



Goal-based Investors Know Where to Focus

Weekly Update – October 13, 2014

Concerns about global growth caused markets to hit the brakes last week in a cloud of smoke and volatility, giving the S&P 500 and Nasdaq their worst week since May 2012. For the week, the S&P 500 lost 3.14%, the Dow slid 2.74%, and the Nasdaq dropped 4.45%.¹

Macro-economic issues dogged markets last week and investors fell prey to concerns about issues like slowing growth in Europe, Ebola, the situation in Ukraine, and the coming end to the Federal Reserve's quantitative easing programs. A confluence of fears helped open up a trapdoor beneath stock markets, but much of the selloff can be attributed to concerns about how a strong dollar and a weak European economy could hurt company profits. Both of these factors may combine to erode demand for U.S. exports and hurt businesses that rely on overseas demand.²

On the other hand, a weaker euro might be just the ticket Europe needs to stoke demand for its exports and jumpstart economic growth, much as a soft dollar helped pull the U.S. out of recession. A weak euro makes European products more competitively priced, hopefully boosting demand and giving the Eurozone economy a push.

As investor sentiment swung towards a fear-based selloff, investors ignored positive domestic economic news in favor of pessimistic headlines and questioned the soundness behind the recent run-up in stock prices. It's not uncommon for periods of strong market gains to be interrupted by short-term pullbacks, but as long as the underlying economic trends in the U.S. remain solid, we can hope for more upside this year.

Bottom line: Threats to the market exist in the form of a slowdown in global growth and wildcards like the Ebola epidemic and security issues overseas. However, overall, the U.S. economy is doing well and many sectors are experiencing broad-based growth that's driven by solid economic fundamentals. Though markets slid last week, let's take a look at how far we've come since last year: As of last Friday, the S&P 500 has gained 12.62% since October 14, 2013.³ While these pullbacks are often frustrating, keep in mind that as goal-based investors, we are more focused on how long-term performance affects our personal financial goals and less focused on short-term market behavior.

With a thin economic calendar next week, analysts will be shifting their attention to Q3 earnings as U.S. banks and some technology companies begin to report. Historically, as earnings season ramps up, analysts tend to focus less on macro-economic issues in favor of company-level data. Thus far, earnings expectations are modest, with S&P 500

companies expected to show 1.6% earnings growth on 1.7% higher revenues.⁴ However, keep in mind that many companies purposefully keep the bar set low so that they can benefit from positive earnings surprises. While more volatility is likely, positive earnings results could shift sentiment and encourage investors to buy the dip and give stocks a boost.

ECONOMIC CALENDAR:

Wednesday: PPI-FD, Retail Sales, Empire State Mfg. Survey, Business Inventories, Beige Book

Thursday: Jobless Claims, Industrial Production, Philadelphia Fed Survey, Housing Market Index, EIA Petroleum Status Report, Treasury International Capital

Friday: Housing Starts, Consumer Sentiment

| Data as of 10/10/2014 | 1-Week | Since 1/1/14 | 1-Year | 5-Year | 10-Year |
|---------------------------|--------|--------------|--------|--------|---------|
| Standard & Poor's 500 | -3.14% | 3.13% | 12.62% | 15.58% | 6.99% |
| DOW | -2.74% | -0.20% | 9.37% | 13.54% | 6.45% |
| NASDAQ | -4.45% | 2.39% | 13.71% | 19.98% | 12.27% |
| U.S. Corporate Bond Index | 0.79% | 4.02% | 4.48% | 2.32% | 1.05% |
| International | -2.42% | -8.70% | -3.42% | 2.26% | 2.61% |
| Data as 10/10/2014 | 1 mo. | 6 mo. | 1 yr. | 5 yr. | 10 yr. |
| Treasury Yields (CMT) | 0.02% | 0.04% | 0.10% | 1.55% | 2.31% |

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized. Sources: Yahoo! Finance and Treasury.gov. International performance is represented by the MSCI EAFE Index. Corporate bond performance is represented by the DJCBP. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

HEADLINES:

Jobless claims fall to lowest level since before recession. Weekly claims for new unemployment benefits fell sharply last week, pointing to continued improvement in the labor market. Initial claims dropped to 287,000, beating out estimates of 294,000 new claims.⁵

Federal Open Market Committee Minutes show concern for growth. The minutes from the Fed's September FOMC meeting showed little change from previous reports, indicating that quantitative easing will likely end on schedule this month. However, economists are worried about the effect of slow overseas growth on U.S. exports.⁶

Job openings surged in August. The latest reports show that the number of open jobs increased more than expected in August, led by industries like manufacturing, social assistance, and healthcare. This is good news for future hopes about the labor market.⁷

Oil prices tumble below \$84. Crude oil prices fell below \$84/barrel Friday for the first time since 2012 on concerns about global demand. Surging U.S. output also lessened worries about supply, pushing gasoline prices to an average of \$3.24 across the U.S.⁸

QUOTE OF THE WEEK



"Whether you think you can, or you think you can't- you're right."

-Henry Ford

RECIPE OF THE WEEK



White Bean and Sausage Soup



This hearty soup is quick and easy on busy weeknights.

Ingredients:

Serves 4

- 1 tablespoon olive oil
- 1 12-ounce package fully cooked chicken sausage links, sliced
- 1 medium onion, thinly sliced
- 2 cloves garlic, thinly sliced
- 1 19-ounce can cannellini beans, drained and rinsed
- 1 14.5-ounce can low-sodium chicken broth
- 1 14.5-ounce can diced tomatoes
- 1 bunch kale leaves, torn into 2-inch pieces
- Kosher salt and black pepper
- 1 loaf crusty bread (optional)

Directions:

1. Heat a large, heavy-bottomed pot or Dutch oven with the olive oil over medium heat.
2. Add the onions and cook, stirring occasionally until golden and translucent.
3. Add the sausage and cook until browned. Add the garlic and cook for a couple of minutes until aromatic.
4. Add the chicken broth, beans, and tomatoes and raise the heat until the soup boils.
5. Add the kale and a pinch of salt and pepper to taste. Simmer until the kale is wilted.
6. Ladle the soup into individual bowls with the bread alongside. Alternatively, lay a slice of bread in the bottom and spoon the soup over top.

Recipe adapted from Kate Merker | RealSimple.com⁹



Early Withdrawal? Here's What You Should Know

Taking money out of your retirement account before age 59 ½ is not something to be undertaken lightly, because it can trigger additional taxes and penalties. Here are some things to keep in mind:

- You must report all early withdrawals to the IRS, unless the money is treated as a rollover. For more information about rollovers, consult a qualified tax professional.
- You must generally pay a 10% penalty on top of your income taxes on an early withdrawal, though there are many exceptions to this rule, depending on your retirement plan or account.
- If you make an early withdrawal, you may need to file Form 5329, Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts, along with your federal tax return.

The tax treatment of retirement accounts can be complicated, and it's a very good idea to consult a financial professional who understands your total financial picture before making early withdrawals.

Tip courtesy of IRS.gov¹⁰



Tee Up Toward Trouble

If you're faced with a hole with an obstacle or out of bound area, always tee up on the side the trouble is on. For example, if you have an obstacle on the left side of the fairway, tee up as far to the left as possible so that you can aim right and make a more aggressive swing while safely ignoring the obstacle.

Tip courtesy of John Stahlschmidt, PGA | Golf Tips Mag¹¹



Facts About Ebola From the CDC

With Ebola making headlines around the world, it's easy to become worried about the safety of your family and friends. Here are some important facts the CDC wants you to know about Ebola:

- Ebola does not spread through the air like the flu and is only contracted by close personal contact with someone showing symptoms of the disease.
- Symptoms of Ebola include fever with temperatures over 101.5°F/38.6°C, muscle pain, severe headaches, diarrhea, vomiting, and stomach pain.
- If you are traveling, follow normal hygiene procedures, wash your hands frequently, and avoid touching your face. Even if you see ill people at the airport, they are very unlikely to be ill with Ebola.

Tip courtesy of SFgate.com¹²



Buy For Life

Think carefully about your next household purchase and try to buy items that will last. Statistics suggest that a shocking number of purchases are discarded and thrown away shortly after purchase and many of these items end up clogging landfills. Instead of

buying with disposability in mind, think about investing more time and money in a purchase and keeping it as long as possible.

Tip courtesy of Seattle PI¹³

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Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets

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 average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia.

The Dow Jones Corporate Bond Index is a 96-bond index designed to represent the market performance, on a total-return basis, of investment-grade bonds issued by leading U.S. companies. Bonds are equally weighted by maturity cell, industry sector, and the overall index.

The S&P/Case-Shiller Home Price Indices are the leading measures of U.S. residential real estate prices, tracking changes in the value of residential real estate. The index is made up of measures of real estate prices in 20 cities and weighted to produce the index.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

Google Finance is the source for any reference to the performance of an index between two specific periods.

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Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

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¹ <http://goo.gl/E1dO8F>

² <http://www.cnbc.com/id/102068136>

³ <http://goo.gl/U9wICN>

⁴ <http://www.zacks.com/commentary/34810/q3-earnings-season-ramps-up>

⁵ <http://www.cnbc.com/id/102058025>

⁶ <http://www.usatoday.com/story/money/2014/10/08/federal-reserve-minutes/16916243/>

⁷ <http://www.businessinsider.com/jolts-report-october-7-2014-10>

⁸ <http://money.cnn.com/2014/10/10/investing/oil-plunge-below-84-market-concern/>

⁹ <http://www.realsimple.com/food-recipes/browse-all-recipes/bean-sausage-stew>

¹⁰ <http://www.irs.gov/uac/Newsroom/Early-Retirement-Plan-Withdrawals-and-Your-Taxes>

¹¹ <http://www.golftipsmag.com/instruction/full-swing/quick-tips/play-like-a-pro-2014.html#.VDosJ9SUdt8>

¹² <http://www.sfgate.com/science/slideshow/CDC-facts-about-Ebola-95404/photo-6986433.php>

¹³ <http://www.seattlepi.com/news/article/10-tips-from-green-living-specialist-Thor-Peterson-1270013.php>