[VINTAGE] FINANCIAL SERVICES, LLC

On the [MONEY]

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From the Grapevine...

Congratulations to Jim Burns for earning the Certified Financial Planner (CFP®) designation at the end of 2013. Jim passed the ten hour, two day board exam in November and now joins our four other advisors that are CFP®s. See more about our team of advisors and their credentials on page three.

Congratulations also to Joe Henderson who was named a Five Star Wealth Manager in the Detroit area. The award is given to less than 7% of the area's advisors and is the result of a rigorous research process that included a regulatory and consumer complaint review, and an evaluation of objective criteria associated with wealth managers who provide quality services to their clients.

The Five Star award has been given out for the past five years in the Detroit area and the award winners are announced in summer issues of *Hour Detroit* and *DBusiness* magazines. Frank Moore has received the award all five years.

HOW LONG WILL YOU LIVE?

One of the important factors in retirement planning is how long you expect to live. While most people would like to live at least through their mid-80's our genetics and lifestylechoices may preclude a long life. Yet with improving medical science more and more people will live into their 90's and beyond. As you consider when to retire it's also helpful to have a realistic idea of how long you may live. Will you outlive your savings? Or should you enjoy your funds while you can?

The internet offers a few calculators to determine how long you may live and also what your "real" age is today. The website www.livingto100.com is based on the book of the same name. It asks 40 questi ons about your health and family history and then gives you a life expectancy (just the age, not the exact date!).

Another site titled "How Long Will I Live?" is at gosset.wharton.upenn.edu/mortality/perl/CalcForm.html. This one also has 40 quick questions to answer about things like your height, weight, family history, driving and more. It gives you a very precise (within a couple days) life expectancy but also offers your odds of living a longer or shorter life.

One other site, realage.com, focuses more on your current health-adjusted age and offers suggestions to improve your health and live a longer life.

STOCK MARKET VOLATILITY

How many times, for the past 88 calendar years, has the stock market (S&P 500) lost over 15%?

A) 23 times
B) 15 times
C) 9 times
D) 6 times

Since 1926, the blue chip stock index, the S&P 500, has shown a calendar year loss of over 15% only six times. It happened in 1930, 1931, 1937, 1974, 2002, and 2008 according to Ibbotson Associates. Since World War II the biggest overall drops occurred in 1973-74, 2000-02 and 2008-09 when the index fell about 50% from top to bottom each time. With two of the three big market crashes of the past 75 years occurring in just the last 15 years, today's investors tend to be overly skittish.

What is the average intra-year drop (high to low) of the S&P 500 since 1980?

A) 5.2%
B) 7.8%
C) 11.0%
D) 14.4%

While the 12 month figures for the calendar years haven't been too dramatic, the stock market does move up and down pretty significantly throughout the year. The average intra-year drop has been 14.4% as the market has fallen over 10% from a high to a low in 19 of the past 34 years. The drops of 10% are often referred to as "corrections" and these occur pretty regularly.

A "bear" market is defined as a 20% drop from top to bottom but these have only occurred in six of the past 34 years or about once every 5-6 years. (Source: JP Morgan)

There's a relatively new field of study called behavioral finance that looks at how investor's behaviors affect their investments. While various studies have come to different conclusions about the magnitude of the impact of investor behavior, they all seem to agree that investors often behave somewhat irrationally and their returns are significantly worse as a result.

One of the behavioral descriptors is "recency". Recency is the psychological tendency to overweight the recent past when reviewing historical information. Thus the two more recent 50% stock market crashes tend to be overweighted in the mind of today's investors leading them to be overly cautious about stock market volatility.

Another term is "anchoring" where investors use a specific price, often their purchase price or the all-time high, to value an asset like a stock or their home. We can't tell you how many times our clients told us how much their portfolio "lost" from the 2007 stock market highs even though many still had gains above their initial investment. In the first few weeks of 2014 some investors were already focusing on the decline in the value of their stock funds as "losses" ignoring the fact that they may have doubled their money on them over the past five years.

Investors that fare the best in stock market investing are those that can take a long term view and ride through the inevitable ups and downs. Back in the 1990's many investors learned to "buy the dip" and invest more money into stocks after the prices had fallen. While we haven't heard that term in a while it is still a good strategy. You can make good returns by investing regularly into the stock market but you can improve those returns by being brave enough to buy after prices have dropped. Remember, it's buy low, sell high.

PRESIDENT PROPOSES ANOTHER RETIREMENT SAVINGS ACCOUNT

In President Obama's State of the Union address he proposed a new retirement savings account, dubbed the MyRA. It would join the current list including IRAs, Roth IRAs, 401(k)'s, Roth 401(k)'s, 403(b)'s, 457 plans, Keogh plans, Profit Sharing, Money Purchase, SEP, SIMPLE and a few more we probably missed.

While the MyRA is currently just a proposal the President indicated that he would bypass Congress and simply establish the new plan through executive order. So is this something you should consider?

The MyRA is very similar to the existing Roth IRA but it seems to be designed to encourage small savers to get started. You would fund it with after tax savings deducted from your paycheck and the funds would be deposited to a government controlled account. There is only one investment option which is similar to the government's Thrift Savings Plan G Fund. This fund pays an interest rate set by the government. In 2012 the G Fund earned 1.47% and in 2013 it earned 1.89%.

Minimum ongoing contributions are just $5 and when the account reaches $15,000 the balance must be rolled over to regular Roth IRA. When withdrawn your contributions are tax free and the earnings are also tax free if certain requirements are met.

The MyRA likely won't be available until the beginning of 2015 and more details will come out. For now it seems like it may appeal to some small savers but it doesn't offer much that isn't already available in the myriad of other retirement plan options. For our clients, it doesn't appear to be something we'd recommend.

VINTAGE ADVISOR TEAM

At Vintage, we have the most Certified Financial Planner (CFP®) professionals of any fee only firm in the area. Our team, though, goes beyond big by working together on financial planning issues our clients face. In addition to the CFP®, our advisors each have an additional designation that broadens our expertise into multiple areas.

Frank Moore, MS, CFP® founded the firm in 1985. He has a Masters in Financial Services with a specialization in Wealth Management and is also a NAPFA Registered Financial Advisor. Frank heads the investment management for the firm , serving as Chief Investment Officer.

Todd Perry, CFP®, CIMA® joined Vintage in 2005 and is a Certified Investment Management Analyst. He heads up our tax planning and preparation.

Joe Henderson, CFP®, CLU brought his extensive insurance background to Vintage in 2009. He is a Chartered Life Underwriter and spent ten years as a sales manager with John Hancock. He heads our new business development.

Jack McCloskey, CFP®, RTRP joined Vintage in 2011. He earned the Registered Tax Return Preparer designation in 2012 and is a member of our tax team. He recently did an extensive update to our financial planning software and is working on his Masters degree in Financial Services.

Jim Burns, CFP®, CPA started his career with Plante & Moran before moving to Vintage last year. His background includes accounting, tax preparation, and wealth management. He's a new addition this year to our tax team.

VINTAGE FINANCIAL SERVICES OFFERS

Fee only investment management, financial planning,
and tax preparation.
Minimum portfolio $250,000
(401(k) balance may count toward minimum).

For a no charge, no obligation initial interview please call our office at (734) 668-4040 or (800) 666-9237 or e-mail:

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Or visit our website at www.VintageFS.com

- Retirement Planning
- Education Funding
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- Income Tax Preparation

Plan to succeed.

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