



## The Parks Wealth Report for the Week of February 16th, 2015

### **On a Personal Note from Jim Parks...**

I recently had the pleasure of meeting with United States Senator Bob Menendez. Senator Menendez is a member of the Senate Banking and Finance committees. I was joined by several LPL Financial Advisors and we had an opportunity to share our views with the Senator on key issues that are being debated today. These include maintaining income tax incentives for retirement savings, protecting the independent broker/dealer model so individuals can continue to receive objective non-biased advice, and a discussion of the Department of Labor's proposal to modify the ERISA definition of Fiduciary.

He shared the Finance Committee struggles with how they score proposals; the first step is to rank each item as either a cost to the country, a revenue raiser, or revenue neutral. He then questioned the effectiveness of the forecasts of how much a proposal will raise or cost in revenue. The Senator mentioned the Committee's objective is to assist families that have been stuck at the same real income level for some time by searching for ways to governmentally provide better opportunities. A debate certainly could be had if this is a role of private industry or the government.

Senator Menendez was attentive and seemed to enjoy the stories of the work we do with our clients. At the conclusion of the meeting, I asked the Senator, "What are your biggest challenges?"

His reply was not about tax incentives or the US economy, but about his role as a Ranking Member of the Senate Committee on Foreign Affairs. He said reading the daily intelligence reports from this committee keeps him awake at night. His concern is there is a universe of people in the world to who dying is a greater drive than living. He explained these people largely live in poverty and unlike in America, have no opportunity to work hard and to strive towards a better life.

It was an honor to be a small part of the political process.



Sincerely,

James T. Parks, CFP, AEP, AIF

President & Wealth Advisor

[Jim@parkswm.com](mailto:Jim@parkswm.com)



## The Markets

Animal spirits were improving last week, according to Barron's.

The idea of animal spirits was introduced to the dismal science (a.k.a. economics) in the late 1930s, courtesy of John Maynard Keynes. In *The General Theory of Employment, Interest and Money* (a dreary title that surely could have benefitted from an injection of animal spirits), he wrote:

"...a large portion of our positive activities depend on spontaneous optimism rather than on a mathematical expectation, whether moral or hedonistic or economic. Most, probably, of our decisions to do something positive, the full consequences of which will be drawn out over many days to come, can only be taken as the result of animal

spirits - a spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities." In modern times, Keynes' idea blossomed into the field of behavioral economics, the study of human psychology on economic decision-making. One of the animal spirits that influences decision-making is confidence (another is overconfidence) which can drive stock markets higher.

Last week, easing measures by the European Central Bank (ECB), a cease-fire agreement in Ukraine, optimism about negotiations over Greek debt, and better than expected earnings for many companies, helped improve investment sentiment in Europe for the fourth straight month, according to Reuters. Many European markets moved higher.

In the United States, strong fourth quarter earnings, improving oil prices, and good news from Europe helped push markets higher as well. Reuters reported the CBOE Volatility Index (VIX), Wall Street's fear gauge, hit its lowest level for the year on Friday.

<b>Data as of 2/13/15</b>	<b>1-Week</b>	<b>Y-T-D</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Standard & Poor's 500 (Domestic Stocks)	2.0%	1.85%	14.6%	15.8%	13.9%	5.7%
10-year Treasury Note (Yield Only)	2.0	NA	2.7	2.0	3.7	4.1
Gold (per ounce)	-0.7	2.8	-4.9	-10.5	2.3	11.3
Bloomberg Commodity Index	1.8	0.1	-19.7	-10.4	-4.9	-3.4
DJ Equity All REIT Total Return Index	0.0	4.7	26.4	15.0	18.5	9.2

S&P 500, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

**MORE GREEK DRAMA.** You know things are getting contentious in the Eurozone when the newly-elected Greek Prime Minister, Alexis Tsipras suggests Germany may owe Greece war reparations.

Talk of reparations is a distraction from the real issue which, according to Financial Times, is the possibility that Greece will need a third bailout when the current one expires. Yet, the new prime minister has promised to end austerity measures. Members of his government have described those measures, which were implemented before Eurozone leaders would agree to the first Greek bailout, as "fiscal waterboarding."

You may recall the euro crisis. Back in 2009, the European Union (EU) insisted France, Spain, Ireland, and Greece reduce their budget deficits (the difference between what a government spends and what it receives in taxes). The Eurozone set a limit for debt (the accumulated value of deficits) at 60 percent of gross domestic product (GDP) which is the value of goods and services produced by a country.

In December 2009, Greek debt was \$442 billion or about 113 percent of GDP, according to the BBC. After the discovery of irregularities in Greek accounting and a

flurry of concern Greece would have to leave the euro, the country implemented an austerity program to reduce the deficit which included severe cuts to public spending. The program was well received by the EU, and EU leaders agreed to a major bailout for Greece which included writing off about 50 percent of the country's debt.

In recent days, the Greek people have been cheering as their new government reverses the reforms implemented by the previous government and talks tough with Greek creditors. The Greek government is seeking additional financial assistance from other Eurozone countries but insists it will not adhere to the reforms previously in place. Eurozone leaders have expressed willingness to extend the current bailout as long as Greek fiscal reforms remain intact. Negotiations have begun to bridge the gap.

Greek market performance shows not everyone is impressed with the new government's stance. The yield on three-year Greek bonds had risen to 17 percent at the end of January, and bank shares had lost significant value. The Economist reported:

"So back to the markets and the game of chicken being played between Greece and the EU. A Grexit [Greek exit from the euro] might cause problems for the EU in the form of losses for the ECB and others on bad debts... But, as we have seen, Greek financial markets are tanking. So investors clearly feel the EU has a stronger hand to play."

It seems to be a good time to reflect on an old saying: Beware what you wish for; you just might get it.

## Weekly Focus - Think About It

"You don't develop courage by being happy in your relationships everyday. You develop it by surviving difficult times and challenging adversity.  
-- Epicurus, Greek philosopher

Best Regards,



James T. Parks, CFP®, AEP, AIF  
President and Wealth Advisor

[www.parkswm.com](http://www.parkswm.com) | [Map](#) | [Jim@Parkswm.com](mailto:Jim@Parkswm.com) |

Like us on Facebook 



Ph 201-689-2020  
800-455-9940  
Fax 201-689-6850



216 East Ridgewood Ave. 2nd Floor  
Ridgewood, NJ 07450



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\* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

\* The Standard & Poor's 500 (S&P 500) is an unmanaged index. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.

\* The DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices.

\* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

\* Gold represents the London afternoon gold price fix as reported by the London Bullion Market Association.

\* The DJ Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

\* The DJ Equity All REIT TR Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

\* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

\* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

\*The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

\* Past performance does not guarantee future results. Investing involves risk, including loss of principal.

\* You cannot invest directly in an index.

\* Consult your financial professional before making any investment decision.

\* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

\*Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

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