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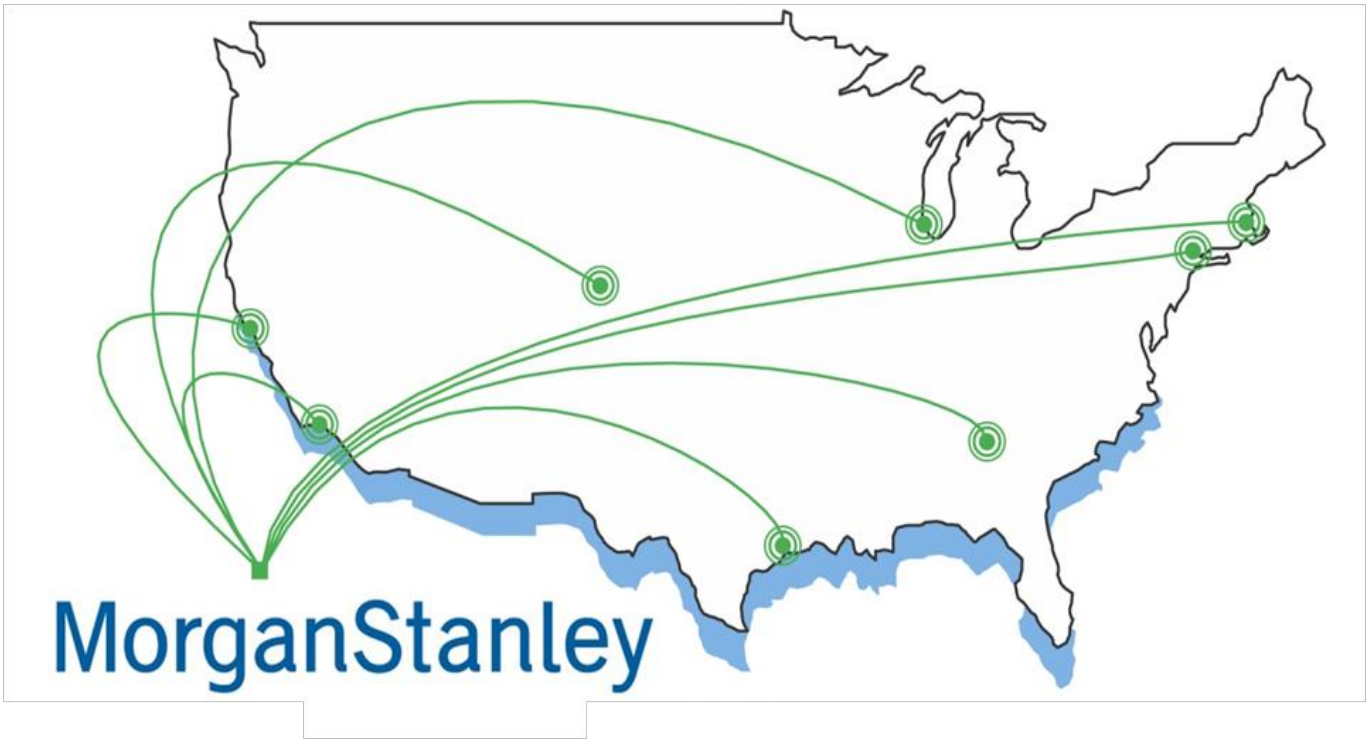

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Unique challenges for women investors

BY SHELLEY FORD, MSWM Financial Advisor — Vail, CO

Due to a number of gender-based challenges, women may be playing catch-up when it comes to investing for retirement and other long-term financial goals.

Women continue to represent a growing share of household income. More than one-third of married women earn more than their husbands and 40% of women with children are the primary breadwinners in their families.

But even high net worth women cannot escape the gender-based challenges that may hinder their ability to ensure financial security in their later years. Consider the following factors affecting women as they invest for long-term financial goals such as retirement.

The Gender Gap–a Reality Check

- Income: Women who worked full-time and on salary earned $0.82 for every dollar men earned in 2012 – a considerable difference over the course of a lifetime. The disparity was widest for workers aged 45 to 54 years ($0.75 on the dollar) and narrowest for those aged 25 to 34 years.
- Employment: Women typically spend more years out of the workforce to care for family members. Studies estimate that 3 out of 4 informal caregivers are women, many of whom are

middle-aged mothers who have cut back on their work hours, quit their jobs, or taken a leave of absence. Since traditional pension plans and Social Security benefits are generally determined by years of service, leaving work for periods of time often means lower retirement benefits.

- Retirement Income: The average annual pension benefit of women aged 65 and over is $13,225, compared with $20,434 for the average 65-year-old man.5 Furthermore; only 29.2% of women over 65 receive pension benefits at all.
- Social Security: On average, a retired female worker received an average monthly Social Security benefit of $1,134 during December 2013, compared with $1,451 for the average retired male. This 22% differential has held steady for the past five years.
- Longevity: Women tend to outlive men by about five years, and life expectancies continue to rise.8 In addition, according to U.S. Census Bureau data from 2012, women age 65 and over were three times as likely as men of the same age to be widowed (37% compared with 12%), and nearly three-quarters (73%) of women aged 85 and over were widowed, compared with 36% of men.

What does this mean to you? Simply that all women — whether single, married, divorced or widowed — should make investing for long-term financial goals a lifelong endeavor.

12 / 11 / 2014

Interview with Todd Hauer

Boulder, CO

Host: All right, welcome back. You are listening to "Winning on Wall Street." And I would like to introduce Todd Hauer. Todd is our guest today. Morgan Stanley, one of the top wealth managers in the country, right here in Denver, Colorado. Todd Hauer, welcome to the show.

Todd Hauer, Morgan Stanley Wealth Management: Nice to be back with you.

Host: All right. So, this market is like – I know you a long-term player. And therefore, the short-term fluctuation probably is just noise. But, you know, this market's crazy. What do you think?

Todd Hauer: Well, you're right. We do tend to take a longer-term view with a lot of the recommendations that we make, but we also understand that there's a tactical or shorter-term component as well. And you know our view is that you look at the October correction and then what we saw yesterday as being pretty typical pullbacks in an ongoing bull market.

In my view, the things that are typically present at the top of a market – I mean, a market that's rated ahead for a prolonged downturn, you typically have interests rates that have been rising for an extended period of time.

You typically have excessive optimism in the market. You typically have excessive evaluations. And in

our view none of those are really present. So yeah, I think our view is a typical corrections in an ongoing bull market.

Host: Cool. And now you had a lot of information around the OPEC oil and good deflation. What are you guys talking about?

Todd Hauer: So lately, kind of what's been center-focused in the markets and the media has been what's going on in the energy sector. Oil prices are off something 40 percent since June. And so you've seen the energy sector get hit very, very hard. Higher quality names held up a little bit better, but energy sector's the worst performing sector year to date and over the last 12 months, no surprise.

So thought we'd maybe share with you and your listeners some of the talking points that we're sharing with our clients. And you know our view is that the long-run deflation fears are misplaced. This is more of a supply-side shock as opposed to demand falling off due to weakness globally, and that should support good inflation. Good inflation – if there is such a thing, good inflation, at least for stocks, stocks like a low level of inflation.

They certainly hate deflation, as Japan can tell you all about. And they don't tolerate real high rates for inflation, either. And so our view is that with a moderate inflation that gives the central bankers here and abroad more flexibility to stay loose with money probably for longer because of the lack of fear of inflationary pressures, especially from energy.

Host: Hmm. Interesting. How about foreign? You know countries like Russia, or Brazil. They're really in trouble, right?

Todd Hauer: Yeah, you know, obviously, Russia's got a whole set of unique circumstances with all the economic sanctions there. And obviously, their markets have reacted pretty violently to the downside this year. I think they're attempting to raise rates there to protect the currency. I think it's had very mixed results.

But you know, those are markets, obviously, that are difficult to gauge just because of the extraordinary things that are happening politically in addition to the economics of the energy sector. So yeah, those are probably markets that are not for the faint of heart.

Host: Well, let me just read this headline to you. The headline says, “Is Oil Threatening the Recovery?” Is the low price of oil threatening the recovery? And I know in your deal you talk about it's a good thing that fears are overblown, and the new lower level will be very bullish. Could you talk about that?

Todd Hauer: Sure. So on balance, I'm sure if you're in the energy sector you would disagree with that statement. But our thesis is that on balance over all, lower energy prices are going to be a good thing for the economy. In the near-term for the energy sector, obviously, they're going to have to adjust.

But on balance, the lower energy prices should drive positive developments over the next several years. You're seeing a little bit of it in the retail sales figures. And some of the other sectors in the economy should benefit from this.

Again, the important point to distinguish here is that this is a supply-driven event, not demand. So it's not necessarily a demand is dropping off because of lower activity. What's really happening here is a couple of things. You've seen some of the countries that were pretty unstable in the Middle East notably Libya and Iraq, they've maintained production despite all the problems that they're having there politically.

And more importantly, here in the US we're now pumping 9 million barrels a day. That's up from 5.3 just 4 years ago. So the reason that we feel that you're seeing a lot of the energy price weaknesses due to supply not to demand, we would be more concerned if it was demand driven as opposed to supply.

Host: Now as a wealth manager, have you been moving – I know you've been talking about this – moving people out of bonds into the market? And what sector of the market are you moving your clients into?

Todd Hauer: Yeah, so, good point. You know, there's a pretty – 30-year Treasury auction today was quite strong. So now we're dealing with yields that, again, are very, very low. And what that means to bond investors is – particularly Treasury investors – is that there are priced for perfection. And small moves up in interest rates, because we're coming off of such a low interest rate, are going to have pretty outsized impacts negatively – if we see higher interest rates – negatively for bonds.

So look, if you are a bond investor, and you know, I don't care if it's Corporates or Muni's or Treasury, we're telling our clients, look, be short and intermediate in duration. We think that the high-quality bonds like Governments probably have very little room for error.

And so we would look at taking on more credit risk as opposed to interest rate risk. So in other words, moving into Corporates and maybe looking at some high yields. Again, sticking with the theme that hey, we have an economic recovery here taking place and those credits are probably going to do better than long interest rate bets.

Also, I mentioned earlier, energy, worst-performing sector. Health care, best performing sector. So we're encouraging our clients to re-balance here at the end of the year. Take a look at whether it makes

sense to move out of some of the top-performing sectors like utilities, like health care, and take a look at some of the sectors like energy, like financials, that haven't participated meaningfully in this market, and re-balance a little bit here and don't turn a blind eye towards valuations. Look for some opportunities here.

Host: Todd, what did the 30-year yield end up today? I know there was a big auction and it was very successful. Like 2.7 or something?

Todd Hauer: Actually, 30-year closed at 2.81, according to my screen here today. The 10-year's a 2.17. So again, what are you getting compensated for between 10 and 30? Almost nothing. And so there's a lot of risk in that portion of the yield curve in our view. Yeah, you know, we're not in an inverted yield curve yet. And yeah, you're right, typically if you have seen inverted yield curves, it's been highly predictive of recession. We're not there. We do have a very flat yield curve.

Host: Right, right. And now we're in year curve. All right, Todd, if people want to get in touch with you, remember, Todd's a wealth manager, Morgan Stanley, one of the top guys in the country. So if you need your wealth managed, you might want to get in touch with Todd. Where can they get in touch with you?

Todd Hauer: Visiting my website they can find some of the information I talked about today. It's ToddHauer@MorganStanley. If you put that in your favorite browser, it should pop right up. If they prefer to call us, 800-347-5099.

Host: All right, Todd. Have yourself a great week, weekend. Go Broncos. Big game coming up. And thanks for being our guest on “Winning on Wall Street.”

Todd Hauer: Happy Holidays to you.

12 / 18 / 2014

coloradobiz

Shine a year-end spotlight on your finances

BY SHELLEY FORD, MSWM Financial Advisor — Denver, CO

A year-end financial review can be instrumental to your future financial success. However, you may not want to wait until the end of the year to review your financial affairs. Consider doing it during the fall so you'll have ample time to take any corrective action before year's end. Here's a quick look at some of the key issues you should consider when conducting your review.

Review your retirement assets. Whether your retirement is a long way off or right around the corner, it is likely that you'll have to make periodic adjustments to your retirement portfolio. Make sure the investments you've chosen are still an accurate reflection of your risk tolerance and time horizon.

Keep tabs on college funding plans. With college costs reaching astronomical heights, you need to utilize every available college funding resource. Financial aid and scholarships, as well as the Lifetime Learning Credit and Hope Scholarship Credit may help alleviate the college cost crunch. However, aid and tax credits alone generally will not fund your child's college education. Make sure you're saving and investing enough to help meet your goals. At a minimum, take advantage of the tax savings offered through an Education IRA.

Assess your income tax picture. You may be able to reduce your tax burden -- sometimes significantly -- by making strategic tax decisions before the end of the year. Your tax professional can

alert you to any tax planning strategies that might make sense for your situation.

Review critical documents. Because life's circumstances continually change, you should review your legal documents and beneficiary designations every year. This will entail carefully combing through any wills, trusts, retirement plan documents and life insurance policies to make sure they're up-to-date. Seek the assistance of a qualified adviser if any modifications are necessary.

Set goals for next year and beyond. A year-end review is an excellent time to start thinking about next year and setting some long-term goals. Take a close look at your day-to-day finances to see if you can reduce expenses and save more. Then make an honest assessment of which goals are most important to you and then commit to meeting them.

12 / 22 / 2014

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real ASPEN

real VAIL

Give the gift of stock

BY STEPHEN STRIBLING, MSWM Financial Advisor — Denver, CO

From now until the end of the year, you have an opportunity to help reduce estate taxes and provide your loved ones with a more substantial legacy – all through the gift of stocks.

The idea of giving stocks to children and teens this holiday season is an attractive option for some parents and grandparents. Gifting stock is an enduring way to pass on what we have learned about managing and preserving wealth to the next generation. It can teach them a lesson about the markets as well as encouraging children to save while cultivating a responsible approach toward managing money. You may even want to consider using some of the gains to teach them the importance of charitable giving.

When gifting an investment, take the time to explain basic investment types such as cash instruments, stocks and bonds. Make investing interesting by engaging in conversations about companies that provide popular children's products such as toys or clothing. And be sure to explain the powerful concept of compound interest, so children can see in numbers the difference between starting to save early and leaving it until later.

A great way my children were able to understand the importance of finances at an early age was through books that incorporated financial concepts into an interesting storyline. Not only did "The Richest Man in Babylon" and "The Ultimate Gift" offer valuable financial advice, it also addressed important life lessons.

"The Richest Man in Babylon" by George S. Calson tells the story of two penniless friends who seek the knowledge of wealth from their old classmate, the richest man in Babylon. It teaches the lessons of work, savings, investment, risk, retirement savings, annuities and education.

"The Ultimate Gift" by Jim Stovall tells the story of a billionaire that leaves his family a number of profitable businesses after his death, but forbids them to run them. He believed that raising his family by giving them everything they wanted now left them entitled and incapable of work. However despite his great nephew's serious attitude problems and a sense of entitlement, the old man sends him on a quest through a series of prerecorded videos for the ultimate reward. If he completes the quest in a year, he will inherit one billion dollars. The value of work, money, friends, education, strife, family, laughter, dreams, gratitude and more are explored as he struggles through the quest.

My son and daughter read these books at an early age and have reread them over the years. My sincerest hope is that if I ever have grandchildren that my children will give them these two books of knowledge, plus a few shares of a good stock.