NEW ENGLAND GUILD
Wealth Management & Investment Advisors

Wealth Management Commentary

PROTECTING AND BUILDING YOUR FINANCIAL FUTURE

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Market Spotlight

	Qtr	Annual		
Returns as of 3/31/13	1ST Qtr	YTD	3 YR	10 YR
Index				
S&P 500	10.6%	14.0%	12.7%	8.5%
Russell 2000	12.4%	16.3%	13.5%	11.5%
MSCI AC World exUS	3.2%	8.4%	4.4%	10.9%
MSCI AC World	6.5%	10.6%	7.8%	9.4%
REITs	8.4%	16.4%	16.6%	11.5%
Barcap Agg. Bond	-0.1%	3.8%	5.5%	5.0%
90 Day T-Bills	0.0%	0.1%	0.1%	1.7%

If domestic equities hit the snooze button for the rest of 2013, they would still have had a pretty good record for the year. The Dow hit an all-time closing high in March, finally erasing all of its losses since October 2007, and the broader S&P 500 finally squeaked out its own new record close--by four points--on the last trading day of the quarter. The Nasdaq struggled with setbacks in the tech sector, while the small caps of the Russell 2000 continued to outpace the other three domestic indices. Despite a strong start for the quarter, the global indices suffered yet again from political uncertainties, record unemployment, and a contracting economy in Europe, as well as concerns about potentially slower growth in China. As equities showed strength, U.S. Treasury yields nudged up over the quarter, while the dollar gained more than 4% against a basket of six foreign currencies. Despite spiking briefly in February, oil prices ended the quarter up only slightly at roughly $95 a barrel, while gold continued its six-month slide to end under $1,600 an ounce.

Quarterly Economic Perspective

The Bureau of Labor Statistics said that the unemployment rate fell to 7.7% as of (3-31-13). Meanwhile, economic growth during the final quarter of 2012 slowed substantially. The $85 billion of across-the-board federal budget cuts known as the sequester began going into effect, raising questions about how they might affect economic growth later in the year. However, Congress averted a second potential stalemate, agreeing to a continuing resolution to fund the federal government through September.

Continued on next page:

Investment Commentary

Abundance

These commentaries often attempt to alert clients to investment issues and concerns in order to moderate their expectations for returns and to emphasize the need to manage risk. This is wise counsel, and certainly there is no lack of investment headwinds about which to be concerned, particularly for the investment scene of the U.S.. Rising debt levels; an aging population with huge implications for Social Security and pension funding as well as for health care costs; mediocre schools and educational attainment levels; a byzantine tax code; rickety infrastructure; political paralysis – these are daily headline issues that understandably lead to pessimism about markets and the U.S. economic future.

Recently, however, there have been a number of articles that cast a much more hopeful light on our future, with a concomitant message for investing. To wit:

- David Brooks (NYT, 3/15/13) notes that by 2020 *the U.S. will overtake Saudi Arabia as the world's largest energy producer*.
- Thomas Friedman (NYT, 3/6/13) writes of how 'MOOC's (massive open online courses) are *transforming education*, "from a model of 'time served' to a model of 'stuff learned'", and to a "more competency-based world where there will be less interest in how you acquired the competency and more demand to prove that you've mastered the competency."
- Larry Siegel (Financial Analyst Journal, Nov/Dec 2012) observes "the astonishing fact, too little appreciated, that the population explosion is almost over and, sometimes in our children's or grand-children's lifetime, the world's population will peak between 10 billion and 11 billion and then either level off or begin to decline."

Then overlay on this a recent book, ***Abundance*** (Free Press 2012) in which authors Peter Diamandis and Steven Kother ask us to "Imagine a world of nine billion people with clean water, nutritious food, affordable housing, personalized education, top-tier medical care, and nonpolluting, ubiquitous energy." They go on to describe dozens of innovators and industry captains making tremendous strides in the basic areas of human need (water, food, energy, health care, education, freedom); e.g.:

- Dean Kamen's *Slingshot,* a technology that can transform polluted water, salt water or even raw sewage into high-quality drinking water for less than one cent per liter;
- The *Qualcomm Tricorder* handheld medical device that helps with self-diagnosis;
- Dickson Despommier's *'vertical farms,'* that replace traditional agriculture with a system that uses 80% less land, 90% less water, 100% fewer pesticides and zero transportation costs.
- Vent Cerf leading the charge for the next generation of Internet protocals (called Ipv6) that will drive efficiencies like never before in how we manufacture, control our environment, distribute goods and services, and use and recycle resources.

Artificial intelligence, robotics, computer aided design and manufacturing (CAD-CAM), internet, and wireless communication, *to say nothing of human ingenuity* – all offer incredible tools for achieving a better quality of life for all of the world's population –***for creating a world of abundance***. In short, they offer the basis for hopefulness about our future and optimism for investing for the long-term.

Long-term trends in the housing market continued to improve. Home prices in 20 cities measured by the S&P/Case-Shiller index were more than 8% higher than a year earlier. The Commerce Department said new single-family home sales were up more than 12% from a year ago, while housing starts were almost 28% ahead of the same time last year. And the National Association of Realtors® said home resales are more than 10% ahead of a year ago, and have reached their highest level since November 2009, when there was a homebuyer's tax credit. This is important since construction related spending makes up a big part of the US economy.

The Federal Open Market Committee will continue its bond purchases until the unemployment rate falls to 6.5%. However, it has begun to explore options for winding down quantitative easing, and may vary the size of its purchases if economic recovery picks up. During February, retail sales saw their biggest monthly increase since September, boosted by higher gas prices, which also helped push up consumer inflation over the last 12 months to 2%.

It was tiny Cyprus's turn to be the focus of concerns about Eurozone financial stability. After first rejecting the terms of a €10 billion bailout agreement with the international lenders known as the troika, Cyprus's parliament agreed to tax bank deposits over €100,000. It also imposed tight limits on bank withdrawals and other transactions to try to prevent capital from leaving the country, which would make debt repayment even more difficult. European economies contracted during the final quarter of 2012, according to the Organization for Economic Development, while Chinese growth remained relatively stable, though slower than the year before.

Social Security Strategies for Married Couples

(Two Part Series)

Part I: File and Suspend

Deciding when to begin receiving Social Security benefits is a major financial issue for anyone approaching retirement because the age at which you apply for benefits will affect the amount you'll receive. If you're married, deciding when to retire can be especially complicated because you and your spouse will need to plan together. Fortunately, there are a couple of strategies that are available to married couples that you can use to boost both your Social Security retirement income and income for your surviving spouse.

Generally, a husband or wife is entitled to receive the higher of his or her own Social Security retirement benefit (a worker's benefit) or as much as 50% of what his or her spouse is entitled to receive at full retirement age (a spousal benefit). But here's the catch--under Social Security rules, a husband or wife who is eligible to file for spousal benefits based on his or her spouse's record cannot do so until his or her spouse begins collecting retirement benefits. However, there is an exception--someone who has reached full retirement age but who doesn't want to begin collecting retirement benefits right away may choose to file an application for retirement benefits, then immediately request to have those benefits suspended, so that his or her eligible spouse can file for spousal benefits.

The file-and-suspend strategy is most commonly used when one spouse has much lower lifetime earnings, and thus will receive a higher retirement benefit based on his or her spouse's earnings record than on his or her own earnings record. Using this strategy can potentially boost retirement income in three ways: 1) the spouse with higher earnings who has suspended his or her benefits can accrue delayed retirement credits at a rate of 8% per year (the rate for anyone born in 1943 or later) up until age 70, thereby increasing his or her retirement benefit by as much as 32%; 2) the spouse with lower earnings can immediately claim a higher (spousal) benefit; and 3) any survivor's benefit available to the lower-earning spouse will also increase because a surviving spouse generally receives a benefit equal to 100% of the monthly retirement benefit the other spouse was receiving (or was entitled to receive) at the time of his or her death.

Here's a hypothetical example. Leslie is about to reach her full retirement age of 66, but she wants to postpone filing for Social Security benefits so that she can increase her monthly retirement benefit from $2,000 at full retirement age to $2,640 at age 70 (32% more). However, her husband Lou (who has had substantially lower lifetime earnings) wants to retire in a few months at his full retirement age (also 66). He will be eligible for a higher monthly spousal benefit based on Leslie's work record than on his own--$1,000 vs. $700. So that Lou can receive the higher spousal benefit as soon as he retires, Leslie files an application for benefits, but immediately suspends it. Leslie can then earn delayed retirement credits, resulting in a higher retirement benefit for her at age 70 and a higher widower's benefit for Lou in the event of her death.

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Excursion: Weekapaug Inn in Westerly, RI, has been restored to discerning standards of comfort and low-key luxury, making it available to guests in all seasons. The Inn's renovations maintained the traditions and values that have made it a treasure to those who know it and a great find for those who will now discover its charms. Delicious farm to table menus. **www.weekapauginn.com** (401-322-0301)

QUOTE: *"What you have to do and the way you have to do it is incredibly simple. Whether you are willing to do it is another matter."* – Peter Drucker

Our firm continues to grow by referrals from our clients. Thank you for recommending us.

THE NEW ENGLAND GUILD TEAM

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Social Security Strategies for Married Couples

(Two Part Series)

Part II: File for One Benefit and Then The Other

Another strategy that can be used to increase household income for retirees is to have one spouse file for spousal benefits first, then switch to his or her own higher retirement benefit later.

Once a spouse reaches full retirement age and is eligible for a spousal benefit based on his or her spouse's earnings record and a retirement benefit based on his or her own earnings record, he or she can choose to file a restricted application for spousal benefits, then delay applying for retirement benefits on his or her own earnings record (up until age 70) in order to earn delayed retirement credits. This may help to maximize survivor's income as well as retirement income, because the surviving spouse will be eligible for the greater of his or her own benefit or 100% of the spouse's benefit.

This strategy can be used in a variety of scenarios, but here's one hypothetical example that illustrates how it might be used when both spouses have substantial earnings but don't want to postpone applying for benefits altogether. Liz files for her Social Security retirement benefit of $2,400 per month at age 66 (based on her own earnings record), but her husband Tim wants to wait until age 70 to file. At age 66 (his full retirement age) Tim applies for spousal benefits based on Liz's earnings record (Liz has already filed for benefits) and receives 50% of Liz's benefit amount ($1,200 per month). He then delays applying for benefits based on his own earnings record ($2,100 per month at full retirement age) so that he can earn delayed retirement credits. At age 70, Tim switches from collecting a spousal benefit to his own larger worker's retirement benefit of $2,772 per month (32% higher than at age 66). This not only increases Liz and Tim's household income but also enables Liz to receive a larger survivor's benefit in the event of Tim's death.

Every situation is unique, and these strategies may not be appropriate for all couples. When deciding when to apply for Social Security benefits, make sure to consider a number of scenarios that take into account factors such as both spouses' ages, estimated benefit entitlements, and life expectancies.