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Dear Client,

This letter contains news and views that I feel will be of interest to you. As always, please call me at your convenience to set up your quarterly meeting.

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Going, Sebastien, Fisher & Le Bouef, LLP (GSF&L) News:

- To comply with the Patient Protection and Affordable Care Act (ACA),   the law mandates that most individuals have health insurance coverage by 2014. After 2013, applicable individuals must insure that they, and their dependents who are applicable individuals, are covered under minimum essential coverage (MEC) for each month of the year. These final regulations were issued on August 30, 2013. Applicable individuals who do not have MEC for themselves and any dependents who are applicable individuals are subject to a penalty.

Investment Views:

- ***Morningstar Data - Through December 31, 2014 - Year-to-date returns -*** S&P 500 13.69%, Dow Jones Industrial Average 10.04%, NASDAQ Composite (dollars) 13.40%, Russell 2000 4.89%, MSCI EAFE (dollars) -4.90%, and the Barclays U.S. Aggregate Bond Index 5.97%.

- ***The Northern Trust Company – Economic Update – January 09, 2015 –*** The U.S. unemployment rate declined to 5.6% in December, and payroll employment rose 252,000. These numbers place the 2014 labor market performance in a special spot – we have the lowest unemployment rate since 2000 and the largest increase in payroll employment since 1999.

- ***Bureau of Economic Analysis – December 23, 2014 -*** Real Gross Domestic Product (GDP) – the output of goods and services produced by labor and property located in the U.S. - increased at an annual rate of 5.0% in the third quarter of 2014 as compared to an increase of 4.6% in the second quarter of 2014. Personal Income increased 0.4% in November as compared to October's 0.3%.

- ***Bureau of Labor Statistics –December 17, 2014 –*** On a seasonally adjusted basis, the Consumer Price Index for All Urban Consumers increased 0.3% in November. Over the last 12 months, the index increased 1.3% before seasonal adjustment.

Craig's Thoughts and Views:

Unconstrained Bond Funds

For those who follow the financial industry closely, if anyone made headlines in 2014 it was Bill Gross. The famous investment manager known to some as the "Bond King" left Pacific Investment Management Company (PIMCO) at the end of September and joined Janus Capital Group, Inc. to manage a much smaller bond fund called Janus Global Unconstrained Bond fund. Gross was a co-founder of PIMCO 43 years ago and managed the company's flagship fund PIMCO Total Return fund, which was the largest bond mutual fund in the world before he left.

Through the years mutual fund companies have created numerous types of mutual funds to either attempt to correlate or un-correlate with a specific asset class or in some cases to create unique marketing securities to investors. Recently, "unconstrained" bond funds have made a splash into the investment pool. These funds are not limited by a narrow investment strategy or other restrictions that are more common in conventional fixed income funds. The new bond funds have the flexibility to react to changing credit or interest rate environments.

Some of these funds have outperformed the broad bond market by wide margins at times because the manager was free to vary the term or credit risk of the bonds they hold, or in some cases purchase common stocks. This variance from the bond market however may be counterproductive to some (if not many investors) seeking a hedge against equity risk.

Several of the largest of these pseudo bond funds, in terms of assets under management, along with more traditional bond funds are listed in the table below. The table also lists the total returns provided by these funds during the short-term stock market decline that occurred between September 19 and October 16 of 2014. During that brief period an investor in an equity mutual fund that gave exposure to the U.S. equity market (including small-cap, mid-cap, and large-cap growth and value stocks) would have suffered a loss of slightly more than 7 percent.

Pseudo/Unconstrained Funds	Total Return
Franklin Income Advantage	-5.62%
Putnam Diversified Income Y	-4.36%
PIMCO Unconstrained Bond Inst	-0.62%
Janus Global Unconstrained Bond I	-0.60%

Traditional Bond Funds	Total Return
Vanguard Short-Term Bond ETF	+0.97%
Vanguard Total Bond Market ETF	+1.82%
iShares 1-3 Year Credit Bond	+0.37%
iShares TIPS Bond	+1.79%

Based on the above time period, it appears the above pseudo/unconstrained bond funds would have provided a bad equity hedge. We cannot predict the returns of capital markets or any market segment. However, we do know the long term historical returns of many asset classes and reasonable judgments regarding their expected returns over the long run can be made. It appears, unconstrained bond funds and other pseudo fixed-income funds are hard to evaluate as an asset class.

It is important to note that the above time period was chosen in retrospect, and it does not provide any indication of what will transpire in the future. The above returns in the table depict the outcome of a single, 29-day period. There is no guarantee that any bond fund (unconstrained or traditional) will buffer against stock market volatility.

Retirement Tax Tips

Investors with IRAs or other Qualified Retirement Plans who are age 70 ½ or older must take what is called a “Required Minimum Distribution (RMD) each tax year. RMDs must be withdrawn annually by December 31, except for investors who turned or will turn 70 ½ during the year; these clients may defer their first distribution until April 1 of the following year; however, that would cause the taxpayer to take two (2) RMDs in that year causing taxable income and income taxes paid to possibly rise compared to the previous year. In addition, the penalty for failure to take a RMD is 50% of what you should have taken.

There have been some recent changes to retirement plan benefit limits for 2015. The maximum annual elective deferral (the amount that may be contributed by an employee) to a 401(k), 403(b), 457 plan, SEP IRA, SIMPLE IRA, and traditional/Roth IRA is listed below. The maximum total contribution, when the “catch up” provision for workers age 50 or older, has increased. The limit on IRAs remains unchanged.

	2015	**2014**
401(k), 403(b), 457 plan		
Annual deferral limit	$18,000	$17,500
Catch-up contribution	6,000	5,500
SEP IRA	53,000	52,000
SIMPLE IRA		
Annual deferral limit	12,500	12,000
Catch-up contribution	3,000	2,500
IRA		
Annual deferral limit	5,500	5,500
Catch-up contribution	1,000	1,000

For year 2015, the traditional IRA deduction phaseout (AGI) amounts have increased slightly for those already participating in a qualified plan and wanting to make a tax-deductible IRA contribution. For unmarried, active participants the phaseout range is $61,000-$71,000, for married filing joint, nonparticipating spouse the phaseout range is $183,000-$193,000, and for married filing joint, participating spouse the phaseout range is $98,000-$118,000.

In determining Roth IRA contribution eligibility, the AGI phaseout range for joint returns is $183,000-$193,000, for single and head of household the phaseout range is $116,000-$131,000, and for married filing separate the phaseout range is $0-$10,000.

IRA Review

If you are the owner of an IRA, there are some issues that you should be aware of. We assist our clients in avoiding these pitfalls, so they can maximize the use of their IRAs. Each IRA owner has different circumstances and these issues may impact individuals differently. Below are some areas that IRA owners should give attention to.

- First and foremost, it is important to review the current beneficiary of your IRA on at least an annual basis, especially if you have recently experienced an event such as a birth, death, marriage, or divorce. You should also make sure to list a contingent beneficiary or beneficiaries in the event the primary beneficiary predeceases the IRA owner or disclaims some or all of the IRA assets.

- Exercise caution before listing the estate or a trust as the beneficiary of your IRA. These can cause unnecessary required accelerated distribution methods that may be undesirable.

- When taking traditional IRA distributions, attempt to do so in a manner that does not cause IRS penalties. For example, traditional IRA distributions prior to the owner reaching age 59 ½ are subject to a 10% IRS "early withdrawal" penalty. Exceptions to this penalty as defined under the Internal Revenue Code Section 72(t) may be for the following distributions:
    - that are part of a series of substantially equal periodic payments
    - to the extent the individual's unreimbursed medical expenses exceed 10% (7.5% if age 65 or older) of adjusted gross income
    - to pay for health insurance premiums for certain unemployed individuals
    - for qualified higher education expenses
    - for first-time home purchases ($10,000 limit lifetime)
    - due to an IRS levy on an IRA
    - to reservists while serving on active duty for at least 180 days

  In addition, traditional IRA owners must begin taking required minimum withdrawals from their IRAs after the owner reaches age 70 ½. A penalty of 50% may be assessed on any shortfall below the required minimum distribution amount.

- Effective for years 2010 and beyond, there is no adjusted gross income (AGI) limit for Roth conversions and married filing separate (MFS) taxpayers can make Roth conversions.

- A 2014 Tax Court decision concluded that the one-IRA-rollover-per-year limitation applies globally to all traditional IRAs owned by an individual rather than on an account-by-account basis. However, there are no limitations on direct rollovers (trustee-to-trustee).

GSF&L, LLP Registered Investment Advisors:

We can never know what the future holds, but we can make informed decisions regarding investment strategies and portfolio allocations. We (GSF&L) make changes based on our perception of opportunities in the capital markets. We assimilate fundamental, technical, and economic information to make informed decisions. Of course it is important to have long-term focus on portfolio management, but with a critical analysis of intermediate strategies.

Managing risks and opportunities are important to portfolios and reaching one's financial needs and goals. Having a complimentary understanding of investment horizon and attitude toward risk are equally important. Markets and economies do not always behave as we expect them to. That is the problem with investing! There is no luck to professional investing. You can no more have a successful, disciplined approach by luck or accident than you can win a chess tournament by luck or accident.

If you know of someone who may fit our financial and investment planning philosophy, please mention our name. We are a small organization and intend to remain so. A solid organization makes it possible for us to spend our time managing our business rather than each other. Because everyone has so much to do, much gets done. We will forego any growth opportunity that may detract from our ability to serve our clients as they have become accustomed to. We never expect to be among the biggest, but our attention to be among the best is not subject to compromise.

Regards,

Craig

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NASDAQ composite measures the performance of all issues listed in the NASDAQ Stock Market, except for rights, warrants, units, and convertible debentures. The S&P 500 is made up of 500 common stocks representing major U.S. industry sectors. The Dow Jones Industrial Average contains 30 stocks that trade on the New York Stock Exchange (NYSE) which reflect the performance of 30 large American companies. The Morgan Stanley Capital International Europe, Australia, and Far East Index (MSCI EAFE) is a market-weighted aggregate of 20 individual country indexes that collectively represent many of the major markets of the world, excluding Canada and the U.S. The Lehman Brothers U.S. Aggregate Bond Index tracks performance of debt instruments issued by corporations and the U.S. Government and its agencies. The returns for this index are total returns, which includes reinvestment of dividends. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 8% of the total market capitalization of the Russell 3000 index.

All indices are unmanaged. It is not possible to invest in an index.

Past performance is no guarantee of future results.

Diversification does not assure against market loss.

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