



Kalorama Wealth Strategies, LLC

2136 12th Place, N.W., Suite 100
Washington, D.C. 20009-7507

Phone: 202.550.7262
Fax: 480.247.9620

www.kaloramawealth.com

First-Quarter 2013 Market Review

Records Abound: Stocks Swim, Retirement Confidence Sinks

April 2013 - How is your retirement confidence? Hopefully readers of this newsletter are faring better than many of those polled in the Retirement Confidence Survey[®]. See below for an update on worker confidence hitting a record low about having enough money for a comfortable retirement.

Stocks continued their ascent in 2013, with major market barometers closing the first quarter at all-time highs. The Dow Jones Industrial Average and the Standard & Poor's 500-Stock index surpassed their October 2007 closing records. The Dow Jones initially posted a new high on March 5, which was part of a 10-day winning streak, the longest consecutive advance since November 1996. The S&P 500 waited until the final day of the quarter to exceed its October 2007 peak.

Investors shrugged off higher income and payroll taxes, as well as a rekindling of financial flare-ups in the Eurozone, with the Dow Jones posting its best first quarter since 1998, jumping 11.3%. Broader domestic benchmarks also generally rose by low double-digits, while returns from international markets were mixed. The S&P 500 gained 10.0%. Other notable achievements during the first quarter: the Dow Jones logged 10 record highs, while the S&P 500 had seven consecutive weekly advances, which included an eight-session streak. Even the beleaguered, tech-heavy NASDAQ reached levels not seen in more than a decade.

The record highs occurred near the four-year anniversary of the market bottom set during the financial meltdown. From the March 2009 lows through the end of March 2013, market measures have more than doubled: the Dow Jones has soared nearly 123% and the S&P 500 has surged 132%.

With concerns that the economy has paused in recent months, at its two first-quarter meetings, the Federal Reserve made no changes to its short-term interest rate policy. The Fed said it would continue its efforts to keep interest rates low and support the economy by buying \$85 billion per month of Treasury and mortgage-backed securities. At quarter-end, the yield on the 10-year Treasury note was 1.85%, up nine basis points for the quarter (the yield as of April 19th was 1.70%).

With interest rates trending slightly higher, most bond sectors sold off during the quarter. The only notable exception was U.S. Corporate High Yield, climbing 2.9%.

On the next page are rates of return for selected market indices for the first quarter of 2013, full-year 2012, and the three, five, and 10-year compound annual returns as of December 31, 2012.



	<u>1Q:2013</u>	<u>2012</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>
Equity (Stock) Indices					
Domestic Large Cap					
Russell 1000 - Growth	9.54%	15.26%	11.35%	3.12%	7.52%
Russell 1000 - Value	12.31%	17.51%	10.86%	0.59%	7.38%
Russell 1000 - Core	10.96%	16.42%	11.12%	1.92%	7.52%
Domestic Small Cap					
Russell 2000 - Growth	13.21%	14.59%	12.82%	3.49%	9.80%
Russell 2000 - Value	11.63%	18.05%	11.57%	3.55%	9.50%
Russell 2000 - Core	12.39%	16.35%	12.25%	3.56%	9.72%
Real Estate (FTSE EPRA/NAREIT Global)	5.96%	29.85%	12.71%	0.66%	NA
Commodity (Dow Jones - UBS)	-1.15%	-1.14%	-0.03%	-5.54%	2.35%
International					
MSCI EAFE Developed Large Cap	5.23%	17.90%	4.04%	-3.21%	8.70%
MSCI EAFE Developed Small Cap	8.48%	20.42%	7.52%	-0.51%	12.34%
MSCI Emerging Markets	-1.57%	18.63%	4.98%	-0.61%	16.88%
Global - MSCI All Country IMI	7.03%	17.04%	7.57%	-0.20%	9.14%
Fixed-Income (Bond) Indices					
Barclays Capital					
Global Aggregate	-1.95%	4.32%	5.26%	5.50%	6.00%
U.S. Aggregate	-0.12%	4.22%	6.19%	5.95%	5.18%
U.S. Treasury TIPs	-0.36%	6.98%	8.90%	7.04%	6.65%
U.S. Corporate High Yield	2.89%	15.81%	11.86%	10.33%	10.62%
Municipal	0.29%	6.78%	6.57%	5.91%	5.10%
International Emerging Markets	-1.46%	17.95%	12.50%	10.25%	11.63%

Source: russell.com, reit.com, djindexes.com, msci.com, barcap.com

Retirement Confidence Sinks to New Low; Needs Calculation Vital

Despite a slowly improving economy, worker confidence about having enough money for a comfortable retirement sank to its lowest level since the Retirement Confidence Survey[®] began 23 years ago. More than a quarter (28%) of workers said they are “not at all confident” about retirement, up 5% from a year ago. The 2013 RCS released in March speculates that retirement confidence remains low because many workers are preoccupied by more immediate financial concerns and believe significant savings targets will be necessary to achieve a financially secure retirement. Thirty percent of workers identify job uncertainty as the most pressing financial issue.



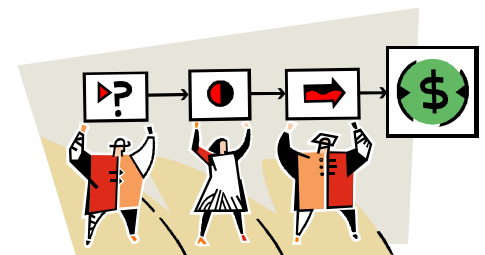
One-third (33%) of workers think they need to save 20% or less of their total household income each year until they retire, but 20% put that amount at between 20% and 29%, and nearly one-quarter (23%) said they need to save a whopping 30% percent or more. Another quarter (23%) said they did not know how much they need to save.



The survey revealed that retirement confidence drops as the average amount workers think they need to save increases, particularly for older workers, who have less time to save. Confidence, saving habits, and level of savings continue to be better among those who have prepared a retirement needs calculation. However, only 46% indicated that they and/or their spouse have tried to calculate how much of a retirement nest egg they will need to live comfortably in retirement.

Highlights of the survey, conducted by the Employee Benefit Research Institute (EBRI) and Mathew Greenwald & Associates through random telephone interviews with 1,254 individuals, include the following about workers and retirees:

- Only 13% of workers are "very confident" they will have enough money to live comfortably in retirement, unchanged from the record-low levels measured in 2011 and 2009. Another 38% say they are "somewhat confident," while 21% are "not too confident" and 28% are "not at all confident." Essentially half of workers are either somewhat or very confident, and the other half are either not too or not at all confident of having enough money for retirement. Those who are very confident reached its highest level in 2007 at 27%, just before the financial markets meltdown.
- Retiree confidence about having enough money to live comfortably throughout their retirement years was statistically unchanged from 2012. Eighteen percent are "very confident," 44% are "somewhat confident," while 14% are "not at all confident" and 22% are "not too confident." Mirroring worker confidence, retiree confidence was at a high of 41% "very confident" in 2007 before collapsing in the wake of the financial crises.
- Planning by Workers: With only 46% of workers saying that they and/or their spouse have tried to calculate how much of a nest egg they will need for a comfortable retirement, a majority remains unaware of how much they need to save for retirement. This measure has remained relatively stable since 2003, ranging from 42% to 47%. Similar to prior years, workers who have done a retirement-savings-needs calculation tend to have higher savings goals and are more confident.
- Planning by Retirees: Nearly seven in 10 retirees (69%) indicate they did some type of financial planning for retirement, with 34% of these retirees saying they began to plan 20 years or more before they retired. Another 32% report beginning to plan between 10 and 19 years before retirement. However, 19% started planning five to nine years before retirement and 12% started less than five years before retirement.
- Instead of doing a systematic retirement needs calculation, 45% of workers "guessed" how much they would need to accumulate. An equal number (18%) each report asking a financial advisor and doing their own estimate, while 8% read or heard how much is needed, and another 8% use an online calculator.





- Confidence about achieving goals is enhanced for workers who have prepared a retirement needs calculation: 20% who have done a calculation, compared with 7% who have not, say they are "very confident" that they will be able to accumulate the amount they need. Conversely, 12% who have not done a calculation, compared with 3% who have, report they are "not at all confident" in their ability to save the needed amount.
- Although 66% of workers say they and/or their spouse have saved for retirement, a significant share of workers report they have virtually no savings or investments. More than one-quarter (28%) of respondents said they have less than \$1,000, while a total of 57% reported that the total value of their household's savings and investments (excluding the value of their primary home and any defined benefit pension plans) is less than \$25,000. Only 24% indicated savings and investments of more than \$100,000, of which 12% had accumulated \$250,000 or more.
- Seeking and implementing financial advice: Only 23% of workers and 28% of retirees say they have obtained investment advice from a professional financial advisor paid through fees or commissions. Of the workers, 27% followed all of the advice, but more disregarded some of the advice by only following most (41%) or some (27%). Nearly one-half of retirees (46%) reported following all of the advice, with 43% following most of it and 10% some of it.
- Confidence about retirement finances continues to influence when workers will retire, with 22% of workers surveyed expecting to postpone their retirement age. The long-term trend shows that the age at which workers plan to retire has risen over time, with the percentage of workers who expect to retire after age 65 climbing from 11% in 1991 and 1996, to 24% in 2003, 29% in 2008, 33% in 2010, and 36% in 2013.



Viewing the findings in a positive light for future retirees, "the results of the 2013 Retirement Confidence Survey suggest that the recent low levels of retirement confidence may be at least partly the result of an increasing awareness of the challenges many Americans face in trying to achieve a financially secure retirement," said Jack VanDerhei, EBRI research director and co-author of the report.

If you would like to enhance your retirement confidence, Kalorama Wealth Strategies can help you prepare a plan to calculate 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 and referrals. Please feel free to forward this newsletter to friends and colleagues who can benefit from information about investing and financial planning. As always, if I can be of any assistance to you or anyone you know, please do not hesitate to contact me. It would be my privilege to assist with your investment and financial planning needs.

