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Dear Client,

This letter contains news and views that I feel will be of interest to you. As always, please call me at your convenience to set up your quarterly meeting.

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**Going, Sebastien, Fisher & Le Bouef, LLP (GSF&L) News:**

- Craig and Darren attended the AICPA Advanced Personal Financial Planning Conference January 20 – 22 in Las Vegas, Nevada. Sessions attended included The Weight of the World Economy: Investment Outlook, Investing for Income and Total Return, IRA Planning Ideas, Advanced Income and Estate Tax Strategies for High Net Worth Clients, and Retirement Income Strategies.

**Investment Views:**

- ***Morningstar Data - Through March 31, 2014 - Year-to-date returns--*** S&P 500 1.81%, Dow Jones Industrial Average -0.15%, NASDAQ Composite (dollars) 0.54%, MSCI EAFE (dollars) 0.66%, and the Barclays U.S. Aggregate Bond Index 1.84%.

- ***The Northern Trust Company – Weekly Economic Commentary –April 4, 2014 –*** At the present time, short-term unemployment is below the historical mean. The latest long-term unemployment rate is not only higher than the historical mean, but stands far above the peaks of all prior recessions, with the exception of the mark following the 1981-1982 recession.

- ***Bureau of Economic Analysis –*** Real Gross Domestic Product (GDP) grew at an annual rate of 2.6% in fourth quarter 2013 as compared to 0.1% for the fourth quarter 2012 , Personal Income increased 0.3% in February, which was the same as January 2014.

- ***Bureau of Labor Statistics – April 4, 2014 –*** Total nonfarm payroll employment rose by 192,000 in March, and the unemployment rate was unchanged at 6.7 percent. Employment grew in professional and business services, in health care, and in mining and logging.

**Craig's Thoughts and Views:**

**Humility and Skepticism in Trades**

Most people would feel good about doubling their money after one year on the purchase of a stock. However, the other side to the story is, in any financial market, it takes a buyer and a seller to set a market price. Therefore, there is always someone on the other side of a trade. When the buyer bought the original shares of the stock there was a seller that thought the stock was no longer worth holding. When the stock was sold for a profit, there was a buyer on the other side of the trade thinking there was inherent value in the stock that you just sold after doubling your investment. The investor may feel their "insight" was good or could it be more attributable to "luck."

One lesson that can be taken from the above is investment humility. When an investment is made – whether buying or selling a stock, bond, mutual fund, ETF, real estate, etc. – it is good to remind yourself that another person (on the other side the trade) takes a different view of the opportunity than you do.

Another lesson that can be taken is skepticism. From 1997-2000 the stock markets in industrialized nations saw their equity value rise rapidly from growth in the internet sector and related technology fields. The internet boom, as it is sometimes referred to, was marked by the founding of a group of new-internet based companies that were touted by the news media and investment firm representatives as can't miss and having share prices that could only go up. Yet, at the same time investors were buying these stocks there were other investors taking exactly the opposite point of view – at current prices now was the time to be selling internet (dot-com) stocks. The stock market crash of 2000-2002 caused a loss of $5 trillion in the market value of companies and about 52 percent of the dot-com stocks were no longer around at the end of 2004.

The next time you are thinking about making an investment move, remember there are two sides to the trade story. Remembering this keeps us grounded as investors and helps combat the tendency toward over-optimism in our financial decisions.

**Retirement Withdrawals**

Research done in the 1990s (presented in 1994) on how much a retiree should withdraw annually to maintain a "nest egg" has become known as the 4 percent Rule. This withdrawal rule of thumb suggests that retirees can safely draw out four percent every year from their retirement account(s) and outlive their assets. For example, a retiree with a $1 million nest egg could safely draw an inflation-adjusted $40,000 per year in retirement. Since the 1990s many financial advisors have adopted this rule of thumb as a starting point when advising clients. However, some have found the rule to be overly simplistic.

Since 1994, there have been nineteen additional years or monthly return data to supplement the research. If a retiree had followed the 4 percent Rule and invested his portfolio 50/50 in stocks and bonds, how would the nest egg look today? The following will attempt to shed some light on the effectiveness of the Rule. Before getting into the analysis, it is important to remember that any research that is based on historical returns relies on a limited amount of data. The data used below are based on only four independent 20-year return windows since good investment return data began in 1928.

Thirty five year hypothetical retirement periods were used beginning in January 1928 (35 years generally reflects an adequate retirement time frame). One period used included returns from January

1928 through December 1962. A second period included returns from February 1928 through January 1963, and so forth. Therefore, the data used allowed form 613 separate 35-year retirement periods. The last time period ran from January 1979 through December 2013. The research shows that retirees had done quite well (to date) relative to the earlier time periods.

More recent simulations done show how well some retirees would have done using the 50/50 stocks and bonds and withdrawing 4 percent. Had a worker retired on January 1, 1995 and followed the 4 percent Rule, today she would have a portfolio worth $3.3 million (nominal value). The historical simulations showed only 23 other time periods that would have exhibited a better outcome nineteen years into retirement.

Other simulations run show that she would have been better off only is she had retired sometime late in 1978 or early 1979 or between 1948 and 1949. More recent retirees using the Rule would have following retirement nominal values: January 2000 ($1,142,034), January 2003 ($1,540,512), and January 2009 ($1,486,912). So does this mean the 4 percent Rule is a "good" guideline to use? Some may argue that the lady who retired on January 1, 1995 worth $3.3 million today did not maximize her potential spending (had she invested differently she would have more), and clearly she could be drawing down more annual income. On the other hand, she is most probably very comfortable. Going forward she has a large enough nest egg to hopefully ride out any unexpected costs or market downturns or leave a larger estate to her heirs. If you assume that the 4 percent a year provided her with a comfortable living, then few investors would probably complain about her outcome.

What about retiring before a "bear" market? In recent years, only the retiree class of January 2000 underperformed the majority of its comparable time spans. However, even that retiree is in a relative strong financial position, as that couple ended 14 years in retirement with a nominal wealth of $1,142,034. In light of the "lost decade", the 2000s, these generally positive relative outcomes for recent retirees may appear surprising. It is also important to keep in mind that the stock market hit bottom in March 2009 and the current bull market is among the longest and strongest on record.

Some may consider the 4 percent Rule to be overly simplistic but it can be helpful as a starting point to gain perspective on your retirement plan strategy.

**GSF&L, LLP Registered Investment Advisors:**

We can never know what the future holds, but we can make informed decisions regarding investment strategies and portfolio allocations. We (GSF&L) make changes based on our perception of opportunities in the capital markets. We assimilate fundamental, technical, and economic information to make informed decisions. Of course it is important to have long-term focus on portfolio management, but with a critical analysis of intermediate strategies.

Managing risks and opportunities are important to portfolios and reaching one's financial needs and goals. Having a complimentary understanding of investment horizon and attitude toward risk are equally important. Markets and economies do not always behave as we expect them to. That is the problem with investing! There is no luck to professional investing. You can no more have a successful, disciplined approach by luck or accident than you can win a chess tournament by luck or accident.

If you know of someone who may fit our financial and investment planning philosophy, please mention our name. We are a small organization and intend to remain so. A solid organization makes it possible for us to spend our time managing our business rather than each other. Because everyone has so much to do, much gets done. We will forego any growth opportunity that may detract from our ability to serve our clients as they have become accustomed to. We never expect to be among the biggest, but our attention to be among the best is not subject to compromise.

Regards,

Craig

Craig C. Le Bouef, MBA, CPA/PFS, CFP®

NASDAQ composite measures the performance of all issues listed in the NASDAQ Stock Market, except for rights, warrants, units, and convertible debentures. The S&P 500 is made up of 500 common stocks representing major U.S. industry sectors. The Dow Jones Industrial Average contains 30 stocks that trade on the New York Stock Exchange (NYSE) which reflect the performance of 30 large American companies. The Morgan Stanley Capital International Europe, Australia, and Far East Index (MSCI EAFE) is a market-weighted aggregate of 20 individual country indexes that collectively represent many of the major markets of the world, excluding Canada and the U.S. The Lehman Brothers U.S. Aggregate Bond Index tracks performance of debt instruments issued by corporations and the U.S. Government and its agencies. The returns for this index are total returns, which includes reinvestment of dividends. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 8% of the total market capitalization of the Russell 3000 index.

All indices are unmanaged. It is not possible to invest in an index.

Past performance is no guarantee of future results.

Diversification does not assure against market loss.

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