Condor Capital Reviews 4th Quarter 2014

Condor Capital
1973 Washington Valley Rd
Martinsville, NJ 08836
(p) 732-356-7323
(f) 732-356-5875
info@condorcapital.com

Improving corporate fundamentals and impressive domestic figures helped the S&P 500 Index grow by double digits for the second consecutive year.

To the surprise of many investors, government bond yields continued to move lower throughout the year.

Overseas, Central banks are expected to make headlines in 2015. Foreign demand will place a lid on any sharp rise in interest rates.

January 2015

During the final quarter of 2014, market headlines were dominated by the reemergence of volatility, the conclusion of quantitative easing, and the declining energy markets. Despite these events, domestic equities delivered positive returns for the quarter. As unemployment fell to a post-recession low of 5.8%, the S&P 500 Index continued its modest upward trek, gaining 4.93% during the quarter and 13.69% for the year.

Overall, larger names led the pack due to investors' desire for greater stability in the period. Growth-oriented stocks outperformed in the large-cap universe, while value bested growth within the small- and mid-cap areas. For the second consecutive year, healthcare was the best performing sector. Biotech names in particular benefited from the success of new blockbuster drugs and heightened industry-wide consolidation. On the contrary, both the basic materials and energy sectors underperformed, as the cumulative effects of a rising dollar, slowing Chinese economy, and an abundant oil supply devastated the commodity markets. Developed international equities struggled throughout most of the year, with the MSCI EAFE Index returning -4.90% in 2014, as both the European and Japanese Central Banks struggled to combat concerns over deflationary pressure and sluggish growth. Similarly, the MSCI Emerging Market Index retreated -2.19% during the year, where trouble in key emerging economies dragged down relative performance.

Following a streak of improving domestic economic indicators that included impressive GDP and employment figures, the Fed concluded its Quantitative Easing program. Notably however, the Board elected to keep its cautious tone on interest rate hikes. Overseas, in an unexpected move, the Bank of Japan announced plans to expand its own asset purchasing program to 80 trillion yen in 2015. On the European front, anemic growth and low inflation, coupled with high unemployment, continued to plague the monetary union and is forcing the European Central Bank to take a serious look at more accommodative measures.

Even with positive economic data, the yield on the 10-year Treasury dropped by 87 basis points during the year, ending at 2.17%. Similarly, after experiencing a disappointing 2013, the municipal bond market, as represented by the Lipper Municipal Fund Index, recorded a 10.92% gain in 2014. Overall, declining interest rates bolstered the performance of longer-dated fixed income instruments during the year, particularly those of higher credit quality. In 2014, the Citi Corporate Bond index returned 7.48%, while junk bonds, represented by the CSFB High Yield Index, advanced 1.86%.

Outlook – With expectations for the Fed to raise short-term rates at some point mid-year, investors should not be surprised by volatility creeping up to the historical average in the equity markets. Oil prices will likely remain subdued in the near- to mid-term, continuing to support consumer spending. U.S. GDP growth may have further upside if we begin to see wage inflation during 2015, which would also have a positive impact on consumer confidence. Conversely, investors will keep a close eye on the Eurozone, as Greeks face an upcoming vote which could result in their departure from the Euro and the ECB approaches its decision on pursuing open market activities.

Low interest rates and a steady economy will likely provide substantial tail winds for domestic capital markets in 2015. As tepid growth abroad forces foreign central banks to adopt more accommodative monetary policies and as our own monetary policy becomes tighter, demand for dollar denominated investments should continue to rise. Barring any major geopolitical event, this increasing demand, in combination with improving corporate fundamentals, helps to form the basis for our mildly bullish U.S. equity outlook. Similarly, we believe that foreign demand for Treasuries will place a lid on any sharp rise in interest rates.

Don’t assume that Social Security is just for retirees; it’s much more than a retirement program. According to the SSA, approximately 21% of individuals currently receiving benefits are younger than retirement age who are receiving disability or survivor benefits. Get in the habit of checking your Social Security Statement every year to find out what role Social Security might play in your financial future.*

**Source: Fast Facts & Figures About Social Security, 2014*

No Matter What Your Age, Your Social Security Statement Matters

Fifteen years ago, the Social Security Administration (SSA) launched the Social Security Statement, a tool to help Americans understand the features and benefits that Social Security offers. Since then, millions of Americans have reviewed their personalized statements to see a detailed record of their earnings, as well as estimates of retirement, survivor, and disability benefits based on those earnings. Here's how to get a copy of your statement, and why it deserves more than just a quick glance, even if you're years away from retirement.

How do you get your statement?

In September 2014, the SSA began mailing Social Security Statements to most workers every five years. Workers attaining ages 25, 30, 35, 40, 45, 50, 55, and 60 who are not receiving Social Security benefits and are not registered for an online account will receive a statement in the mail about three months before their next birthday. Workers older than age 60 will receive a statement every year.

But why wait? A more convenient way to view your Social Security Statement is online. First, visit socialsecurity.gov to sign up for a personal *my* Social Security account (you must be 18 or older to sign up online). Once you have an account, you can view your Social Security Statement anytime you want, as often as you want.

Check your estimated benefits

Your Social Security Statement gives you information about retirement, disability, and survivor benefits. It tells you whether you've earned enough credits to qualify for these benefits and, if you qualify, how much you can expect to receive. As each Social Security Statement notes, the amounts listed are only estimates based on your average earnings in the past and a projection of future earnings. Actual benefits you receive may be different if your earnings increase or decrease in the future. Amounts may also be affected by cost-of-living increases (estimates are in today's dollars) and other income you receive. Estimated benefits are also based on current law, which could change in the future.

Retirement benefits

Although Social Security was never intended to be the sole source of retirement income, retirement benefits are still very important to many retirees. Your statement shows estimates of how much you can expect to receive if you begin receiving benefits at three different ages: your full retirement age (66 to 67, depending on your birth year), age 62 (your benefit will be lower), or age 70 (your benefit will be higher). When to start claiming Social Security is a big decision that will affect your overall retirement income, so if you're approaching retirement, this information can be especially useful. But even if you're years away from retirement, it's important to know how much you might receive, so that you can take this information into account as you set retirement savings goals.

Disability benefits

Disability is unpredictable and can happen suddenly to anyone at any age. Disability benefits from Social Security can be an important source of financial support in the event that you're unable to work and earn a living. Check your Social Security Statement to find out what you might receive each month if you become disabled.

Survivor benefits

Survivor protection is a valuable Social Security benefit you may not even realize you have. Upon your death, your survivors such as your spouse, ex-spouse, and children may be eligible to receive benefits based on your earnings record. Review your Social Security Statement to find out whether your survivors can count on this valuable source of income.

Review your earnings record

In addition to benefit information, your Social Security Statement contains a year-by-year record of your earnings. This record is updated whenever your employer reports your earnings (or if you're self-employed, when you report your own earnings). Earnings are generally reported annually, so keep in mind that your earnings from last year may not yet be on your statement.

It's a good idea to make sure that your earnings have been reported correctly, because mistakes do happen. You can do this by comparing your earnings record against past tax returns or W-2s you've received. This is an important step to take because your Social Security benefits are based on your average lifetime earnings. If your earnings have been reported incorrectly, you may not receive the benefits to which you're entitled.

What if you find errors? The SSA advises you to call right away if any earnings are reported incorrectly. The SSA phone number is 1-800-772-1213 (TTY 1-800-325-0778).

10 Financial Terms Everyone Should Know

Understanding financial matters can be difficult if you don't understand the jargon. Becoming familiar with these 10 financial terms may help make things clearer.

1.) Time value of money

The time value of money is the concept that money on hand today is worth more than the same amount of money in the future, because the money you have today could be invested to earn interest and increase in value.

Why is it important? Understanding that money today is worth more than the same amount in the future can help you evaluate investments that offer different potential rates of return.

2.) Inflation

Inflation reflects any overall upward movement in the price of consumer goods and services and is usually associated with the loss of purchasing power over time.

Why is it important? Because inflation generally pushes the cost of goods and services higher, any estimate of how much you'll need in the future--for example, how much you'll need to save for retirement--should take into account the potential impact of inflation.

3.) Volatility

Volatility is a measure of the rate at which the price of a security moves up and down. If the price of a security historically changes rapidly over a short period of time, its volatility is high. Conversely, if the price rarely changes, its volatility is low.

Why is it important? Understanding volatility can help you evaluate whether a particular investment is suited to your investing style and risk tolerance.

4.) Asset Allocation

Asset allocation means spreading investments over a variety of asset categories, such as equities, cash, bonds, etc.

Why is it important? How you allocate your assets depends on a number of factors, including your risk tolerance and your desired return. Diversifying your investments among a variety of asset classes can help you manage volatility and investment risk. Asset allocation and diversification do not guarantee a profit or protect against investment loss.

5.) Net Worth

Net worth is what your total holdings are worth after subtracting all of your financial obligations.

Why is it important? Your net worth may fund most of your retirement years. So the faster and higher your net worth grows, the more it may help you in retirement. For retirees, a typical goal is to preserve net worth to last through the retirement years.

6.) Five C's of credit

These are character, capacity, capital, collateral, and conditions. They're the primary elements lenders evaluate to determine whether to make you a loan.

Why is it important? With a better understanding of how your banker is going to view and assess your creditworthiness, you will be better prepared to qualify for the loan you want and obtain a better interest rate.

7.) Sustainable withdrawal rate

Sustainable withdrawal rate is the maximum percentage that you can withdraw from an investment portfolio each year to provide income that will last, with reasonable certainty, as long as you need it.

Why is it important? Your retirement lifestyle will depend not only on your assets and investment choices, but also on how quickly you draw down your retirement portfolio.

8.) Tax Deferral

Tax deferral refers to the opportunity to defer current taxes until sometime in the future.

Why is it important? Contributions and any earnings produced in tax-deferred vehicles like 401(k)s and IRAs are not taxed until withdrawn. This allows those earnings to compound, further adding to potential investment growth.

9.) Risk/Return trade-off

This concept holds that you must be willing to accept greater risk in order to achieve a higher potential return.

Why is it important? When considering your investments, the goal is to get the greatest return for the level of risk you're willing to take, or to minimize the risk involved in trying for a given return. All investing involves risk, including the loss of principal, and there can be no assurance that any investing strategy will be successful.

10.) The Fed

The Federal Reserve, or "the Fed" as it's commonly called for short, is the central bank of the United States.

Why is it important? The Fed has three main objectives: maximum employment, stable prices, and moderate long-term interest rates. The Fed sets U.S. monetary policy to further these objectives, and over the years its duties have expanded to include maintaining the stability of the entire U.S. financial system.

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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.

I just learned that my credit- and debit-card information was part of a data breach. What should I do?

Now, more than ever, consumers are relying on the convenience of credit and debit cards to make everyday purchases, such as gas and groceries, and to make online purchases. With this convenience, however, comes the risk of having your account information compromised by a data breach.

In recent years, data breaches at major retailers have become commonplace across the United States. Currently, most retailers use the magnetic strips on the backs of credit and debit cards to access account information. Unfortunately, the account information that is held on these magnetic strips is also easily accessed by computer hackers.

While many U.S. banks and financial institutions are in the process of replacing the older magnetic strips with more sophisticated and secure embedded microchips, it will take time for both card issuers and retailers to get up to speed on these latest card security measures.

In the meantime, if you find that your account information is at risk due to a data breach, you should make it a priority to periodically review your credit card and bank account activity. If you typically wait for your monthly statement to arrive in the mail, consider signing up for online access to your accounts—that way you can monitor your accounts as often as needed. If you see suspicious charges or account activity, you should contact your bank or credit-card company as soon as possible.

In most cases, your bank or credit-card company will automatically issue you a new card and card number. If not, request to have new cards and card numbers issued in your name. As an additional precaution, you should also change the PIN associated with the cards.

Whether you will be held liable for the unauthorized charges depends on whether the charges were made to your credit- or debit-card account and how quickly you report them.

For more information on your rights if you are affected by a data breach, visit the Federal Trade Commission and Consumer Financial Protection Bureau Websites.

How can I save on my heating bills this winter?

According to the U.S. Department of Energy, home heating costs account for about 45% of the average American family's energy bills (Source: U.S. Department of Energy, December 2013). And with winter fast approaching, now's the time to prepare for the annual battle between the thermostat and your wallet.

Fortunately, there are some relatively simple steps you can take to help make your home more energy efficient and help you save on your heating bills this winter:

- *Keep the heat in.* To keep heat from escaping your home, apply weather stripping and caulking around drafty areas such as doors and windows, and inspect storm doors and windows for broken glass. Make sure that all areas of your home are properly insulated, especially attics, basements, crawl spaces, and outside walls.
- *Adjust your thermostat.* Turning down your thermostat even just a few degrees when you go to bed or when you are not home can help you save on your heating bills. To make it easier, install a programmable thermostat that will allow you to preprogram your heat to a lower temperature at certain times of the day.
- *Utilize window treatments*. Keep window curtains, shades and blinds open during the day to allow sunlight in to warm your home, and keep them closed at night to retain heat.
- *Close the damper.* To prevent heat from escaping through a fireplace, keep the damper closed when it's not in use. You can also avoid further heat loss by refraining from using the fireplace on extremely cold nights.
- *Have your heating system serviced.* Make sure that your heating system is working properly by having it serviced on an annual basis. In addition, clean furnace filters, warm air registers, baseboard heaters, and radiators to ensure maximum heating efficiency.
- *Consider an energy audit.* An energy audit can offer tips on how to heat your home more efficiently and save money on your energy bills. Contact your utility company to find out whether it offers free or discounted energy audits, or energy.gov for more information.