



# OUTLOOK

April 2015

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## YOUR MONEY OR YOUR LIFE? I'M THINKING, I'M THINKING.

It's an old joke. A man walking down the street is confronted by a mugger. The mugger pulls a knife and demands, "Your money or your life!" The man hesitates and does nothing. The mugger angrily repeats his emphatic demand, "Your money or your life!!" The man looks at him and says, "Give me a minute. I'm thinking, I'm thinking."

The humor in this little story relates to the knowledge that most of us would quickly fork over the cash to protect our lives or the lives of those we care about without hesitation. It seems to be an easy choice. In the real world, the choices are almost never that easy.

One of the hardest decisions for retirement is how much of your retirement income should be guaranteed? When we retire and get ready to turn our investment strategy into a steady income, there are quite a few tools that advisors can use to provide guaranteed income, but guarantees come at a cost – sometimes a substantial cost.

So when the time comes to implement a retirement income strategy, be prepared for me to ask you, "In addition to your Social Security, how much of your retirement income would you like to be guaranteed income even though your costs will be higher



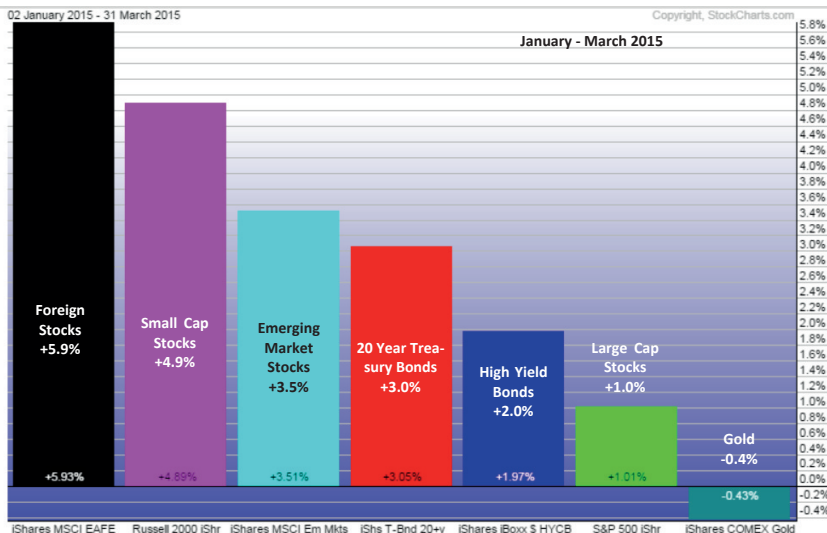
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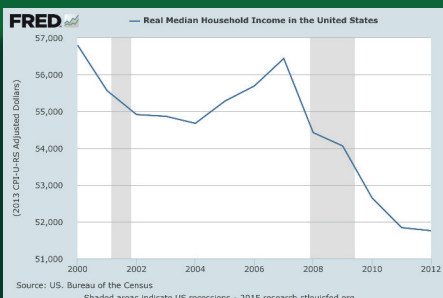
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and your returns will be lower?"

It's not an easy choice. I will expect your answer to be something like, "I'm thinking, I'm thinking."



## REAL HOUSEHOLD INCOME

Since 1999, real household income has been dropping. The median household income reached a peak of \$57,000 and has dipped to less than \$52,000. While I've not done extensive research on the topic, there has been significant growth in government social benefits during the same period. Benefits increased from \$976 billion to more than \$2.4 trillion (2012). This means that government social benefits have increased from \$9,400 per household to \$19,800 per household. Adjusting \$9,400 for inflation equates to \$13,000 in 2012. So it would seem that government assistance has more than offset the real income losses.

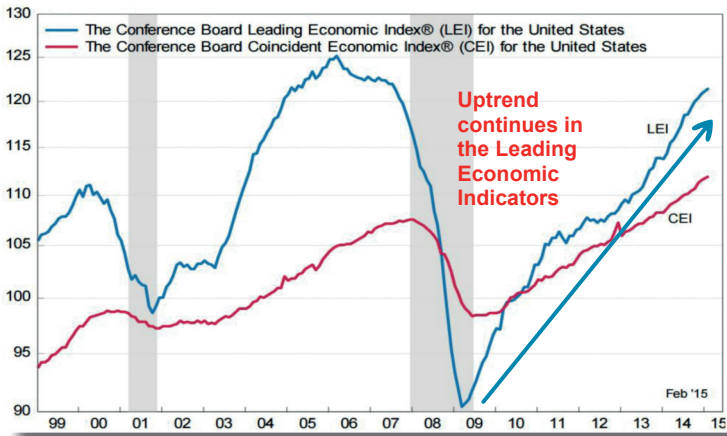
## ECONOMIC TRENDS



Corporate profits fell at the beginning of 2014, recovered, and are now slightly weaker. Economic growth seems stable.



The Leading Economic Indicators Index remains in an uptrend.



## MARKET TRENDS

The 20-Year U.S. Treasury Yield at 2.3% is flat from where it started the year, but it's put in a low of 2.0% and a high of 2.6% so far. That's a pretty big range that seems to point rates higher.



2014 was not a good year for foreign stocks with a 13% correction during the 2nd half of the year. However, they gained new momentum in 2015.



## SUMMARY

Positive economic trends continue although corporate profitability took some hits. Interest rates may be looking for a new upward trend. Foreign stocks corrected in 2014 and now appear much stronger this year. We've had very little in the way of corrections in U.S. stocks since the middle of 2011 and the market has doubled in value since that time. Even if economic patterns remain relatively stable, a larger correction than we have seen for a few years should be an expected possibility.

## MORE DISCLOSURES: READING GLASSES + 2.0 OR HIGHER ARE RECOMMENDED

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