# WEEKLY MARKET COMMENTARY

For the Week of August 7, 2017

## THE MARKETS

The Dow Jones broke 22,000 for the first time on Wednesday and closed at a record for the eighth time on Friday. July's better-than-expected jobs report helped all three major indexes close higher. For the week, the Dow rose 1.22 percent to close at 22,092.81. The S&P gained 0.23 percent to finish at 2,476.83, and the NASDAQ dropped 0.36 percent to end the week at 6,351.56.

| Returns Through 8/04/17 | 1 Week | YTD | 1 Year | 3 Year | 5 Year |
|---|---|---|---|---|---|
| Dow Jones Industrials (TR) | 1.22 | 13.33 | 23.44 | 12.88 | 13.84 |
| NASDAQ Composite (PR) | -0.36 | 17.99 | 22.94 | 13.15 | 16.44 |
| S&P 500 (TR) | 0.23 | 11.93 | 16.83 | 10.83 | 14.65 |
| Barclays US Agg Bond (TR) | 0.16 | 2.88 | -0.16 | 2.67 | 2.11 |
| MSCI EAFE (TR) | 0.87 | 17.80 | 20.25 | 3.36 | 9.05 |

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.

**No Big Pullback** — The S&P 500 has gone 324 calendar days without a 2 percent or greater one-day drop, the longest stretch without a tumble of 2 percent or more since Feb. 27, 2007, or nearly 10.5 years ago (source: BTN Research).

**Credit Downgrade** — Saturday, Aug. 5, was the six-year anniversary of the United States being downgraded by S&P from a top credit rating. Since the downgrade, the yield on the U.S. 10-year Treasury note has fallen from 2.57 percent to 2.29 percent, and the S&P 500 has gained 134 percent (total return), equal to 15.3 percent per year (source: BTN Research).

**Social Security Status Report** — Sixty-one million Americans received Social Security benefits (retirement or disability) in 2016. Social Security's total income (payroll taxes collected plus interest earnings) amounted to $957 billion last year, $35 billion more than the $922 billion of program expenditures and outlays. Social Security actuaries project the program will have just five more years (2017-2021) during which total income will exceed expenditures and outlays (source: 2017 Social Security Trustees Report, BTN Research).

### WEEKLY FOCUS – Sequence of Returns (SOR) Risk

Aside from the advantages of waiting until you're 70, or at least 66, to draw Social Security, when you retire can have a big effect on how long your savings last. How the stock market performs in the years directly preceding and shortly after retirement can have a disproportionate impact on how quickly or slowly your money is consumed.

If the value of a new retiree's investments have increased around the time of retirement, necessary withdrawals to cover their fixed costs will amount to a smaller percentage of their retirement assets, leaving more in their accounts to grow in coming years. The reverse also applies. If the new retiree's investments have recently decreased in value, they will need to withdraw a greater percentage of assets for living expenses, and they'll have fewer assets left to grow.

Imagine how much more a 30 percent drop would hurt a 65-year-old with a $2 million portfolio than it would hit a 45-year-old with $400,000 in investments. The 65-year-old loses more immediately while they are withdrawing living expenses from their portfolio at the same time, plus they have less time to recover their losses.

Consequently, two different individuals with the same portfolios who retire at the same age and spend the same amount but retire at different times could have dramatically different situations 20 years into retirement – even if the long-term market averages are similar.

There are several approaches to minimize SOR risk. One is to consider withdrawing a constant percentage from your nest egg, regardless of inflation or whether the portfolio has shrunk due to falling stock prices. Another is to reduce volatility on assets you'll need to tap in the early years. One analyst suggests starting retirement with 20 percent in stocks and gradually increasing the percentage to 40 or 50 percent over time. The rest of your portfolio might be in fixed-income investments, like an annuity or a bond ladder (a series of bonds that mature in ascending years).

Whether you're already retired, you're approaching retirement or it's a long way off, we can help you create an asset allocation strategy designed to safeguard your future.

*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. 