# Condor Capital Reviews 3rd Quarter 2014

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Domestic equities finished the quarter flat as geopolitical uncertainty and slowing Chinese economic growth weighed on investors' minds.

Yields continued their descent despite continued Fed tapering. The ECB announced new accommodative measures to combat slow growth and fears of deflation.

Despite recent capital market volatility, U.S. economic data remains robust.

**October 2014**



Domestic equities had a slow start to the third quarter that eventually led into a choppy August, where markets hit their lows for the period. After a bounce to fresh all-time highs in early September, stocks finally finished the quarter flat to down. Ongoing conflicts in both the Middle East and Ukraine, as well as uncertainty about China's growth trajectory, weighed on investors' minds during the quarter. With that said, the S&P 500 recorded a 1.13% return for the period.

During the third quarter, large-cap equities generally led the way, as they outpaced their small- and mid-cap peers. Among styles, growth-oriented securities bested their value counterparts across the market cap spectrum. The technology sector was an exceptional performer, as investors' appetite for more risk and growth propelled some well-known social media firms. Comparably, the real estate sector also enjoyed a relatively strong quarter. In contrast to these two segments, the consumer defensive and industrials sectors produced subpar returns for the period. Foreign stocks generally trailed domestic fare, as weaker growth and the aforementioned political uncertainty around the globe influenced international markets. Correspondingly, the MSCI EAFE index posted a -5.88% return, while the MSCI Emerging Market index posted a loss of 3.50%.

Despite existing slack in the labor market and inflation running below the Federal Reserve's long term objective, the Board continued to taper its asset purchase program and is on schedule to conclude it in October. Also, the Fed elected to maintain its current target range for the Fed Funds rate, 0-0.25%, for a "considerable time." Fed Chair Yellen also suggested that a gradual rate increase will only commence once economic conditions warrant the increase. Abroad, in an effort to avert possible deflation, the European Central Bank announced plans to cut interest rates and adopt an asset purchase program akin to the Federal Open Market Committee's quantitative easing.

The 10-year Treasury yield continued its downward trajectory in the third quarter, reaching a low of 2.34% in late August before rebounding to 2.49% at the end of the period. Further accommodative monetary policies in Europe drove German 10-year bond yields below 1% to .90% and now sit below similarly dated Spanish and Italian bond yields of 2.17% and 2.35%, respectively. In the high yield and corporate fixed income space, the Citi Corporate Bond Index retreated .08%, while the CSFB High Yield Index declined 1.94%. The Lipper Municipal Fund Index rose 1.92% for the quarter as demand for tax-exempt bonds drew investors' interest amid improving credit quality for states and lower defaults overall.

Outlook – Despite economic data suggesting that U.S. economic growth continues to grind higher, investors have begun to show some concerns over slower economic growth in Europe with an ECB that increasingly looks behind the curve. While anxiety over a change in Fed policy has also weighed on the markets, the Fed has increasingly stated that changes in global economic growth will continue to play a part in the timing of any rate hikes. This dovish commentary should help to soothe investors. Additionally, while our outlook is for slowing global growth, it is important to note that growth is not collapsing and there are no impending signs of a U.S. recession. In fact, U.S. economic data remains fairly robust, corporate fundamentals are stronger than ever, and falling gasoline prices will undoubtedly help the consumer as we enter the most important quarter for retail spending. While there are certainly areas of concern, there are many more reasons for optimism.

We do understand that periods of volatility can be cause for concern, but it is also important to recognize that the markets will experience corrections from time to time and these are generally part of a normal market environment. With the right asset allocation and a long-term perspective, we continue to feel that investors will be served well by the capital markets.

*Consult a tax professional and visit the IRS website for more information.*


# Charitable Gifts of Items You No Longer Need

If you have used clothing, household goods, or a car that you no longer need, you may be able to do good by contributing the property to charity while obtaining an income tax deduction for your charitable contribution. Subject to certain limitations, the amount of your charitable contribution is usually the fair market value (the price that property would sell for on the open market) of the property at the time of the contribution.

## Used clothing and household goods

You generally cannot take a deduction for donations of used clothing or household goods unless the property is in good used condition or better. However, you can take a deduction for used clothing or household goods that are not in good used condition or better if the claimed value is greater than $500 and you include a qualified appraisal with your tax return.

The value of used clothing or household goods is usually far less than what you paid for the property. A good indication of the value of used clothing is the price that a buyer would pay in used clothing stores, such as consignment or thrift stores. Used household goods may have little or no value because of their worn condition, or because they are out of style or no longer useful.

## Used cars

The value of a used car can usually be determined using a used car pricing guide for a private party sale. The price listed should be for a car of the same make, model, and year, and with similar options and accessories. Adjustments may be needed for wear and tear, and mileage.

However, your deduction for a donated car may be limited to the amount for which the charity then sells the car. This rule applies if the claimed value for the car is over $500 unless: (1) the charity makes a significant intervening use of or material improvement to the car before selling it; or (2) the charity gives the vehicle, or sells it for well below fair market value, to a needy individual to further the organization's charitable purpose.

You must attach Copy B of Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes, (or other statement from the charity containing the same information) to your tax return. Form 1098-C shows the gross proceeds the charity received if the charity sold the car and whether either of the two exceptions for cars valued at more than $500 applies.

If the charity sells the car for $500 or less (and neither of the two exceptions applies), your deduction is generally limited to the lesser of $500 or the car's fair market value on the date of the contribution.

## Other requirements

A receipt is generally required from the charity for all noncash gifts. However, a receipt may not be required where it is impractical to get one (e.g., leaving clothing at a charity's unattended drop site).

A written statement is required from the charity acknowledging all noncash gifts above $250. The acknowledgment must generally include a description and good faith estimate of the value of any goods or services (if any) you received in return for your contribution. Your charitable contribution deduction is reduced if you receive something in return for your contribution.

An appraisal is generally needed when you donate an item or group of items of property if the claimed value is more than $5,000. You must also complete Section B of Form 8283 and attach it to your tax return. Section B of Form 8283 should be signed by both the appraiser and a responsible officer of the charity. However, you do not need an appraisal for the donation of a car if the deduction is limited to the gross proceeds of its sale by the charity.

## Limits on deductions

Charitable contribution deductions are generally limited to 50% of your adjusted gross income (AGI) (or 30% or 20% of AGI depending on the type of charity and the property donated). Disallowed amounts can generally be carried over and deducted in the following five years, subject to the percentage limits in those years. If you donate property with a fair market value that is more than your income tax basis in it (not usually a concern when donating used goods), your deduction is generally limited to your basis in the property, except for capital gain property when you use the 30% of AGI limit.

The total of your charitable contribution deductions and certain other itemized deductions is limited (but not reduced by more than 80%) if your adjusted gross income in 2014 is more than $254,200 (for single taxpayers, $305,050 for married filing jointly taxpayers).

*According to the U.S. Census Bureau, there were 5 million stay-at-home moms in married-couple family groups in 2013 (Source: U.S. Census Bureau News, U.S. Census Bureau, April 2014).*

# Taking a Career Break? Consider These Helpful Tips

Balancing the commitments of both work and family can be a struggle for many women. As a result, you may have to take a break from your career to stay home and raise a family or care for an elderly parent or relative.

Whether you are taking a break for just a few months or many years, there are things you can do now to help make it a bit easier to jump back on the career track later.

## Stay connected

When taking a career break, it's important to stay connected. Having relationships with former co-workers and colleagues allows you to maintain your networking connections and stay on top of developments in your former workplace or industry.

The following are some simple ways to stay connected while on a career break:

- Make sure that you have a presence on professional social media sites such as LinkedIn
- Enroll or become a member of relevant professional associations
- Attend industry events and trade shows that are open to the general public
- Consider part-time/consultant work within your particular industry or field of expertise

## Keep up-to-date on your job skills

If you plan on re-entering the workforce at some point in the future, you'll need to keep up-to-date on skills that are necessary for your particular field or industry.

You can avoid letting your skills fall by the wayside by:

- Reading industry trade journals and publications
- Taking continuing education classes or enrolling in relevant courses at your local college or university
- Keeping abreast of the latest technology developments relevant to your field or industry

## Look for alternative resume builders

While you're out of the workforce and staying at home, it's important to find alternative ways to build your resume.

Nontraditional work environments that demonstrate your skills and draw upon your previous work experiences can be used to fill in any significant gaps in your resume. They can also provide you with a source of contacts when you want to re-enter the workforce.

Some examples of alternative resume builders include:

- Teaching a class at a local community college on a subject in your field of expertise
- Joining a nonprofit board (e.g., library or charitable foundation)
- Staying active in local volunteer organizations (e.g., parent/teacher groups and sport associations)

## Consider easing back into the workforce with an internship

Today, employers recognize the value of hiring women who want to work after taking a career break. These women often have family obligations behind them, along with prior professional experience.

As a result, some companies are offering internship or "returnship" opportunities that provide women with an opportunity to ease back into the workforce. These internships allow employers to test the waters before determining whether someone would be a good fit for a permanent position.

If you are interested in an internship opportunity, many options are available, from informal arrangements with an employer to high-structured returning professional programs that are part of a company's larger recruiting efforts.

## Seek out others in your situation

If you are on a career break, it's important to remember that you are not alone in choosing to stay at home to focus on family obligations. Consider seeking out support and guidance from other women who have chosen to veer off the traditional career path for family reasons.

Whether you have just made the decision to take a career break or are looking to reenter the workforce, there are numerous resources available to assist you, ranging from local stay-at-home mom networks to nationwide career relaunching services.

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Please remember to contact Condor Capital Management if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing, evaluating, or revising our previous recommendations and/or services. Please also advise us if you would like to impose, add, or modify any reasonable restrictions to our investment advisory services. A copy of our current written disclosure statement as set forth on Form ADV Part II A/B continues to remain available for your review upon request.

## How much money should a student borrow for college?

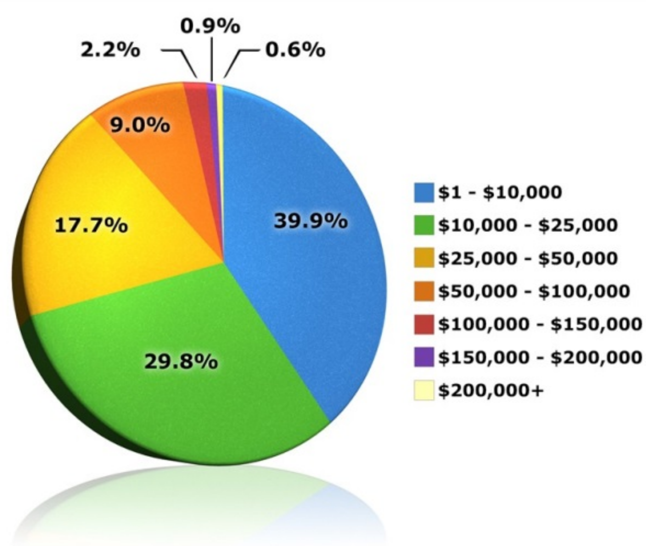
There's no magic formula to determine how much you or your child should borrow to pay for college. That being said, there is such a thing as borrowing too much. How much is too much? Well, college counselors typically recommend that students borrow no more than the amount they expect to earn in their first year out of college, which in turn depends on a student's individual major and job prospects. So, for example, a student planning to get an engineering degree might borrow about $50,000 or $60,000 if he or she expects to obtain a job after college paying that much, while a student majoring in social work might borrow much less.

But this guideline is just that--a guideline. Just as many homeowners got burned taking out larger mortgages than they could really afford (even though their lenders may have told them they were "qualified" for that amount), many students are getting burned borrowing amounts that may have seemed reasonable at first glance but now in reality are not.

Remember, student loans will need to be paid back over a term of 10 years or longer. What if the engineering graduate doesn't have that steady, well-paying job for 10 years? What if he or she decides to step out of the workforce to care for children? What if the company downsizes? What happens when other expenses like housing, utilities, car payments, daycare, and home repairs come down the pike? What if he or she wants to go on to graduate school? Any interruption in the payment of these student loans via deferment or forbearance requests will only add to a borrower's overall balance.

According to the Project on Student Debt, 71% of students who graduated from college in 2012 had student loan debt, and the average balance was $29,400 (Student Debt and the Class of 2012, December 2013). With a 10-year term and a 3.8% interest rate (the current rate on federal Stafford Loans), the monthly payment would be $295. But borrow a bit more, say $40,000 total, and the monthly payment jumps to $401. And these figures are conservative, because the interest rates on federal Stafford Loans and private student loans have nowhere to go but up. So student borrowers beware! Don't be led blindly into excessive student loan debt based on a guideline you didn't create.

## Chart: Student Loan Balances, Q4 2012




Student loan debt is the only type of household debt that continued to rise through the Great Recession, and is now the second largest balance after mortgage debt. This chart shows the percentage of borrowers with certain student loan balances as of the last quarter of 2012, the most recent date for which figures are available. Source: Federal Reserve Bank of New York, *Student Debt Overview*, August 14, 2013. (Data in chart may not equal 100% due to rounding.)