Market Thoughts for November 2014

Each month in the financial planning section of our website, we post Market Thoughts from Brad McMillan, Commonwealth Financial Network's chief investment officer.
This month, Brad provides an update on the market's recent drop and subsequent recovery. Brad also discusses risks, the end of the Federal Reserve's bond-buying program, and more potential good news for the market.
Click here to jump to that page.

Market Thoughts for March

Brad McMillan is vice president and chief investment officer of the Commonwealth Financial Network. His blog, The Independent Market Observer, where he and others on the Commonwealth Research team offer their unbiased, informed perspectives about events taking place right now in the markets and the economy as a whole, is available on our financial planning web pages. .
Brad also talks on a monthly basis and offers his thoughts on the markets' most recent 30 days. Watch Brad's March video commentary.

Weekly Market Update – 1/21/2014

Treasuries moved very little last week, trading within a tight range and finishing the week on the lower end of that range. The small inflation number pushed yields lower, mostly on the longer end of the curve. The yield on the 10-year Treasury ended last week at 2.81 percent but bounced back on Tuesday to as high as 2.86 percent before settling at 2.83 percent later in the morning.
WeeklyMarketSummary_21Jan14

FDIC FInancial Checklist for Consumers

Any time of year, but particularly the start of a new year, is a good time for consumers to reflect on how they are managing their finances and consider some changes. The latest FDIC Consumer News features a checklist of questions and suggestions that can help individuals better meet their goals.
Is it time for your financial checkup? **The FDIC newsletter** helps consumers get started on a self-examination of their money-management strategies for saving, spending and borrowing, and taking precautions in areas such as avoiding fraud, managing financial records and being properly insured. The first question on the list asks consumers about their short-term and long-term financial goals, which could include, for example, paying off the balance on a credit card, buying a home or financing a

child’s college education. With financial goals in mind, people may be more motivated to save for and achieve their objectives.

Taking your money on a trip: Suggestions cover topics such as alternatives to carrying cash (which, if lost or stolen, can’t be replaced), deciding on which credit cards to take, and tips for hiding credit cards and other valuables from thieves who may target travelers.

Five common misconceptions about FDIC insurance … and what the real facts are: For example, some people mistakenly believe that FDIC insurance coverage is based on the type of deposit – for example, that a checking account is insured separately from a certificate of deposit (CD). The truth is that FDIC insurance coverage is based on how much money each depositor has in one of several “ownership categories” at each bank – single accounts, joint accounts, revocable trusts and so on – not on the deposit product itself. Knowing the facts will help consumers make sure all of their deposits are protected.

A bank by any other name may still be insured: Suppose you get an attractive offer of a deposit from an unfamiliar bank but it’s not listed on the FDIC’s database of insured institutions. Does that mean it could be an uninsured bank, or worse, fraudulent? The answer is … maybe or maybe not. One reason is that insured branches and Internet sites can do business using names that don’t match the bank’s official name.

For information on a financial checklist and more, click over to the **FDIC newsletter.**

Weekly Market Update 12/16/2013

Equity markets slid lower last week, and the S&P 500 posted its first weekly loss since early October. Losses for most major domestic large-cap indices were grouped tightly in the 1.50 percent–1.60 percent range. Unlike in previous periods, there was no late-week rally to offset the declines that took place earlier in the week. Read more now in our Weekly Market Update.

Weekly Market Summary – 12/9/2013

Equity markets were largely unchanged last week, with the S&P 500 posting a nominal gain of 0.01 percent and the Nasdaq faring slightly better, up 0.08 percent. International indices, as well as the small-cap Russell 2000, were notably weak.

Contrary to appearances, equities were quite volatile last week. A 1.10-percent gain for the S&P 500 on Friday—thanks to better-than-expected economic news—wiped out losses that had built up earlier in the week. Read more now in our Weekly Market Summary.

Weekly Market Summary – 12/2/13

Equity markets showed some modest upside in a very quiet week of trading. The S&P 500 gained 0.10 percent to eke out another all-time closing high for the week. Read more now in our Weekly Market Summary.

Weekly Market Summary – 11/25/13

The yield on U.S. 10-year Treasuries stood at 2.76 percent early Monday morning, up from last week's low of 2.66 percent. The move comes off of the Fed's recent discussion on tapering—specifically, how it could be further down the road than many investors and analysts anticipated.

Most broad-market equity indices were in positive territory last week thanks to a rally in prices on Friday. The best large-cap performer, the Dow Jones Industrial Average continues to try and close the gap on year-to-date performance versus other domestic indices.Small-cap stocks posted the best performance on the week while international markets lagged—a common theme throughout the year.

Read more now in a Weekly Market Summary.

Year-End Financial Planning

With the end of the year quickly approaching, it is a wonderful time to begin organizing your finances for the New Year. We've put together a list of important financial planning topics that warrant consideration.

Presented by ***Thomas Chester, CFP®***

Flexible spending accounts

Money that you've put away in your flexible spending accounts (FSAs) must be used by year-end or it will be forfeited. Now's the time to schedule those doctor's appointments you've been meaning to attend to or to stock up on items that are eligible for flexible spending. Doing this as soon as possible may help relieve some last-minute headaches and ensure that you don't lose your hard-earned dollars.

Additionally, open enrollment begins around this time of year for certain employee benefit plans. So if you're not using an FSA, take stock of your average expenses that would qualify. This can help you determine whether setting up an FSA for 2014 makes sense for you. If you already use an FSA, assess how much extra you have left in the account or how much of a deficit you ran and use it to calculate your allotment for the New Year.

Medicare enrollment

Open enrollment for Medicare started in October and ends December 7, 2013. For many, this is the only chance to change health and prescription drug coverage for 2014. If you want to make any changes, act now.

Recharacterization of Roth IRA rollovers or conversions

If you converted a traditional IRA to a Roth IRA during 2013 and paid tax on the conversion, mark your calendar now to allow plenty of time to meet the October 15, 2014, deadline for recharacterizing (i.e., undoing) the conversion.

Reporting losses on stock sales

Be aware of important deadlines regarding trading date closings. A trade to sell a long position must be executed by the close of the last trading date of the current year. Similarly, a trade to sell a short position must be executed so that it settles by the last trading date of the current year.

Retirement planning

Review your retirement plan allocation and contribution elections. If you're not taking full advantage of any matching features or potential tax benefits for maximizing your contributions, now is the time to evaluate your ability to do that. Also, when it comes to qualified savings, assessing your allocation to ensure that it's still in balance and pursuing your objectives will help you start the New Year off on the right foot.

Taking stock of savings

Did you set savings goals for the current year? Make a realistic assessment of how well you've met those goals and think about your goals for the upcoming year. There's no reason why you can't make some financial resolutions along with your other new year's vows. If you determine that you are off track, let us help you develop and monitor a financial plan.

Taxes, taxes, taxes

RMDs and estimated taxes. If you're turning 70½, you must devise the best strategy for taking required minimum distributions from your traditional IRA and 401(k) plans.

Be sure to take potentially large bonuses and a prosperous business year into account when considering your taxes for 2013. You may have to file estimated taxes or increase the upcoming January payment.

Managing marginal tax brackets. In 2013, the IRS added a 39.6-

percent tax bracket, a 20-percent capital gain tax bracket, and a 3.8-percent Medicare tax on net investment income. Moreover, those in higher marginal tax brackets may be subject to an additional 0.90-percent withholding tax, as well as limits on and phase-outs of itemized deductions and personal exemptions.
If a taxpayer is on the edge of the new tax thresholds, he or she may be able to defer or accelerate income or deductions to help minimize taxes.

- **The 39.6-percent marginal tax bracket** affects taxpayers with taxable incomes in excess of $400,000 (filing single), $450,000 (filing married), $425,000 (filing head of household), and $225,000(filing married but separately).
- **The 20-percent capital gain tax rate** applies to those in the 39.6-percent marginal tax bracket.
- **Itemized deductions and personal exemption phase-outs** affect those with adjusted gross incomes above $250,000 (filing single), $300,000 (filing married), $275,000 (filing head of household), and $150,000 (filing married but separately).
- **The 3.8-percent surtax** is applied on the lesser of net investment income or the excess of modified adjusted gross income over $200,000 (individual) and $250,000 (married filing jointly).

Too little or too much withholding. Also of note is that workers with gross earned income of more than $200,000 may have had too little or too much tax withholding in 2013. Employers may have withheld an additional 0.90-percent tax on incomes over $200,000 without regard to the taxpayer’s withholding status, which would put these taxpayers at a higher threshold. Other taxpayers may have had too little withholding because of other income unknown to the employer due to second jobs. Employees should plan to take a credit on their returns or pay additional taxes.

Estate planning

To help ensure that your estate plan stays in tune with your goals and needs, you should be reviewing and updating it on an ongoing basis. If you haven't done so during 2013, take time before the end of the year to:

- Check trust funding
- Account for any life changes
- Update beneficiary designations
- Review trustee and agent appointments
- Review provisions of powers of attorney and health care directives
- Prepare for the distribution of personal effects
- Get a firm understanding of all of your documents

Consider seeking professional guidance

The above list of financial planning dates is not exhaustive. We are happy to go over deadlines that are most relevant to your personal situation, so you can better prepare for the coming year.

Whatever your planning may entail, we wish you a happy, healthy, and prosperous 2014!

This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.

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To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code, or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

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Weekly Market Summary – 11/18/2013

Investors moved back into U.S. Treasuries late last week and early Monday morning, pushing yields on the 10-year as low as 2.69 percent. Yields of 2.80 percent and 3 percent are both very strong levels for the 10-year and tend to attract some equity investors into the space. [Read more now in the Allen Insurance and Financial Weekly Market Summary.]