restaurants stepped up inventories and hiring even if short-term demand didn't fully justify it based on current data. High inventories can indicate a business' confidence and its forecast of better growth in the near future, but they can also be a bad thing if they get too high and anticipated consumer demand fails to materialize.

Financial Experience and Behaviors Among Women

The 2012-2013 Prudential Research Study "Financial Experience and Behaviors Among Women" surveyed 1,410 women about their financial knowledge, actions, and confidence in attaining their financial goals. In general, women face particular financial challenges because they tend to live longer than men, earn less, and take more breaks from the workplace.

On the positive side, the study shows that women, although severely hit by the slow economic recovery, remain positive about the future. However, women also feel they lack knowledge about financial products, feel less confident about retirement, and don't see themselves as well-prepared to make financial decisions. For example, the study found that 26% of women surveyed did not understand IRA plans too well, which is worrisome given that IRAs are important tools of a sound retirement-planning strategy. According to the Department of Labor's "Women and Retirement Savings" publication, only 45% of the 62 million women (age 21 to 64) working in the United States participate in a retirement plan. Here are a few guidelines that women might want to consider to get back on track.

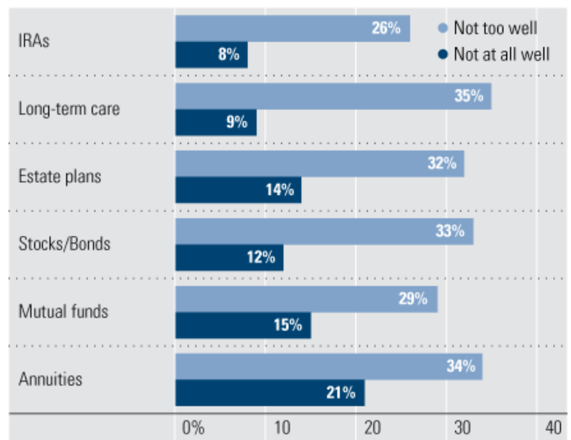
Manage Credit-Card Debt: This may sound like a no-brainer, but if most of your money goes into paying interest and penalties every month, you won't have much left to save. When you receive your bill, pay the balance in full, or as much as you can, instead of just making the minimum payment. Always do your best to pay on time, and try to keep as few credit cards as possible (the more you have, the more you'll be tempted to spend).

Contribute to a Retirement Plan, Now: If you are working, ask if your workplace offers a retirement plan. If the answer is yes, you should start contributing right away. No matter how little you set aside every month, these savings will grow over time. Another good question to ask is whether your employer offers a match on your contributions. For example, an employer can match up to, let's say, 3% of your salary if you contribute that 3% to your retirement plan. This is, technically, free money that you're turning down if you're not contributing. If your workplace doesn't offer a retirement plan, you can still contribute to an Individual Retirement Account (IRA).

Know Your Options: It's never good to think about the worst-case scenario, but women who become divorced or widowed may face financial difficulties on their own. Women should ask questions about the division of retirement benefits in case of divorce and eligibility for Social Security benefits in case of a spouse's death.

Funds in a traditional IRA grow tax-deferred and are taxed at ordinary income tax rates when withdrawn. A 10% federal tax penalty may apply for withdrawals prior to age 59 1/2. Please consult with a financial or tax professional for advice specific to your situation.

Female Breadwinners Lack Knowledge of Financial Products



Source: "Financial Experience and Behaviors Among Women", 2012-2013 Prudential Research Study, July 2012.

The End of the Recession

In September 2010, the National Bureau of Economic Research announced the long-awaited news: an end date for the recession that had begun in December 2007. The NBER determined the official end date as June 2009, quieting down (if not completely silencing) double-dip fears. NBER defines a recession as a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales. Looking back at the performance of the main asset classes during the recession and in the years following the official end date, gold was the best overall performer, and long-term government bonds offered consistent positive returns. Out of the investments with the worst performance during the recession, REITs posted the most impressive return in the four post-recession years.

Returns During and After the Most Recent Recession

	Recession Dec 2007 to Jun 2009*	**Aftermath** Jul 2009 to Oct 2013*
Gold	19.3%	41.7%
Long-term government bonds	8.4%	33.0%
Treasury bills	1.9%	0.3%
Small stocks	–33.8%	147.9%
Large stocks	–35.5%	109.4%
International stocks	–39.7%	65.8%
REITs	–48.1%	159.9%

**Returns in table represent cumulative returns during time periods indicated, not annualized returns.*

Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Holding a portfolio of securities for the long term does not ensure a profitable outcome, and investing in securities always involves risk of loss. International investments involve special risks such as fluctuations in currency, foreign taxation, economic and political risks, liquidity risks, and differences in accounting and financial standards. REITs are subject to certain risks, such as risks associated with general and local economic conditions, interest rate fluctuation, credit risks, liquidity risks and corporate structure. Small stocks are more volatile than large stocks, are subject to significant price fluctuations, business risks, and are thinly traded. Government bonds and Treasury bills are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest, while stocks, REITs, and gold are not guaranteed.

Source: Gold—Wall Street Journal London P.M. closing price. Long-term government bonds—20-year U.S. government bond. Treasury bills—30-day U.S. Treasury bill. Small stocks—Ibbotson® Small Company Stock Index. Large stocks—Standard & Poor's 500® Index, an unmanaged group of securities considered to be representative of the U.S. stock market. International stocks—Morgan Stanley Capital International Europe, Australasia, and Far East (EAFE®) Index. REITs—FTSE NAREIT All Equity REITs Index®.

The SWA Team
8426 E. Shea Blvd.
Scottsdale, Arizona 85260
Info@xpertadvice.com
www.Xpertadvice.com
Tel:480-998-1798