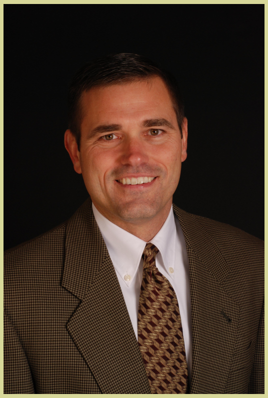

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The Dow set a new record today, closing above 16,000 for the first time ever!

It's hard to believe that five years ago right now we were in the middle of economic and market-related chaos, on our way to the low of March 9, 2009. We still have a long way to go on several fronts, and new records on the Dow don't mean that all is well, but today is a noteworthy mile-marker in a long-term game.

Please don't hesitate to call me if you'd like to discuss your investments, the markets, your risk tolerance, or other facets of your financial plans. The recent market gains can provide reason for us to re-evaluate your situation, and determine risk tolerance and suitability going forward.

Thank you for your business!

-jv

November 2013

Dave Ramsey's Endorsed Local Providers

VISION FINANCIAL ADVISORY CORP
DELIVERING FINANCIAL CLARITY

When Is Market Volatility Most Dangerous?

Though a market downturn generally isn't fun for most people, its timing can have a greater impact on some investors than on others. For example, a market downturn can have greater significance for retirees than for those who are still accumulating assets. And it has the most impact if it occurs early in retirement. Why? Because of something known as the "sequence of returns"--basically, the order in which events affect a portfolio.

For retirees, timing is everything

To understand the importance of the sequence of returns, let's look at two hypothetical retirees, both of whom start retirement with a $200,000 portfolio. Each year on January 1, Jim withdraws $10,000 for living expenses; so does Pam. During the first 10 years, each earns an average annualized 6% return (though the actual yearly returns fluctuate), and both experience a 3-year bear market. With the same average annual returns, the same withdrawals, and the same bear market, both should end up with the same balance, right?

They don't, and here's why: though both portfolios earned the same annual returns, the order in which those returns were received was reversed. The 3-year decline hit Jim in the first 3 years; Pam went through the bear market at the end of her 10 years.

	Jim's Return	Jim's Balance	Pam's Return	Pam's Balance
Year 1	-5%	$180,500	15%	$218,500
Year 2	-2%	$167,090	12%	$233,520
Year 3	-1%	$155,519	14%	$254,813
Year 4	3%	$149,885	8%	$264,398
Year 5	7%	$149,677	9%	$277,294
Year 6	9%	$152,247	7%	$286,004
Year 7	8%	$153,627	3%	$284,284
Year 8	14%	$163,735	-1%	$271,541
Year 9	12%	$172,183	-2%	$256,311
Year 10	15%	$186,511	-5%	$233,995

As you can see, Pam's account balance at the end of 10 years is more than $47,000 higher than Jim's. That means that even if both portfolios earned no return at all in the future, Pam would be able to continue to withdraw her $10,000 a year for almost 5 years longer than Jim. This is a hypothetical example for illustrative purposes only, of course, and doesn't represent the results of any actual investment, but it demonstrates the timing challenge new retirees can face.

Weighing income and longevity

If you're in or near retirement, you have to think both short-term and long-term. You need to consider not only your own longevity, but also whether your portfolio will last as long as you do. To do that requires balancing portfolio longevity with the need for immediate income.

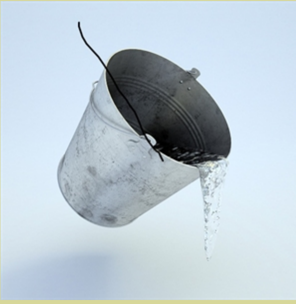
The math involved in the sequence of returns dictates that if you're either withdrawing money from your portfolio or about to start, you'll want to pay especially close attention to the level of risk you face. After the 2008 market crash, many individual investors fled equities and invested instead in bonds. Along with actions by the Federal Reserve, that demand helped push interest rates to all-time lows.

However, when interest rates begin to rise, investors will face falling bond prices. And yet if you avoid both stocks and bonds entirely, current super-low interest rates might not provide enough income. Achieving the right combination of safety, income, and growth is one of the key tasks of retirement investing.

Seeking balance

You obviously can't control the timing of a market downturn, but you might have some control over its long-term impact on your portfolio. If your timing is flexible and you're unlucky enough to get hit with a downturn at the wrong time, you might consider postponing retirement until the worst has passed. Any additional earnings obviously will help rebuild your portfolio, while postponing withdrawals might help soften any impact from an unfortunate sequence of returns. And reducing withdrawal amounts, especially in the early retirement years, also could help your portfolio heal more quickly.

Buckets of Money: A Retirement Income Strategy



Even with a bucket strategy, you'll probably also need to determine a sustainable withdrawal rate that lets you know roughly how much of your portfolio you can withdraw each year while preserving its longevity.

Don't forget that all investing involves risk, including the possible loss of some or all of your principal, and there can be no guarantee that any strategy will be successful.

Some retirees are able to live solely on the earnings that their investment portfolios produce, but most also have to figure out how to draw down their principal over time. Even if you've calculated how much you can withdraw from your savings each year, market volatility can present a special challenge when you know you'll need that nest egg to supply income for many years to come.

When you were saving for retirement, you may have pursued an asset allocation strategy that balanced your needs for growth, income, and safety. You can take a similar multi-pronged approach to turning your nest egg into ongoing income. One way to do this is sometimes called the "bucket" strategy. This involves creating multiple pools of money; each pool, or "bucket," is invested depending on when you'll need the money, and may have its own asset allocation.

Buckets for your "bucket list"

When you're retired, your top priority is to make sure you have enough money to pay your bills, including a few unexpected expenses. That's money you need to be able to access easily and reliably, without worrying about whether the money will be there when you need it. Estimate your expenses over the next one to five years and set aside that total amount as your first "bucket." Safety is your priority for this money, so it would generally be invested in extremely conservative investments, such as bank certificates of deposit, Treasury bills, a money market fund, or maybe even a short-term bond fund. You won't earn much if any income on this money, but you're unlikely to suffer much loss, either, and earnings aren't the purpose of your first bucket. Your circumstances will determine the investment mix and the number of years it's designed to supply; for example, some people prefer to set aside only two or three years of living expenses.

This bucket can give you some peace of mind during periods of market volatility, since it might help reduce the need to sell investments at an inopportune time. However, remember that unlike a bank account or Treasury bill, a money market fund is neither insured nor guaranteed by the Federal Deposit Insurance Corp.; a money market attempts to maintain a stable $1 per share price, but there is no guarantee it will always do so. And though a short-term bond fund's value is relatively stable compared to many other funds, it may still fluctuate.

Refilling the bucket

As this first bucket is depleted over time, it must be replenished. This is the purpose of your second bucket, which is designed to produce income that can replace what you take from the first. This bucket has a longer time horizon than your first bucket, which may allow you to take on somewhat more risk in pursuing the potential for higher returns. With interest rates at historic lows, you might need some combination of fixed-income investments, such as intermediate-term bonds or an income annuity, and other instruments that also offer income potential, such as dividend-paying stocks.

With your first bucket, the damage inflation can do is limited, since your time frame is fairly short. However, your second bucket must take inflation into account. It has to be able to replace the money you take out of your first bucket, plus cover any cost increases caused by inflation. To do that, you may need to take on somewhat more risk. The value of this bucket is likely to fluctuate more than that of the first bucket, but since it has a longer time horizon, you may have more flexibility to adjust to any market surprises.

Going back to the well

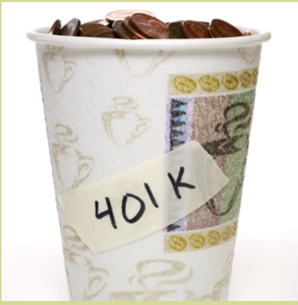
The primary function of your third bucket is to provide long-term growth that will enable you to keep refilling the first two. The longer you expect to live, the more you need to think about inflation; without a growth component in your portfolio, you may be shortening your nest egg's life span. To fight the long-term effects of inflation, you'll need investments that may see price swings but that offer the most potential to increase the value of your overall portfolio. You'll want this money to grow enough to not only combat inflation but also to increase your portfolio's chances of lasting as long as you need it to. And if you hope to leave an estate for your heirs, this bucket could help you provide it.

How many buckets do I need?

This is only one example of a bucket strategy. You might prefer to have only two buckets--one for living expenses, the other to replenish it--or other buckets to address specific goals. Can you accomplish the same results without designating buckets? Probably. But a bucket approach helps clarify the various needs that your retirement portfolio must fill, and how various specific investments can address them.

Note: *Before investing in a mutual fund, carefully consider its investment objectives, risks, fees, and expenses, which can be found in the prospectus available from the fund. Read it carefully before investing.*

Should You Roll Your 401(k) to an IRA?



***Certain investments may not be right for everyone, and some may have adverse tax consequences, so be sure to consult your financial professional.**

If you're entitled to a distribution from your 401(k) plan (for example, because you've left your job, or you've reached age 59½), and it's rollover-eligible, you may be faced with a choice. Should you take the distribution and roll the funds over to an IRA, or should you leave your money where it is?

Across the universe

In contrast to a 401(k) plan, where your investment options are limited to those selected by your employer (typically mutual funds or employer stock), the universe of IRA investments is virtually unlimited. For example, in addition to the usual IRA mainstays (stocks, bonds, mutual funds, and CDs), an IRA can invest in real estate, options, limited partnership interests, or anything else the law (and your IRA trustee/custodian) allows.*

You can move your money among the various investments offered by your IRA trustee, and divide up your balance among as many of those investments as you want. You can also freely move your IRA dollars among different IRA trustees/custodians--there's no limit on how many direct, trustee-to-trustee IRA transfers you can do in a year. This gives you the flexibility to change trustees as often as you like if you're dissatisfied with investment performance or customer service. It also allows you to have IRA accounts with more than one institution for added diversification.

However, while IRAs typically provide more investment choices than a 401(k) plan, there may be certain investment opportunities in your employer's plan that you cannot replicate with an IRA. And also be sure to compare any fees and expenses.

Take it easy

The distribution options available to you and your beneficiaries in a 401(k) plan are typically limited. And some plans require that distributions start if you've reached the plan's normal retirement age (often age 65), even if you don't yet need the funds.

With an IRA, the timing and amount of distributions is generally at your discretion. While you'll need to start taking required minimum distributions (RMDs) from your IRA after you reach age 70½ (and your beneficiary will need to take RMDs after you die), those payments can generally be spread over your (and your beneficiary's) lifetime. (You aren't required to take any distributions from a Roth IRA during your lifetime, but your beneficiary must take RMDs after your death.) A rollover to an IRA may let you and your beneficiary stretch distributions out over the maximum period the law permits, letting your nest egg enjoy the benefits of tax deferral as long as possible.

The RMD rules also apply to 401(k) plans--but a special rule allows you to postpone taking distributions until you retire if you work beyond age 70½. (You also must own no more than 5% of the company.) This deferral opportunity is not available for IRAs.

***Note:** Distributions from 401(k)s and IRAs may be subject to federal income tax, and a 10% early distribution penalty (unless an exception applies). (Special rules apply to Roth 401(k)s and Roth IRAs.)*

Gimme shelter

Your 401(k) plan may offer better creditor protection than an IRA. Assets in most 401(k) plans receive virtually unlimited protection from creditors under a federal law known as ERISA. Your creditors cannot attach your plan funds to satisfy any of your debts and obligations, regardless of whether you've declared bankruptcy. (Note: individual (solo) 401(k) plans and certain church plans are not covered by ERISA.)

In contrast, traditional and Roth IRAs are generally protected under federal law only if you declare bankruptcy. Federal law currently protects your total IRA assets up to $1,245,475 (as of April 1, 2013)--plus any amount you roll over from your 401(k) plan. Any creditor protection your IRA may receive in cases outside of bankruptcy will generally depend on the laws of your particular state. If you're concerned about asset protection, be sure to seek the assistance of a qualified professional.

Let's stay together

Another reason to roll your 401(k) funds over to an IRA is to consolidate your retirement assets. This may make it easier for you to monitor your investments and your beneficiary designations, and to make desired changes. However, make sure you understand how Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) limits apply if you keep all your IRA funds in one financial institution.

Fools rush in

- While some 401(k) plans provide an annuity option, most still don't. By rolling your 401(k) assets over to an IRA annuity, you can annuitize all or part of your 401(k) dollars.
- Many 401(k) plans have loan provisions, but you can't borrow from an IRA. You can only access the money in an IRA by taking a distribution, which may be subject to income tax and penalties.

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Will interest rates rise this year?

The Fed hasn't yet raised its target interest rate from less than 0.25%, and it has promised not to do so before unemployment reaches roughly 6.5%, which it doesn't expect to happen until next year. However, some interest rates have already begun to go up. For example, according to Freddie Mac, the average interest rate on a 30-year fixed-rate mortgage shot above 4% last June for the first time since late 2011, hitting its highest level in almost 2 years. In the same month, the yield on the 10-year Treasury bond went above 2.5% for the first time since August 2011.

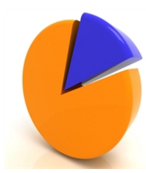
Why are interest rates rising even though the Fed's target rate hasn't? Because bond investors are concerned that higher interest rates in the future will hurt the value of bonds that pay today's lower rates. Immediately after the Fed's June announcement, investors began pulling money out of bond mutual funds in droves, reversing a multiyear trend. If there's less demand for bonds, yields have to rise to attract investors.

Aside from bonds, why are investors concerned about a possible Fed rate hike? Bonds aren't the only financial asset that can be affected by potential future interest rate changes. Dividend-paying stocks with hefty yields have benefitted in recent years; more competitive bond yields could start to reverse that dynamic. Shares of preferred stock typically behave much like those of bonds, since their dividend payments also are fixed; their values could be affected as well.

Also, higher mortgage rates could potentially slow the housing market recovery, though historically they remain at relatively low levels. And if a Fed rate increase were to bring on higher interest rates abroad, that could create even more problems in countries already struggling with sovereign debt--problems that have provoked global market volatility in the past.

The Fed has said any hikes in its target rate will occur only if the economy seems strong enough. If higher rates seem likely to halt the recovery, the Fed could postpone a rate hike even longer. It also will take other measures before raising rates. Even though the timing and size of any Fed action is uncertain, it's best to be aware of its potential impact.

What is asset allocation?



Each type of investment has specific strengths and weaknesses that enable it to play a specific role in your overall investing strategy. Some investments may offer growth potential. Others may provide regular income or relative safety, or simply serve as a temporary place to park your money. And some investments may even serve to fill more than one role. Because you likely have multiple needs and desires, you probably need some combination of investment types, or asset classes.

Balancing how much of each asset class should be included in your portfolio is a critical task. That balance between growth, income, and safety is called your asset allocation, and it can help you manage the level and types of risks you face.

The combination of investments you choose can be as important as your specific investments. Your mix of various asset classes, such as stocks, bonds, and cash alternatives, generally accounts for most of the ups and downs of your portfolio's returns.

Ideally, your portfolio should have an overall combination of investments that minimizes the risk you take in trying to achieve a targeted rate of return. This often means balancing more conservative investments against others that are designed to provide a higher potential return but that also involve more risk. However, asset allocation doesn't guarantee a profit or eliminate the possibility of investment losses.

Someone living on a fixed income, whose priority is having a regular stream of money coming in, will probably need a very different asset allocation than a young, well-to-do working professional whose priority is saving for a retirement that's 30 years away. Even if two people are the same age and have similar incomes, they may have very different needs and goals, and your asset allocation should be tailored to your unique circumstances.

And remember, even if your asset allocation was right for you when you chose it, it may not be right for you now. It should change as your circumstances do and as new ways to invest are introduced. A piece of clothing you wore 10 years ago may not fit now; you just might need to update your asset allocation, too.

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