GRINKMEYER AND LEONARD
WEALTH MANAGEMENT

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The New Conservative

2013 was a banner year for the equity market with the S&P 500, the broad measure of the overall stock market, up 32.39% as of December 31, 2013.. However, the bond market as measured by the Barclays Capital Aggregate Bond index was down -2.03 for the year ending December 31, 2013.. This bull run in the market coupled with the sluggish returns of the overall bond market has caused investors to reevaluate portfolios in light of performance and risk management. Before you make the jump into the equity market, we would encourage you to take a hard look at your individual risk tolerance and goals for your retirement account.

Understanding the Bond Market

Bonds are subject to availability and market conditions. Generally, the bond market is volatile, bond prices rise when interest rates fall and vice versa. Market risk is a consideration if sold or redeemed prior to maturity. Some bonds have call features that may impact income. Corporate bonds contain elements of both interest-rate risk and credit risk. Government bonds are guaranteed only as to timely payment of principal and interest and does not eliminate market risk. Additionally, investors typically look to bonds to produce possible income. Investment-grade fixed income generally do not offer the opportunity for significant capital gain, but rather produce a regular stream of income that can increase total return. Finally, historically bonds have had a low correlation with stock market performance. To clarify, the bond market and the stock market typically move independently of one another.

Don't Go By Name Alone

Given the perceived strength of the equity market and the challenges that have plagued the bond market this year, investment managers have rethought their market allocation; in some cases causing the investments they manage to move up the ladder in risk tolerance. To explain, just because your investment has "Income" or "Conservative" in its name, it does not necessarily mean that the manager running the investment is truly acting in a conservative manner. Due to the potential increase in equity exposure, a once conservative investment could now be a moderately conservative or even a moderate investment when it comes to risk tolerance.

The Importance of Asset Allocation

If you are a very conservative investor and have been scared away by the negative returns of the bond market this year, you may have turned to the money market option in your plan. However, be mindful of the fact that the Lipper Money Market Average year-to-date is a return of 0.02% and inflation as reported by the government year over year averages 3.21%; therefore, if your portfolio is 100% allocated to a money market, you could be losing over 3% annually to inflation. So where do you go from here? We recommend a balanced portfolio based on your individual risk tolerance and years until retirement.

<u>Need Assistance In Navigating the New Conservative Landscape?</u>
As the Financial Advisors who help represent the participants in your company's retirement plan, we're here to help start or enhance your road to retirement! If you'd like to learn more about how Grinkmeyer & Leonard Wealth Management can help you, contact us today or visit us online at **www.retirementplanready.com** .

All indices are unmanaged and investors cannot actually invest directly into an index. Unlike investments, indices do not incur management fees, charges, or expenses. Past performance does not guarantee future results.

Grinkmeyer & Leonard Wealth Management

Grinkmeyer & Leonard Wealth Management
1950 Stonegate Drive / Suite 275 / Birmingham, AL 35242
Office 205.970.9088 / Toll Free 866.695.5162 / www.retirementplanpros.com