Condor Capital WEALTH MANAGEMENT

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Despite some macroeconomic concerns and severe winter weather, domestic stocks managed to push higher.

Fixed income rallied, despite continued tapering by the Fed, as volatility increased, sparking a flight to quality.

The economy should thaw this spring and has several longer-term tailwinds. Interest rates still likely to head higher going forward.

April 2014

Condor Capital Reviews 1st Quarter 2014

The actions of the Federal Reserve remained a key focus for investors during the quarter as Janet Yellen took over as Chairwoman. While concerns over a potentially more-hawkish stance by the Fed, uneven economic data, and increased geopolitical risk caused stocks to fall early in the quarter, equities rallied into quarter-end. With that said, the S&P 500 Index managed to log a 1.81% gain for the period.

Over the last three months, value outpaced growth across the market cap spectrum. Additionally, mid-cap stocks topped both their large- and small-cap peers. After lagging last year, the utilities sector outperformed as an uptick in volatility and falling interest rates pushed investors towards these income-oriented stocks. Conversely, consumer discretionary names lagged as harsh winter weather across much of the U.S. dented retail sales. Foreign stocks lagged domestic fare, as investor sentiment was hindered by weak economic data in several emerging market nations and tensions between Russia and Ukraine. As a result, the MSCI EAFE Index gained 0.66%, while the MSCI Emerging Market Index lost 0.37%.

Despite softness in certain domestic economic data, the Fed continued to taper its quantitative easing program, twice reducing its pace of bond buying. The Board also decided to drop its previously established 6.5% unemployment target to raise short term rates, and will now use a broad range of metrics to steer its interest rate policy. Despite this, some investors felt that comments by Yellen signaled that short term interest rates could be hiked sooner than previously anticipated. Abroad, with inflation in the Eurozone continuing to fall, the ECB kept its benchmark rate at 0.25% and some speculated that it may need to take further measures in order to avoid deflation in the region.

Amid low inflation and a flight to quality, as volatility increased here, government bonds rallied and the yield on the benchmark 10-year Treasury retreated to 2.72%. Corporate bonds followed suit, with credit spreads pushing lower for both investment grade and high yield issues. With that said, the Citi Corporate Bond Index gained 2.94% and the CSFB High Yield Index rose 3.07%. After a tough year, the Lipper Municipal Fund Index increased 4.01% as asset flows turned positive and fears over Puerto Rico's debt abated to a degree.

Outlook – Although some gauges of the economy weakened during the period, harsh winter weather across large swaths of the country likely played a significant role in the deterioration of the data. We expect activity to pick up in the coming months as some pent up demand is unleashed. Longer term, we feel that the U.S. should benefit from surging energy production and an uptick in fixed investment by companies. Corporations could look to boost capital expenditures, which remain below peak levels as a share of GDP, as CEO's confidence improves and fiscal uncertainties have settled. With companies awash with cash, businesses should have ample ability to boost spending while maintaining shareholder friendly policies on dividends and buybacks. Globally, although there have been some troubling data points in some emerging markets, Europe has shown encouraging signs of recovery.

From an investment perspective, equities remain attractive over the long-term. However, given current valuations, which we view as fair, further earnings growth will be needed for continued gains as, substantial multiple expansion is unlikely. As evidenced by the late-quarter selloff in many high-flying momentum stocks, we feel that investors are beginning to shift their focus towards quality companies with strong fundamentals – something we believe is healthy. On the fixed income front, despite the recent pullback in yields, we continue to believe that the overall trend will be higher in the coming years. Although some market participants perceived recent Fed commentary as somewhat hawkish, we do not believe that the Board will move to raise short term rates for the foreseeable future considering the current rate of inflation and pace of economic growth.

Check with the U.S. State Department for travel alerts and warnings. You might also consider registering with the U.S. government's Smart Traveler Enrollment Program (STEP), at [https://step.state.gov/step/.](https://step.state.gov/step/) STEP assists U.S. citizens traveling and living abroad.

Tips for Traveling Abroad

For many people, there's perhaps nothing more exciting than traveling to a new country, experiencing different cultures, tasting exotic foods, and exploring unfamiliar landscapes. But before you take off on an international adventure, consider that a little preparation and a few precautions can help prevent a lot of unexpected headaches.

Obtain and copy necessary documentation

Most U.S. citizens need a valid U.S. passport for international travel. Although some countries allow you to enter with just a birth certificate and driver's license, all people traveling abroad by air must have a valid passport to reenter the United States. Those traveling by land or sea must have proof of both their U.S. citizenship and identity; in many of these cases, the new U.S. passport card will suffice. You do not need a passport to travel to or from a U.S. territory (e.g., U.S. Virgin Islands or Puerto Rico).

It can take up to six weeks to receive a passport, so plan accordingly. Expedited options are available for additional fees. Also note that some countries will not accept a passport that expires within six months of your trip. Contact the embassy of your destination country for more information.

Finally, be sure to make copies of your passport, itinerary, airline tickets, and other important documents. Leave one set with a friend or relative at home and carry the other set with you, separately from the originals.

Plan ahead to stay healthy

Some countries require inoculations and other medical preparations before entering. You can research your destination at www.travel.state.gov. In addition, U.S. Centers for Disease Control offers information about your destination's medical requirements at www.cdc.gov/travel/.

Many health insurance companies do not cover policyholders while they are in a foreign country. Even if you and your family are covered, you may not receive the same benefits overseas. Contact your insurer's customer service department to find out if you have coverage while traveling abroad, and if any restrictions apply. If needed, you can typically purchase short-term supplemental health coverage from an insurance company, travel agent, tour operator, or cruise line. These policies are often combined with medical evacuation coverage, which helps defray the costs of an emergency medical trip back home.

If you take prescription medication, bring at least enough to last your entire trip. Carry medications in their original, labeled containers and pack them in your carry-on luggage. Ask your pharmacist for the generic name of your medications in case you need more while abroad, and ask your doctor to write a letter explaining your need for the medications. Some countries restrict the types of medications allowed into the country without medical documentation.

Finally, review the options for health care at your destination before you arrive. It's best to prepare for an unpleasant surprise rather than have to search for a doctor at the moment you need one.

Avoid costly mistakes

Planning to use your mobile phone? Contact your carrier and review your plan for international roaming. Calling, texting, and posting updates to your social media sites can be extremely expensive if you don't plan ahead.

Similarly, ask your credit or debit card bank about foreign transaction fees. Since many do not charge these fees, it may pay to shop around. Also, inform your card companies that you will be traveling so that they won't suspend your card for suspicious activity while you're away, and can provide a toll-free number should you need to contact them.

If you plan to use cash or traveler's checks, keep some on your person and some in a separate safe location. Also, before deciding to use traveler's checks, be sure to confirm they are readily accepted. And remember to check exchange rates so you can accurately calculate your vacation budget.

Consider travel/baggage insurance

In addition to supplemental health insurance coverage, you may want to consider purchasing travel insurance, particularly if the peace of mind outweighs the premium cost. Some types of policies protect you in case the trip is cancelled or interrupted due to certain events, such as weather, illness, or death of a loved one. Investigate whether your credit card or travel club offers this type of coverage as well.

Although most airlines will reimburse passengers for luggage lost during transit (up to certain limits), you might also want to consider baggage insurance for protection when your bags are not in possession of the airline.

These are just a few tips to consider before traveling overseas. For more comprehensive information, visit the U.S. State Department website at www.travel.state.gov.

No matter how you save to reach a future goal, there is an advantage to putting your savings and earnings to work for you as early as possible.

All examples are hypothetical and are not guaranteed. Fees and taxes are not shown and could reduce the amount available.

**All investment involves risk, including the possible loss of principal.*

Saving for the Future: Start Now or Start Later?

There are many ways to try to reach a future goal. You can save now, or you can save later (or perhaps do both). But there is an advantage to putting your savings and earnings to work for you as early as possible.

Compound earnings

If you save $1,000 now and invest it at an assumed 6% annual rate of return, in 1 year you would have $1,060, in 2 years about $1,124, and in 10 years about $1,791. Your earnings compound as you earn returns on your earnings. Your $1,000 initial investment increases through compounding to $1,791.*

Compounding at work

For example, let's say you start saving now. You save $5,000 at the beginning of each year in years 1 to 20 and put it into an investment that earns a hypothetical 6% annually. At the end of 30 years, you will have accumulated about $349,150.

Alternatively, let's say you start 10 years later. You save $5,000 at the beginning of each year in years 11 to 30. Once again, you earn an assumed 6% annually on that money. At the end of 30 years, you will have accumulated about $183,928.

In each of these examples, you've put aside a total of $100,000. However, by starting now, you accumulate about $165,222 more than if you start later, and all of that is from earnings. By starting now, rather than putting it off, you have put your money and the power of compound earnings to work for you.

Years	Start Now	Start Later
1 – 10	$5,000	
11 – 20	$5,000	$5,000
21 – 30		$5,000
Saved	$100,000	$100,000
Earnings	$249,150	$89,928
Total	$349,150	$183,928

Now, let's look at a different situation. Let's say you would like to start later but accumulate the same amount as if you had started putting money aside now. In this case, you would need to save more, about $8,954 at the beginning of each year in years 11 to 30, in order to accumulate $349,150 after 30 years.

In this example, you would need to save a total of about $179,085. That's $79,085 more than if you had started earlier, when compounding could have helped make up that difference. Compound earnings don't have as much time to work for you when you postpone getting started.

Years	Start Now	Start Later
1 – 10	$5,000	
11 – 20	$5,000	$8,954
21 – 30		$8,954
Saved	$100,000	$179,085
Earnings	$249,150	$170,065
Total	$349,150	$349,150

Strike a balance

Of course, you could accumulate even more if you do both. For example, if you set aside and invest $5,000 at the beginning of each year in years 1 to 30 and earn an assumed 6% annually on that money, at the end of 30 years, you will have accumulated about $419,008. This is substantially greater than the $183,928 accumulated if you invest $5,000 in years 11 to 30, while somewhat greater than the $349,150 accumulated if you invest $5,000 in years 1 to 20.

But maybe you can't afford to set aside $5,000 now. Could you manage $3,000 this year, increase that amount for next year by 3% to $3,090, and continue to increase the amount set aside by 3% each year? If that money earns an assumed 6% annually, you will have accumulated about $351,520 at the end of 30 years, slightly more than the $349,150 accumulated if you save $5,000 each year in years 1 to 20.

Compared to saving $5,000 a year for 30 years, you've contributed almost as much here ($142,726 compared to $150,000), but your earnings are substantially less ($208,794 compared to $269,008) because your largest contributions came in later years and had less time to work for you.

Years	Constant	Increasing
1	$5,000	$3,000
2	$5,000	$3,090
...		
29	$5,000	$6,864
30	$5,000	$7,070
Saved	$150,000	$142,726
Earnings	$269,008	$208,794
Total	$419,008	$351,520

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My parents can't manage alone anymore. What should I do?

Are one or both of your parents having health problems, suffering mental lapses, or just slowing down with age? Do you find they can't manage on their own anymore? If so, you'll want to consider the various living arrangements that are available to older individuals. Before you begin, however, you'll want to talk to your parents and siblings.

Sometimes the best option is to have your parents move in with (or closer to) you. That way, you avoid having to use your parents' assets (or your own) to pay for a nursing home or other facility. You won't have to worry about your parents potentially receiving inadequate care from strangers. And your parents will probably appreciate the gesture of love and self-sacrifice on your part. However, the cost of feeding, clothing, and caring for your parents can be high, especially if you're forced to give up a job to be home with your parents. And don't underestimate the emotional and psychological impact.

What if your parents' care is more than you can handle? You may then wish to consider some type of assisted-living arrangement. The broad term "assisted living" encompasses a range of facilities and services designed to help seniors who can't live independently. The assistance provided may be short- or long-term and may focus on social services, medical care, or some combination of the two. Depending on your parents' conditions and needs, one or more of the following assisted-living arrangements may be worth considering:

- Nursing homes
- Assisted-living communities
- Continuing care retirement communities
- Alzheimer's/dementia care specialty facilities
- Retirement communities
- Home health care
- Hospice care
- Adult day-care services

And don't be afraid to talk to a social worker, your parents' physicians, or other professionals. They can offer you support, and recommend solutions that best meet your parents' needs.

What is an assisted-living facility, and how do I choose one?

What is an assisted-living facility? The wide number of options available makes defining the term difficult. Generally, however, assisted-living facilities primarily serve senior citizens who need more help than those who live in independent living communities.

These facilities typically offer rental rooms or apartments, housekeeping services, meals, social activities, and transportation. Their primary focus is social, not medical, but some do provide limited medical care. Other terms used to describe assisted-living arrangements are board and care homes, rest homes, and community residences. Continuing care retirement communities (CCRCs), also called life care communities, fit loosely into this category as well, although they provide what other assisted-living facilities do not: long-term nursing care and guaranteed lifetime services.

How do you choose an assisted-living facility? Definitely plan on touring the facility beforehand. Some facilities are large, caring for over a thousand people. Others are small, caring for fewer than five people. Consider whether the facility meets your needs:

- Do you have enough privacy?
- How much personal care is provided? What happens if you get sick?
- Can you be asked to leave the facility if your physical/mental health deteriorates?
- Is the facility licensed or unlicensed?
- Who is in charge of health and safety?

And read the contract carefully – this may save you time and money later if any conflict over services or care arises.

As for the cost, a wide range of care is available at a wide range of prices. If you have long-term care insurance, check your policy. These contracts normally pay a specified dollar amount per day (typically $40 to $150) for certain skilled, intermediate, or custodial care in assisted-living facilities, for some specified period of time (usually two to five years). Medicare probably will not cover your expenses at these facilities, unless those expenses are health-care related and the facility is licensed to provide medical care.