THE FULL SPECTRUM

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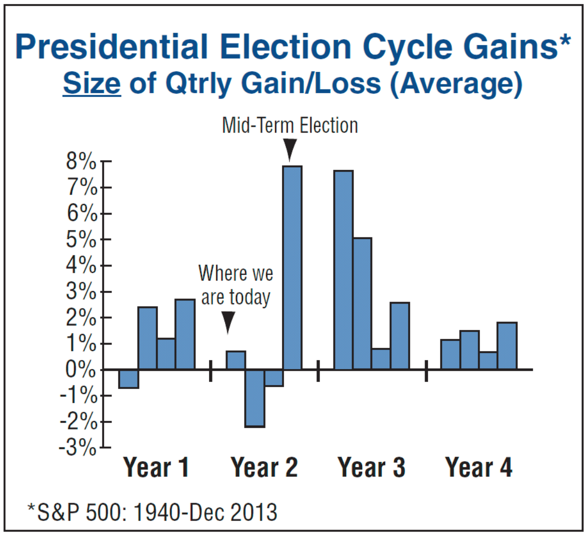
GENERAL MARKET COMMENTARY

The stock market had an amazing year in 2013 with the S&P up 32.1%, but the consistency of the gains throughout the year in a lackluster economy raises some questions. What do these strong 2013 returns mean, if anything, for the 2014 outlook? Although economic reports have shown recent improvement, and bearish technical warning flags are absent, this is not the time to get complacent. One reason for concern is that 2014 is a mid-term election year. In the 4-year presidential election cycle, the year of presidential elections has been the strongest, but the mid-term election year has been the weakest as well as the most volatile. The chart at the right shows the average quarterly performance for each year of the cycle since 1940. Looking at year two (where we are now) shows a small gain of .7% for the first quarter, but losses for the second and third quarters. Then, the 4th quarter finishes the year out with the largest quarterly gain of any of the entire cycle. Actually, the S&P has finished the 4th quarter with gains about 90% of the time with an average gain of 7.8%.



InvesTech Research

Based on the overbought condition of the current market and the optimism among investors, the most likely path may be a pause until later in the year.

As far as the bond market is concerned, although the Federal Reserve will continue buying smaller amounts of bonds back to keep liquidity in the system, short term interest rates may have another two years before they actually start rising. We will continue to watch for signs of inflation which may accelerate the efforts of tightening monetary policy.

STOCKS, BONDS, AND INFLATION

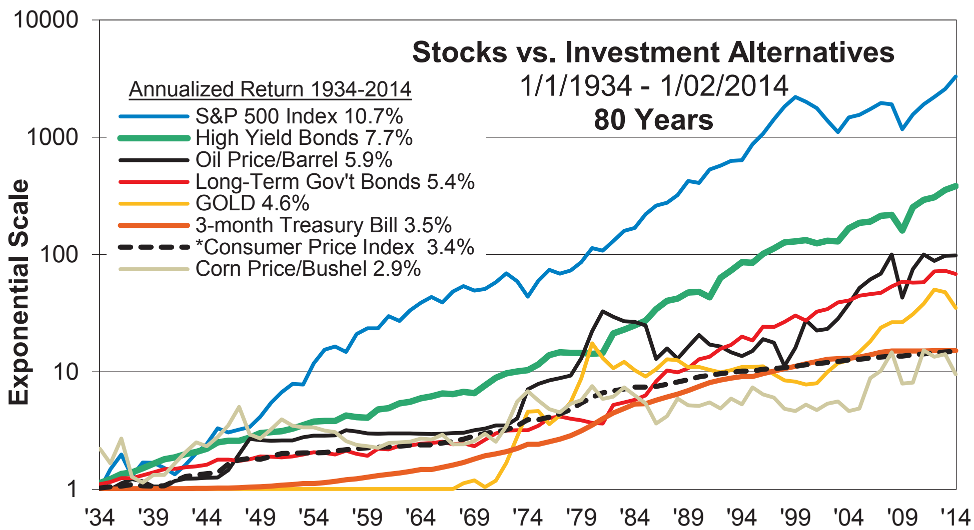
Sometimes it is a good idea to take a few steps back to gain the big picture perspective when evaluating investment alternatives. While over the short run it is easy to get caught up in investment opportunities, it is important to keep expectations in check. Gold, for example, has been used as a fiat currency, and when uncertain times arise, many investors flood the market and have unrealistic expectations. Over the long term, gold has appreciated at about the rate of inflation, with big movements that eventually play out, and prices that revert back to the mean over longer periods of time.

This chart is an interesting study of the rate of appreciation of various assets since 1934. The S&P Stock Index has appreciated at an annualized rate of 10.7%, or about 7% after adjusting for the inflation rate. At that rate an investor's assets will double every 10 years, even after adjusting for inflation. However, there are some years when there are losses even when investing for a decade, causing investors to lose heart and many times do the wrong thing.

High yield bonds have produced a return averaging about 3% less than stocks, but with much lower volatility or losses. This makes them ideal lower-risk vehicles for people who don't want to ride the investment roller coaster. They also trend much more consistently and can be easier to trade when the time is right.

Three-month treasury bills or short term CDs have returned only the rate of inflation, causing no net investment gain, yet investors must pay tax on the privilege.

Study this chart and ask yourself what kind of investments may be suitable for your future.



Data obtained form Bloomberg and TradeStation. *Data for CPI –11/30/2013. Data for High Yield Bonds from 1934-1983 is LT Gov 30-year plus 3% and from 1984-2013 is Barclays High Yield Index.

PERSONAL PERSPECTIVE *by* Ralph Doudera

If you were to ask any of my family what my favorite restaurant is, they would quickly answer Chic-fil-A. I probably eat there five days a week, taking an hour or two lunch to catch up on all my reading and get away from the tyranny of the financial markets. Why do I like this place so much? Yes, the food is excellent, but the atmosphere and attitude is quite different from other places. They honestly want to take care of me, calling me by name, and offering me free food from time to time. So when someone gave me a copy of a book entitled *WEALTH--is it Worth it?* by S. Truett Cathy, Chic-fil-A's founder, wealthy businessman in his 90's, and listed as one of the 400 wealthiest people in Forbes Magazine, I wanted to hear what he had to say.

Although from a different generation than me, we seemed to share a great deal in common since I also wrote the book *Wealth Conundrum*, about dealing with the issues of wealth. He explores the opportunities and responsibilities that accompany financial success with quotes from seasoned investors:

Some people believe that wealth is the answer to all of life's problems…That is the first lie. Others believe that wealth means the person holding it is evil, that they did something immoral in order to get rich. That's the second lie. —Dave Ramsey

The truth is you always get back more than you give away. Some people never learn that. —Warren Buffett

Never forget: the secret of creating riches for oneself is to create them for others. —Sir John Templeton

Whoever loves money never has enough; whoever loves wealth is never satisfied with their income. —Ecclesiastes 5:10 (Solomon)

If you get wealth before you learn how to use it, it can be a burden on you more than a blessing. —Tony Dungy

Money never made a man happy yet, nor will it. There is nothing in its nature to produce happiness. The more a man has, the more he wants. Instead of it filling a vacuum, it makes one. —Benjamin Franklin

And here are some of Truett's own quotes:

In most cases we perform better when we're busy than when we're not…

Ringing the cash register is not the name of the game. I'm motivated in my business by the compliments I receive about our people, our service, and the quality of our food.

How do you balance life and business? There have been times when I had to make a decision and my family had to suffer for my absence, and at other times my business has suffered because my family needed me. You balance it out, and you remember What's Important Now—WIN

Life is determined by the decisions we make. How we handle difficult situations makes all the difference.

We developed a corporate purpose, "To glorify God by being a faithful steward of all that is entrusted to us. To have a positive influence on all who come in contact with Chick-fil-A".

I was not so concerned with getting bigger as I was with getting better. If we get better, customers will demand that we get bigger.

Opportunity presents itself sometimes in unusual situations. What you think is the worst thing turns out to be a good thing. Difficult circumstances challenge people to do things they didn't know they could do, and in those times when the outlook appears the worst, we find new reasons for optimism.

Don't sacrifice quality for price.

If I were allowed only one answer to the question, "Wealth, is it worth it?" it would be this: yes, if you give it generously. Don't wait until you can afford it to start giving. Start right now enjoying that wonderful feeling we experience when we share our resources.

If you have real character, money will not spoil it. Persons with genuine character can handle adversity and prosperity.

Truett ends his book with Solomon's quote in Ecclesiastes 12:13-14, *After all this, there is only one thing to say: Have reverence for God, and obey His commands, because this is all that we were created for. God is going to judge everything we do, whether good or bad, even things done in secret.*

And Solomon was the wisest and richest man who ever lived.

"Steady plodding brings prosperity; hasty speculation brings poverty" (Proverbs 21:5, LB)

Ralph J. Doudera, Editor. 2940 N. Lynnhaven Rd., Suite 200, Virginia Beach, VA 23452 (757) 463-7600 InvestSpectrum.com