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First-Quarter 2010 ~ Retirement Confidence Steadies but Saving Fades

April 2010 - Stocks started 2010 on a down note in January, remained in the red at the end of February, but rebounded in March to finish in positive territory for the fourth consecutive quarter. As measured by the Standard & Poor's 500-stock index, it was the best first-quarter performance in a dozen years. With generally brighter signs about the economy, first-quarter returns for major stock indices were all on the upside, ranging from 1% to 10%, with Domestic Small Caps posting the biggest gains. The economy expanded at its fastest annual rate of growth in six years during the fourth quarter of 2009, swelling 5.7%.

Signaling an optimistic tone for stocks, Standard & Poor's reported that, during the first quarter, 72 companies in the S&P 500 index had raised dividends, collectively worth about $5 billion. This includes eight companies with the confidence to initiate dividends. During 2009, S&P 500 companies sliced dividends by $38 billion.

With the economy continuing to recover, the riskiest segments of the bond market repeated their outsized advances, as Corporate High Yield and International Emerging Markets both climbed 4.6%. Broader indexes were mixed, with U.S. Aggregate rising 1.8% and Global Aggregate shedding 0.3%.

The Federal Reserve again made no changes to its interest rate policy during the first quarter. In its meeting minutes, the Federal Open Market Committee said that, the weak economy and subdued inflation "are likely to warrant exceptionally low levels [for interest rates] for an extended period." Although the Fed terminated its trillion-dollar liquidity programs during the period, the yield on the 10-year Treasury Note was little changed at quarter end, lower by one basis point to 3.83% (the yield as of April 19th was 3.80%).

Below are rates of return for selected market indices for the first quarter of 2010, full-year 2009, and the three, five, and 10-year compound annual returns as of December 31, 2009.

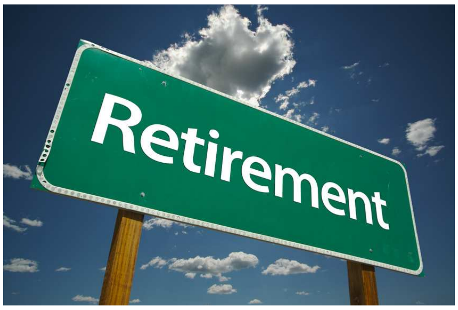
	1Q:2010	2009	3-Year	5-Year	10-Year
Equity (Stock) Indices					
Domestic Large Cap					
Russell 1000 - Growth	4.65%	37.21%	-1.89%	1.63%	-3.99%
Russell 1000 - Value	6.78%	19.69%	-8.96%	-0.25%	2.47%
Russell 1000 - Blend	5.70%	28.43%	-5.36%	0.79%	-0.49%
Domestic Small Cap					
Russell 2000 - Growth	7.61%	34.47%	-4.00%	0.87%	-1.37%
Russell 2000 - Value	10.02%	20.58%	-8.22%	-0.01%	8.27%
Russell 2000 - Blend	8.85%	27.17%	-6.07%	0.51%	3.51%
Real Estate (FTSE EPRA/NAREIT Global)	3.51%	41.25%	-11.71%	2.93%	NA
International					
MSCI EAFE Developed Large Cap	0.94%	32.46%	-5.57%	4.02%	1.58%
MSCI EAFE Developed Small Cap	4.82%	47.32%	-7.25%	3.88%	NA
MSCI Emerging Markets	2.45%	79.02%	5.42%	15.88%	10.11%

Fixed-Income (Bond) Indices

Barclays Capital					
Global Aggregate	-0.27%	6.93%	7.05%	4.55%	6.49%
U.S. Aggregate	1.78%	5.93%	6.04%	4.97%	6.33%
U.S. Treasury TIPs	0.56%	11.41%	6.69%	4.63%	7.70%
U.S. Corporate High Yield	4.62%	58.21%	5.97%	6.46%	6.71%
Municipal	1.25%	12.91%	4.41%	4.31%	5.75%
International Emerging Markets	4.63%	34.23%	6.38%	8.25%	10.58%

Source: russell.com, reit.com, mscibarra.com, barcap.com

Retirement Confidence Steadies but Saving Fades



The so-called “silver tsunami” is well underway, with an estimated 7,000 baby-boomers hitting retirement age each day. Although American workers’ confidence in being able to afford a comfortable retirement has stabilized, results of the 2010 Retirement Confidence Survey® released in March reveal that saving for retirement weakened and more workers expect to postpone their retirement age. Highlights of the survey, conducted by the Employee Benefit Research Institute (EBRI) and Mathew Greenwald & Associates through random telephone interviews with 1,153 individuals, include the following about workers and retirees:

- The percentage of workers “very confident” about having enough money for a “comfortable retirement” was 16%, statistically equivalent to the 20-year low of 13% in 2009. With the onset of the financial crises and subsequent recession, this measure declined from 27% in 2007 and 18% in 2008. The proportion of “somewhat confident” workers slipped to 38% from 41%, while the share of workers who are “not too confident” and “not at all confident” they can save enough to retire comfortably inched up to 46% from 44%.

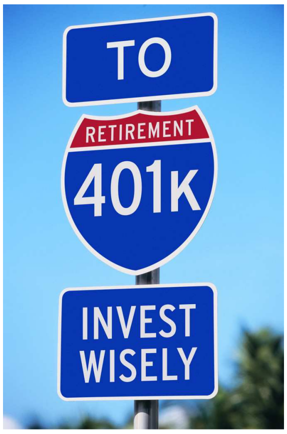
- Retiree confidence in having a “financially secure” retirement also stabilized, with 19% reporting that they are "very confident", statistically equal to the 20% tallied in 2009. The proportion of "somewhat confident" retirees dropped to 41% from 47%, while retirees “not too confident” and “not at all confident” rose to 39% from 32%.

- The 46% of workers who say that they and/or their spouse have tried to calculate how much of a nest egg they will need for a comfortable retirement has remained relatively stable since 2003, ranging from 43% to 47%.

- Confidence about achieving goals is enhanced for those who have prepared a retirement needs calculation: 25% who have done a calculation, compared with 11% who have not, say they are "very confident" that they will be able to accumulate the amount they need. Conversely, 24% who have not done a calculation, compared with 15% who have, report they are "not at all confident" in their ability to save the needed amount.

- Those who have attempted a retirement savings needs calculation have higher savings goals: 28% expect they will need to accumulate at least $1.0 million before retirement and 61% think they will require less than $1.0 million, compared with 8% and 80%, respectively, for those who have not attempted the calculation. (Percentages do not add up to 100% as the balance of respondents did not know or remember.)

- Among workers who do a calculation, retirement savings goals have jumped in the past decade: 54% now believe they need to accumulate at least $500,000 for retirement, compared with 43% in 2005 and only 31% in 2000.



- Nevertheless, saving for retirement waned: the proportion of workers reporting that they and/or their spouse "have saved" money for retirement fell to 69% from 75% in 2009, while those indicating they are "currently saving" for retirement decreased to 60% from 65%.

- Overall savings are modest for many: more than one-half (54%) of all workers reported total savings and investments (not including value of primary residence or defined benefit pension plans) of less than $25,000. Further, 27% of workers said they have less than $1,000 in savings, up from 20% in 2009. Only 22% indicated savings and investments of more than $100,000, one-half of which had accumulated $250,000 or more.

- During the first decade of the new century, older workers have become more likely to save for retirement. In 2010, 81% of workers ages 55 and older have saved for retirement, compared with 66% in 2000. Despite widespread education about the need to start saving at a young age, the opposite has occurred for younger workers age 25 to 44. Today, only 58% are saving for retirement, compared with 75% in 2000.

- As would be expected, older workers age-55 and up have saved more (excluding value of primary residence or defined benefit pension plans): 36% report savings of greater than $100,000, of which 23% have accumulated $250,000 or more. Nevertheless, 48% reveal savings of less than $50,000.

- The Great Recession has taken its toll on future retirees: nearly one-quarter (24%) of workers expect to postpone their retirement age, up from 14% in 2008. The portion of workers who expect to retire after age 65 climbed from 11% in 1991, to 19% in 2000, and 33% in 2010. Primary reasons for the delayed retirement age include: the weak economy; change in employment situation; insufficient finances; and need to make up for losses in the stock market.

Commenting on the survey, Mathew Greenwald said a reason for the low retirement savings might be that "many workers simply do not know how much they have to accumulate to have a good chance of affording a comfortable retirement." Without calculating how much is needed to live comfortably in retirement, workers run the risk of "running out of money and ending their lives either in deprivation or very dependent on hand outs from their offspring."

If you would like to enhance your retirement confidence, Kalorama Wealth Strategies can help you prepare a plan to determine the capital you will need for a comfortable retirement. For more information, please see our web site at www.kaloramawealth.com.

Thank you for your continued business, trust, and referrals. Please feel free to forward this email to friends and colleagues who can benefit from information about investing and financial planning. If I can be of any assistance to you or anyone you know, please do not hesitate to contact me.

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