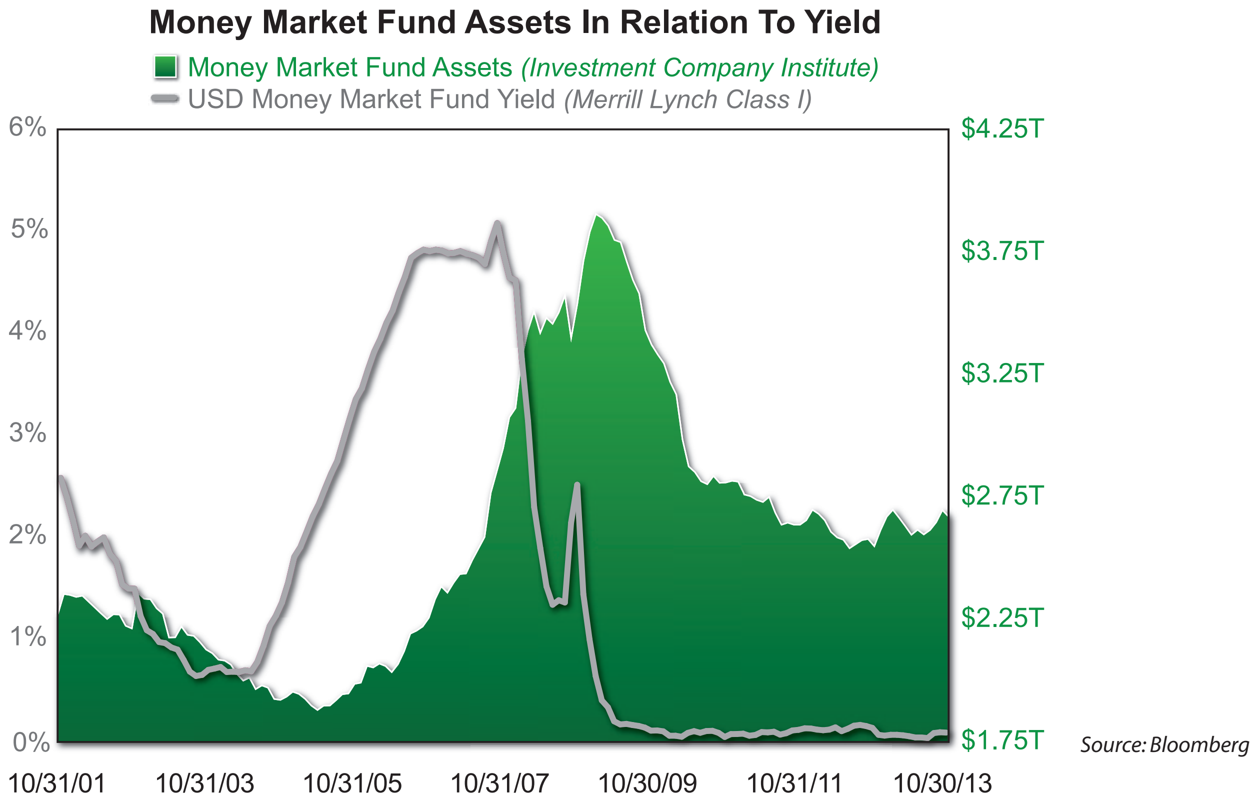
How Long Has This Been Going On?



View from the Observation Deck

1. The question posed in the header is from a hit song released in 1974 by the British group Ace. It is also an appropriate question, in our opinion, for opening up a discussion about the downside to persistently low interest rates.
2. While this latest low interest rate climate may have helped get the economy back on solid footing, it has been detrimental to those predisposed to using savings vehicles, such as money market funds.
3. Due to the Federal Reserve's insistence on keeping short-term lending rates artificially low, the average yield on money market funds has been below the 1.00% mark since the beginning of 2009 – nearly 5 years.
4. Money market funds, on average, currently yield around 0.01%, or essentially nothing, according to iMoneyNet.com.
5. That rate of interest does not even keep pace with the current 1.00% rate of inflation, as measured by the Consumer Price Index (CPI). The CPI has averaged approximately 3.00% per year since 1926.
6. While investors can utilize savings vehicles, such as money market funds, for a number of reasons aside from their income stream, using them as a safe haven for an extended period of time can have opportunity costs.
7. We do acknowledge that some investors have become more risk averse after enduring two severe bear markets in stocks since 2000 and the infamous "Flash Crash" in May 2010.
8. But there can be opportunity costs to being risk averse. One of the real concerns being discussed these days is the fear of outliving one's savings.
9. A survey of financial advisors by Russell Investments (findings released in Sep. 2013) revealed that "running out of money in retirement" was one of the top three topics advisors were conversing about with their clients.
10. With a new Fed Chairman (Janet Yellen) about to take the helm, nobody really knows exactly when the Fed will begin to pull back on its stimulus efforts. And time is money.

This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur.