



# BOTTOM LINE

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## MARKET UPDATE...

Good news! It was recently reported that the U.S. Economy added 295,000 jobs in February and our unemployment rate is down to 5.5%. That's an unemployment level that we haven't seen in quite some time. So, how did the stock market respond? With a big sell-off. The day that news was reported, the Dow Jones Industrial Average dropped 279 points.

Sort of confusing, isn't it? What most would consider good news is seen as a negative? Well, the answer to that lies in the Federal Reserve (Fed). The concern that the stock market was expressing was that strong employment and economic growth could cause the Fed to start raising our record low interest rates sooner than later. We now find ourselves in a world where the possibility of a .25% move in the Fed funds rate, or Fed Chairwoman Janet Yellen changing the verbiage in the official Fed statement, can drop the stock averages hard and fast.

The fact of the matter is that we have had a strong stock market for a few years now, and with the NASDAQ recently breaking through 5,000 for the first time in 15 years, and the Dow Jones Industrial average

trading near the 18,000 range, those that trade stocks seem to be getting a bit jittery. Historically, when those folks get jittery, we see extra volatility in the market.

So, what's an investor to do? Well, unless you're a trader, our suggestions are the same as always. Work with your advisor to make sure that your asset allocation is right for your situation, that your investments are properly allocated for your goals and risk tolerance, and keep a long-term perspective in mind. Taking a long-term perspective, we like to focus on the recent positive news from our economy, such as:

- The U.S. economy added 295,000 jobs in February
- Hourly wages are up 2% from 1 year ago
- The Fed releases a report that highlighted increasing consumer spending
- U.S. personal income rose .4% in February
- Construction spending rose 1.1% in January

More people are working, they are making more money and the data shows that they are spending that money. That all sounds like good news to us! If you have any questions, or would like a second opinion on your investments, our team of advisors is here to help.



## TRUSTWORTHY COMPUTING

More than a decade ago Bill Gates, former CEO of Microsoft, wrote a memo to his employees detailing what he saw to be the highest priority for Microsoft going forward. It was at a time when on-line businesses were starting to take off and the business community was getting hit with some of the most destructive computer viruses to date. CodeRed, ILoveYou and Nimda were the top three viruses at the time, and the damage they caused threatened to slow adoption of other on-line technologies. In his memo, Gates likened the growing consumer expectation for reliable on-line computing to that of a consumer's expectation for reliable utilities, such as water and electric for running their businesses. In order to insure continued growth and adoption of these new connected technologies Gates wrote that going forward it would be imperative to fulfill three key aspects of modern day computing. The technologies they were working on would need to be available at all times, secure from harm, and private for each individual user. Gates' memo would set in motion a new initiative labeled Trustworthy Computing that would prove to be a key turning point for Microsoft and for the on-line community at-large.

Thirteen years later Gates' memo and the initiative he advocated for still hold true for the on-line community. In order to provide Trustworthy Computing, today's top applications and services focus

heavily on a continuous cycle of protection. Much of this protection comes in the form of on-line updates and best practice education. Additionally, vendors are enhancing availability and security of their applications by offering up on-line versions of their software as a service. What once was traditionally an application a client would need installed and maintained on their own server and network could now be hosted as a cloud service. Once the application is hosted by the vendor the security and updates for these applications are then left up to the vendor to take care of. Hardware and network requirements for the client can often be dramatically reduced and replaced by reasonable monthly service charges.

This summer, one of Microsoft's most successful server operating systems will reach end-of-life for support services. The server operating system, Windows Server 2003 was released more than twelve years ago and its success was a direct result of the Trustworthy Computing initiative. Due to its popularity and reliability it is estimated that over ten million servers are still running this aging operating system. Once support is ended on July 14, 2015 these systems will be at risk from any vulnerabilities that are found after that date. In recent years we have helped many of our clients move to alternative solutions. Many of these solutions include a mixed use of in-house hardware and on-line service models. Today, most any application used in the business environment has an alternative online solution available. We encourage business owners and support staff to talk with our professionals when looking for new solutions.

For more information, contact Tim Nass, IT Systems Engineer at [timn@hscompanies.com](mailto:timn@hscompanies.com)

## Retirement Income Strategies

In a low interest rate environment:  
Fixed income pay cut - a different kind of risk.



Generating income in retirement is not as easy as it used to be. We've experienced a dramatic decline in interest rates over the past 30 years. According to data published by the Federal Reserve Bank, a 10-year U.S. Treasury note (at constant maturity) yielded just under 11% in June 1983, 30 years ago. By June 1993, that same bond yielded 5.96%, and by June of 2003, the yield was 3.33%.

Today's yield on the 10-year treasury, in the 2% range, pales in comparison. In other words, an individual investing \$100,000 in a U.S. Treasury note in April when interest rates were 1.76% would receive about \$147 per month in interest income. That same investment would have earned in excess of \$900 per month in 1983, more than five times the cash flow a 10-year treasury note generates today. Yet essential living costs have increased making the cut in income more difficult to bear.

### Finding higher income

There are few signs that Federal Reserve policy or federal government actions will do much to alter the interest rate environment in any significant way in the near future. While it seems reasonable to expect rates to, at least gradually, move higher from today's historic low levels, the timing and severity of such a move is hard to predict. Retirees or those entering retirement need to look at income strategies differently today. Some solutions could include:

### A "bucket" approach

Consider setting aside 2-3 years' worth of income in cash or cash equivalent assets. This is money that will not earn much return (if any), but will be readily available to meet income needs over the near term without risk of principal loss. The rest of your assets could be invested within your risk tolerance in a well-diversified portfolio. Though no strategy is perfect, this balance can help a retiree meet short and long-term expenses.

### Seek investments that can generate higher income

You likely have different goals for various investments, so while investing in some more conservative investments makes sense, you may hope to generate more income in others. To generate income, there are a variety of options to consider, but investors should take great care in doing so. It's worthwhile to explore different ways to enhance yields you earn from your portfolio, but it should be accomplished by building a diversified mix of assets that are suitable for your risk tolerance. It's generally wise to avoid putting all or most of your money into a single investment to provide an income stream. A financial professional can help you understand and review all of your options and help you design an effective strategy based on your particular circumstances, needs and risk tolerance level.

Finding ways to generate income is usually only part of the solution for investors. Many retirees today are experiencing a reality check about their lifestyles. In today's environment, it may be necessary to determine trade-offs you're willing to make to afford the essential and lifestyle expenses you need and want.

Planning for retirement is complicated, so no matter how you choose to invest, do your homework to make sure you understand all of your options and the risks and opportunities associated with the current market and economic conditions. Consider meeting with a financial professional that can help you define your risk tolerance and help you prepare for retirement based on your individual goals and circumstances.

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## The 5S's

Does your business waste time and money looking for things? Do you ever ask, where can I find that? Do you notice employees wandering aimlessly searching for the proper tools or supplies? Do you feel as if your business isn't as productive as it should be? If you answered "yes" to any of these questions, then 5S is the tool for you!

### The 5S's are:

**Sort** – go through all of your stuff and throw away the "junk." If it hasn't been used in over a year, it probably isn't needed.

**Scrub** – clean and/or paint the area, machines, tools, etc.

**Select locations** – identify the most appropriate place for tools, equipment, supplies, etc. If it is used daily, put it as close as possible, if it is used monthly, it can be moved farther away. The key here is to reduce walk time.

**Set locations** – once the most appropriate locations have been selected, give each location and each item a home (through a border), an address, and an ID label. The simple rule here is if it casts a shadow, it needs a border (see photos).

**Sustain** – set up a process to ensure the 5S's are being adhered to daily. Make sure items end up back in their "homes" after use.

5S is more than a tool to become organized; it is a systematic approach to set standards, build order, and maintain

discipline within an organization. When done correctly, businesses see improvement in profitability, employee morale, safety, quality, and team member engagement. It also isn't just about manufacturing anymore. 5S can work in any office, retail, service business, restaurant, medical facility, or brewery, just to name a few.

5S is a great start to getting organized and becoming more productive, and there are lots of other helpful tools out there... If you would like to learn more about 5S or other Lean Process Strategies, contact Lynda Nance, Business Development Strategist, at [lyndan@hscompanies.com](mailto:lyndan@hscompanies.com).

