



First Quarter, 2014 Insights

© 2014 Pawleys Investment Advisors, LLC. All rights reserved.

www.PawleysAdvisors.com

Kathryn E. Schwartz
Chief Executive Officer
kschwartz@PawleysAdvisors.com
April 4, 2014

First Quarter, 2014 Insights

- Portfolio Construction Basics
- Retirement Income Strategies –
 - Bucket 1 - Essentials
 - Bucket 2 – Comfort and Convenience Items
 - Bucket 3 – Discretionary Spending
- Economic Overview
- U.S. Leading Economic Indicators
- The Yield Curve
- invest right, live right™

Portfolio Construction Basics

- **Focus on Quality** – highly rated bonds, stocks with little debt and consistent earnings, funds with solid long-term track records
- **Have a Plan** – avoid making random changes, they will almost always hurt your return and add to portfolio volatility
- **Rebalance** – sell low quality or over-weighted holdings when you need to raise cash, buy high quality investments in under-weighted areas when adding cash, and review at least annually
- **Add Structure** – avoid being a “collector” of various investments, instead choose an asset allocation model and build a well-diversified portfolio of investment that complement each other and work well together
- **Enjoy the Process** – have fun and don’t let hyped-up news stories about the economy and stock market cause you to question your well-laid plans

Retirement Income Strategies

Of the alpinists who die while climbing Mount Everest, K-2, and other peaks over 8,000 meters, the majority perish in the descent after having successfully reached the summit. A few die from falls, accidents or avalanches, but the majority die from altitude-related sickness. Many articles and books about mountaineering cite that 1/10 who reach the summit of Mount Everest end up perishing on the descent, and most deaths are tightly tied to poor planning.



Parry Peak – Winter Park, Colorado

Retirement Bucket 1 - Essentials

The must-haves including food, clothing, shelter:

This bucket includes just the bare minimum to survive, and I mean the *minimum*. Think “Survivor.” Your house should be fully paid for before you retire, so your expenses will include real estate taxes, your heat and light bill, water and sewer bill, food, and basic clothing. Basic healthcare costs should come from this bucket as well, and any income tax.

Income Source: Social Security. **reminder, - you may need to save a little each month so you have enough money budgeted to pay annual bills such as your property tax**

Retirement Bucket 2 – Comfort Items

Reasonable living expenses that increase comfort and convenience but are not extravagant: Niceties include non-essentials such as cable TV and computers, cell phones, pets, automobiles, health club memberships, newspaper subscriptions, dining out from time to time, gifts for family and friends, tithing, insurance, purchasing of basic personal and household items, and property association dues.

Income Sources: Pension, basic IRA and 401(k) retirement distributions (including annuity income streams), real estate rental income after expenses, business royalties.

Retirement Bucket 3 – Discretionary

Discretionary expenses and larger-sum gifts: Travel, hobbies, gourmet dining and special activities/events, acquisition of collectables such as art and antiques, charitable giving and family gifting.

Income Sources: *Excess investment income, capital gains and inheritance.*

See the full article on [Retirement Income Planning – The 3 Bucket Pawleys Approach](#) in the Investment Library - click on the Blue Knowledge Button from the home page of PawleysAdvisors.com



Economic Overview

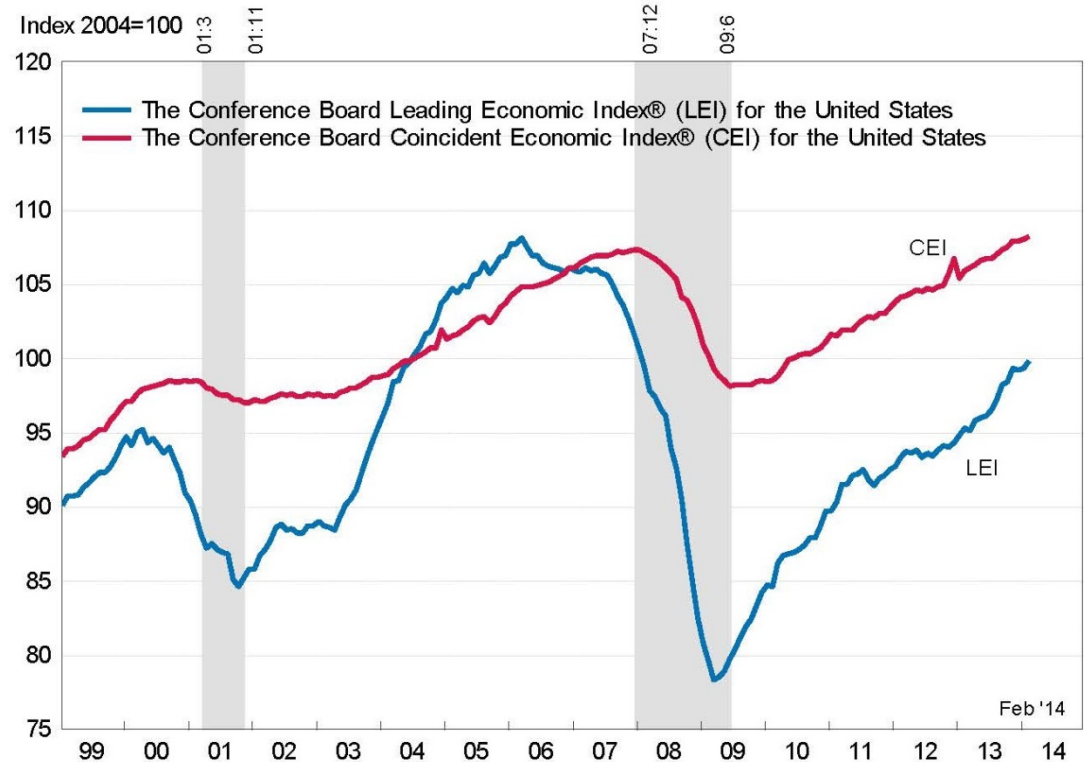
- Leading Economic Indicators continue to rise
- Corporate earnings continue to expand, supporting higher stock prices
- Fed may raise rates sooner rather than later, which bodes well for the stock market, but also indicates the economic expansion is well developed and will eventually peak
- Jobs have improved, but housing remains choppy in certain areas

U.S. Leading Economic Indicators

The shaded grey areas represent recessionary periods in the economy.

The LEI line in blue dipped down prior to those times. Since 2009, the line has steadily risen.

The Conference Board Leading Economic Index® (LEI) for the U.S. Increased in February



Latest LEI Trough March 2009, Latest CEI Trough June 2009
Shaded areas represent recessions as determined by the National Bureau of Economic Research.
Source: The Conference Board

The U.S. Treasury Yield Curve

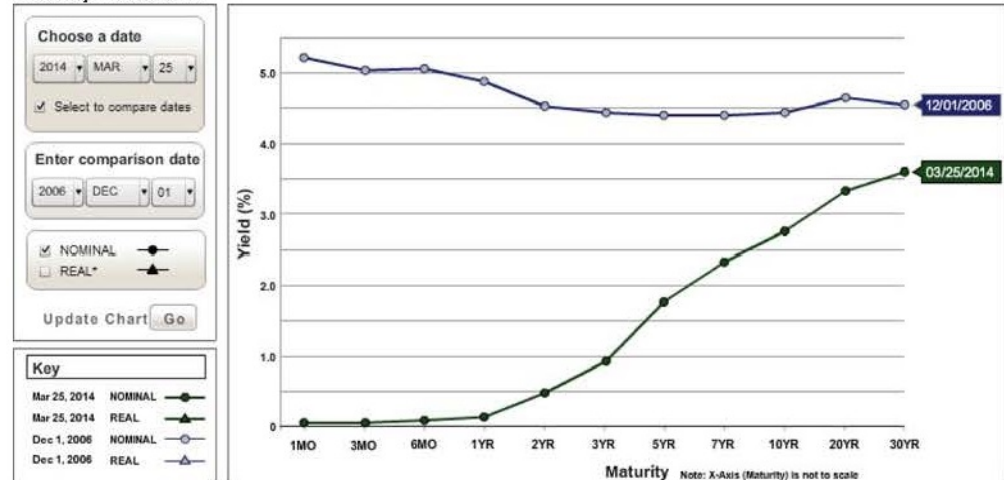
This chart compares U.S. Treasury rates from 2006 to today. The blue line at the top is from 2006, and current rates are shown in the green line at the bottom.

“Inversion” of the yield curve, where short-term rates rise above long term rates seen in the blue line at the top, is predictive of recession. Rates today, the green line at the bottom, are “normal.”

U.S. DEPARTMENT OF THE TREASURY

Resource Center

Treasury Yield Curve



[View Text Version of Treasury Yield Curve](#)

* Data for real maturities may not be available for all dates for which nominal maturity data is available.

““If you’re hard on yourself, life will be
easy on you.”

- *Robert Herjavec*

Pawleys Investment Advisors, LLC

- Website: www.PawleysAdvisors.com
- Email: kschwartz@PawleysAdvisors.com
- Follow Us On:



– Facebook



– LinkedIn



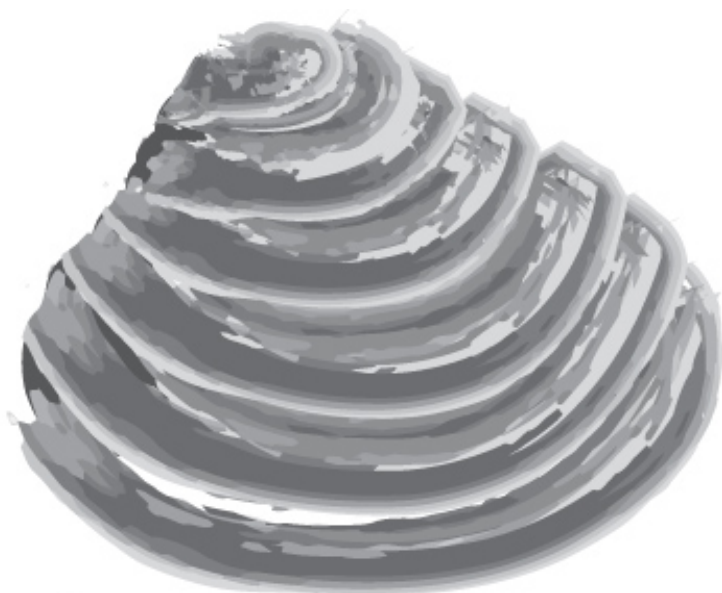
– Twitter



As featured by:



Pawleys



Investment Advisors

invest right, live right™

Pawleys



Capital Management

invest right, live right™