WEEKLY MARKET COMMENTARY

For the Week of December 27, 2016

THE MARKETS

Wall Street rose Friday as the post-election rally continued. The Dow Jones Industrial Average recorded its seventh straight weekly gain. For the week, the Dow rose 0.46 percent to close at 19,933.81. The S&P gained 0.30 percent to finish at 2,263.79, and the NASDAQ climbed 0.47 percent to end the week at 5,462.69.

Returns Through 12/23/16	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	0.46	17.51	16.32	9.65	12.98
NASDAQ Composite (PR)	0.47	9.09	8.26	9.60	15.84
S&P 500 (TR)	0.30	13.18	12.10	9.69	14.78
Barclays US Agg Bond (TR)	0.45	1.97	2.05	2.73	2.25
MSCI EAFE (TR)	-0.09	0.28	0.12	-1.31	6.53

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.

Just a Couple Left — In 1980, the rating agency S&P awarded 60 companies a AAA rating. That fell to 30 by 1995, then to six in 2008 and down to just two top-rated companies as of last week (source: S&P, BTN Research).

Taxes Paid — The top 5 percent of U.S. taxpayers paid more in federal income taxes ($721 billion) than the bottom 95 percent of U.S. taxpayers ($511 billion) for the 2013 tax year (source: IRS, BTN Research).

Can’t Wait — The normal retirement age (NRA) in 2017 to be eligible for full Social Security benefits is 66 years. Fifty-seven percent of men and 64 percent of women take their benefits before reaching NRA (source: LIMRA, BTN Research).

WEEKLY FOCUS – Required Minimum Distribution Mistakes

The IRS requires you to take money out of your tax-deferred retirement accounts once you reach the age of 70½. Taxed at your ordinary income tax rate, these annual required minimum distributions (RMDs) are calculated by dividing a retirement account's balance at the end of the previous year by your IRS-provided life expectancy factor. But mistakes are common – and potentially costly. Here are some to avoid:

Forgetting to take your RMD or taking the wrong amount. This will subject you to a 50 percent penalty on whatever you miss. If you discover an error, the IRS may waive the penalty if you self-report it with an explanation and take the RMD you missed promptly. To determine your correct amount, make sure you use the right life expectancy table on the IRS website. For most individuals, it's the Uniform Lifetime Table; the other two tables are for beneficiaries of retirement funds and account holders who have much younger spouses.

Not planning ahead. It may be tempting to take advantage of the first year's grace period, which extends to April 1 of the year after you turn 70½, but that means you'll take a double amount in one year. It may be wiser to start withdrawing from your tax-deferred accounts before you're required to. Aside from tax implications, consider what assets should be taken out first. Hopefully, foresight will eliminate the need to sell stocks when prices are low.

Failing to take an RMD from each 401(k) account you own. Although you can take an RMD from a single, traditional IRA to cover multiple IRA accounts, each 401(k) has to be calculated separately. That is one advantage of consolidating 401(k) accounts. You also can't aggregate different types of accounts. For example, you can't take your RMD for your 401(k) from an IRA. And you can't combine RMDs for an IRA you own with an IRA you inherited or your spouse's IRA.

Thinking RMDs must be spent. Since the percentage that RMDs are based on escalates with age, you may have to take more than you need for your expenses out of your tax-advantaged accounts. But that doesn't mean you can't reinvest the money in a taxable account.

Give us a call. We can help create a distribution plan designed to use the assets you've accumulated to fund retirement efficiently and effectively. *(We do not provide tax advice; coordinate with your tax advisor regarding your specific situation.)*

* 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.