MARKET RECAP

After the solid performance in the third quarter of 2013, the domestic equity markets continued to advance to post the highest quarterly performance of the calendar year. Stocks, as measured by the S&P 500 Index, rose 10.51% during the fourth quarter. Overall, the S&P 500 Index gained 32.39% for 2013, the strongest performance we have seen since 1997.

Smaller U.S. companies, as measured by the Russell 2000 Index, gained 8.72% for the three-month period and advanced 38.82% for the calendar year. Over the fourth quarter, Large Growth stocks posted higher returns than Large Value stocks, and Small Value stocks outperformed the Small Growth stocks. On the international stage, domestic markets continued to outperform foreign markets, as the MSCI EAFE Index posted a gain of 5.71%, trailing the S&P 500 Index by 4.80%. The MSCI EAFE advanced 22.78% for 2013, as we began to see the Eurozone’s economy turn around over the summer and make way toward a recovery.

This year has been disappointing for the bond market, as the Barclays U.S. Aggregate Bond Index returned -0.14% over the fourth quarter and -2.02% over the year. The Fed’s continued easy monetary policy has driven interest rates down to historic lows over the last few years. As interest rates begin to rise, bond prices have begun to fall, and this impact is shown in the negative returns of the Barclays U.S. Aggregate Bond Index for 2013. The current low interest rate environment has also contributed to the latest “yield chase” in the fixed income markets, as investors have gravitated toward riskier assets in search for higher returns.

The chart below shows the major index and style category returns for the quarter, year-to-date, one-year, three-year, and five-year time periods ended December 31, 2013:

<table>
<thead>
<tr>
<th>Index/Category</th>
<th>4Q13</th>
<th>YTD</th>
<th>1YR</th>
<th>3YR</th>
<th>5YR</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500 Index</td>
<td>10.51</td>
<td>32.39</td>
<td>32.39</td>
<td>16.18</td>
<td>17.94</td>
</tr>
<tr>
<td>Russell 2000 Index</td>
<td>8.72</td>
<td>38.82</td>
<td>38.82</td>
<td>15.67</td>
<td>20.08</td>
</tr>
<tr>
<td>MSCI EAFE Index</td>
<td>5.71</td>
<td>22.78</td>
<td>22.78</td>
<td>8.17</td>
<td>12.44</td>
</tr>
<tr>
<td>Barclays US Aggregate Bond</td>
<td>-0.14</td>
<td>-2.02</td>
<td>-2.02</td>
<td>3.26</td>
<td>4.44</td>
</tr>
<tr>
<td>Morningstar Large Cap Value</td>
<td>9.35</td>
<td>31.24</td>
<td>31.24</td>
<td>14.49</td>
<td>16.10</td>
</tr>
<tr>
<td>Morningstar Large Cap Growth</td>
<td>10.29</td>
<td>33.93</td>
<td>33.93</td>
<td>14.89</td>
<td>19.02</td>
</tr>
<tr>
<td>Morningstar Small Cap Growth</td>
<td>8.15</td>
<td>40.91</td>
<td>40.91</td>
<td>15.84</td>
<td>22.16</td>
</tr>
</tbody>
</table>

Source: Morningstar Direct
Past performance does not guarantee future returns.

2013 RETIREMENT CHECKUP

Year-end is the time many of us start fresh with personal resolutions and goals, all aimed at improving various aspects of life that are important to us. This may also be a great time to perform a critical evaluation of your retirement readiness, spending more than a quick minute on your quarterly statement and account performance over the past year.

In order to assist you, we offer ten questions to prompt a thorough evaluation of your retirement plan:

1. **What is my time horizon to retirement?** Many of us have not identified our target retirement age and investing time horizon. While your retirement age may be a moving target, using a five-year range can help with planning.
Depending on your date of birth, your full Social Security Benefit will be available between ages 65-67. Defining your time horizon is important. Individuals with a long time horizon can invest more aggressively than those with a short horizon. While markets can be volatile from year-to-year, over 10- and 20-year periods returns tend to be more stable.

2. **What is my risk tolerance?** Even two investors with identical time horizons to retirement – say, 10 years – should not necessarily have the exact same investment strategy. One individual may be very comfortable with the risk and volatility of the stock market and should invest more aggressively than the average person with a 10-year horizon. Another individual may be very concerned with market volatility; this person should invest more conservatively. Once you identify your time horizon and risk tolerance, you can begin to build your retirement portfolio effectively.

3. **Am I invested appropriately between stocks and bonds?** This might be the most important investment decision you need to make. As noted above, your time horizon and risk tolerance should be the biggest factors in determining your stock/bond split. Beyond that, your unique circumstances can be used to fine tune your portfolio. If you are unsure of the appropriate stock/bond split, CBIZ can assist with this important decision. Your provider’s website also has web-based tools that can guide you in the right direction.

4. **Am I diversified?** Once you decide how much you should invest in stocks versus bonds, you must then choose which individual investment options within your plan to utilize in building your portfolio. Your plan’s investment menu has been crafted to include a wide variety of competitive options that cover various areas of the stock and bond markets. We believe it is wise for participants to have exposure to each area of the stock and bond markets and to diversify amongst the various choices in the plan. Over the long-term, this strategy has proven to be most effective for the majority of investors.

   Again, if you are uncomfortable making this decision, CBIZ can assist. Your plan may include target-date or target-risk funds that automatically implement a diversified solution for you. We encourage investors who are uncomfortable building their own retirement portfolio to take advantage of these options.

5. **Am I contributing enough to receive the full match?** Your employer may offer a match or other type of contribution that assists you in meeting your retirement goals. An example of this is a 50% match up to 6% of your salary. In this example, for every dollar you contribute into the plan, the employer will contribute 50 cents, up to 6% of your pay. If you contribute 6% of your salary, effectively the employer is contributing another 3% of your salary. However, if you fall short of the 6%, you are refusing a generous offer from your employer! A match should be considered part of your total annual compensation, and it is important to take advantage of this if your budget allows for the contribution.

6. **Am I contributing enough to reach a successful retirement?** For most of us, contributing just enough to receive the full employer match will not allow us to reach a successful retirement. As mentioned earlier, while everyone has different circumstances, generally speaking experts suggest contributing at least 10-15% of gross pay in order to reach a successful retirement. There is no substitute for diligent saving, and your contribution level and how you invest your assets are two of the most important factors in determining your retirement outcome.

   While contributing a large percentage of pay may be difficult to fit into your personal budget, don’t forget the tax benefits of saving within an employer-sponsored retirement plan. Each contribution you make on a pre-tax basis reduces your taxable income, meaning $1 saved in your retirement plan does not necessarily translate to a $1 loss in take-home pay.

7. **How much money do I need to accumulate to retire successfully?** Experts say the average investor will

Continued on page 3
need to replace 70-85% of their pre-retirement income to enjoy a successful retirement. While Social Security may cover a portion of this, for most people it will only replace 30-40% of pre-retirement income. Thus, the remainder must be funded by assets in your retirement plan, IRA, or other accounts.

In previous newsletters we referenced the Rule of 25. This rule suggests that once you define your retirement income need and subtract out Social Security and/or pension benefits, you should multiply your “Income Gap” by 25 to arrive at the amount of assets you need to accumulate to meet your goal. Using an example, if an individual has an income need of $50,000 and estimated Social Security benefits of $15,000 annually, she has an Income Gap of $35,000. Multiplying this Gap by 25, she will need to amass an estimated nest egg of $875,000 by retirement age to reach her goal.

Setting a goal to save 25 times your retirement income need may seem daunting to some of our readers. For a different approach to retirement preparation, Fidelity Investments provides the following guidance: in order to decrease the odds of running out of money during retirement, save at least 8 times one’s ending salary. But you don’t need to start saving 8 times your salary from the start. Fidelity proposes a step-wise plan to reach this goal. By age 35, you should have one times your ending salary. Then by age 45, you should aim for 3 times the ending salary. By age 55, having 5 times the ending salary should help you achieve the goal of saving 8 times your ending salary.

8. **Am I periodically rebalancing my account?** It is extremely important to periodically rebalance your account. While you may allocate a certain percentage of each contribution to stocks and bonds, those respective markets may perform differently quarter-to-quarter and year-to-year, throwing off your allocation. For example, in 2008, if you had a 50/50 stock/bond split at the beginning of the year you would have ended the year with a higher percentage in bonds, since the stock market was significantly down for the year. In 2009 and 2010 the reverse would be true as the stock market produced large positive returns. During 2013, we saw a tremendous rise in the stock market, and if you did not rebalance during the calendar year, your original 50/50 stock/bond split would now resemble a more risky portfolio. Rebalancing is the process of trading within your account to take your portfolio back to your desired allocation or split between stocks and bonds. Your provider may have the capabilities for “automatic rebalancing,” whereby this process is done for you quarterly or annually. We strongly recommend taking advantage of this feature should it be available to you.

As your time horizon shortens your periodic rebalancing process eventually will involve a shift to a more conservative portfolio so that you do not carry a portfolio heavily invested in stocks as retirement nears. While automatic rebalancing is very powerful, if you set the process up when you are in your 20’s and have a very aggressive portfolio, you will still need to manually reduce your exposure to stocks as you age. If your plan offers target-date investment options, they automatically reduce your exposure to stocks over time.

9. **Is my beneficiary designation up to date?** Remember to update your beneficiary whenever you have important changes in your life. A good rule of thumb is to review your beneficiaries annually.

10. **Are my old retirement accounts and/or IRAs invested appropriately?** Many investors have retirement accounts from prior employers or rollover IRAs. These accounts should be invested in the same asset allocation as the current employer-sponsored retirement plan and monitored carefully. If you are having trouble monitoring multiple accounts, consider a rollover to your current employer-sponsored plan. You will have fewer accounts to monitor as well as a streamlined, consistent investment approach. The transaction is not overly burdensome with the help of your current plan provider.