WEEKLY MARKET COMMENTARY

For the Week of Sept. 15, 2014

THE MARKETS

The Commerce Department on Friday reported a broad increase in retail sales in August, and the Thomson Reuters/University of Michigan consumer sentiment index hit a 14-month high for September. Continued declines in energy shares and concern about this week's Federal Reserve meeting led U.S. markets to snap a five-week string of gains. For the week, the Dow lost 0.81 percent to close at 16,987.51. The S&P fell 1.05 percent to finish at 1,985.54 and the NASDAQ dropped 0.33 percent to end the week at 4,567.60.

Returns Through 09/12/14	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	-0.81	4.24	13.62	18.39	15.03
NASDAQ Composite (PR)	-0.33	9.36	22.92	22.33	17.03
S&P 500 (TR)	-1.05	9.00	20.40	22.18	16.17
Barclays US Agg Bond (TR)	-0.64	3.65	5.10	2.26	4.13
MSCI EAFE (TR)	-1.27	1.36	9.01	15.04	7.18

Source: Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. The NASDAQ is based on price return, which is the capital appreciation of the portfolio, excluding income generated by the assets in the portfolio in the form of interest and dividends. (TR) indicates total return. (PR) indicates price return. MSCI EAFE returns stated in U.S. dollars.

Three vs. Nine — In the past 20 years (1994-2013), the S&P 500 has gained more on a total return basis during the fourth quarter (i.e., the months of October, November and December) than the index has gained during the other three quarters combined. Over the past two decades, the final three months of the year have gained 165.1 percent (total return) vs. a gain of 120.1 percent for the first nine months of the year. The S&P 500 consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market value weighted index with each stock's weight in the index proportionate to its market value (source: BTN Research).

Half and Half — The "civilian labor force" (i.e., Americans either working or unemployed and looking for work) was 156.0 million as of Aug. 31, 2014, 49 percent of our population of 318.8 million (source: Department of Labor, Census Bureau, BTN Research).

On the Bandwagon — As of the end of August 2014, 52 percent of individual investors were "bullish" on the U.S. stock market over the next six months, the highest percentage of bulls to date during calendar year 2014 (source: American Association of Individual investors, BTN Research).

WEEKLY FOCUS – Retiring With A Mortgage

While paying off your mortgage before retiring may seem like a logical plan, a growing number of Americans are counting a monthly house payment among their retirement expenses. An August *Bloomberg* article reported that according to a May analysis by the Consumer Financial Protection Bureau, Americans age 65 and older with mortgage debt rose from 22 percent in 2001 to 30 percent in 2011, with loan balances increasing from $43,400 to the median amount owed of $79,000.

If your mortgage won't be retired before you are, the planning question becomes whether to pay off the loan and eliminate that expense in retirement or try to reduce your monthly payments to free cash in your current budget that you can invest for retirement.

That depends on the form of your retirement assets. If you have the cash in savings or low-paying interest-bearing accounts, you might consider paying off the mortgage, as the interest you pay will likely be more than the interest you earn.

If the bulk of your assets are in IRAs or 401(k)s, it may be best to resist the urge to withdraw a large amount and relieve yourself of your biggest piece of debt. Early withdrawals from a qualified account – meaning before age 59½ – may require payment of an IRS penalty, and you'll face an income-tax bill on the proceeds at any age. After retirement, using systematic withdrawals from IRAs or 401(k)s to make monthly house payments can help spread out the tax burden and keep you eligible for the mortgage-interest tax deduction.

Refinancing your mortgage at a lower interest rate can reduce payments, as can extending its length to spread the balance over more years, although that may cause you to pay more overall in interest. Selling your home and purchasing a smaller one may also be an option, and depending on equity, you may have money left over to invest for your retirement years.

Entering retirement with a mortgage may not be ideal, but it can be done, especially as part of a comprehensive retirement plan. Call our office to discuss your residential plans and how your options can impact your overall retirement finances.

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* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. Written by Securities America. SAI#1012835.1