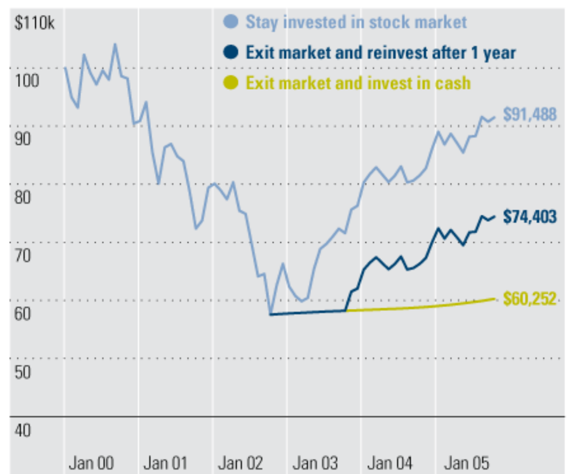
Simmons Wealth Advisory

December 2012 | Vol. No. 3 | Insights & Outlook

The Importance of Staying Invested

Investors who attempt to time the market run the risk of missing periods of positive returns. The image illustrates the value of a $100,000 investment in the stock market during 2000–2006, which included the bear market of 2001 and the recovery that followed. The value of the investment dropped to $57,537 by September 2002 (trough date). If an investor remained invested in the market over the next three years, however, the ending value would be $91,488. If an investor exited the market at the bottom to invest in cash for a year and then re-entered, the ending value would be $74,403. An all-cash investment would have yielded only $60,252. Even though the continuous stock-market investment did not recover its initial value after three years, it still provided a higher ending value than the other two strategies. Investors are well advised to stick with a long-term approach to investing.

Ending Wealth Values After a Market Decline



Source: The market is represented by the Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general. Cash is represented by the 30-day U.S. Treasury bill. An investment cannot be made directly in an index. The data assumes reinvestment of income and does not account for taxes or transaction costs. Returns and principal invested in stocks are not guaranteed. Stocks have been more volatile than bonds or cash. Holding a portfolio of securities for the long term does not ensure a profitable outcome and investing in securities always involves risk of loss.

SIMMONS ASSET MANAGEMENT

Advisor Corner

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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 whose main goals are to look out for the best interest of investors, while educating them at the same time.

Retirement Investing Q&A

Q: Under current law, at what age can you begin receiving Social Security benefits?

A: The earliest age at which you can begin receiving Social Security benefits is 62. However, you will receive a reduced benefit if you retire before your full retirement age.

Q: What are some big mistakes that people make concerning their retirement?

A: Not contributing to an IRA, a 401(k), or both is probably the single biggest mistake that is made. 45% of current retirees utilize their personal savings for retirement income; 62% of current workers anticipate personal savings to play a role during retirement.

Q: What is the maximum contribution to IRAs (both regular and Roth) and 401(k) plans in 2012?

A: If you are age 49 or younger, the maximum contribution is $5,000 for both regular and Roth IRAs, and $17,000 for a 401(k) plan. If you are age 50 or more, the maximum contribution is $6,000 for both regular and Roth IRAs, and $22,500 for a 401(k) plan.

Q: Are distributions (payouts) taxed on regular IRAs, Roth IRAs, and 401(k)s?

A: The short answer is that if you got a tax break on the contribution, you will pay taxes on the subsequent distribution. Contributions to regular IRAs and 401(k)s are generally made with pre-tax dollars (pre-tax contributions reduce your taxable income for the year in which they are made), so distributions are taxed. Roth IRA contributions, however, are made with after-tax dollars, so distributions are generally not taxed.

Q: At what age can you generally begin taking distributions from an IRA or 401(k)?

A: You can begin taking distributions from your regular IRA, Roth IRA, or 401(k) plan at age 59 ½.

Q: Can you roll your 401(k) over into an IRA?

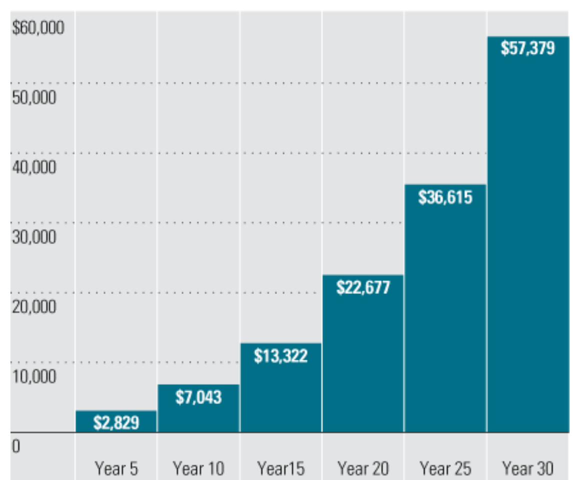
A: Yes. You can move 401(k) balances into a "rollover" IRA account without penalty. This option enables you to keep your money tax deferred, and can potentially increase your investment options, as IRAs are self-directed and 401(k) plans have investment options that are decided by the plan administrator.

Q: How can I begin saving for retirement?

A: Little changes can make huge differences. For instance, have a regular coffee ($1.75) instead of a latte ($3.50) every morning before work. Invest the savings each month ($1.75 X 22 workdays = $38.50), and you could end up with quite a hill of beans!

Sources: Employee Benefit Research Institute, 2012 Retirement Confidence Survey.

A "Latte" Savings



This is for illustrative purposes only and not indicative of any investment. The data assumes reinvestment of all income and does not account for taxes and transaction costs. The image assumes a hypothetical 8% annual return and that savings are invested at month end.

Quick Facts: Credit Cards

1. According to the 2012 Federal Reserve Bank of New York's Quarterly Report on Household Debt and Credit, the total balance of credit cards in the United States was $672 billion as of June 2012. This is the third largest debt type for Americans, preceded by mortgages and student loans.

2. According to the 2009 Survey of Consumer Payment Choice by the Federal Reserve Bank of Boston, 72.2% of consumers have a credit card, the average credit card user holds 3.7 cards, and 56% of credit card holders maintain a monthly balance.

3. College students are carrying particularly high credit card balances. A 2009 study by Sallie Mae, "How Undergraduate Students Use Credit Cards," noted the average credit card balance for undergraduates in 2009 was $3,173, with only 18% regularly paying off all credit cards each month. Seniors graduated with an average credit card debt of more than $4,100 and close to one-fifth of seniors carried balances greater than $7,000.

4. FINRA's 2009 report, "Financial Capability in the United States," notes that a staggering 36% of credit card users don't know their interest rates.

5. According to the Federal Reserve's G.19 report on consumer credit, the average interest rate on all credit cards as of June 30, 2012 was 12.06%.

6. Morningstar's research* suggests that an investor who first pays off a credit card and then saves for retirement, versus just making the minimum credit card payment, can potentially increase his or her 401(k) balance at retirement by 14.1%.

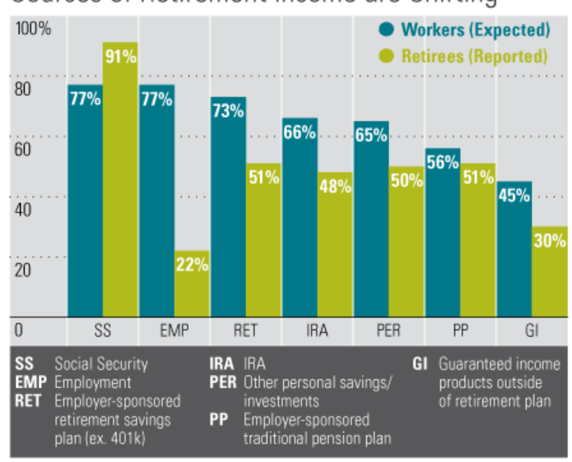
*Source: "Saving For Retirement? Start by Paying Off Your Credit Cards," Morningstar white paper by David Blanchett, Head of Retirement Research, August 2012.

Retirement Income Sources

Concerns about shortfalls in traditional retirement income sources like Social Security and pension plans have caused people to expect to rely more heavily on personal savings to fund their retirement. The graph illustrates that while only 50% of current retirees utilize their personal savings for retirement income, 65% of current workers anticipate personal savings to play a role during retirement. Further, 73% of workers expect to receive retirement income from an employer-sponsored retirement savings plan, while only 51% of those already retired actually receive income from such a source.

It may be a good idea to plan for a diminished reliance on Social Security or a pension plan. Whatever extra funds you save by taking this more conservative view will make retirement all the more enjoyable.

Times are Changing:
Sources of Retirement Income are Shifting



Source: Employee Benefit Research Institute, 2011 Retirement Confidence Survey.

The Flavors of Investing

It is tempting to jump on the investment bandwagon when certain parts of the market soar based on a trend or analyst report. While great potential exists, sector investing can also come with great risk.

As seen in the image, what is hot one year isn't always hot the next. Interested investors should be willing to follow a sector's ups and downs, as timing the market is difficult. Investing in specific sectors can add volatility to a portfolio, but exposure to the right sectors can contribute to improved financial performance. Keep in mind that while sector investing can fill a gap or serve as a speculative play, a balanced asset allocation should be the core of any portfolio.

10-Year Sector Winners and Losers

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Highest return	4.3	50.3	38.1	40.8	39.4	32.9	–16.1	61.9	30.5	18.5
	–6.3	41.0	32.1	14.8	36.2	27.5	–23.3	53.6	27.4	13.4
	–6.6	37.6	23.3	12.2	21.8	17.2	–28.1	50.2	24.9	11.9
	–9.1	37.3	19.2	8.1	19.7	16.6	–38.2	35.6	24.2	6.9
	–13.1	34.8	17.9	6.0	17.6	12.6	–38.4	34.0	23.4	5.1
	–21.1	32.1	15.4	6.0	15.4	12.0	–39.4	29.3	23.2	4.1
	–23.6	26.1	14.4	5.2	15.1	8.0	–39.8	24.0	14.5	0.6
	–23.8	24.7	12.5	3.7	15.0	0.2	–41.2	21.0	13.4	–0.4
	–23.8	19.8	10.1	3.0	11.9	–8.7	–42.0	15.6	11.8	–0.7
	–37.3	18.9	3.5	–1.4	10.9	–17.9	–48.1	14.5	7.3	–14.1
Lowest return	–38.3	17.4	0.8	–6.0	6.7	–18.3	–51.3	11.8	5.1	–16.5

- Basic Mat.
- Comm. Ser.
- Cons. Cyclical
- Cons. Def.
- Energy
- Financial
- Health Care
- Industrials
- Real Estate
- Technology
- Utilities

This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Past performance is no guarantee of future results. Sector investments are narrowly-focused investments that typically exhibit higher volatility than the market in general. Sector investments will fluctuate with current market conditions and may be worth more or less than the original cost upon liquidation. Returns and principal invested in stocks are not guaranteed.

Source: Sectors in this example are represented by the Morningstar Sector Indexes.

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