



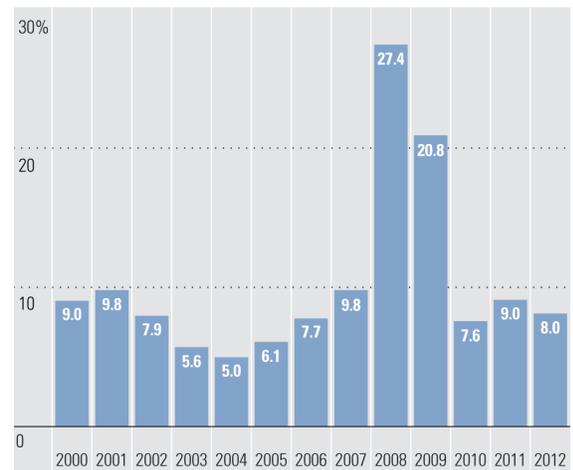
MITCHELL MCLEOD PUGH & WILLIAMS INVESTMENT ADVISER

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Dividend Income: Not So Fixed

Since interest rates are still relatively low right now, many investors looking for income and yield have begun to assess switching a portion of their investment allocation from bonds into dividend-paying stocks. However, it is important to remember that the interest payment of a bond is a contractual obligation of the company, whereas dividend payments are not. If a bond issuer does not pay either interest or principal on time, the company will be in default, and likely will be placed into bankruptcy. However, dividend payments are not a contractual obligation of a company and can be either cut or raised by its board of directors at will. When times are tough, companies may cut dividends to conserve cash, such as during the 2008 credit crisis. Conversely, when times are good, companies may increase their dividend payments, providing investors with additional upside.

Percentage of Companies That Cut Dividends



Source: Morningstar analysis. This is for illustrative purposes only and not indicative of any investment. Past performance is no guarantee of future results. Returns and principal invested in stocks are not guaranteed, and stocks have been more volatile than bonds. Dividends are not guaranteed and are paid solely at a company's discretion. Percentage of companies that cut dividends is calculated for listed companies on NYSE, NASDAQ, and NYSE AMEX.



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Mitchell McLeod Pugh & Williams, Inc. - Estate Planning Tasks

Each year at this time, individuals review their financial records in preparation for April 15th. It is also an opportune time to review various estate planning issues and ensure that key decisions you may have made in the past remain current and up-to-date. Page 3 of this newsletter contains an article that outlines some of these relevant items to review. We suggest that you pay particular attention to the task of

updating your beneficiary designations. Many people are unaware that 401(k) and IRA beneficiary forms that were completed years before will dictate how those assets are distributed to their heirs even if those forms are contradicted subsequently by the terms of a new will. The obvious risk is that life events may have changed how you wish your retirement assets to be distributed. Without

a periodic review, you may not realize that these old designations are in direct contrast with your current choice of beneficiaries. April is a good time for such a review.

Monthly Market Commentary

So far, it's been a chilly spring for the economy. Growth in most U.S. metrics has been slow for three months or longer. Some of that stagnation is weather-related, but certainly not all. Factors such as the government shutdown and budget settlement, major inventory build-ups, and higher interest rates have all been negatives for recent economic activity.

Federal Reserve News: The Federal Reserve policy statement, economic forecast, and press conference on March 18-19 didn't really tell markets much that they didn't already know. Much emphasis was placed on Fed Chairwoman Janet Yellen's comment that rates could begin to be raised as soon as six months after the bond-buying program was completely wrapped up. Irrespective of when, one thing's for certain: rates are going higher and investors will have to learn to live with it. However, unless the economy picks up a little steam soon, the Fed may not feel nearly as aggressive a month or two from now.

Housing: Existing-home sales fell from an annualized 4.62 million units in January to 4.6 million units in February. That is after a giant swoon between July 2013, when existing-home sales peaked at 5.38 million units, and the most recent 4.6 million level. A drop of 14% in unit sales in the middle of a recovery is more than a little disconcerting. In terms of total dollar values transacted, the market is down 20% from its July peak. Similar to the existing-home data, monthly housing starts changed little from January to February after several months of decline, perhaps indicating that the bottom is in, which would be a welcome relief. Data for housing permits looked better, but most of the improvement came from multifamily homes, which tend to be less expensive and add less to GDP growth.

Inflation: The headline inflation number for consumers looked great on a top-line basis. Month-to-month prices were up just 0.1%, and an amazingly low 1.1% when comparing February of this year with February of last year. However, the categories that were up are truly important to consumers. Grocery prices were up 0.5%, airline fares 1.3%, and drugs 0.9% after showing almost no growth in 2013. Holding back price increases was gasoline (down

1.7%). That was a bit of a mirage, though, as bad weather delayed normal refinery shutdowns from February to March.

GDP: The estimate of GDP growth in the fourth quarter of 2013 was bumped up modestly from 2.4% to 2.6% at an annualized quarter-over-quarter basis. The more representative full-year growth rate for 2013 was unchanged at 1.9%. Interestingly, both the annualized sequential growth rate and the fourth-quarter-to-fourth-quarter growth rate are now equal, at 2.6%. So it would appear that the economy's true GDP growth rate lies somewhere between the bounds of 1.9% and 2.6%. A meaningful shrinkage in the government sector just about cancelled an unusually large (and not sustainable) increase in exports. Business spending picked up some but not a lot, and residential investment was a net detractor from GDP growth for the first time since 2010.

Quarter-End Insights: The U.S. economic data has shown signs of weakening for the past three months running, despite some real optimism that developed in the fourth quarter of 2013. That optimism was based on the end to the fiscal stalemate in Washington in October, a 4.1% GDP growth rate in the third quarter, and a 3.2% estimated growth rate in the fourth quarter (later revised down to only 2.4%). Sky-high retail sales data that was subsequently revised sharply downward also contributed to economists' bright mood at the end of 2013. However, poor weather seems to have interrupted the upward trajectory. The effects of abnormally cold and snowy weather seem real, but the weather is not the only cause for the recent weakness. Parts of the economy, including the housing sector, were already showing some slowing even before the cold weather arrived.

Five Estate-Planning Tasks That You Shouldn't Put Off

Keeping tabs on the estate-planning rules during the past few years has been a little like watching Olympic-level table tennis: The action moves quickly, and it's difficult to keep up. However, no matter how laws and rules change, there are a few basic tasks that are actually pretty evergreen and that everyone should execute. Five such estate-planning to-dos are outlined below.

1) Update Beneficiary Designations. Even people who have never set foot in an attorney's office may have laid the groundwork for an estate plan if they filled out beneficiary designation forms for their financial accounts. Those designations, in fact, trump other estate-planning documents when it comes to distributing assets, so it's worthwhile to periodically review them to make sure they're up-to-date with your current situation—if you've gotten married or divorced, for example. (How would your spouse feel if you inadvertently left your 401(k) account to your brother?) People who have drafted estate-planning documents such as wills should ask their attorneys to help them review beneficiary designations to ensure that they sync up with other estate-planning documents.

2) Designate Legal Guardians. Parents of young children should designate legal guardians who will look after their children if the parents should die or otherwise be unable to care for their minor children. It is important to focus the discussion on actual child-rearing abilities and willingness to do the job. What is not helpful is to get hung up on hurting anyone's feelings or bypassing friends or family members who might expect to be guardians but aren't the best choice. Most importantly, a guardian should be willing and able (emotionally and financially) to take care of your children if the need arises, so an essential step is to discuss the responsibilities with the potential guardian beforehand.

3) Create a Living Will and Last Will and Testament. A living will tells your health-care providers and your loved ones how you would like to be cared for if you should become terminally ill and unable to express your wishes yourself. It is called a "medical directive" in some states. This document details your views

toward life-support equipment. Not to be confused with a living will, a last will and testament details how you'd like your assets and possessions distributed after your death.

4) Draft Powers of Attorney. A basic estate plan should also address what would happen to your affairs if you are still living but incapacitated. A power of attorney is a document that specifies who will handle your affairs if you are unable to do so. You'll need to draft two separate documents: one that names your power of attorney for health-care decisions and another for financial matters (often called a durable power of attorney). The person you entrust with your power of attorney for health care will, ideally, live in close geographic proximity to you. The person you name on your durable power of attorney form should be detail-oriented and comfortable with financial matters.

5) Name an Executor. Your executor will gather all of your assets after you're gone and make sure they are distributed in accordance with your will. Ideally, your executor will be someone who's comfortable with numbers and good with details, and will also be able to find the time to work on your estate. It's common to name family members as executors, but in more complicated situations it might be preferable to use a professional, such as a bank trust officer, to serve as your executor. It's a good idea to tell your executor that you've named him or her, and also provide details on how to obtain access to important documents, such as your will and a master directory detailing all of your accounts.

This information is for informational purposes only and should not be considered as legal or financial planning advice. Please consult a legal and/or financial professional for advice specific to your individual circumstances.

Quick Facts: Retirement

1. According to Aon Hewitt's "The Real Deal" 2012 study, an average full-career contributing employee needs 11.0 times pay at age 65, after Social Security, to expect to have sufficient assets to last through retirement. For example, if your salary is \$80,000, you will need to have accumulated \$880,000 by the time you're 65 and ready to retire.

2. In reality, the same employee is expected to have only 8.8 times pay in resources at retirement, which translates into a 2.2 times pay shortfall. To reuse the example above, this means you'd be \$176,000 short.

3. The 2013 Transamerica Retirement Survey found that the percentage of participants who have taken a loan from their 401(k) plan has increased from 16% in 2008/2009 to 21% in 2012, then slightly decreased to 17% in 2013.

4. Wells Fargo conducted a survey of 1,000 middle-class Americans. The study shows that across middle class members of all generations, only 24% are confident in the stock market as a place to invest for retirement. The apprehension about the market is stronger for those age 25 to 29, with 56% expressing fear of losing their nest egg. When asked if given \$5,000 for retirement where they would invest, 58% of those age 25 to 29 said they would invest in a savings account/CD.

5. Only 18% of workers are very confident they will have enough money to live comfortably in retirement (according to the EBRI 2014 Retirement Confidence Survey).

Sources: Aon Hewitt's "The Real Deal: 2012 Retirement Income Adequacy at Large Companies." "14th Annual Transamerica Retirement Survey of American Workers," Transamerica Center for Retirement Studies, July 2013. Wells Fargo news release, "Middle Class Americans Face a Retirement Shutdown," October 2013.

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