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Financial Mistakes People Make at Different Ages

The Cost of Credit

Five Ways to Manage Risk in Your Retirement Savings Plan

What return are you really earning on your money?

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Financial Mistakes People Make at Different Ages

There's a saying that with age comes wisdom, but this may not always be true in the financial world. As people move through different life stages, there are new opportunities--and potential pitfalls--around every corner.

In your 20s

Living beyond your means. It's tempting to want all the latest and greatest in gadgets, entertainment, and travel, but if you can't pay for most of your wants up front, then you need to rein in your lifestyle. If you take on too much debt--or don't work diligently to start paying off the debt you have--it can hold you back financially for a long, long time.

Not saving for retirement. You've got plenty of time, so what's the rush? Well why not harness that time to work for you. Start saving a portion of your annual pay now and your 67-year-old self will thank you.

Not being financially literate. Many students graduate from high school or college without knowing the basics of money management. Learn as much as you can about saving, budgeting, and investing now so you can benefit from it for the rest of your life.

In your 30s

Being house poor. Whether you're buying your first home or trading up, don't buy a house that *you* can't afford, even if the *bank* says you can. Build in some wiggle room for a possible dip in household income that could result from switching jobs, going back to school, or leaving the workforce to raise a family.

Not protecting yourself with life and disability insurance. Life is unpredictable. What would happen if one day you were unable to work and earn a paycheck? Let go of the "it-won't-happen-to-me" attitude. Though the cost and availability of life insurance depend on several factors including your health, the younger you are when you buy insurance, the lower your premiums will likely be.

Not saving for retirement. Okay, maybe your 20s passed you by in a bit of a blur and retirement wasn't even on your radar screen. But now that you're in your 30s, it's critical to start saving for retirement. Wait much longer, and it can be hard to catch up. Start now, and you still have 30 years or more to save.

In your 40s

Trying to keep up with the Joneses. Appearances can be deceptive. The nice homes, cars, vacations, and "stuff" that others have might make you wonder whether you should be buying these things, too. But behind the scenes, your neighbors could be taking on a lot of debt. Take pride in your savings account instead.

Funding college over retirement. In your 40s, saving for your children's college costs over your own retirement is a mistake. If you have limited funds, set aside a portion for college but earmark the majority for retirement. Then sit down with your teenager and have a frank discussion about academic options that won't break the bank--for either of you.

Not having a will or an advance medical directive. No one likes to think about death or catastrophic injury, but these documents can help your loved ones immensely if something unexpected should happen to you.

In your 50s and 60s

Co-signing loans for adult children. Co-signing means you're on the hook--completely--if your child can't pay, a situation you don't want to find yourself in as you're getting ready to retire.

Raiding your home equity or retirement funds. It goes without saying that doing so will prolong your debt and/or reduce your nest egg.

Not quantifying your retirement income. As you approach retirement, you should know how much you can expect from Social Security (at age 62, at your full retirement age, and at age 70), pension income, and your personal retirement savings.

Not understanding health-care costs in retirement. Before you turn age 65, review what Medicare does and doesn't cover, and how gap insurance policies fit into the picture.

The Cost of Credit

All calculations assume constant monthly payments over the life of the loan, monthly calculation of interest on the remaining unpaid principal, and no prepayment.

This information is provided for illustrative purposes only. The actual amount of interest you'll pay on a loan will depend on several factors, including the amount you borrow, the interest rate, the repayment term, and loan conditions.

Sometimes you need to borrow money, especially to pay for a large purchase such as a home or a car. It's easy to focus on your monthly loan payment, but to appreciate how much borrowing money might really cost, you also need to consider the amount of interest you'll pay over time. The following tables illustrate the total interest paid over the life of three common types of loans that have a fixed annual interest rate and a fixed repayment term: mortgage loans, auto loans, and personal loans.

Mortgage loans

A home is often the biggest purchase you'll ever make. Loan repayment terms vary; this chart illustrates the total interest paid over a 30-year repayment term.

Loan amount	3%	4%	5%	6%
$250,000	$129,444	$179,674	$233,139	$289,595
$350,000	$181,221	$251,543	$326,395	$405,434
$450,000	$232,999	$323,413	$419,651	$521,272
$550,000	$284,776	$395,282	$512,907	$637,110
$650,000	$336,553	$467,152	$606,163	$752,948
$750,000	$388,331	$539,021	$699,418	$868,786

Auto loans

You may take out a loan to buy a new or used vehicle. Loan repayment terms vary; this chart illustrates the total interest paid over a 60-month repayment term.

Loan amount	2%	4%	6%	8%
$15,000	$775	$1,575	$2,400	$3,249
$20,000	$1,033	$2,100	$3,199	$4,332
$25,000	$1,292	$2,625	$3,999	$5,415
$30,000	$1,550	$3,150	$4,799	$6,498
$35,000	$1,808	$3,675	$5,599	$7,580

Personal loans

A personal loan is unsecured, meaning that no collateral is required, so the interest rate on this type of loan is typically higher than for a secured loan. Loan repayment terms vary; this chart illustrates the total interest paid over a 36-month repayment term.

Loan amount	6%	8%	10%	12%
$8,000	$762	$1,025	$1,293	$1,566
$10,000	$952	$1,281	$1,616	$1,957
$12,000	$1,142	$1,537	$1,939	$2,349
$14,000	$1,333	$1,794	$2,263	$2,740
$16,000	$1,523	$2,050	$2,586	$3,131

Five Ways to Manage Risk in Your Retirement Savings Plan

All investing involves risk, including the possible loss of principal. There can be no assurance that any investing strategy will be successful. Investments offering higher potential rates of return also involve a higher level of risk.

Asset allocation and diversification are methods used to manage investment risk; they do not guarantee a profit or protect against a loss.

Your employer-sponsored retirement savings plan is a convenient way to help you accumulate money for retirement. Using payroll deductions, you invest for the future automatically, following that oft-noted advice to "pay yourself first." But choosing to participate is just one important step. Another key to making it work for you is managing risk in your portfolio. Following are five ways to tackle this important task.

1. Know your personal risk tolerance

Gauging your personal risk tolerance--or your ability to endure losses in your account due to swings in the market--is an important first step. All investments come with some level of risk, so it's important to be aware of how much volatility you can comfortably withstand before choosing investments.

One way to do this is to reflect on a series of questions, such as:

- How well would you sleep at night knowing your retirement portfolio dropped 5%? 10%? 20%?
- How much time do you have until you will need the money? Typically, the longer your time horizon, the more you may be able to hold steady during short-term downturns in pursuit of longer-term goals.
- Do you have savings and investments outside of your plan, including an emergency savings account?

Your plan's educational materials may offer worksheets and other tools to help you gauge your own risk tolerance. Such materials typically ask a series of questions similar to those above, and then generate a score based on your answers that may help you choose appropriate investments.

2. Develop a target asset allocation

Once you understand your risk tolerance, the next step is to develop an asset allocation mix that is suitable for your savings goal while taking your risk tolerance into consideration. Asset allocation is the process of dividing your investment dollars among the various asset categories offered in your plan, generally stocks, bonds, and cash/stable value investments. If you're a young investor with a hardy tolerance for risk, you might choose an allocation composed heavily of stocks. On the other hand, if retirement is less than 10 years away and you fear losing money, your allocation might lean more toward bonds and cash investments.

3. Be sure to diversify

Even the most aggressive investor can potentially benefit from diversification, which generally means not putting all your eggs in one basket. Let's take one example from above: Although that young investor may choose to put a large chunk of her retirement account in stocks, she should still consider putting some of the money into bonds and possibly cash to help balance any losses that may occur in the stock portion. Even within the stock allocation, she may want to diversify among different types of stocks, such as domestic, international, growth, and value stocks.

4. Understand dollar cost averaging

Your plan also helps you manage risk automatically through a process called dollar cost averaging (DCA). When you contribute to your plan, chances are you contribute an equal dollar amount each pay period, which then purchases shares of the investments you have selected. This process--investing a fixed dollar amount at regular intervals--is DCA. As the prices of the investments you purchase rise and fall over time, you take advantage of the swings by buying fewer shares when prices are high and more shares when prices are low--in essence, following the old investing adage to "buy low." After a period of time, the average cost you pay for the shares you accumulate may be lower than if you had purchased all the shares with one lump sum.

Remember that DCA involves continuous investment in securities regardless of their price. As you think about the potential benefits of DCA, you should also consider your ability to make purchases through extended periods of low or falling prices.

5. Perform regular maintenance

Although it's generally not necessary to review your retirement portfolio too frequently (e.g., every day or even every week), it is advisable to monitor it at least once per year and as major events occur in your life. During these reviews, you'll want to determine if your risk tolerance has changed and check your asset allocation to determine whether it's still on track. You may want to rebalance--shifting some money from one investment to another--to bring your allocation back in line with your target. Or you may want to make other changes in your portfolio to keep it in line with your changing circumstances. Such regular maintenance is critical to help manage risk in your portfolio.

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What return are you really earning on your money?

If you're like most people, you probably want to know what return you might expect before you invest. But to translate a given rate of return into actual income or growth potential, you'll need to understand the difference between *nominal return* and *real return,* and how that difference can affect your ability to target financial goals.

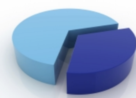
Let's say you have a certificate of deposit (CD) that's about to expire. The yield on the new three-year CD you're considering is 1.5%.

But that 1.5% is the CD's nominal rate of return; it doesn't account for inflation or taxes. If you're taxed at the 28% federal income tax rate, roughly 0.42% of that 1.5% will be gobbled up by federal taxes on the interest. Okay, you say, that still leaves an interest rate of 1.08%; at least you're earning something.

However, you also need to consider the purchasing power of the interest that the CD pays. Even though inflation is relatively low today, it can still affect your purchasing power, especially over time. Let's say that consumer prices have gone up by 1% over the past year and you adjust your 1.08% after-tax return for inflation. Suddenly, you're barely breaking even on your investment.

What's left after the impact of inflation and taxes is your real return, because that's what you're really earning in actual purchasing power. If the nominal return on an investment is low enough, the real return can actually be negative, depending on your tax bracket and the inflation rate over time. Though this hypothetical example doesn't represent the performance of any actual investment, it illustrates the importance of understanding what you're really earning.

Knowing the difference between nominal and real return may help you make better decisions when it comes to investing your money. You'll want to choose investments that match your financial goals and tolerance for risk. In some cases, the security an investment offers may be important enough that you're willing to accept a low real return; in other cases, you may choose an investment that has the potential for a higher real return but carries a higher degree of risk.



What is asset allocation?

Each type of investment has specific strengths and weaknesses that enable it to play a specific role in your overall investing strategy. Some investments may offer growth potential. Others may provide regular income or relative safety, or simply serve as a temporary place to park your money. And some investments may even serve to fill more than one role. Because you likely have multiple needs and objectives, you probably need some combination of investment types, or asset classes.

Balancing how much of each asset class should be included in your portfolio is a critical task. The balance between growth, income, and safety is determined by your asset allocation, and it can help you manage the level and types of risks you face.

The combination of investments you choose can be as important as your specific investments. Your mix of various asset classes such as stocks, bonds, and cash alternatives generally accounts for most of the ups and downs of your portfolio's returns.

Ideally, your portfolio should have an overall combination of investments that minimizes the risk you take in trying to achieve a targeted rate of return. This often means balancing conservative investments against others that are designed to provide a higher potential return but also involve more risk. However, asset allocation doesn't guarantee a profit or eliminate the possibility of investment loss.

Someone living on a fixed income, whose priority is having a regular stream of money coming in, will probably need a very different asset allocation than a young, well-to-do working professional whose priority is saving for a retirement that's 30 years away. Even if two people are the same age and have similar incomes, they may have very different needs and goals, and their asset allocations should be tailored to their unique circumstances.

And remember, even if your asset allocation was appropriate for you when you chose it, it may not be appropriate for you now. It should change as your circumstances do and as new ways to invest are introduced. A piece of clothing you wore 10 years ago may not fit now; you just might need to update your asset allocation, too.

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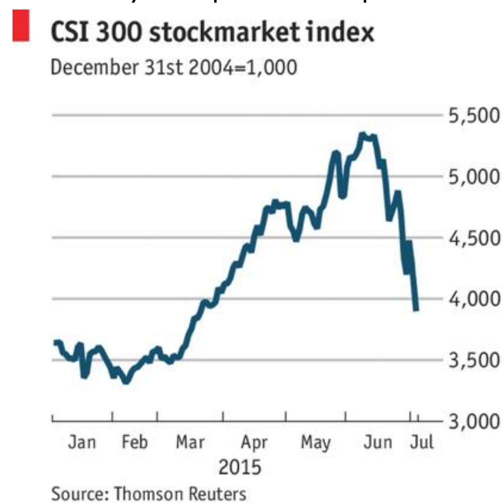
The Bears Invade Shanghai

With all eyes on Greece, a bigger and potentially more disturbing market disruption is taking place—in a much larger economy. As you read this, the Chinese stock market is experiencing the kind of free-fall not seen since the 2008 drop in global markets. Some are comparing it to the 1929 crash in U.S. stocks.

As you can see from the chart, the fall has been fairly dramatic, even if it has not yet taken share prices on the Shanghai Composite Index below where they were previous to a perilous bull run that began in February. The fall has apparently alarmed the Chinese government, which has authorized extraordinary interventions. Among them: twenty one Chinese brokerage firms have agreed to invest the equivalent of $19 billion in stocks, in an effort to create more demand. The stock exchanges suspended initial public offerings so as not to put any more shares on the market. The Chinese central bank has cut its benchmark lending and interest rates rates. And the government itself, through its pension system, has now been authorized to play the market.



Perhaps the most ominous intervention, however, came when China's market regulator decided that brokers should not force people who have bought stocks on margin to engaged in forced selling in order to cover their debts. Instead, the brokers were told to extend additional margin loans that would be collateralized by investors' homes. If the market continues to plunge, observers wonder, how will investors (or banks) liquidate those houses? Is it wise to spread the risk from the stock sector to real estate valuations?

The brokerage pledge to buy shares is reminiscent of 1929 Wall Street, when the great banking houses of J.P. Morgan and Guarantee Trust Company committed their resources to propping up the U.S. stock market. That experiment was not a notable success; the Dow Jones Industrial Average fell 13% the following Monday and dropped another 34% over the next three weeks. The Chinese intervention fund, led by Citic Securities Co. and Guotai Junan Securities Co., faces a similar uphill battle; the war chest represents only one-fifth of the Chinese market's daily trading volume.

So far, Chinese investors have lost $2.7 trillion of stock value—the equivalent of six times Greece's entire foreign debt. Much of the pain has been borne by individuals, who own four-fifths of China's stocks, far more than in Western markets where institutional investors are the dominant owners. Many of these common folk borrowed money to buy their shares, contributing to a nine-fold increase in margin lending by brokerage firms over the past two years. This dramatic rise in speculative investing has echoes both in the runup to 1929 and 2008, two periods when reckless betters (individuals in the earlier era, Wall Street in the latter) were able to borrow 90% of the money they "invested."

Moreover, the margin loans carry annual interest rates as high as 20%. Total margin debt, when you add up the brokerage firms, banks and informal loans, could amount to as much as $1 trillion. As share prices fall, investors would be left with far less in stock value than the high-interest loans they owe—making repayment problematic, potentially putting $1 trillion worth of stress on the Chinese banking system.

It gets worse. Many smaller Chinese companies have financed their expansion by taking out loans against the value of their shares. The companies have had to post additional collateral as the share value dropped down to the outstanding balance on the loan. Additional market losses could put these companies in real danger of default, adding to the stress.

Nobody knows if the free-fall will continue to feed on itself, or if the government will somehow manage to slow the descent. But highly-leveraged investing on a mass scale seldom ends well, as most of us remember from the subprime crisis when we had to reach into our pockets to make Wall Street whole again on its disastrous speculations.

Fortunately, none of this is likely to directly affect the portfolios of American investors, since foreigners account for only about 4% of the Chinese stock market. But as the crisis deepens, and especially if the defaults start to mount, companies go under and the banks stop lending into the economy, you could see commodity prices fall on weaker demand, and there could be a hit to large American companies that do a lot of business in the Asian markets. And it could be a long time before individual Chinese investors trust the stock market again.

The First Question To Ask Everyone

Suppose you truly want to connect with other people. What's your best strategy?

Most of us start off with questions like: what do you do for a living? And: where did you grow up? We ask for facts and then try to extrapolate a living person around the data that we gather. But that doesn't tell us who that other person is, and it represents polite conversation rather than a genuine attempt to connect. Research shows that connecting with people is far more valuable than gathering data on them. It's also more interesting.

A better strategy, proposed by New Zealander Bernadette Logue, is to see everybody you encounter as a story, and to ask: What's your story? She points out that all stories are unique; your upbringing, challenges, your hard-learned lessons, experiences, achievements and gifts all communicate far more of relevance than your job description.

When you ask for someone's story, you learn what they've learned, and you have an opportunity to connect on a deeper, more profound level. A win-win. Logue says that each person is like a new blockbuster movie, and the tickets are free. She calls this "The question you should ask everybody you meet."

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Blog Updates for July: Articles of Interest

Education Planning Articles

How To Lose Your College Financial Aid
Which Colleges Offer Big-Time Academic Merit Aid Money
The Truth About Grandparent-Owned 529 College Savings Plans and College Aid
Estimating Your Eligibility For College Merit Aid Money

Estate Planning Articles

The Widow's Guide To Estate Planning And Wealth Transfer
Is Going Offshore A Good Way To Protect Assets?

Financial Advisor Articles

None this month

Financial Planning Articles

The Big Car Conundrum: Should You Buy Or Lease?
11 Financial Words All Parents Should Teach Their Kids
How To Prepare A Spouse For Managing Money

Insurance Planning Articles

None this month

Investment Planning Articles

None this month

Retirement Plan Articles

Workers See Regular, Roth 401Ks As Same

Retirement Planning Articles

Two Big Ways To Enrich Your 401(k)

Tax Planning Articles

The Benefits of Gift Annuities

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Capital Market Review & Outlook

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Executive Summary

Asset Class Returns

- For the first six months of 2015, international stocks returned 5.5%, outperforming the U.S. stock market return of 1.9%, U.S. bond market return of -0.1%, international bond return of -5.6%, real estate return of -6.2%, and cash return of 0.0%.
  1. Only international and U.S. stocks produced positive returns during the first half of the year.
  2. U.S. bonds and real estate were affected by expectations of rising interest rates, and international bonds by the rising U.S. dollar.

- During the past year (as well as for the 3- and 5-year periods), U.S. stocks have significantly outperformed other investment categories. On a going-forward basis it may be difficult for U.S. stocks to maintain the same level of outperformance.

Stock Market Returns and Fundamentals

- Year-to-date, international small company stocks returned 10.2%. Other stock market segment returns were: international large (5.5%), U.S. small (4.8%), U.S. large (1.2%) and U.S. mid (2.4%). Emerging market stocks returned 3.0%.

- During the past one-year period, U.S. stocks have soundly outperformed international stocks. U.S. large has led the way with a 7.4% return with mid- and small company stocks returning 6.6% and 6.5%, respectively. International large, small, and emerging market stocks each produced negative returns during the past year.

- The growth investment approach has outperformed value stocks (for both domestic and international stocks) during the first six months of 2015 as well as the past year. The performance difference has been substantial. Growth has also outperformed value during the past three- and five-year periods, but the level of outperformance has been more muted.

- Out of the ten economic sectors, five sectors produced positive returns during the first six months of 2015. However, only three sectors produced returns above 1%. Healthcare stocks were the best performing sector with a return of 9.6% followed by the Consumer Discretionary return of 6.8%. Utilities were the worst performing sector with a -10.7% return followed by the Energy sector return of -4.7%.
  1. During the past year, Healthcare and Energy stocks are the best / worst performing sectors with returns of 24.2% and -22.2%, respectively. Utilities and materials produced negative one-year returns of -2.9% and -1.1%, while consumer discretionary and technology returned 16.4% and 11.1%.

- On page 10 and 11, we show valuation and growth characteristics of the S&P 500. Price / operating earnings, price / book value, and price / sales are all at ten-year highs. Profitability is also at a ten-year high. Growth characteristics are much more modest. During the past year, sales, operating income, and book value growth have all been below 3.0%. Growth has been better (but not robust) during the past three years. However, dividend growth has been quite high with annualized dividends increasing by 13.3% during the past five years. Companies have clearly returned some of their increasing profits to shareholders in the form of dividends.

Stock Market Returns and Fundamentals (continued)

- While many believe the stock market is no longer "cheap", there is wide disagreement on the level of overvaluation. Not surprisingly, one can find data to support your position. We highlight an example on page 12.
  1. A Yale professor named Robert Schiller has gained a wide following by suggesting that earnings should be "normalized" (a fancy term that means averaged and smoothed). In his calculations he uses average earnings over rolling 10-year periods to take out the year-to-year volatility. On page 12, we designate this as PE10. Using the same methodology, JIC calculates and shows 1-year and 5-year normalized earnings that are identified as PE1 and PE5, respectively. What is particularly noteworthy is that professor Schiller has created these datasets back to the late 1800's.
  2. Using just this measure of valuation, we find that one's conclusion about over-/undervaluation is dependent upon the time period evaluated.
     - For example, if one looks over the past 25 years, PE1 and PE5 have below average valuations while PE10 is slightly above average (but by no means at extreme levels).
     - However, if one extends the evaluation period to either the post WWII or the full data set (starting in the 1870's), one can see that we are in the top quartile and, in some cases, in the top decile of valuation.
  3. Why does this matter? Because valuation, as measured by PE10, seems to have some predictive power over **longer-term** stock market returns. On page 13, we plot PE10 multiples on the horizontal axis with **future** 5-year stock returns on the vertical axis. Data starts in 1926 (first year of available stock return data). Interestingly, if one were to draw a "best fit line", it would slope downward suggesting that lower valuation ratios imply higher future five-year stock market returns (and vice versa). The current PE10 value is near the high end of observed values which implies that future 5-year stock returns may be below average. While no one knows this with any degree of certainty it does have logical appeal that when an out-of-favor investment (low valuation) is purchased, your subsequent return may be higher.
  4. This does not imply that five-year future stock returns will be negative – just lower. However, unless there is substantially higher growth characteristics, we believe low single digit stock returns are the most likely scenario during the next five-year period.

- On page 14, we forecast future large, mid, and small stock market returns in a different way. We simply use consensus earnings estimates for 2016 and apply different multiples to obtain an estimated index value. We then calculate a percent change from current index levels.
  1. Assuming 2016 consensus operating estimates are correct (a big if), large-stocks will produce positive returns between now and 2016 if multiples are 17.5x or higher. Mid and small stocks will produce positive returns only if multiples are 20x or higher.
  2. It is well known that consensus estimates tend to start off high and decline as a year progresses. So what happens if consensus estimates are lowered by 10%? The baseline conclusion is the same – large stocks would produce positive returns assuming multiples of either 17.5x or 20.0x and mid- and small-stocks would only produce positive returns with multiples of 20x or above. It should be noted that, even with a 20x multiple, mid- and small stock returns would just barely be positive.

Executive Summary

Bond Market Returns

- During the first half of the year. the U.S. taxable and municipal bond market returned -0.1% and 0.1%, respectively – essentially no return. Depreciation from slightly higher yield levels nearly perfectly offset the income return. There was more excitement in other segments as high yield returned 2.5%, international bonds returned -5.6% (primarily due to a rising U.S. dollar), and emerging market bonds (many of which are dominated in U.S. dollars) returned 1.7%.
    1. From a maturity standpoint, long-term maturity bonds were the biggest drag on performance with a return of -4.5%. Short-term bond returns were slightly positive while intermediate-term returns were slightly negative. Corporate bonds produced negative returns while government and mortgage-backed bonds had slightly positive results.
    2. During the past year, the best performing bond segments were U.S. municipal (3.0%) and taxable (1.8%) with emerging market bonds eking out a positive return. High yield and international bonds both produced negative returns.

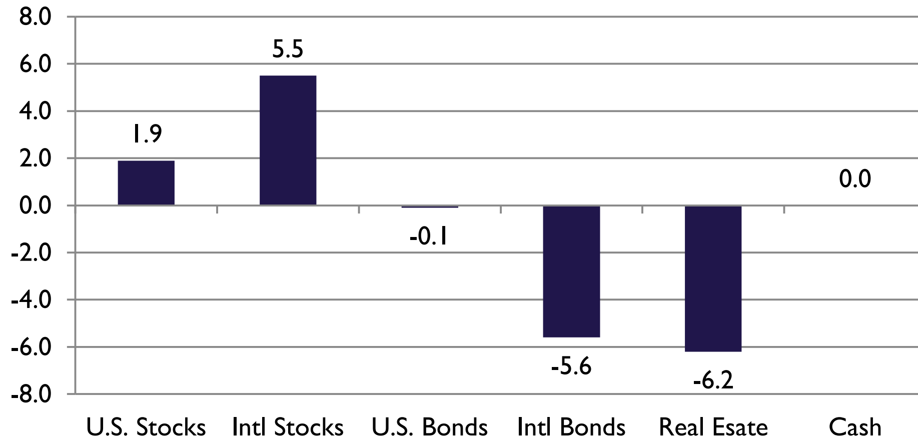
- The current maturity spread (the yield on the 10-year Treasury less the yield on the 1-year Treasury) is currently at 2.1%. Generally speaking, this is in the range of the past few years and suggests and economy that is growing but not overheating. However, if the FED were to start raising short-term rates (and assuming that would increase the 1-year Treasury yield), the maturity spread would likely narrow. This suggests that, at the margin, longer-term bonds become less attractive versus short-term bonds.

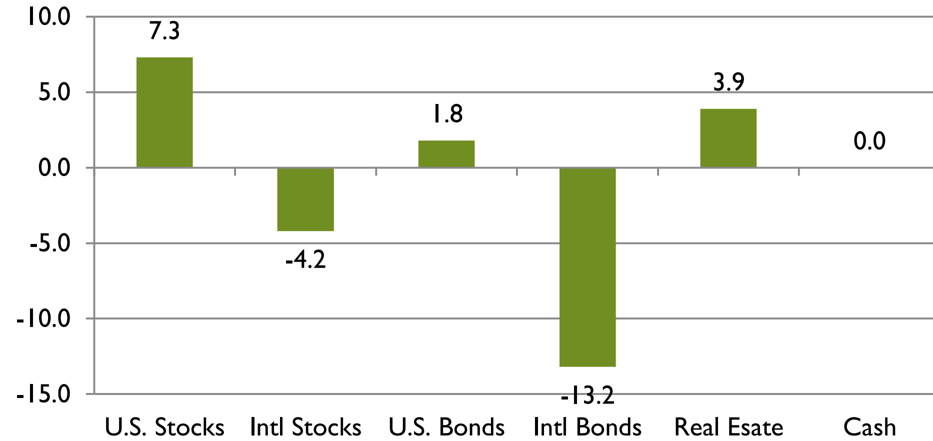
- High yield bonds currently yield 3.8% above A-rated corporates. While higher than a year ago, the quality spread is not as high compared to 3- and 5-years ago. In the current low interest rate environment, it is not surprising that investors, in their search for higher yields, are willing to accept somewhat less compensation than "normal". While current economic conditions may support an investment to high yield bonds, they tend to be more correlated to stock price movements. This gives us pause.

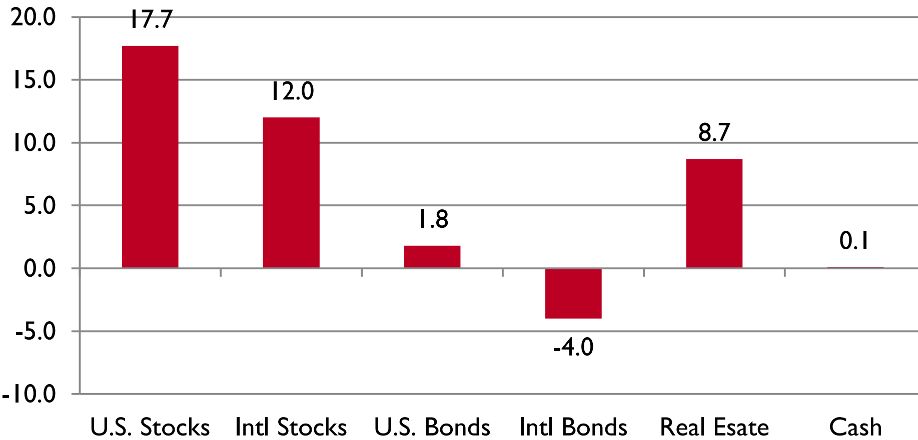
- The real yield spread (difference between the 10-year Treasury and expected inflation) has been negative for the past several years. This is not a "normal" condition as, from a yield perspective, bond investors have lost purchasing power. It has been a strategy that the FED used (to encourage more risk taking) in the aftermath of the financial crisis.

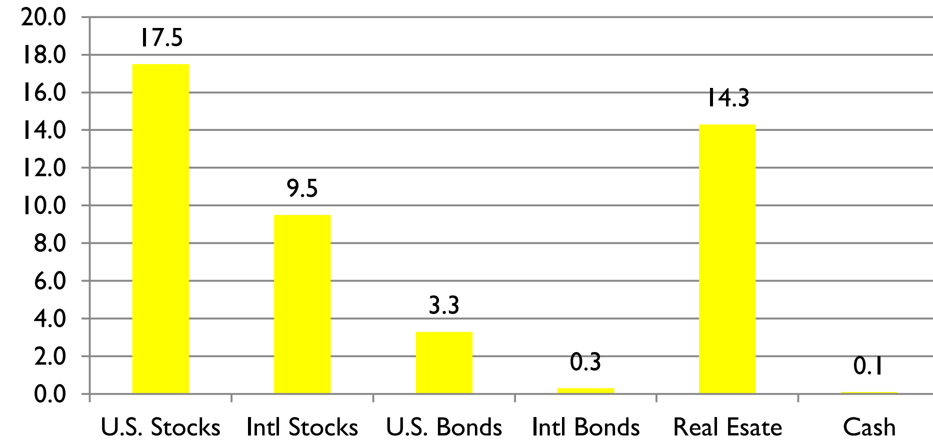
- The FED has been pretty clear that they expect to raise short-term interest rates – probably by the end of the year. Historically, once the FED starts to raise rates, more increases follow. That is generally the result of trying to slow an overheating economy and curb future inflation. In this environment, due to all of the policy intervention that has occurred, it may be trying to get back to a more "normal" condition – such as providing bond investors with a return above the rate of inflation.
    1. While this first increase has been well-signaled, we believe it is much less clear the speed of subsequent rate increases. Some believe the FED will be "one and done". Ultimately, we expect the data to drive the decision. If the economy, wage growth, and inflation begin to rapidly accelerate, we believe the FED would be more aggressive in future rate increases. However, given the current worldwide economic climate, it is difficult to make a case for rapid short-term economic acceleration.

Asset Class Returns



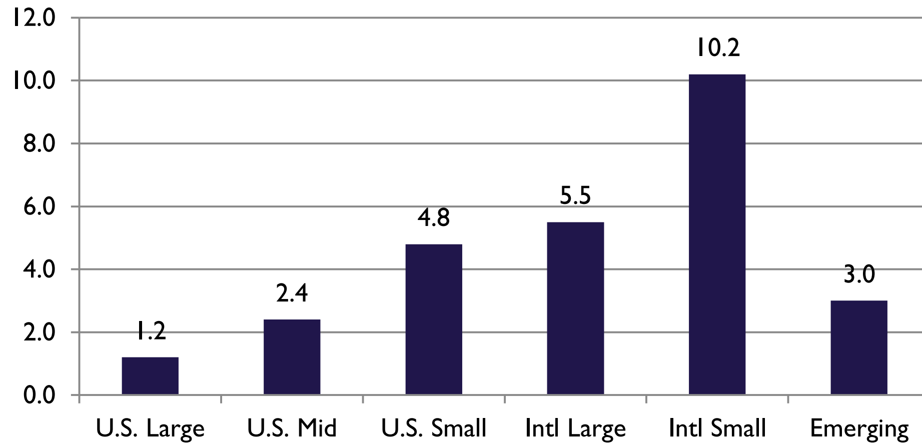


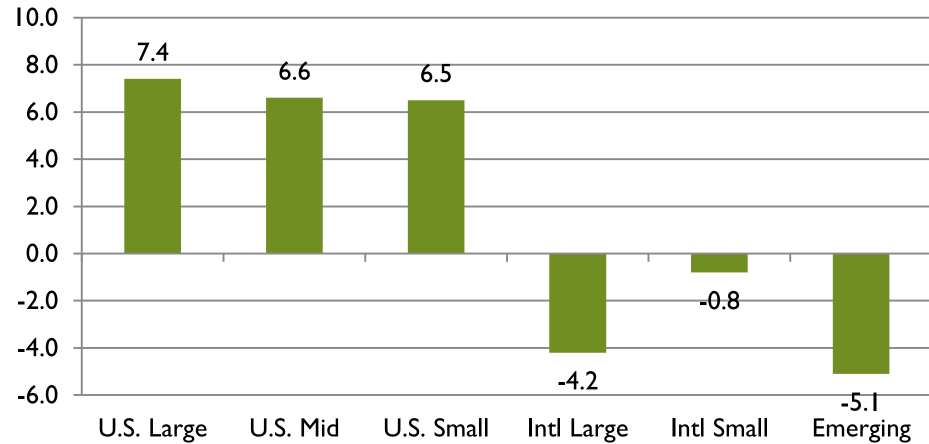


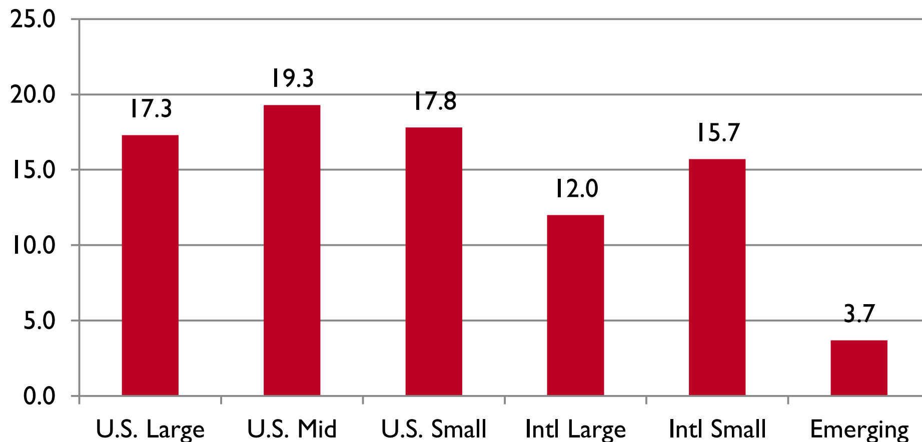


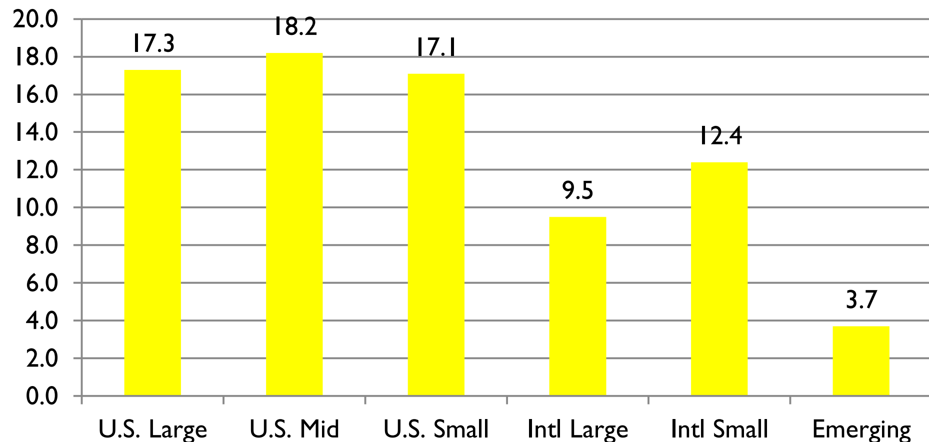
Stock Market

Stock Market Returns By Company Size

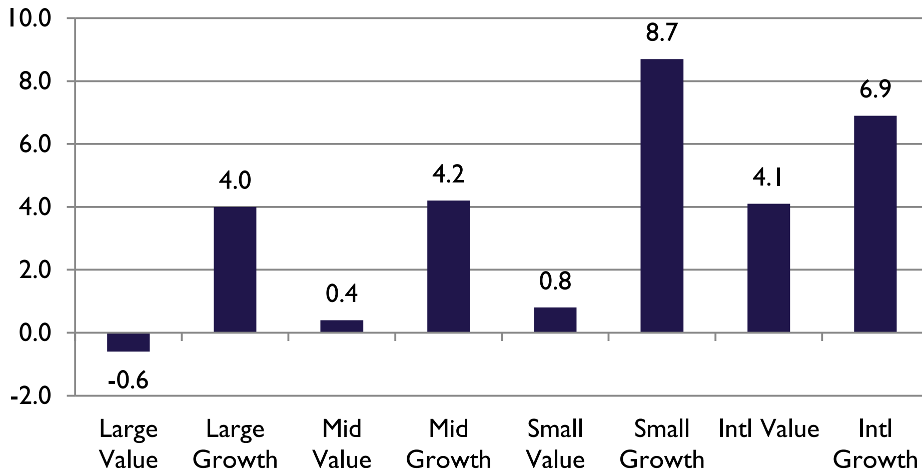


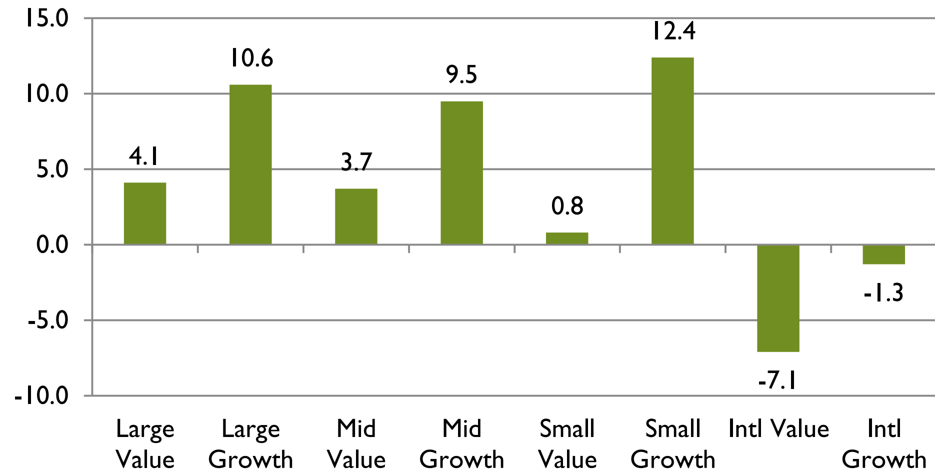


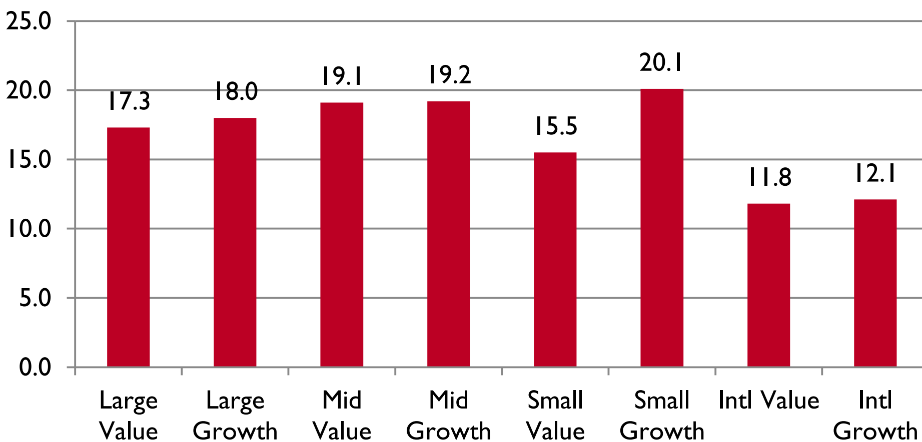


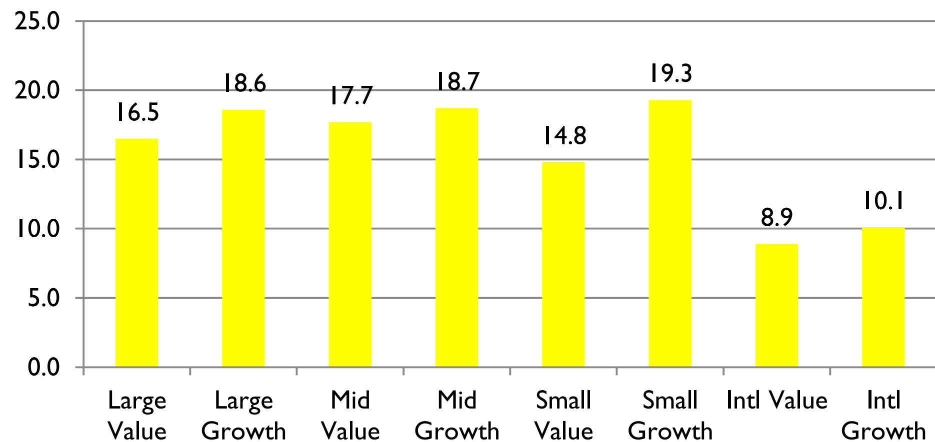


Stock Market Returns By Investment Approach

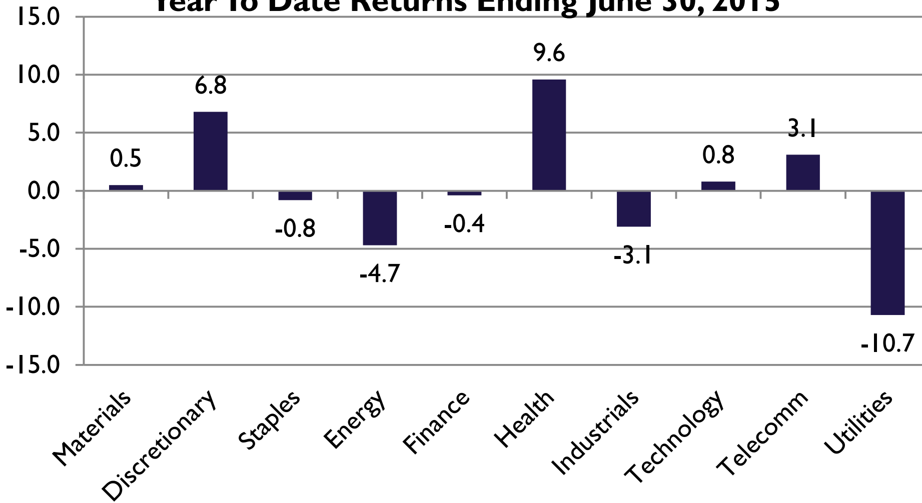


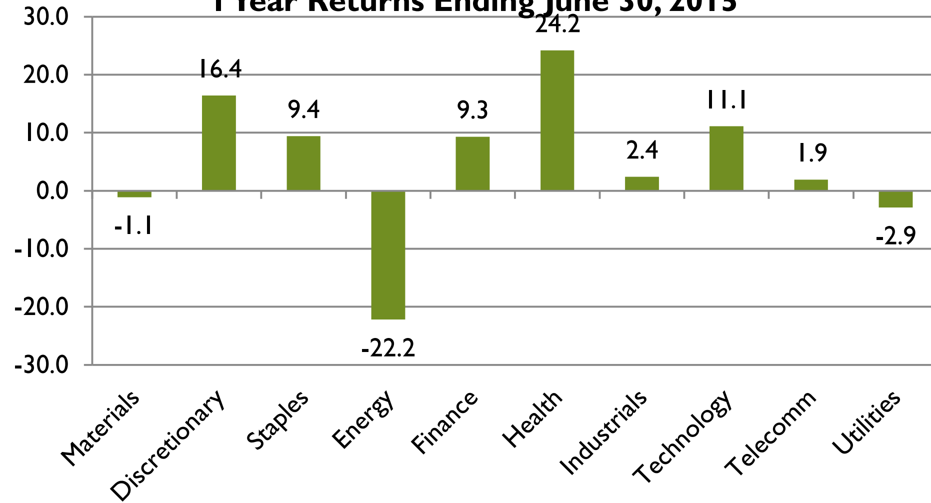


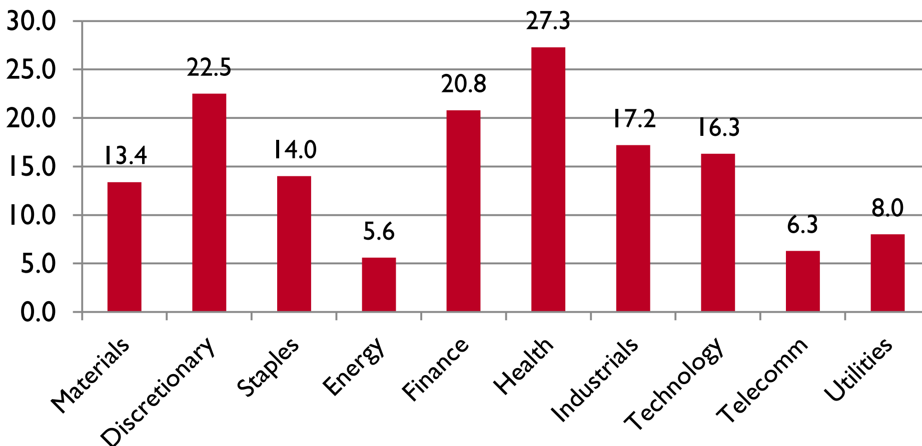


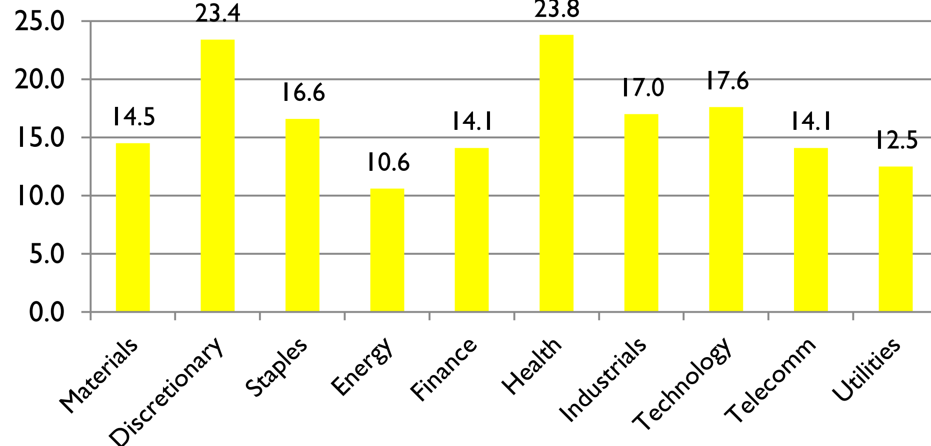


Stock Market Returns By Sector

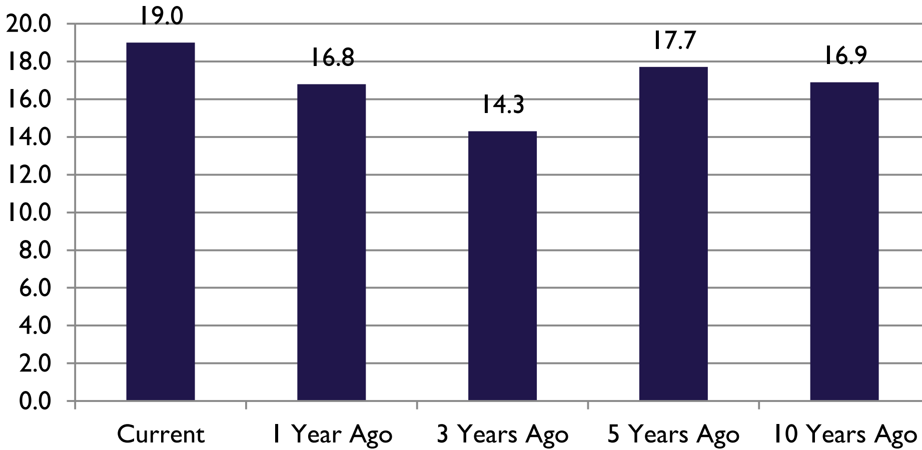


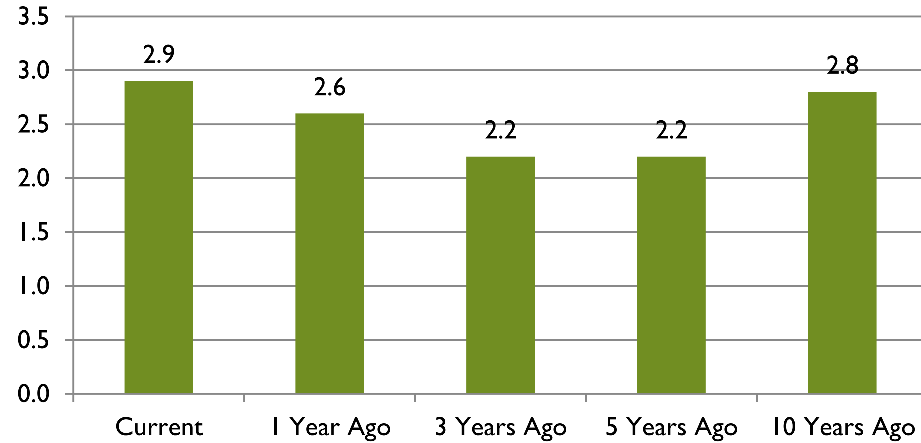


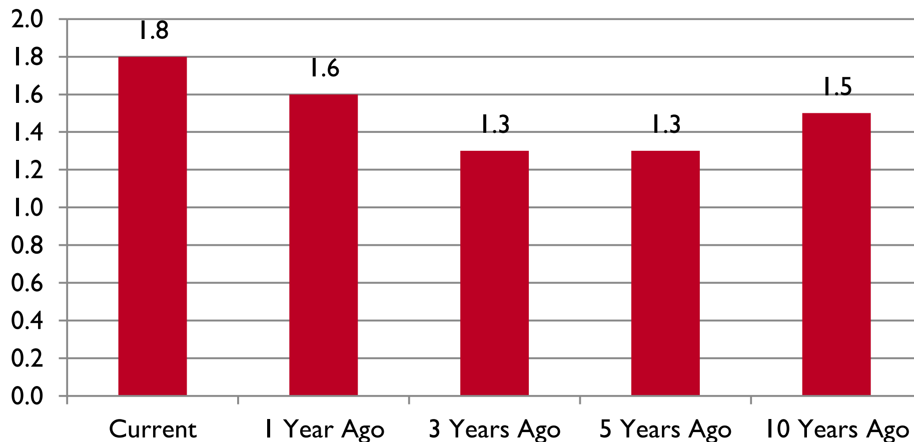


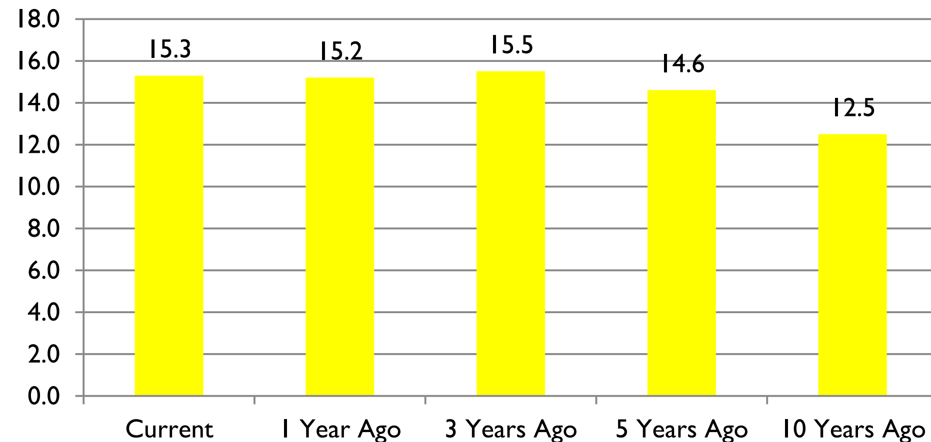


S&P 500 Valuation & Profitability Characteristics As of March 31,

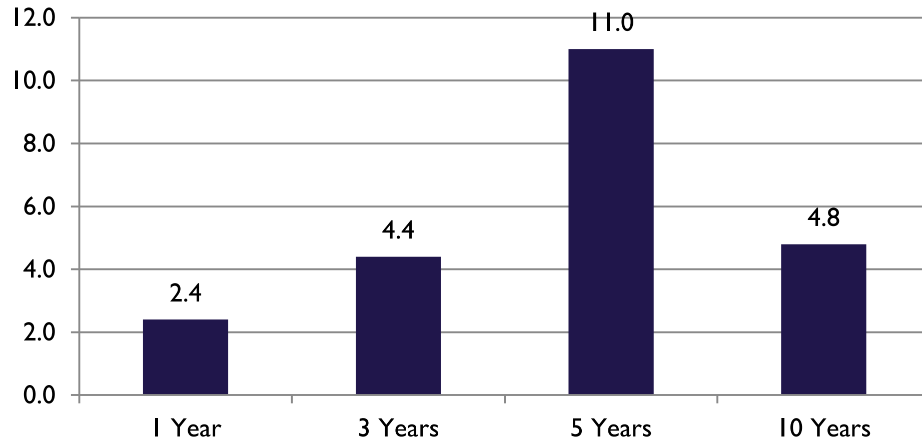


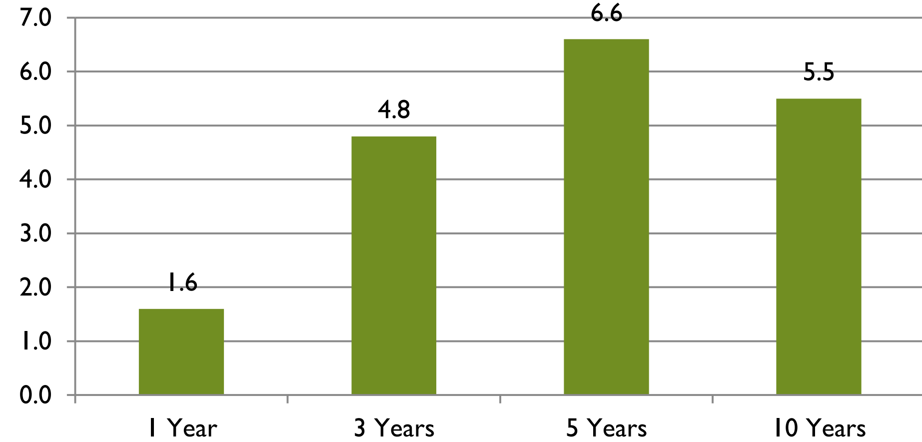


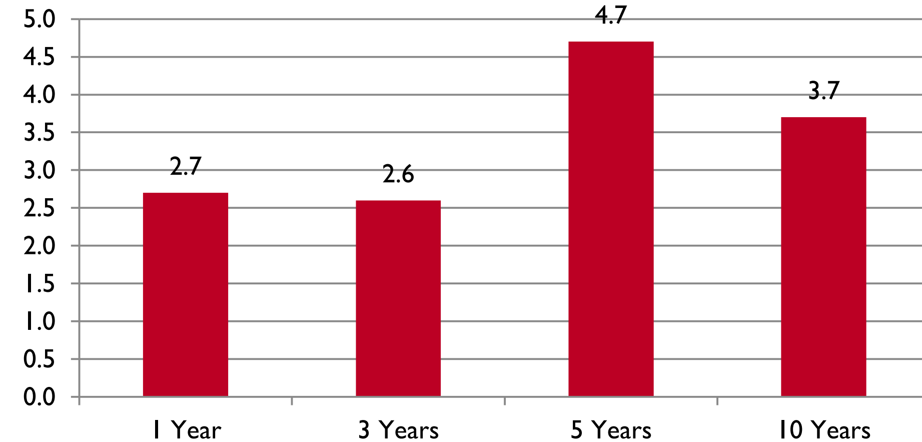


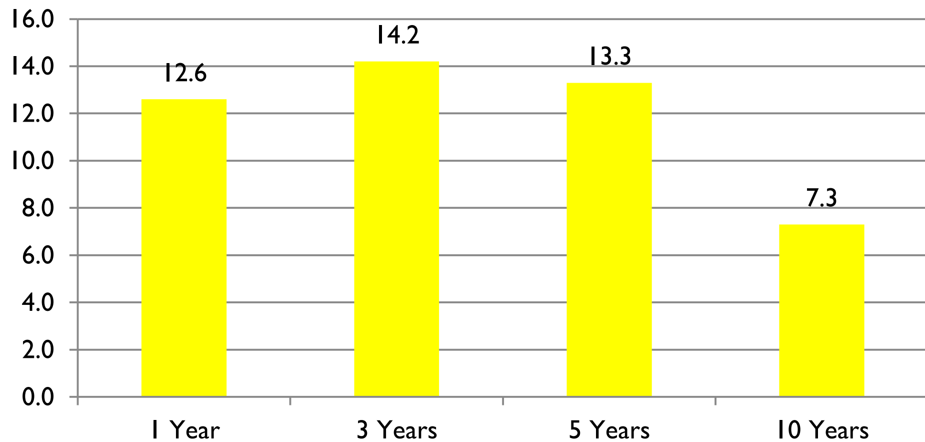


S&P 500 Growth Characteristics Ending March 31, 2015

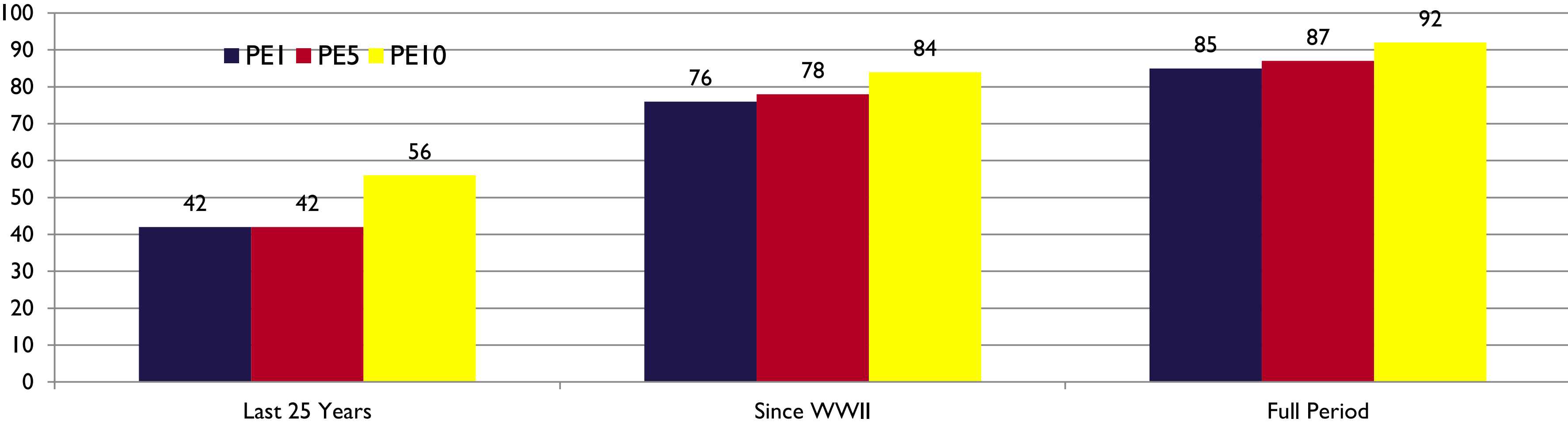








PE Rankings Over Different Measurement Periods and Earnings Normalization



Note: Rankings range between 1 and 100. Lower (higher) rankings imply more (less) value. A ranking of 50 is the median.

PE Ratio vs. Next 5-Year Stock Market Returns

Price / Earnings Ratio (10-Year Normalized Earnings) vs. Next 5-Year Stock Market Return
Calendar Year Data (1925 to Present)

Next 5-Year Stock Market Return

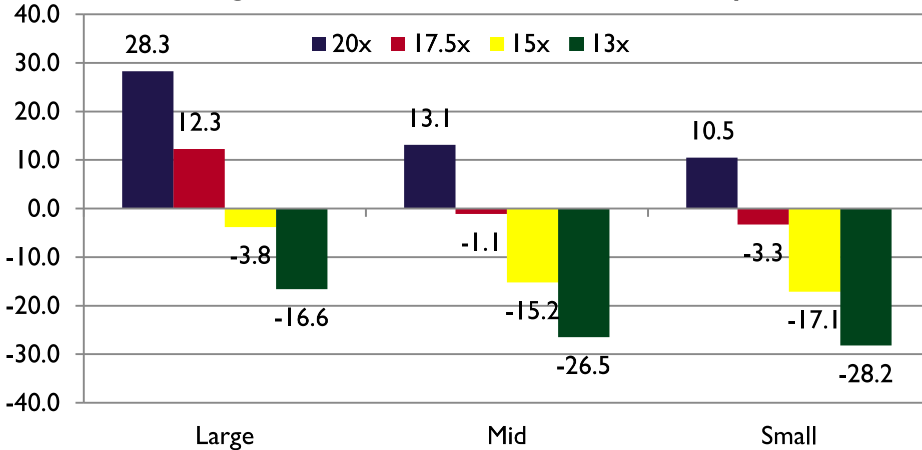
35.0
30.0
25.0
20.0
15.0
10.0
5.0
0.0
-5.0
-10.0
-15.0

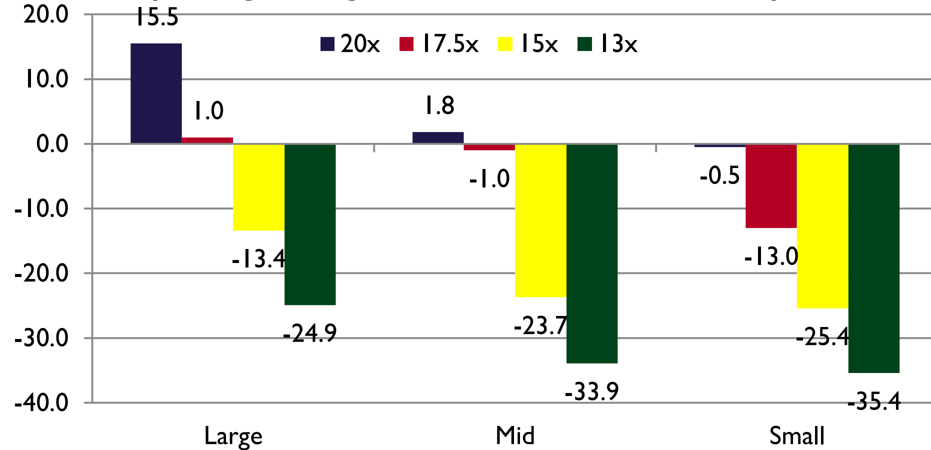
The red line represents the PE10 Ratio of 26.8
as of December, 2014.

0.0 5.0 10.0 15.0 20.0 25.0 30.0 35.0 40.0 45.0 50.0

Price / Earnings Ratio

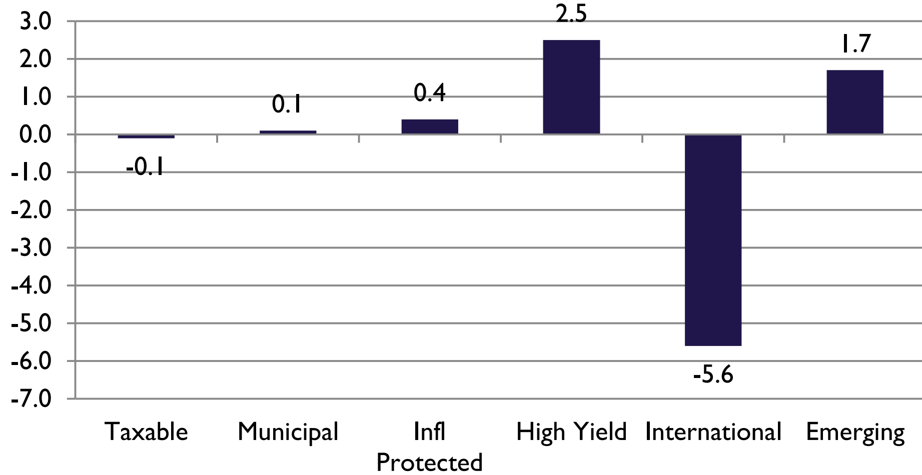
S&P 500 Growth Characteristics Ending March 31, 2015

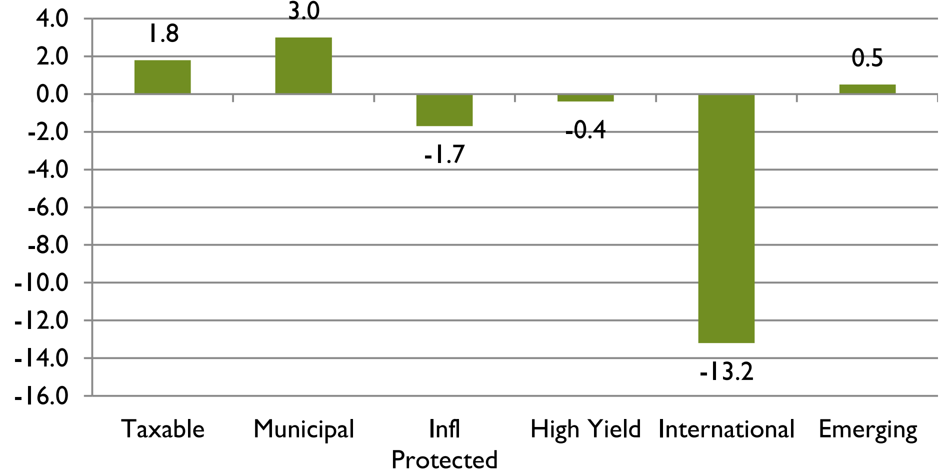


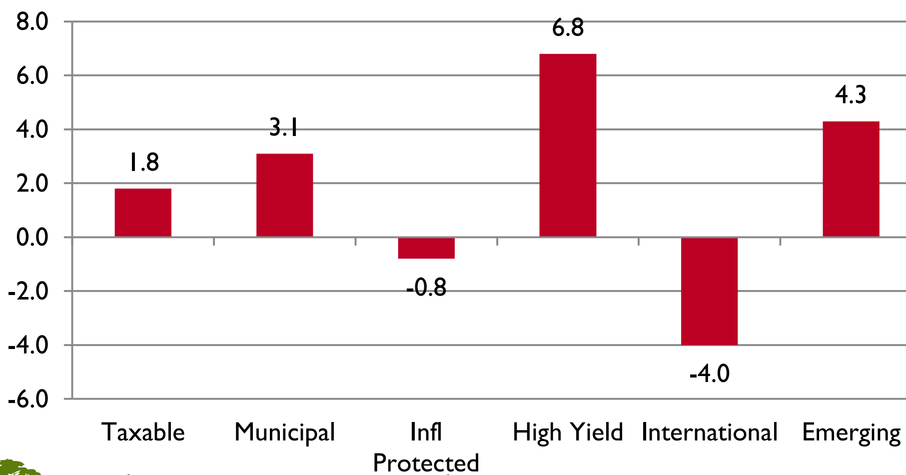


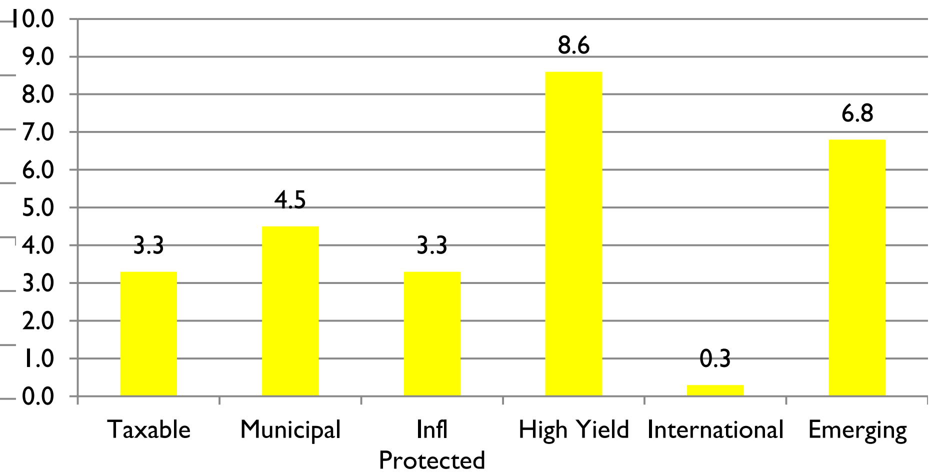
Bond Market

Bond Market Returns

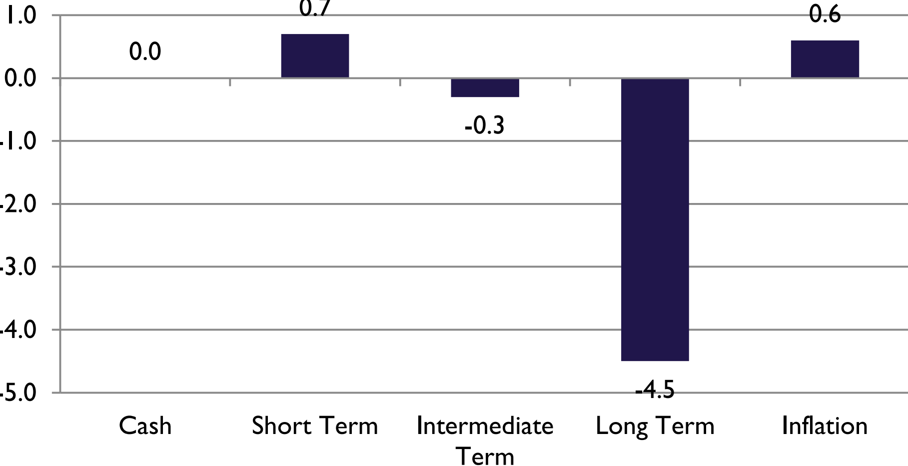


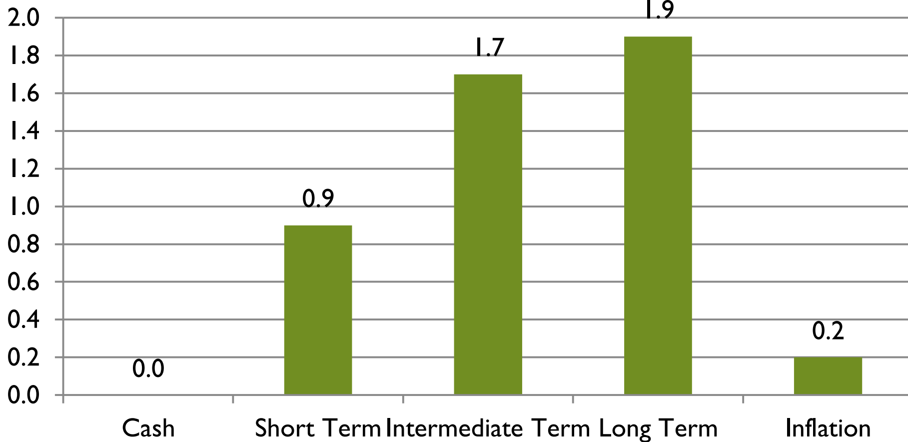


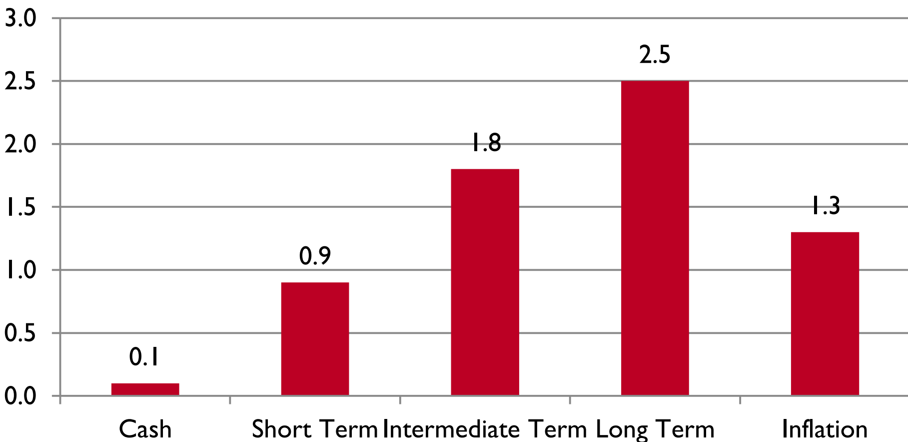


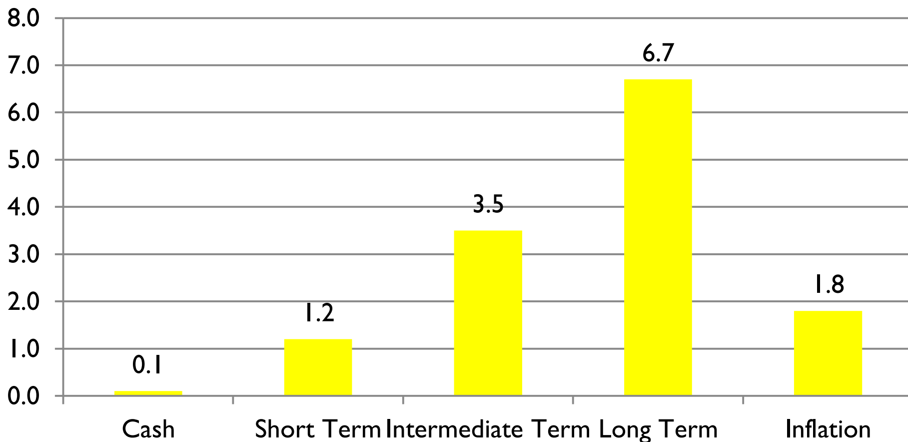


Bond Market Returns By Maturity

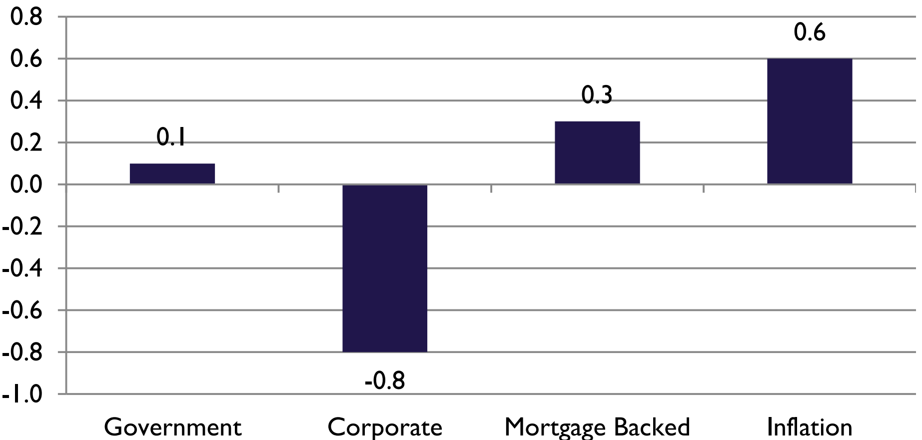


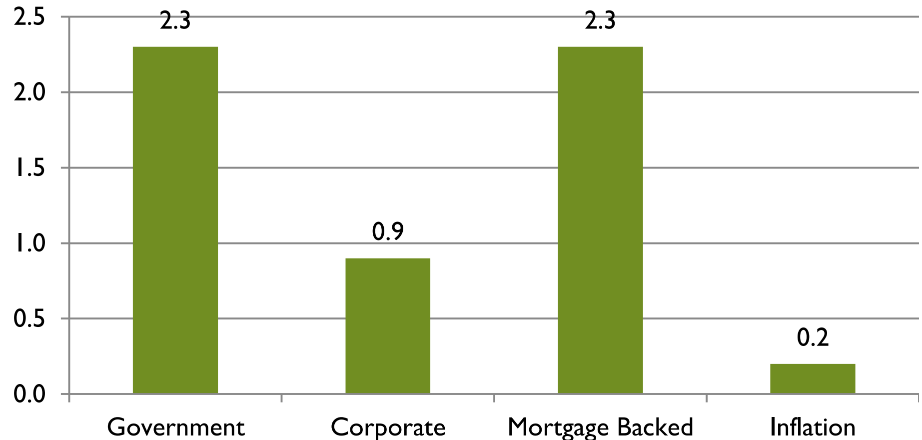


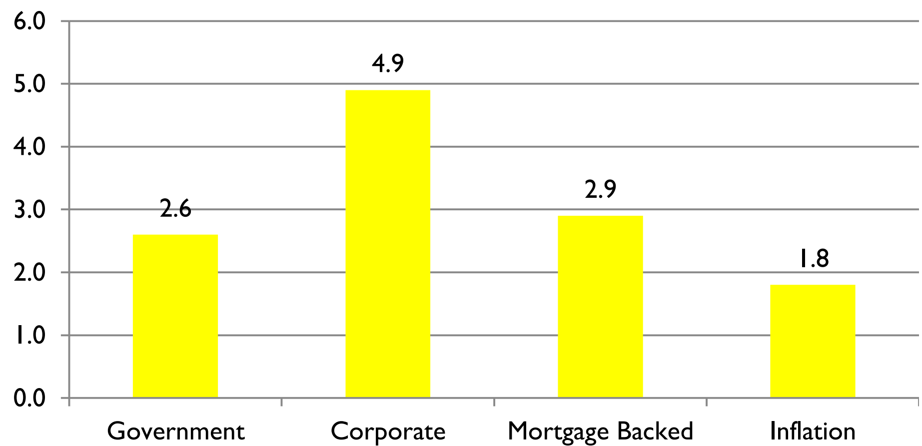




Bond Market Returns By Sector



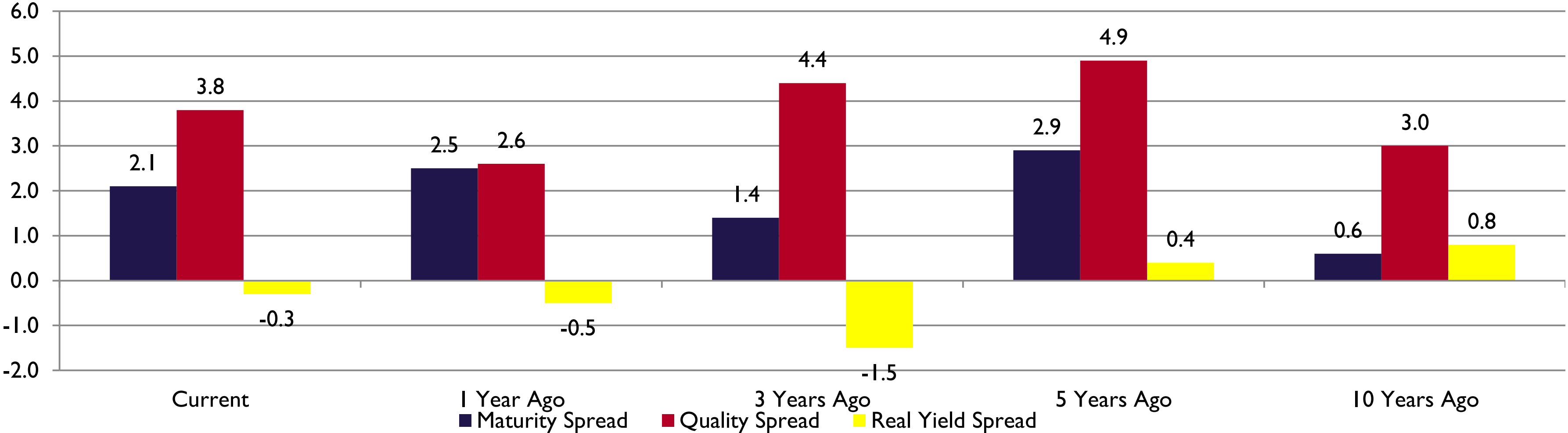




Treasury Yield Curve vs. Inflation

	3 Month	1 Year	5 Year	10 Year	20 Year	30 Year

Bond Yield Spreads



Economic Conditions

Economic Conditions

	Current Assessment	Type of Value	Current / 3 Month	1 Year	3 Years *	5 Years *	10 Years *	As Of Date
General Economy								
Gross Domestic Product	+	Percent Change	0.0%	2.9%	2.2%	2.2%	1.5%	March, 2015
Industrial Production	+	Percent Change	-0.4%	1.5%	2.8%	3.1%	1.0%	June, 2015
Baltic Dry Index	0	Percent Change	32.9%	-5.9%	-7.3%	-19.8%	-13.2%	June, 2015
Corporate Profits after Tax	+	Percent Change	2.9%	9.0%	4.2%	5.5%	4.8%	March, 2015
Leading Economic Indicators	+	Percent Change	1.7%	5.5%	4.9%	4.4%	0.1%	June, 2015
Phili Fed: General Activity - vs. Prior Month (Diffusion)	+	Diffusion	15.2	19.6	-10.9	15.4	-1.4	June, 2015
Phili Fed: New Orders - vs. Prior Month (Diffusion)	+	Diffusion	15.2	14.4	-15.8	9.1	3.5	June, 2015
Phili Fed: General Activity - 6 Months Ahead (Diffusion)	+	Diffusion	39.7	51.0	24.4	39.1	30.4	June, 2015
Phili Fed: New Orders - 6 Months Ahead (Diffusion)	+	Diffusion	44.9	53.5	33.6	34.0	36.8	June, 2015
Consumer								
Consumer Sentiment	+	Actual Value	96.1	82.5	73.2	76.0	96.0	June, 2015
Retail Sales	0	Percent Change	0.7%	0.6%	3.5%	4.4%	2.3%	June, 2015
ECRI Weekly Leading Index	0	Percent Change	0.6%	-1.4%	3.2%	1.9%	0.0%	June, 2015
Real Personal Income	+	Percent Change	0.5%	4.2%	2.6%	2.8%	2.0%	May, 2015
Real Disposable Personal Income	+	Percent Change	0.4%	3.5%	2.0%	2.2%	1.9%	May, 2015
Real Personal Expenditures	+	Percent Change	1.0%	3.4%	2.7%	2.4%	1.8%	May, 2015
Real Personal Expenditures: Durable Goods	+	Percent Change	4.8%	7.5%	7.4%	7.0%	4.0%	May, 2015
Auto and Light Truck Sales	0	Percent Change	0.2%	1.5%	6.4%	8.5%	-0.5%	June, 2015
Business								
ISM Manufacturing: Purchasing Managers Index	+	Actual Value	53.5	55.7	51.3	56.4	52.4	June, 2015
ISM Manufacturing: New Orders Index	+	Actual Value	56.0	59.1	51.5	60.0	55.7	June, 2015
ISM Non-Manufacturing: NMI Composite Index	+	Actual Value	56.0	56.3	53.5	54.6	--	June, 2015
ISM Non-Manufacturing: Business Activity Index	++	Actual Value	61.5	59.2	54.7	59.4	60.7	June, 2015
ISM Non-Manufacturing: New Orders Index	+	Actual Value	58.3	60.4	55.5	57.6	59.2	June, 2015
Manufacturers' New Orders	0	Percent Change	0.5%	-6.3%	-0.2%	3.3%	1.8%	May, 2015
Manufacturers' New Orders For Durable Goods	0	Percent Change	1.0%	-3.1%	1.3%	4.1%	1.0%	May, 2015

* Percent change data is annualized.

Economic Conditions

	Current Assessment	Type of Value	Current / 3 Month	1 Year	3 Years *	5 Years *	10 Years *	As Of Date
Labor								
Unemployment Rate	+	Actual Percent	5.3%	6.2%	8.6%	10.1%	5.0%	June, 2015
Manpower Employment Outlook (Net % Hiring)	+	Actual Percent	16.0%	13.0%	9.0%	6.0%	21.0%	May, 2015
4-Week Moving Average of Continued Claims	+	Percent Change	-4.0%	-12.3%	-12.0%	-13.1%	-1.4%	June, 2015
Job Openings: Total Private	+	Percent Change	4.2%	16.1%	13.6%	14.0%	3.4%	May, 2015
Hires: Total Private	+	Percent Change	-0.7%	3.3%	4.1%	5.1%	-0.6%	May, 2015
Banking								
Consumer Loans at All Commercial Banks	+	Percent Change	1.3%	4.4%	3.4%	1.2%	5.8%	June, 2015
Real Estate Loans at All Commercial Banks	+	Percent Change	1.0%	4.0%	2.0%	0.3%	3.2%	June, 2015
Commercial and Industrial Loans All Commercial Banks	+	Percent Change	2.6%	12.4%	10.5%	9.7%	6.8%	June, 2015
Delinquency Rate on All Loans (%)	+	Actual Percent	2.5%	3.3%	5.3%	7.5%	1.6%	March, 2015
Nonperforming Total Loans (%)	+	Actual Percent	1.8%	2.5%	4.2%	5.6%	0.8%	March, 2015
Real Estate								
Housing Starts	+	Percent Change	23.1%	26.6%	15.8%	17.0%	-5.5%	June, 2015
New One-Family Homes for Sale	+	Percent Change	1.0%	6.2%	12.7%	-0.9%	-7.5%	May, 2015
New One-Family Houses Sold	+	Percent Change	0.2%	19.5%	13.8%	14.3%	-8.2%	May, 2015
Median Sales Price of Homes Sold	+	Percent Change	5.0%	7.9%	10.1%	6.1%	2.6%	December, 2014
Median Number of Months on Sales Market	+	Actual Value	3.9	3.4	5.7	12.8	3.8	May, 2015
Prices / Commodity								
Consumer Price Index	+	Percent Change	0.9%	0.2%	1.3%	1.8%	2.1%	June, 2015
Consumer Price Index Less Food and Energy	+	Percent Change	0.6%	1.8%	1.8%	1.8%	1.9%	June, 2015
Producer Price Index	+	Percent Change	1.8%	-2.5%	0.8%	2.0%	2.5%	June, 2015
Producer Price Index Less Food and Energy	+	Percent Change	0.7%	2.2%	1.9%	2.1%	2.1%	June, 2015
CRB Commodity Spot Index	+	Percent Change	2.0%	-14.7%	-3.8%	0.1%	3.7%	June, 2015
Gold Price	+	Percent Change	-1.3%	-11.0%	-9.9%	-1.2%	10.4%	June, 2015

* Percent change data is annualized.

Economic Conditions

	Current Assessment	Type of Value	Current / 3 Month	1 Year	3 Years *	5 Years *	10 Years *	As Of Date
Stock Market								
S&P 500 Earnings	0	Percent Change	-3.4%	2.1%	5.6%	15.0%	5.7%	December, 2014
AAII Survey: Stock Allocation	-	Actual Percent	67.2%	67.0%	58.8%	52.9%	67.0%	June, 2015
AAII Bull/Bear Investor Sentiment Spread	-	Actual Percent	13.9%	16.1%	-15.7%	2.0%	16.4%	June, 2015
AAII Percent Bullish 8-Week Average	0	Actual Percent	26.8%	35.6%	28.8%	36.9%	43.6%	June, 2015
CBOE Volatility Index	0	Actual Percent	18.2%	11.6%	17.1%	34.5%	12.0%	June, 2015
CBOE Russell 2000 Volatility Index	0	Actual Percent	20.1%	16.4%	21.9%	40.5%	16.7%	June, 2015
SP 500 Put/Call Ratio	-	Actual Value	2.0	2.3	1.1	--	--	June, 2015
VIX Put/Call Ratio	-	Actual Value	0.5	0.4	0.9	0.9	--	June, 2015
Interest Rates								
1 Year Treasury	+	Actual Percent	0.3%	0.1%	0.2%	0.3%	3.4%	June, 2015
10 Year Treasury	+	Actual Percent	2.4%	2.6%	1.6%	3.2%	4.0%	June, 2015
30 Year Treasury	+	Actual Percent	3.1%	3.4%	2.7%	4.1%	0.0%	June, 2015
ML AAA	+	Actual Percent	2.8%	2.5%	1.9%	2.9%	4.5%	June, 2015
ML A	+	Actual Percent	3.0%	2.7%	3.0%	4.2%	4.7%	June, 2015
ML BBB	+	Actual Percent	3.9%	3.4%	4.0%	5.0%	5.2%	June, 2015
ML High Yield	+	Actual Percent	6.7%	5.3%	7.4%	9.0%	7.7%	June, 2015
Bond Buyer 20-Bond Municipal Bond Index	+	Actual Percent	3.8%	4.4%	3.9%	4.4%	4.2%	June, 2015
Maturity Spread (10 Year - 1 Year Treasury)	+	Actual Percent	2.1%	2.5%	1.4%	2.9%	0.6%	June, 2015
Quality Spread (ML High Yield - ML A Corporate)	0	Actual Percent	3.8%	2.6%	4.4%	4.9%	3.0%	June, 2015
Real Yield Spread (10 Year Treasury - Expected Inflation)	-	Actual Percent	-0.3%	-0.5%	-1.5%	0.4%	0.8%	June, 2015

* Percent change data is annualized.