



## Market Spotlight

Returns as of 6/30/13

Index	Qtr	Annual		
	2 <sup>nd</sup> Qtr	YTD	3 YR	10 YR
S&P 500	2.9%	13.8%	18.5%	7.3%
Russell 2000	3.1%	15.9%	18.7%	9.5%
MSCI AC World exUS	-3.1%	0.0%	8.0%	8.6%
MSCI AC World	-0.4%	6.1%	12.4%	7.6%
REITs	-3.3%	4.8%	17.0%	9.8%
Barcap Agg. Bond	-2.3%	-2.4%	3.5%	4.5%
90 Day T-Bills	0.0%	0.0%	0.1%	1.7%

Ironically, good news for the economy translated into bad news for investors after the Fed provided its blueprint for winding down the quantitative easing efforts that have benefitted financial markets in recent years. Until mid-May, equities seemed unstoppable as the Dow and S&P 500 powered to new all-time records. However, as the Fed's outlook for continued moderate economic recovery grew more optimistic, both equities and bonds struggled in June. Still, domestic equities across the board managed a positive quarter, though gains were moderate compared to the first quarter's sizzling pace.

The prospect of less Fed support also affected other markets. Investors began to anticipate a future with higher interest rates and sold off bonds across the board. The 10-year Treasury yield rose to its highest point since August 2011, and since bond prices tend to fall when interest rates rise, bond values were hit hard. Global equities were affected not only by the Fed but also by central bank decisions in China and Japan.

Despite some volatility, the dollar ended the quarter roughly where it began against a basket of six foreign currencies. However, gold's slide accelerated after the Fed's announcement; the precious metal briefly fell below \$1,200 an ounce before ending with a \$400 loss for the quarter. A stronger dollar helped keep oil prices in check despite concerns about Middle East supplies.

## Economic Perspective

- The U.S. economy grew more slowly during the first quarter than previously thought, but the 1.8% increase in gross domestic product for the first quarter was still substantially better than the previous quarter's 0.4%. Assuming that moderate growth continues, the Fed said that by the end of the year it may start reducing the \$85 billion worth of bonds it has been buying monthly and end those purchases completely in 2014. However, it doesn't plan to raise interest rates until the unemployment rate is around 6.5%, which the Fed says could happen by the end of 2014.

- The Fed wasn't the only central bank to affect global equities. China's central bank, which had been attempting to control lending, was forced to inject additional cash into the banking system to bring down record money market interest rates after concerns about liquidity helped cause a sharp drop in Chinese stocks. Meanwhile, a massive bond-buying program announced in April by the Bank of Japan helped buoy stocks there, though there also was some volatility after the central bank later refused to expand the program.

- In a landmark ruling that struck down the Defense of Marriage Act, the U.S. Supreme Court paved the way for same-sex couples to claim the same federal tax and other benefits as other married couples in states that recognize same-sex marriages. Some of those benefits include survivor's/spousal Social Security and military benefits, the ability to inherit a spouse's estate tax-free, family medical leave rights, spousal visas and IRA contributions, joint federal income tax filings, and private pension benefit options.

- The unemployment rate saw little change; the 7.7% rate announced in March by the Bureau of Labor Statistics nudged downward to 7.6% by quarter's end. The economy added 175,000 jobs in May, slightly more than the monthly average for the quarter. Over the past three months, the private sector created 489,000 new jobs while federal, state, and local governments eliminated 23,000 jobs (14,000 federal government jobs were cut in May alone).\* (*Employment data based on 6/7 Report*)

- The housing market's recovery accelerated in the second quarter despite higher mortgage rates. The Commerce Department said May's 2.1% increase in new home sales represented the fastest annualized pace since the summer of 2008. As of April, home prices in the areas measured by the S&P 500/Case-Shiller 20-city index had their largest year-over-year gains--12.1%--in the last seven years. Home resales were almost 13% higher in May than a year earlier, according to the National Association of Realtors®, and housing starts were up 28.6% from last May.

- Inflation remained well-contained, according to the Bureau of Labor Statistics. Annual consumer inflation was a moderate 1.4% as of May, while the wholesale inflation rate remained controlled at 1.8%. By May, retail sales were 4.3% ahead of May 2012 and consumer spending during the month largely reversed April's decline, while the Bureau of Economic Analysis said inflation-adjusted incomes were up roughly 1% from a year earlier.

- The European Union continued to be mired in recession. Eurozone unemployment hit a record 12.2% and the economy shrank 0.2% during the first quarter, according to the EU's statistical agency; that represents an annual contraction of 1.1%. Meanwhile, China's growth rate continued to show signs of slowing compared with the first quarter.

# Coordinating Social Security Benefits with Other Retirement Assets

Social Security provides retirement income you can't outlive. And, in addition to your own benefit, your spouse may be eligible to receive benefits based on your earnings record in the form of spousal benefits and survivor's benefits. So, it's easy to see why, with all of these potential benefit options, Social Security is an important source of retirement income. But, according to the Social Security Administration, only about 40% of an average worker's preretirement income is replaced by Social Security (Source: SSA Publication No. 05-10035, July 2012). When trying to figure out how you'll meet your retirement income needs, you'll probably have to coordinate your Social Security benefits with other retirement income sources such as pensions, qualified retirement accounts (e.g., 401(k), IRA), and other personal savings.

## FACTORS TO CONSIDER

How you incorporate Social Security benefits into your total retirement income plan may depend on a number of factors, including whether you're married, your health and life expectancy, whether you (or your spouse) will work during retirement, the amount of your Social Security benefit (and that of your spouse, if applicable), other sources of retirement income (e.g., pension), how much retirement savings you have, and, of course, your retirement income needs of you and your spouse, including the income need of your spouse after your death.

A factor to consider is that Social Security has a "built-in" protection against longevity risk. Benefits increase each year you delay starting benefits through age 69 (benefits do not increase past age 70), so the later you start receiving benefits, the greater the benefit amount. In addition, Social Security benefits are inflation-protected, and may increase with annual cost-of-living adjustments based on increases in the Consumer Price Index.

How much you may pay in income tax may also factor into your retirement income plan. For example, distributions from tax-qualified accounts (e.g., 401(k)s, IRAs, but not including Roth IRAs) are generally taxed as ordinary income. Up to 85% of your Social Security benefits may also be taxed, depending on your modified adjusted gross income and tax filing status. Tax issues are complex, so we can assist you in understanding your options and tax consequences.

## PENSIONS

If you're lucky enough to have a traditional employer pension available, that's another reliable source of income. You'll want to be sure that you effectively coordinate your Social Security benefit with pension income. Your pension may increase in value based on your age and years of employment, but it may not include cost-of-living adjustments (COLAs). As mentioned earlier, Social Security not only increases the longer you delay taking benefits, but it may increase with COLAs.

If your pension benefit increases past the age at which you retire, you might consider waiting to take your pension (either single or joint and survivor with your spouse) in order to maximize your pension benefit amount. Depending on your income needs, you could start Social Security benefits earlier to provide income. Or, if you've already reached your maximum pension benefit, you could start your pension first, and defer Social Security in order to receive an increased monthly benefit later. Your decision depends on your individual situation, including your pension benefit amount and whether it increases in value after you retire, and the pension options that are available to you (e.g., single life, qualified joint and survivor). You can get an explanation of your pension options prior to retirement from your pension plan, including the relative values of any optional forms of benefit available to you.

## PERSONAL SAVINGS

Prior to retirement, when it came to personal savings, your focus was probably on accumulation--building as large a nest egg as possible. As you transition into retirement, that focus changes. Rather than concentrating on accumulation, you're going to need to look at your personal savings in terms of distribution and income potential. Your savings potentially can provide a source of income to help you bridge any gap between the time you begin retirement (if you've stopped working) and the time you wait to begin taking Social Security benefits.

Incorporating Social Security into your retirement income plan involves several other important factors. We would be glad to help you develop the best plan for you.

To reference the article titled **SOCIAL SECURITY STRATEGIES FOR MARRIED COUPLES** in last quarter's Commentary please go to our website at [www.neguild.com](http://www.neguild.com)

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**Excursion: Intimate music and dining at The Infinity Music Hall & Bistro!** Located in picturesque Norfolk, CT, this historic 130-year-old venue was restored to its former glory in 2007. Annually, it hosts over 200 music and entertainment shows by national and regional artists including talents such as America's oldest collegiate a cappella group, The Yale Whiffenpoofs and the nationally renowned vocal quartet, Manhattan Transfer. The Bistro offers a wide variety of spirits and gourmet delights ranging from light fare to fine entrees. While the entertainers warm up, enjoy a pre-show serving of Pomme Frites with truffle oil and a musically inspired signature cocktail such as "Blissful Blues"...Happy Summer! Note: Infinity Music Hall is expected to open a 600-seat live music and restaurant venue in downtown Hartford's Front Street Entertainment district in the fall. [www.infinityhall.com](http://www.infinityhall.com) (860)666-6306

**QUOTE:** "Deep summer is when laziness finds respectability." – Sam Keen (American author, professor, philosopher)

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