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SPECIAL IN THIS ISSUE

The Bull's Sixth Year: Opportunities and Peril

By David G. Dietze, JD, CFA, CFP™

The current bull market was born in March, 2009, when the Dow briefly plunged below 6500. Now in its sixth year, an aging bull means caution. Since World War II, only three bulls have seen a sixth birthday, and the average is just two and a half years.

Stock prices are a product of earnings and the multiple investors are willing to pay for them. Both inputs are flashing yellow as earnings are decelerating and price to earnings ratios are stretched.

Still, stocks' big competition, fixed income, is anything but attractive. With the ten year Treasury yielding just 2.59%, bonds are just plain expensive. Although real estate remains below its 2007 bubble peak, it can hardly be said to be a haven. The New York Times reports that prices have recovered sufficiently in coastal areas that "buying a home again looks like a perilous investment."

> *"Stock prices are a product of earnings and the multiple investors are willing to pay"*

So, given something of a mixed picture on the economy, valuations and corporate earnings, where are the opportunities and pitfalls?

In a Nutshell

Equities remain the most attractive asset class. The Federal Reserve engineered low interest rates make fixed income unappealing. Traditional fixed income buyers have piled into riskier income-oriented investments making them generally overpriced.

Among equities, despite a recent retreat, many small caps, including biotechs, cloud plays, and social media firms, remain overpriced. Domestic large caps still offer value, particularly in the financial and technology space.

Stocks: Risks Abound

Stocks are pricier now than at any time since the 1999-2000 bubble period. On a trailing basis, stocks now trade at nearly 17 times earnings, greater than the average 15 prevailing since 1929. Stocks trade at close to 1.66 times sales, more than the 1.26 considered fair value.

> *"Stocks' big competition, fixed income, is anything but attractive"*

These high valuations are particularly troublesome given that profit margins are at historic highs; if margins decline the case for paying historically high multiples fades fast.

Caution is further underscored when considering the Federal

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The Bull's Sixth Year: Opportunities and Peril. . . continued from page 1

Reserve's plans: The monetary stimulus is slowly being removed as the Fed tapers its bond buying and prepares to raise short term rates, admittedly most likely in 2015.

Growth, too, is scarce. Q1 2014's GDP was the worst in five years, down 2.9%. Q2 will be the litmus test as to whether Q1's disappointing GDP result was driven by the lousy winter weather or something more ominous.

Corporate earnings growth is disappointing. While beating Q1 expectations of negative year over year profit gains, the 1.3% reported rise does not give comfort that higher than normal valuations are sensible. Fewer forecasts were upbeat than is normally the case.

Stocks Still Trump Bonds Longer Term

Despite the risks, we maintain a constructive outlook on equities. It all comes down to the question, if not stocks then what? We believe stocks are still the best asset class.

Quite simply, the ten year Treasury bond is yielding just 2.59%. Retirees, pensions, endowments, and other longer term investors can't meet their goals by hiding in that haven for long. The earnings yield on stocks, the inverse of the price to earnings ratio, hovers currently around 5.11%. That pick up in return remains compelling, and would be even more so should there be any pull back.

What if bond yields rise, reducing the so called risk premium, meaning the margin of stocks' earnings yield over the ten year Treasury's? Well, that's not good for any asset class, and will be felt hardest by long dated assets, including stocks. However, that rise in rates will probably be accompanied by increased economic activity, helping corporations grow profits. So, the earnings yield may well rise in line with the higher bond yields, thus preserving or even increasing the risk premium.

"Domestic large caps still offer value, particularly in the financial and technology space"

Although our Federal Reserve is laying out plans to reduce monetary stimulus, that bias is not shared by the other developed countries' central banks. European Central Bank president Mario Draghi recently announced further stimulus in the Eurozone.

The hawkish plans by our own Federal Reserve are far from certain. With inflation running well below the targeted 2%, and unemployment improvements being aided by many simply retiring, it's not clear that a change of course won't occur. A steep equity retreat may well be met with an end to tapering and launch of a new round of quantitative easing.

Opportunity: Financial Stocks

Financials have not yet recovered from the 2008 downturn. With restrictions on their return of capital to shareholders, concerns about new regulatory burdens, and uncertainty over the impact of higher interest rates, they are unloved.

The good news is that this has left them with bargain valuations, in many cases below liquidation value. Further, nearly all of the larger institutions have passed the Fed's stress tests, indicating they are battle ready for the next storm.

Opportunity: Large Cap Tech Offers Compelling Risk/Reward Tradeoff

Growth and momentum stock investors have shunned large cap tech, flocking instead to narrow hyper growth tech niches focused on social media, the cloud, or mobile. Value investors have yet to fully embrace large cap tech, concerned about sustainability of cash flows in a rapidly changing environment.

The current low stock prices discount much of the technology revolution's uncertainty. Much software and hardware is extremely sticky; it's not easy to cast aside what is currently in use to adopt the latest fad.

Potential Peril: High Yield Bonds

This asset class is a misnomer. The latest yield on Merrill Lynch's "High Yield 100" index is just 4.16%, only 1.57% above the 10 year Treasury.

How did this come to pass? Most investors acknowledge the poor yields but feel helpless. They need yield and neither high quality bonds nor stocks satisfy them.

The apologists point to the ultra-low default rates. True, just 1.7% of all issuers are in default, the lowest in five years. However, it would be unrealistic to project that long into the future, as at some point the economy will soften and there'll be a reversion to the mean of greater incidences of nonpayment.

"We believe stocks are still the best asset class"

Bulls also note that spreads of junk bond funds over comparable Treasuries are at 3.78%, greater than the tightest on record, 2.7% in June 2007. Back then Treasury yields were decent, with the 10 year at over 5%, giving junk bond buyers substantially more interest rate risk cushion.

Junk bonds do a poor job diversifying equity risk, as they tend to move with stocks. This is unlike high quality bonds, which tend to zig when equities zag. For example, when stocks dropped 37% in 2008, junk bonds plunged 26%, but the high quality Barclay's Aggregate bond index advanced 5.2%.

Bottom line: Junk bonds have two ways to lose now. Interest rates can move higher or the economy deteriorates and defaults grow. The current paltry rates don't offer enough compensation for those risks.

A fuller length version of this article can be found at http://www.ptview.com/files/opportunities%20and%20pitfalls%20for%20a%20six%20year%20old%20bull.pdf

There's a Will – Is There a Way?

By Claire E. Toth, JD, MLT, CFP™

You just signed a new will, reflecting a careful balance of family protection and tax minimization. Congratulations, but don't think you have covered all your bases quite yet. Large components of many people's wealth aren't governed by the will at all. It's important to determine what controls the disposition of each asset at your death, so you can ensure everything works together. Otherwise, your survivors could be in for a nasty surprise.

It may be easiest to review what your will doesn't cover. One big category is insurance policies, annuities, and retirement plans (including IRAs). These are governed by their beneficiary designations. The stereotypical beneficiary designation leaves everything to the surviving spouse, or to the children if there is no surviving spouse. This may not be the right choice for you. Horror stories abound—fail to change your beneficiary designation following a divorce, and your former spouse may inherit the bulk of your assets. Forget to update it after a child is born, and that child may be disinherited. If you have no beneficiary designation at all, these benefits will likely be paid to your probate estate, which can create a huge tax bite. An IRA paid to your estate must be fully distributed within five years, accelerating the income tax bill. Pay that same IRA out to a surviving spouse or a child, and the distribution is extended over the beneficiary's life expectancy.

"Large components of many people's wealth aren't governed by the will at all."

For those living in states with their own estate tax (New Jersey, New York, and Massachusetts among them), it is particularly important to coordinate the beneficiary designation with the tax provisions in the will. Often the will has the estate tax paid solely from the assets it governs—in a worst case scenario, your IRA goes to your former spouse and your children are left to pay the tax bill.

Other assets may or may not be governed by your will, depending on how they are titled. For example, when a married couple buys a house, they typically own the house either as tenants by the entirety or as joint tenants with right of survivorship. Financial accounts can also be owned in joint tenancy—that is the default for married couples. With both of these forms of ownership, when one co-owner dies, the entire property automatically goes to the other co-owner. There can only be two co-owners. Further, each co-owner always owns half the property.

"It is particularly important to coordinate the beneficiary designation with the tax provisions."

An alternative form of ownership is tenants in common. There can be more than two tenants in common, and they can own other than 50-50. When one tenant in common dies, his or her share does not automatically go to the co-owner(s). Instead, it is governed by the will. Tenancy in common is particularly useful when a husband and wife both want lifetime control of an asset and anticipate an eventual estate tax issue. In that situation, the will usually provides that at the death of the first spouse, a bypass trust (sometimes called a credit shelter trust) is created for the survivor. This trust benefits the survivor without the survivor owning it for tax purposes. Having assets owned by tenancy in common during life provides assets to fund the bypass trust at the first death.

It is also possible to set up a financial account (but not a physical asset) as "payable on death" or "transfer on death." That is equivalent to establishing a beneficiary designation on the account, with all the pitfalls discussed above.

What does that leave for the will to govern? Your will controls assets you own individually, as well as your share of assets owned by tenancy in common. Unless

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Claire E. Toth, JD, MLT, CFP™

Claire E. Toth, as Vice President of Point View Wealth Management, Inc., provides our clients with tax, financial, and estate planning expertise, enabling the firm to offer fully integrated asset management and financial planning services. She works with clients on issues ranging from financial planning to estate planning.

Previously, Ms. Toth was Of Counsel to the law firm of Herold and Haines, P.A., in Warren, New Jersey, where her practice focused on tax and business planning for closely held businesses and their owners. Before joining Herold and Haines, Ms. Toth was with the IRS Chief Counsel in Washington.

Ms. Toth received her A.B. and J.D. degrees from the University of Chicago, where she was elected to Phi Beta Kappa. She has an M.L.T. from Georgetown University and was awarded the CFP™ designation.

The Quest for Dividends

By Elaine F. Phipps, MBA, CFA, and Portfolio Manager at Point View Wealth Management, Inc.

Investors have long had a love affair with dividend yielding stocks. Investing in high dividend stocks has been a strategy to generate income and enhance total return. The theory is that companies paying dividends usually are optimistic about both their business position and growth prospects. Companies that pay and more importantly, continue to increase their dividend rate, tend to outperform the market on a risk-adjusted basis.

Overview:

Dividends connect you tangibly to the underlying results of the company. This may be because they have developed solid cash-generating businesses and stronger finances – a benefit of their maturity. The dividend also signals confidence from management, linking the return on that business to shareholders in a very practical and public way. This aides in valuation as a type of anchor, connecting the payment stream with the underlying fundamentals of the business

"Investing in high dividend stocks has been a strategy to generate income and enhance total return."

Who pays dividends? The most likely dividend paying company tends to be one that is more mature, confident in its business model and operations, and generating significant cash flow. Utilities and financial companies historically have been large dividend payers, although the latter not so much so following the financial meltdown in 2008 and the resulting limitations the Federal Reserve placed on their balance sheets. It is estimated that utilities represent anywhere from 10-30% of the dividend paying universe. Real Estate Investment Trusts (REITs) and Master Limited Partnerships (MLPs) are required to pay out all of their cash flow.

Positives:

Provide a reliable income stream and give an investor control on how to redeploy it – Investors who want to generate a predictable cash flow love the stable and consistent income stream dividend stocks can provide. In addition, dividends put a portion of the company's return on capital in your hands to reinvest as you wish. This is the opposite of having the company decide to purchase assets overseas, make an overpriced acquisition, or undertake some other action you may not agree with.

Elaine F. Phipps, MBA, CFA

Mitigate some market risk - Dividend plays tend to do best in an uncertain market. When investors get skittish and market returns fall, the onus often rests on dividends to drive total stock returns. Dividends have contributed approximately 34% of the S&P's total return since 1926. In periods of stock declines, such as the 1970s and 2000s, dividends were the only returns investors received. Investors look to these established, larger names with demonstrated earnings generation capability.

Inflation protection - Dividends can also help counter the effects of inflation and protect purchasing power, especially if a company has a dividend payout rate that exceeds the inflation rate. Normally, straight fixed income investments, with the exception of inflation protected Treasuries, will lose ground to inflation. Data from Yale Professor Robert Shiller indicates that over the past 100 years, dividends from a diversified collection of US stocks have grown an average of 4.4% annually, easily beating the inflation rate of 3.2%.

Favorable tax treatment - Interest from bonds and other fixed income investments is taxed as ordinary income at your highest marginal tax rate. Qualifying dividends will be taxed, along with capital gains, at a lower rate. Most dividends from US stocks should qualify for this treatment. Stocks held in taxable accounts can take advantage of the maximum current 20% (23.8% for certain high income tax payers subject to the Medicare surcharge) federal tax rate on stock dividends.

"The theory is that companies paying dividends usually are optimistic about both their business position and growth prospects. "

Risks:

Rising rates – Dividend payers may suffer as rates rise. This was evidenced in the spring of 2013, when then Federal Reserve Chairman Ben Bernanke announced the taper of the Fed's purchase of fixed income securities. This caused a dramatic jump in interest rates, which impacted stocks. Rising rates can hurt dividend paying stocks in several ways. First, investors often view these stocks as a proxy for bonds and drag down the value in sympathy with bond prices. Second, investors may move to alternative fixed income products. Finally, a rising rate environment often signals a stronger economy, which favors growth stocks versus dividend payers.

A market that favors growth stocks - When the market enters its more active bull phase, dividend companies are often viewed as those stodgy old grandparents, slower-moving and graying around the edges. The more mature nature of the investment puts it at a disadvantage to its younger and faster-moving growth cousins. Safety and security go out the window and these companies may trail the market.

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Target Date Funds: Don't Fall in Love!

By Donna M. St.Amant, MBA, and Portfolio Manager at Point View Wealth Management, Inc.

Target Date Funds have been increasing in popularity and are now offered broadly within 401k and 529 plans. Money flow into these funds has continued to soar, primarily due to the ease and simplicity they offer investors who may be unsure of where to direct funds within these plans.

The name Target Date Fund (TDF) is based on the idea that money is invested with a target date in mind when an investor will need access to the funds. For 401ks this is typically the year of retirement or for 529s, the year a child goes to college. Investors who choose these plans do not have to select specific investments or determine asset allocation. They do not have to continually rebalance. The target date fund invests in various mutual funds with percentages dedicated to equity and fixed income that gradually shift as the fund approaches the target date. The shift from stocks to bonds over time is called the target date fund's *glide path*. The equity is typically high in the early stages when the target date is far away. The fund then automatically shifts the allocation to favor fixed income and cash, so that funds are more conservatively invested as the target date approaches.

This autopilot approach simplifies investing and eliminates the need for continuous monitoring and rebalancing. The good news is that TDFs have redirected investors, who typically stayed in low-yielding money market funds, to venture into the market and to do so with an allocation framework in place. Alternatively, investors who may have put everything in the stock market with little caution, now have a more disciplined methodology. In both scenarios, TDFs offer a more balanced approach and sounder risk management.

> *"Money flow into target date funds has continued to soar."*

Though there are inherent benefits, TDFs are not a perfect solution. There are some drawbacks of which investors need to be mindful, and they may need to be modified to adapt to changes in an investor's financial position.

TDFs follow the one-size-fits all approach. TDFs can be a good fit when retirement is far-off, but there are many factors to consider along the way: total value of nest egg, financial commitments and medical issues to name a few. As investors approach retirement the financial picture becomes more complicated and they are more likely to need customized financial management.

Donna St. Amant, MBA

Inconsistency of Returns. Investors will see varying returns for funds with the same target date. This is because the underlying asset mix varies greatly from one fund manager to another. As mentioned, most funds start out with a high equity allocation, but as the target date nears, the disparities among TDF glide paths become great. Some TDFs will take the equity allocation down to 20% over time while others will only lower it to 60%.

No Guarantee. There is no guarantee that investors won't lose money just because this critical end date is near. Performance is particularly varied during extreme market conditions. In 2008 many funds that were close to their target date took large losses when in theory they should have been invested very conservatively with a percentage of the money held in cash. In some cases there were investors holding a 2010 target date fund in a 529 plan, and after suffering 2008 stock market losses, found that 20-30% of the money needed for tuition in 2010 was gone. Investors need to dig deeper to uncover the allocation in the last few years and determine if it is the right mix for them.

Overall Asset Allocation. Asset allocation within the TDF is continually changing. Not only does it shift according to the fund's stated glide path, but the manager can also make adjustments to that glide path and to the underlying investments. Transparency is lacking and it can be difficult to determine the specific exposure a fund has to riskier assets. A high allocation to fixed income doesn't always mean the fund is conservatively invested. These holdings could be emerging market or high yield bond funds which have a high correlation to stocks. Furthermore, as years pass and assets grow, investors are likely to hold assets outside of the TDF. As a result it becomes burdensome to manage overall allocation prudently.

> *"Though there are inherent benefits, TDFs are not the perfect solution."*

Use of Mutual Funds. Another drawback of using a target date fund is that the underlying investments are mutual funds as opposed to direct holdings of stocks and bonds. From a tax perspective this gives an investor little control. Holders of mutual funds inherit the tax basis of the fund. For example if the fund purchased IBM at $95 in 2009 and sells it today at $180, your capital gain is the full $85, even though you may have purchased the mutual fund six months ago when IBM was trading at $190. When using a customized portfolio of direct holdings, the investor controls the fund turnover. Gains and losses are realized at a time that is most beneficial to the investor's unique tax situation. Portfolios are likely to have duplication of positions particularly when you hold funds in a TDF in addition to holding mutual funds in other accounts. Portfolios become over diversified and lack focus.

Assessing Performance. It can be difficult to assess performance against a benchmark. Funds with similar target dates on Morningstar can be used for comparison, but keep in mind the allocation of the

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Bargain Hunting in '14's Second Half

By David G. Dietze, JD, CFA, CFP™

Our picks at the year's start have performed well, up 13.9% versus a 9.1% return on the S&P 500, details below. Our second half selections follow:

Second Half 2014 Investment Picks

Investment	Symbol	6.13.14	Yield %
IBM	IBM	$182.56	2.4
Citigroup	C	$47.59	0.1
Cisco	CSCO	$24.70	3.1
Avon	AVP	$14.69	1.6
Rio Tinto	RIO	$51.60	3.7
Honda	HMC	$34.68	2.3
Newmont	NEM	$23.40	3.7
Goldman Sachs	GS	$165.89	1.3
Coach	COH	$39.37	3.4
America Movil	AMX	$19.98	1.7
Average Yield			2.3

1. IBM (IBM)

Big Blue's ace in the hole is its consulting division. While the latest and greatest technology provides the headiest margins, consulting's long term recurring revenues avoid the booms and busts. The brand remains top notch; even today, no one gets fired for hiring IBM.

Valuations are attractive; the stock trades at just nine times forward earnings. IBM is committed to returning money to shareholders – the company plans to buy back $50 billion of stock and pay out $20 billion in dividends through 2015.

2. Citigroup (C)

Citigroup's global franchise is unique. The stock is out of favor due to the turmoil involving its Mexican operations. We believe that episode is priced in, will be resolved and in the meantime you have an attractive entry point for the stock.

"Citigroup's global franchise is unique"

The stock trades at 9 times earnings and 70% of book value. A boost in the dividend could be the catalyst for a higher stock price.

3. Cisco (CSCO)

Cisco is the industry leader in routers and networking devices for access to the Internet. As the days of heady growth have waned, Cisco has embraced the mantra of returning money to shareholders.

It initiated its dividend in 2011 and has grown it by a factor of three; the current yield is 3.1%, making it one of the Dow's top ten dividend payers. Further, it has recently increased its planned stock buy backs by $15 billion. The stock's free cash flow yield is nearly 9%, and it sits on cash of nearly $30 billion, or about a quarter of its market cap.

4. Avon Products (AVP)

Avon's legendary business model and brand name fell into disrepair under prior management. We are optimistic that this global marketing giant can regain its allure under the new leadership of Sheri McCoy.

From the current entry point shareholders can benefit several ways. First, we think Avon has several solid initiatives to improve growth, including improving the technology infrastructure. Second, part of Avon's malaise has been the perceived slowdown in the emerging markets. We think the long term outlook for the emerging markets is generally strong. Third, Avon's battle against charges under the Foreign Corrupt Practices Act is coming to an end.

"London based Rio Tinto is one of the largest miners in the world, extracting copper, iron, and aluminum"

5. Rio Tinto (RIO)

London based Rio Tinto is one of the largest miners in the world, operating mines primarily in North America and Australia, extracting copper, iron, and aluminum. The stock is relatively cheap, down 60% from its all-time high, and trading at just nine times earnings.

Record amounts of monetary accommodation are entering the world's financial system to jumpstart growth. This is deemed un-harmful because inflationary pressures are low; indeed, the Europeans are worried about deflation.

Rio Tinto is a contrarian pick which will ultimately prove profitable.

6. Honda (HMC)

Honda is a legendary success story, starting out in post-WW II Japan, and growing to become one of the planet's most ubiquitous brands, famous for reliability and economy if not styling. It remains well positioned to make inroads in those areas of the world where fuel efficiency and value are important.

"Honda's weighed down by the perception that it's Japanese; however, 80% of its business is outside of Japan"

Valuation wise, Honda is attractive. It's been weighed down by the perception that it's Japanese, and therefore part of the stagnant Japanese economy and stock market. However, 80% of its business is outside of Japan. So, with the stock down 20% from its November high, we think that ultimately reality will trump perception, and Honda investors will profit.

7. Newmont Mining (NEM)

We like Newmont for several reasons. First, it operates many mines in widely disparate areas, even continents. This diversifies the risk of political expropriation, floods, strikes, etc.

Second, not only does the company pay a generous dividend, changes in the dividend are based on changes in the gold price. That assures that profits from higher gold prices will be shared. The company has a strong balance sheet.

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There's a Will – Is There a Way?

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you have done some intentional estate planning—or perhaps you and your spouse never combined your assets—your will may not control very much of your net worth.

"Tenancy in common is particularly useful when a husband and wife both want lifetime control of an asset and anticipate an eventual estate tax issue."

Given all these forms of ownership, what makes the most sense when planning your estate? As discussed at the outset, you have no choice when it comes to insurance policies, annuities, and retirement plans—the beneficiary designation governs, and you do not want your estate to be the beneficiary. For those assets, be certain that your beneficiary designations are lined up with the rest of your estate plan. Verify them periodically and as your personal circumstances change, to be sure they continue to work in tandem with the rest of your estate plan. When possible, combine different retirement accounts—roll out 401ks at former employers into a single IRA (Roth IRAs and inherited IRAs must be kept separate). You may be able to combine some annuities, as well. The fewer beneficiary designations to track and coordinate, the better.

As to the taxable assets, it makes the most sense to consolidate everything in your will rather than to set up beneficiary accounts. Then one person—the executor—is in charge, with clear authority to act on every account. The executor already needs information about all of your holdings to file tax returns, accountings, and the like. This eliminates the need to keep multiple accounts—and account beneficiaries—coordinated.

This is particularly important if you want your assets to go to children under age 18 or to anyone who may be at risk—because of disability, financial insecurity, or a host of other issues. Here, you truly want to establish a trust, and you cannot do that with a beneficiary designation.

In states where probate is long, expensive, or complicated (for example, California and Florida), it may be tempting to use beneficiary designations on accounts, simply to avoid probate. Except in the simplest and smallest of cases, using a revocable trust is a far better alternative than employing multiple beneficiary accounts. That gives your trustee the power to act as executor after your death and the power to look after your financial interests before your death as well. Your estate planner can help you decide if a revocable trust is right for you.

The Quest for Dividends

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The dreaded dividend cut **–** During the bear market that commenced in 2008, S&P companies cut their dividends by 24%, led mostly by financial firms. That was mild compared to what happened during the Great Depression when dividends were cut by 47%, even accounting for the period's deflation. Dividend cuts impact valuations. However, in both cases the cuts in the dividends were not nearly as severe as what happened to overall equity prices.

Questions to ask before you invest: Before embarking on a dividend strategy for your portfolio, investors should look at the following factors:

Is the dividend safe? **–** Paying too high a dividend rate versus the market, often defined as above the 10 year Treasury yield, may raise red flags. It begs the question of whether the company has no other attractive business options that can help grow its business.

Are the business fundamentals strong? **–** Investors should analyze if the core operating business is stable or growing and if the balance sheet can tolerate a business downturn while continuing to pay dividends.

Is management committed to a dividend payout? **–** A management change may signal a sudden change in policy. Or is management so tied to the public perception of the dividend that they are foregoing profitable operating decisions?

"Purchasing a stock for its dividend only is a risky strategy. Do your homework and find the solid company that has demonstrated an ability and commitment to grow its dividend."

Is the company increasing its dividend rate? **–** A stagnant dividend rate paints a very different picture than one offered by a dynamic company which is ramping up both the earnings and dividend growth rates. Growing dividends trump stagnant high dividends any day.

Are you being sensitive to sector diversification? **–** Investing in dividend stocks may leave you overexposed to financial and utility sectors. Keep your portfolio safely diversified among many sectors.

Conclusion:

Investing in dividend stocks can be a profitable strategy that generates cash flow and provides stability to a portfolio during volatile market times. However, dividend investing is no guarantee of outperformance as different strategies work better at various points in the market cycle. You may outperform during volatile or down market periods, but underperform when the markets heat up. Finally, purchasing a stock for its dividend only is a risky strategy. Do your homework and find the solid company that has a demonstrated an ability and commitment to grow its dividend.

Contact the author at ephipps@ptview.com

Bargain Hunting in '14's Second Half

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8. Goldman Sachs (GS)

Goldman is one of best brand names in financial services; like IBM in technology, nobody got fired for hiring Goldman. Recent regulatory developments in the wake of the financial crisis have forced much of the competition to restructure or exit.

Goldman, like most financials, will benefit from an eventual higher interest rate environment. That may spur more trading and increase interest in the all-important fixed income business.

Goldman's valuation looks attractive: The stock is down nearly 12% from the beginning of year, and 1/3 from its all-time high, trading at just book value and 11 times forward earnings.

9. Coach (COH)

The company responsible for some of the globe's hottest fashion accessories has cooled recently. That gives investors a unique opportunity to participate in its long term growth at a bargain price.

Coach's handbags and leather items were much coveted items in fashionistas' wardrobes. Brand mismanagement, coupled with fierce competition from Michael Kors and others, has put a drag on sales and profitability.

For investors, the potential gain by a successful turnaround seems to outweigh the risks. The stock trades at a four year low, and offers a near 4% dividend while you wait.

2014 Investment Picks

Investment	Symbol	12.13.13	6.13.14	%Change
Chevron	CVX	$119.90	$127.26	6.14%
American Intern'l	AIG	$49.73	$54.70	9.99%
Citigroup	C	$50.97	$47.59	-6.63%
Petrobras	PBR	$13.69	$15.87	15.92%
Deere	DE	$87.18	$90.47	3.77%
Cisco	CSCO	$20.24	$24.70	22.04%
Hewlett Packard	HPQ	$26.77	$35.16	31.34%
ASA	ASA	$11.60	$13.70	18.10%
First Energy	FE	$31.71	$34.18	7.79%
Teva	TEVA	$39.82	$51.98	30.54%
Average				13.90%
S&P 500		1,775.32	1,936.16	9.06%

Target Date Funds: Don't Fall in Love!

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fund under review may differ significantly from the fund on Morningstar with the same target date.

Restricted to One Fund Manager. Within 401k or 529 plans, the target date funds offered are offered by a single institution or fund manager. As a result, the underlying mutual funds selected in the TDF will be from that institution. It is unlikely that all funds from one manager are strong across all asset classes. If self-selecting, it is possible to select the best funds with the lowest expense ratios, and cherry-pick from different managers.

Fees. Fortunately fees have come down on TDFs since they were first introduced. However, they can still vary greatly from one plan to another. Funds that use only index funds in the underlying investments can be very low cost, some below a .20% expense ratio. Others that use actively managed funds may have fees exceeding 1%. Most importantly, some managers will charge more for a fund that is part of a target date portfolio versus purchasing that same mutual fund outright. Typical 401k or 529 plans will offer TDFs, but will also offer single mutual funds outside of the TDF. Investors are advised to consider the fees for each to determine whether the TDF truly makes sense.

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