Simmons Wealth Advisory

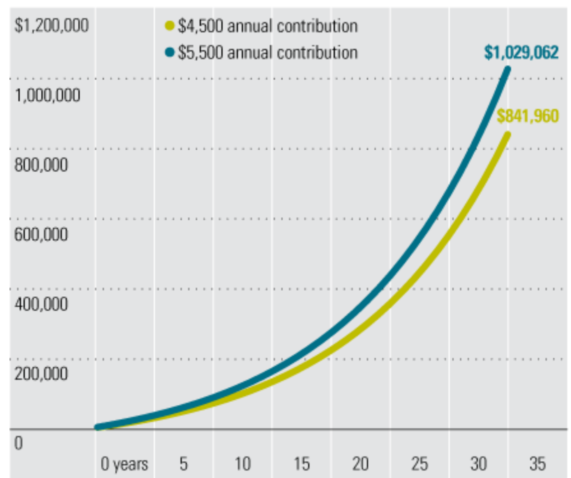
January 2013 | Vol. No. 4 | Insights & Outlook

Don't Forget to Raise Your IRA Contribution

In 2013, contribution limits for both traditional and Roth IRAs (individual retirement accounts) will increase to $5,500 a year for those 49 years of age or younger. If you are 50 or older, the maximum contribution is $6,500. This limit can be split between a traditional and a Roth IRA. These annual contribution limits are imposed by the Federal Government.

The graph shows both a $4,500 and $5,500 annual contribution growing at a hypothetical 8% annual return. Notice the dramatic impact on the ending value of the portfolio. This may be a great time to re-evaluate your financial situation and increase your annual investment to your IRA. Even if you are unable to max out your contribution, any increase you can afford may help you reach your savings goals more easily in the long run.

Hypothetical Growth of Annual IRA Contribution



This is for illustrative purposes only and not indicative of any investment. Funds in a regular IRA grow tax-deferred and are taxed at ordinary income tax rates when withdrawn. Contributions to a Roth IRA are not tax-deductible, but funds grow tax-free as money withdrawn is not taxed. Penalties may apply for withdrawals prior to the age of 59 1/2.

SIMMONS ASSET MANAGEMENT

Advisor Corner

MARK SIMMONS
President

Mark@SimmonsStrategy.com
(225)612-2442
www.SimmonsStrategy.com

A veteran in the industry, albeit a young one, Mark has developed a distinguished reputation for his approach to financial planning and portfolio management, which have become the foundation of the firm's core philosophy. He has received wide publicity for his investment insight and has been featured in numerous business publications.

A native of Baton Rouge, Mark received a B.S. in Business and Finance from Centenary College of Louisiana. Prior to founding Simmons Asset Management, he maintained positions such as Vice President, Portfolio Manager and Chief Compliance Officer as well as acquiring the Series 7, 24 and 66 licenses.

Mark made the decision to transform a lifelong career into helping people maximize their financial condition by reducing costly mistakes. He formulated Simmons Asset Management, a wealth management firm, whose main goals are to look out for the best interest of investors, while educating them at the same time.

Major Stock Market Indexes

There are a number of stock market indexes that are frequently mentioned on television and cited in financial newspapers and magazines. They measure various slices of the stock market and can be used as performance benchmarks for both investment vehicles (such as mutual funds) and one's own portfolio returns. Here are three of the most popular and referenced indexes.

Dow Jones Industrial Average

The Dow Jones Industrial Average was first unveiled by Charles H. Dow on May 26, 1896, and consisted of 12 stocks. In 1916, the industrial average expanded to 20 stocks and in 1928 was subsequently bumped to 30, where it currently stands. The index constituents are 30 of the world's largest, most influential and well-known companies. Whenever you hear someone referring to what "the market" did in any given day, they are most likely referring to the Dow. Changes to the index are rare and usually take place, according to Dow Jones Indexes (www.djaverages.com), "when a current component is going through a major change, such as a shift in its main line of business, acquisition by another company, or bankruptcy. There is no review schedule."

Standard & Poor's 500 Stock Index

When you hear that a portfolio has "beaten the market" it is most likely being compared with the S&P 500, which was first published in 1957. The index is composed of 500 leading companies in leading industries of the U.S. economy, focusing on the large-cap segment of the market but also serving as a proxy for the total market—covering approximately 75% of the U.S. equities market. The S&P Index Committee follows a set of published guidelines for maintaining the index (complete details of these guidelines are available at www.indices.standardandpoors.com). Some of the criteria for addition include a market capitalization (share price multiplied by shares outstanding) in excess of $4 billion, adequate liquidity (how easy it is to buy and sell shares) and reasonable price and financial viability. Those that substantially violate the criteria are dropped.

NASDAQ Composite Index

Launched in 1971, the NASDAQ Composite Index measures all NASDAQ domestic- and international-based common type stocks listed on the NASDAQ Stock Market. The index includes roughly 2,700 securities. While it is best known for its large portion of technology stocks, it also contains stocks in other industries. To be eligible for inclusion in this index, securities must be listed on the NASDAQ Stock Market and they need to be of a specific type. For more information, visit www.nasdaq.com.

Please keep in mind that a company can be a member of more than one of the three indexes described above. Microsoft is an example of a company that has a place in all three.

Stock Market Index Comparison

Stock Index	Dow	S&P 500	NASDAQ
Year Introduced	1896	1957	1971
Constituents	30	500	2,701*
Types of Companies	Large, well-known, influential.	Leading companies in all industries. Focuses on large-cap segment.	Large number of technology stocks. Also includes stocks in other industries.
Index Modifications/ Eligibility	Companies undergoing a major change can lead to a modification.	Market cap in excess of $4 billion, adequate liquidity/ reasonable price, financial viability.	Listed on NASDAQ Stock Market and needs to be specific security type.
Examples of Current Constituents*	Walt Disney, Johnson & Johnson, Coca-Cola, McDonald's, Walmart	AT&T, Boeing, General Mills, Procter & Gamble, Google	Apple, eBay, Cisco, Dell, Yahoo!

*As of 11/13/2012

Stocks are not guaranteed and are more volatile than other asset classes. The information above is provided for illustrative and information purposes only. The indexes noted are unmanaged and can not be directly invested in. References to specific securities should not be viewed as a recommendation to buy or sell the mentioned security.

Understanding the U.S. Unemployment Rate

One of the most widely recognized economic indicators is the unemployment rate. There exists a relationship between unemployment rates and recessionary periods, which finally links to stock prices. Institutions and individual investors alike pay special attention to this number to get a bearing on current market conditions that may help them with their investment decisions.

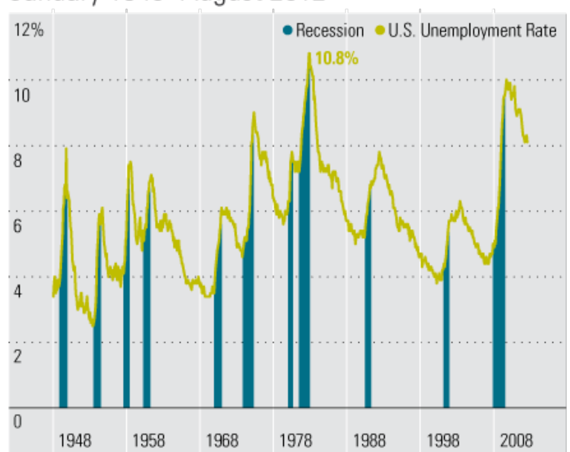
The unemployment rate, as shown in the image, is typically higher during a recession. Over the past 65 years, the U.S. economy has experienced 11 recessions and has seen unemployment rates skyrocket 11 times, peaking at 10.8% back in November 1982. The unemployment rate, a lagging indicator, typically peaks towards the end of a recession and gradually declines as the economy recovers.

The unemployment rate is published by the U.S. Bureau of Labor Statistics once a month through an extensive survey of select households. People are classified as unemployed if they do not have a job, are currently available for work, and have actively looked/are looking for work. The unemployment rate is the number of unemployed people as a percentage of the labor force, with the labor force defined as the total number of employed and unemployed people. The labor force automatically excludes young people (anyone under the age of 16), people in the military, and institutionalized individuals (in prisons, mental institutions, and nursing homes). However, there are other groups of people that voluntarily choose to be excluded from the labor force, including homemakers, students, retirees, and discouraged workers who have stopped seeking employment.

When interpreting the monthly unemployment numbers and how they have changed since the last month, it is important to see if the variation was brought about because of a change in the number of unemployed people, a change in the size of the labor force, or both. For example, if the unemployment rate dropped because the number of unemployed people decreased, that's a good sign and indicates that the economy improved. If the unemployment rate dropped because a sizable number of discouraged workers stopped actively looking for work and simply dropped out of the labor force, that's a bad sign. The lower unemployment rate in the latter case gives the illusion of an improving economy, when in actuality the economy hasn't improved.

Investors should stay informed on current market conditions as they may help explain why portfolio values have changed (for better or for worse) and how they can continue to stay the course. A worsening unemployment trend means more individuals are looking for work and people may have less disposable income to spend, which will negatively affect sales. Poor sales result in lower company profits, putting downward selling pressure on the company's stock price.

U.S. Unemployment Rate
January 1948–August 2012



Source: U.S. unemployment data is from the Bureau of Labor Statistics, U.S. Department of Labor. The monthly unemployment rates are seasonally adjusted. The start date of 1948 was chosen because of data availability. Recession data is from the National Bureau of Economic Research (NBER). The National Bureau of Economic Research (NBER) does not define a recession in terms of two consecutive quarters of decline in real GDP. Rather, a recession is a recurring period of decline in total output, income, employment, and trade usually lasting from six months to a year and marked by widespread contractions in many sectors of the economy. Investing in securities always involves risk of loss, including the risk of losing the entire principal.

Risk, Not Volatility, Is the Real Enemy

What would you do if your investments lost 10% in a single day? A) Add more money to my account. B) Hold steady with what I've got. C) Yank my money; I wouldn't be able to stand any more losses.

If investors buy the right investments but sell them at the wrong time because they can't handle the price fluctuations, they may have been better off avoiding those investments in the first place. Most investors are poor judges of their own risk tolerance, feeling more risk-resilient in up markets and more risk-averse after market losses. However, focusing on an investor's response to short-term losses inappropriately confuses risk and volatility. Understanding the difference between the two and focusing on the former is a potential way to make sure you reach your financial goals.

Volatility encompasses the changes in the price of a security, a portfolio, or a market segment, both on the upside and downside, during a short time period like a day, a month, or a year. Risk, by contrast, is the chance that you won't be able to meet your financial goals or that you'll have to recalibrate your goals because your investment comes up short. So how can investors focus on risk while putting volatility in its place? The first step is to know that volatility is inevitable, and if you have a long enough time horizon, you may be able to harness it for your own benefit. Diversifying your portfolio among different asset classes can also help mute the volatility. It helps to articulate your real risks: your financial goals and the possibility of falling short of them. Finally, plan to keep money you need for near-term expenses out of the volatility mix altogether.

Investing in securities always involves risk of loss. Diversification does not eliminate the risk of experiencing investment losses.

SIMMONS ASSET MANAGEMENT

MARK SIMMONS
President

Simmons Asset Management

Mark@SimmonsStrategy.com
www.SimmonsStrategy.com

Tel:(225)612-2442