your Update

VISION FINANCIAL ADVISORY CORP
DELIVERING FINANCIAL CLARITY

2013 was the best year for stocks since 1997. Overall, it's been a pretty enjoyable bull run for nearly five years. This has led to a fair bit of "bubble-talk."

Markets do move in cycles and it is inevitable that we will, at some point, experience a pull-back. While we watch the trends constantly, we don't spend too much energy trying to predict the next correction. I'm fond of saying that "It is not ours to predict the wind; it is ours to adjust the sails."

It is prudent, though, to examine one's present position, and the horizon, to prevent being caught unprepared. In that vein, here are three factors to consider.

1. Interest rates are historically low and most economists predict that rates will increase over the next few years. With Washington's spending, it's hard to argue that inflation will remain at bay forever. Rising interest rates will exert downward pressure on bonds. Accordingly, we are examining client portfolios and suggesting a reduced bond exposure where it seems appropriate.

2. Housing often leads us into difficult economic times, and housing often leads the subsequent recoveries. Housing remains strong, still adding to the GDP in 4Q 2013, and the price-to-rent ratio is just now approaching its average of the past 50+ years. This represents positive pressure remains for home buyers, which could sustain economic and market health.

3. The S&P is now trading at about 16 times 2014 estimated earnings, so some would argue stocks are roughly around fair value and less of a bargain than before, although they still seem attractive relative to bonds. The gradually improving economy, coupled with the presently weak bond market, still make stocks appealing. However, it's very likely that 2014 returns will be lower than 2013.

Please keep us informed regarding changes in your employment or other personal financial aspects that might influence the suitability of your investments. Thank you for your business!

Sincerely,

John

John D. VanDyke

2013 year end

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