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FINANCIAL OUTLOOK

WINTER 2015

THE BIG PICTURE

Often, it seems overwhelming to coordinate everything that needs to be done to achieve your financial goals. Typically, however, you just need to keep the big picture in mind:

- **GET ORGANIZED.** It's difficult to assess your progress toward your goals if you don't know things like how much your net worth has increased in the past year, how your income is spent, how your investment portfolio is allocated, or how your investments have performed. Organizing your finances will assist you in tracking this information.
- **MAKE A COMMITMENT TO SAVE.** You need the motivation to consistently save and invest over the long term. Calculate how much you need for your financial goals and then determine how much you should be saving annually. Aim to save a minimum of 10% of your gross income. Look for ways to make saving automatic, so you don't have to think about it. Contributing to your 401(k) plan or transferring a set amount from your checking account to investment account every month are good ways to accomplish this. *(Keep in mind that an automatic investment plan, such as dollar cost averaging, does not assure a profit or protect against loss in declining markets. Because such a strategy involves periodic investment, consider your financial ability and willingness to continue purchases through periods of low price levels.)* The more you save and the sooner you get started, the greater the chances you'll achieve your financial goals.
- **LIVE WITHIN YOUR MEANS.** The amount of money you have left over to save is a direct result of your lifestyle. If you don't want to cut back, at least don't increase your lifestyle when your pay increases.
- **WATCH YOUR FINANCIAL SITUATION.** Periodically prepare a net worth statement and a spending analysis. The net worth statement will help you assess how much progress you are making toward your goals, while the spending analysis will help

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FIVE FACTORS WHEN PLANNING FOR RETIREMENT

Planning for retirement is a very involved process. You have to plan based on a forecast of things that are out of your control, including the economy, your health, and your life span. But there are a few things you can consider today to help ensure that you are best prepared for your life during retirement.

FIVE QUESTIONS TO ASK YOURSELF WHEN PLANNING FOR RETIREMENT

1. WHEN DO YOU WANT TO RETIRE? Of course, many people would answer yesterday. But it's not just about when you *want* to retire but also when you *are able* to retire. While many people choose to go back to work after retirement, many people who take an early retirement must go back to work out of necessity. Set a target age that feels right for you but will also set you up for success. In terms of defining when you will be able to retire (and maintain the kind of lifestyle you want in retirement), the four factors below are critical. For example, when you want to retire is connected to how much you'll need to save — if you want to retire earlier, you'll have to save more now.

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The Big Picture

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identify ways to reduce spending so you can increase saving.

- **Manage your debt.** You'll probably need debt to purchase large items like a house, but don't let debt sabotage your financial goals. Any income going to pay interest can't be used for saving. Strive to eliminate all debt except your mortgage. Start by paying down the debt with the highest interest rate. Once that debt is paid in full, start paying down the debt with the next highest interest rate, continuing until all debt is paid in full.
- **Invest, don't just save.** Your portfolio's ultimate value is a function of two factors — how much you save and how much you earn on your investments. Become comfortable with various investment alternatives so you'll feel comfortable investing in more aggressive alternatives with potentially higher returns. Even small differences in your long-term rate of return can significantly affect the ultimate size of your savings.
- **Prepare for financial emergencies.** Make arrangements to handle financial emergencies so they don't adversely affect your financial goals. Set aside at least three to six months of living expenses in an emergency fund. Consider disability income insurance, a durable power of attorney, umbrella liability insurance, and lines of credit.

Please call if you'd like help developing strategies to accomplish your financial goals. ❍❍❍

Avoid These Seven Mistakes

When it comes to saving for retirement, many people take a set-it-and-forget-it approach. But not paying attention to what is going on in your 401(k) and IRA accounts could cause you to miss valuable opportunities. Avoid these mistakes:

1. **Not getting your match.** If your employer matches contributions to your 401(k) plans, you should invest at least enough to get that match. Otherwise, you are essentially leaving money on the table.
2. **Not maximizing your contributions.** With so many immediate financial needs, investing for a long-term goal like retirement can be hard to prioritize. While you may not be able save up to your 401(k) contribution limits (for most people, that's $18,000 in 2015 plus an additional $6,000 catch-up contribution for those over age 50), you should save as much as you are able.
3. **Investing too conservatively.** Investing in stocks can be scary, especially if you've never done so before. But keeping all your money in safe investments is actually a risk in and of itself. Low returns plus inflation (which averages 3% a year) means that money in supposedly safe investments will actually be worth less over time.
4. **Not reviewing your investment allocation regularly.** Your investment allocation should change as you age. The investments you selected at age 30 may no longer be appropriate at age 50. When you're young and have a lot of time before retirement, you can likely afford to invest aggressively in stocks, which are riskier but come with the possibility of higher returns, since you have time to weather the ups and downs of the market. As you get older, you can dial down the risk in your portfolio to protect your savings.
5. **Missing out on catch-up contributions.** Once you turn 50, you can start making catch-up contributions to your 401(k) and IRA. Those who've passed the mid-century mark can make $6,000 in catch-up contributions to a 401(k), 403(b), or 457(b) in 2015. In addition, you can contribute an additional $1,000 to your IRA every year if you're older than 50.
6. **Forgetting about old retirement accounts.** When you switch jobs, you may leave your 401(k) plan savings behind with your old employer's plan. While that money is still yours, it's easy to forget about. And if you end up with several stray retirement accounts, you may end up in a situation where your assets aren't really helping you achieve your goals. Consolidating your retirement accounts means everything will be in one place, helping you and your advisor make sure you're on track to achieve your goals.
7. **Taking a do-it-yourself approach to planning.** Some people may have the knowledge, skill, and emotional fortitude to manage retirement planning on their own. But many more need the help of a financial professional to achieve their retirement goals. People who take a do-it-yourself approach to retirement planning may underestimate how much they need to save, make emotional investing decisions, or choose investments that are inappropriate for their goals. Those seemingly simple mistakes can jeopardize your retirement. Please call if you'd like to discuss this in more detail. ❍❍❍

Five Factors

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2. How much money will you *need* to live comfortably? How much to do the things you *want*? The next factor to consider is how much money you will *need* to live comfortably (this becomes your minimum required) and how much money you will *want* for any fun retirement activities. You'll want to consider how much money you will be comfortable living on for the years or decades between when you retire and when you die.

3. How much fixed income will you be receiving? This is income that is guaranteed when you retire or at a certain age, including pensions, fixed-income annuities, and Social Security. For many Americans, fixed-income sources (in particular Social Security) are linchpins in their retirement plans. Once you know how much fixed income you will be receiving, you can determine how much extra you will need to supplement your income during retirement.

4. How much will you need for medical expenses? Currently, at age 65, Americans are eligible for Medicare, which covers many medical expenses — including doctors' visits, lab work, and emergency services. But Medicare doesn't cover all prescriptions or long-term care. Both prescriptions and long-term care can be very expensive, so it's important to prepare for them. You also need to consider health insurance if you plan to retire before 65 — if you're not prepared, unexpected medical expenses have the potential to totally derail your retirement lifestyle.

5. Do you want anything left over? Some people choose to leave money behind for family or charities and others don't. It's important to decide what you want to do and set goals before you retire. If it is important to you to leave money to beneficiaries, the money should be allocated in an investment fund separate from your retirement money.

A retirement plan is like a big web: everything is connected in some way. If one aspect is askew, it can upset the rest of your plan and affect your overall goal of a long and enjoyable retirement. Please call if you'd like to discuss this in more detail. ❍❍❍

When to Use Tax-Advantaged Accounts

Tax-advantaged savings plans, like 401(k) plans and individual retirement accounts (IRAs), help your money grow faster than taxable investments, but they're not always the right place for all of your savings. There are circumstances when it can be more advantageous to keep your money in a taxable investment vehicle. Here is a rundown on when one choice or the other might be appropriate.

Put Your Money in a Tax-Advantaged Saving Plan When:

- ❍ Your employer matches your contribution. It's rare that taking advantage of free money doesn't make sense. It's like getting an immediate return on your investment.
- ❍ You have savings equal to at least three months of living expenses in safe and readily available savings vehicles and, if you have dependents, adequate life insurance coverage.
- ❍ You own a home and are comfortably meeting your monthly mortgage payments.
- ❍ You haven't met your goal for a retirement nest egg and need the return-enhancing advantage of tax-free compounding to reach it.

Consider *Not* Contributing to a Tax-Advantaged Plan When:

- ❍ Either you're at the limit of your employer's matching contribution or your employer doesn't offer one. (Though even in these cases, it may still make sense to contribute to your 401(k), as long as the plan's fees and expenses are low and it offers sufficient diversification.)
- ❍ The investment choices in your employer's plan charge high annual expense fees. The pretax advantage of contributing to a 401(k) plan can be eroded by fees of 1.5% a year.
- ❍ You're in a high tax bracket and want to invest in individual equities for long-term capital gains. Rates on long-term gains are well below the highest federal income tax bracket; and unless you contribute to a Roth IRA or Roth 401(k) plan, you'll have to pay ordinary income taxes on the stocks' gains in a traditional IRA or 401(k) plan.
- ❍ You want to diversify beyond the choices available in an employer's retirement plan. If this is the case, you may still want to contribute to an IRA, but through an account with sufficient diversification options.
- ❍ You want municipal bonds to be part of your portfolio. If you hold municipal bonds in a traditional IRA or 401(k) plan, any interest income, even tax-exempt income, will be taxed at ordinary income tax rates when withdrawn. It is better to hold municipal bonds in taxable accounts so tax-exempt interest income is not taxable.

As financial planning decisions always do, the decision to invest in a tax-advantaged or taxable retirement plan depends on your current situation and your goals for the future. Please call if you would like to discuss this in more detail. ❍❍❍

Financial Data

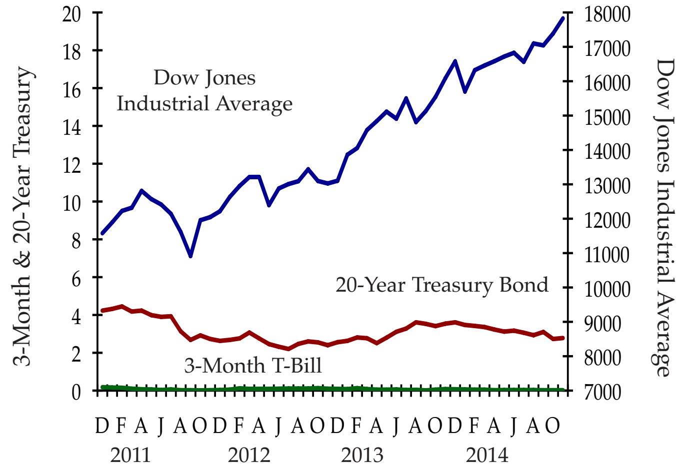
Indicator	Sep-14	Oct-14	Nov-14	Dec-13	Nov-13
	Month-end				
Prime rate	3.25	3.25	3.25	3.25	3.25
Money market rate	0.42	0.42	0.43	0.43	0.42
3-month T-bill yield	0.02	0.02	0.02	0.07	0.08
20-year T-bond yield	3.10	2.73	2.78	3.61	3.54
Dow Jones Corp.	2.90	2.88	2.89	3.11	2.99
30-year fixed mortgage	3.81	3.61	3.48	4.21	3.96
GDP (adj. annual rate)#	-2.10	+4.60	+3.90	+2.60	+4.10

Indicator	Sep-14	Oct-14	Nov-14	YTD	12 Mon.
	Month-end			% Change	
Dow Jones Industrials	17042.90	17390.52	17828.24	7.6%	10.8%
Standard & Poor's 500	1972.29	2018.05	2067.56	11.9%	14.5%
Nasdaq Composite	4493.39	4630.74	4791.63	14.7%	18.0%
Gold	1216.50	1164.25	1182.75	-1.6%	-5.0%
Consumer price index@	237.90	238.00	237.40	1.8%	1.7%
Unemployment rate@	6.10	5.90	5.80	-17.1%	-20.5%
Index of leading ind.@	103.60	104.30	105.20	7.0%	7.9%

— 1st, 2nd, 3rd quarter @ — Aug, Sep, Oct Sources: *Barron's, Wall Street Journal*

4-Year Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield

December 2010 to November 2014



Past performance is not a guarantee of future results.

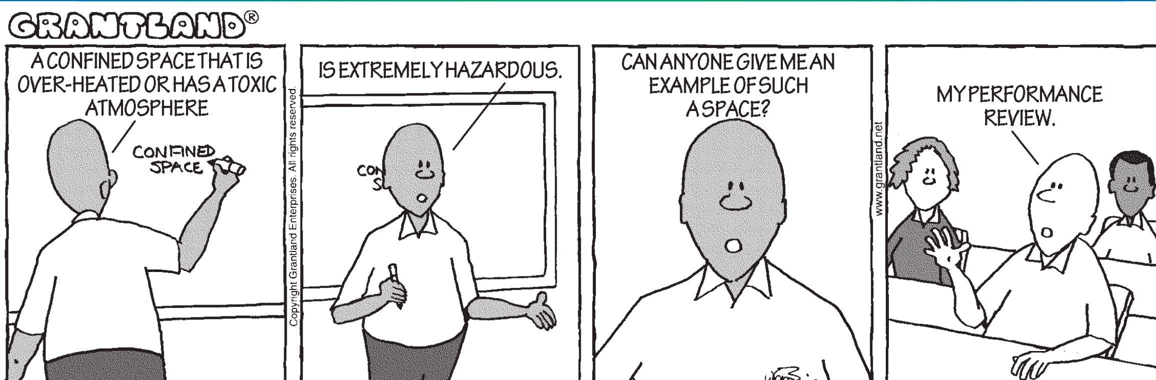
News and Announcements

As 2014 winds to a close, we want to take a moment to reflect on our journey together this year.

We are happy to welcome Joshua Saline to the Saline Wealth Management team. He is Jeffrey's eldest son and he brings his diverse talents and drive to our team. Austin, Jeffrey's youngest son, has just one more semester to go at Boston University where he is completing simultaneous undergraduate degrees in both neuroscience and history. Austin is going to graduate with honors in the spring, and after a well deserved break, he will head off to medical school. Way to go Austin!

On the sports front: Kathy Moore's daughter, Jenna, a high school junior, plays varsity tennis for the Cinnaminson High School tennis team. The team came in second in their division while Jenna had a record of 10–2 within the division. Congratulations, Jenna! Also, Kathy participated in her first 5K run on Labor Day, finishing with a time of 30:28. Proof that athletic prowess runs in the family.

Last but not least, we want to wish all of our friends, clients, and investors a very happy and healthy holiday season. Thank you for your continued confidence and trust in our team in. We look forward to serving you in the New Year and many, many years into the future.



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