

## MARKET INSIGHTS

Year-to-date 2013  
As of 9/30/13



Balanced investing continues to provide good long-term returns.



## Pathway for Success with your 401k Account

Safe and secure retirements will be funded primarily by 401ks for most individuals. When I work with retirement plan participants, they are often confused about which funds they should select for their plan. For the investor who tries to do this himself, it can be difficult to create a well-balanced portfolio. This can cause the return on their 401k account to lag behind the market, resulting in their retirement nest egg being smaller than anticipated. In fact, a recent study from the Center for Retirement Research at Boston College confirmed that employees consistently make poor choices regarding their investment allocations. The study also found that roughly 50% of plans do not provide sufficient categories of investments to their participants (in order to achieve proper diversification).



Dave Verbeke,  
Investment Advisor

In order to combat this problem, many of our clients have asked us to manage their 401k accounts. Webb Financial Group recently formed a relationship with **Pathway Strategic Advisors** that allows us to manage our clients' 401k accounts by using the self-directed brokerage account (SDBA) option in their plan. SDBAs offer the same benefits you will find with traditional 401ks, but these allow for more personal control and more investment options. Pathway opens the door to the ideal fund mix based on your age, risk preference, and financial situation. The portfolio consists of no load, low cost mutual funds and exchange traded funds (ETFs). Most of the time, these funds have lower costs than the core funds offered in the plan. We can work with you to complete the **Pathway Portfolio Selection Questionnaire** to determine which of the six models best fits your situation. Pathway creates and monitors the models, rebalancing accounts when needed to maintain the proper investment mix. This is the same process that we use here at Webb to manage our clients' IRA and personal accounts.

The Pathway option is available on 401k plans administered by **Fidelity**, **Schwab**, **TD Ameritrade**, and **AON Hewitt**. The 401k plan must also have a SDBA option. Many of the area's larger employers (such as 3M, General Mills, and United Healthcare) offer SDBA in their plan. Your advisor can work with you to get this option set up in your 401k account. We are very excited about this new partnership. Pathway allows us to help you achieve your goal of a safe and secure retirement, as we now have a more efficient and effective tool to help you manage this important asset. Please contact your advisor for more details, and to see if your 401k is eligible for this great option.



## S&P500

Over the past fifteen years, the **S&P500** beat the annual performance of a diversified portfolio over 50% of the time. However, the diversified portfolio ended up with an annualized return of 7.95% versus a 4.39% annualized return for the **S&P500**. Why the big difference? When the **S&P500** has negative returns, they can be nasty. A diversified portfolio, on the other hand, minimizes the magnitude of negative returns, as our clients personally witnessed in their Webb managed portfolios in both 2007 and 2008.

STANDARD  
& POOR'S **500**



### Attention Snowbirds:

Be sure to call us with your winter address so you are able to receive your mail during the winter months.

**Webb Financial Group** provides comprehensive wealth management solutions to individuals and businesses. For over thirty years, we have helped our clients achieve financial security.

Jerry Webb, CFP® & Chairman  
Michael Bischoff, CFP® & COO  
Gary Webb, RFC® & CEO  
Dave Verbeke, Investment Advisor  
Crystal Enderson, Financial Advisor  
Michelle Brennan, RP®

## What is going on with Bonds?

What has been happening to bond prices and what will happen when the Fed raises rates?

On May 22nd, the Federal Reserve stated that they might scale back their large bond purchases. That comment caused fixed income prices to drop significantly, as this was viewed as a sign that the economy was strengthening and interest rates would climb. Stocks and commodities also dropped in value, but stocks have since claimed new-high territory whereas bonds continue to suffer. It could be a while before bonds are in favor again, simply because the cycle has to run its course. The last bond cycle lasted almost fifteen years and stocks suffered for much of that period. Thankfully, stocks have been moving up since March of 2009.

So does this mean we should bail out of bonds now? Do we bail out of them later when rates actually rise? History has shown that, in past periods of rising rates (1977-1981 and 2002-2006), bonds performed pretty well. Although most of the non-bond asset classes outperformed the bond indexes during these two periods, the whole point of a diversified portfolio is to blend a variety of asset classes that have different characteristics and return patterns - thus creating balance and lower volatility. Bonds have therefore helped portfolio performance over the past several years. The bonds held in client portfolios are bonds which tend to be less sensitive to interest rate changes. We recently re-allocated a portion of the bonds held in client portfolios to stocks.

In summary, there is nothing more that needs to be done with the bond allocation currently held in client portfolios. That bond exposure will be needed again - when stocks pull back at some point. Staying diversified and sticking to the plan is the most important lesson that can be learned from all of this, especially after going through all of the market volatility we have all experienced in the past thirteen years!



Gary Webb RFC®

## Financial Advisor

We are very excited to announce the promotion of Crystal Enderson to Financial Advisor. Crystal has been with Webb Financial Group since 2001 in various positions including insurance, compliance officer, operations, accounting, assisting financial advisors, and office manager. For the past eight years, her focus has been working with individuals and businesses, assisting them with their insurance needs. She will still be working with clients on their insurance needs as part of her new position.

Crystal came to Webb Financial with a strong human resources management background. For 17 years she worked for a college, a large insurance corporation, and a national corporation where she managed human resources, payroll and benefits. She has strong organizational, communication, and analytical skills.

Crystal is currently in college and plans to work on her Financial Planning Certification after she graduates in June, 2014. She will work closely with current and new clients - developing strong long-term relationships. Please join us in congratulating Crystal in her new position as a Financial Advisor.

Gary & Mike



Crystal Enderson