GSF&L
GOING SEBASTIEN FISHER LE BOUEF LLP
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED INVESTMENT ADVISORS • CONSULTANTS

Charles A. Going, CPA, LLC
M. Scott Sebastien, CPA, LLC
Donald E. Fisher, CPA, LLC
Craig C. LeBouef, MBA, CPA/PFS, CFP®, LLC
Darren J. Cart, CPA/PFS, LLC
Matt Ledoux, CPA, LLC

Beth T. Spears, CPA

January 13, 2017

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.

Contents:

Going, Sebastien, Fisher & Le Bouef, LLP News:

- GSF&L constantly researches asset classes to include in clients' portfolios to increase income or reduce risk or both. We offer Insurance-Linked Securities, Alternative Lending, and other Alternative Strategy Securities, so feel free to contact us for more details.
- Craig attended the Society of Louisiana Certified Public Accountants 2016 Estate and Financial Planning Workshop on August 26, 2016 in Shreveport, LA. Sessions presented included Economic Update, Avoiding the 12 Most Common IRA Mistakes, Social Security Planning, Income Tax Update, and A Practical Guide to Today's Markets.

Investment Views:

- ***Morningstar Data - Through December 31, 2016 - Year-to-date returns -*** Dow Jones Industrial Average 16.50%, NASDAQ Composite (dollars) 7.50%, Russell 2000 11.46%, S&P 500 9.01%, MSCI EAFE (dollars) 1.00, and the Barclays U.S. Aggregate Bond Index 2.65%.

- ***Northern Trust – Investment Strategy – December 16, 2016 –*** The financial markets became skeptical of the Fed's attempts to guide them. It wasn't until relatively recently that any interest rate hikes became embedded in asset prices. But as we enter the new year, the markets and the Fed are more in line. Inflation is moving up, and the economy is close to full employment. The path forward from here seems clear – but there is no telling whether the Fed will follow it.

- ***Bureau of Economic Analysis – December 22, 2016 -*** Real Gross Domestic Product (GDP) – the value of goods and services produced by the nation's economy less the value of the goods and services used up in production increased at an annual rate of 3.5% in the third quarter of

2016, according to the "third" estimate released. In the second quarter, real GDP increased 1.4%. Personal Income increased less than 0.1% in November 2016 as compared to 0.5% in October.

- ***Bureau of Labor Statistics – January 06, 2017 –*** On a seasonally adjusted basis, the Consumer Price Index for All Urban Consumers increased 0.2% in November, and over the last 12 months the all items index rose 1.7% before seasonal adjustment. Total nonfarm payroll employment rose by 156,000 in December, and the unemployment rate was little changed at 4.7%.

Craig's Thoughts and Views:

Will There be a Correction

After the Presidential election through the month of December, U.S. stocks continued to grind higher as the S&P 500 Index hit new highs, confounding many experts who had earlier asserted that a reversal was imminent. Prior to the election, Citigroup's chief economist wrote, "A Trump victory in particular could prolong and perhaps exacerbate policy uncertainty and deliver a shock (though perhaps short-lived) to financial markets." Some economists feel that based on certain stock valuation measurements (Cyclically Adjusted Price Earnings and MarketCap/GVA) the stock market is currently over-valued and likely to produce returns of near zero to 2% over the next 12 year horizon. Also, given a 1-year Treasury yield of 2.6%, some expect Treasury bonds to outperform the S&P 500 over that time horizon.

The timing of the next significant stock market decline is unknown. There will be another significant decline but when is very hard to predict. Looking back to the end of 1999 there have been six double digit stock market declines including two severe reversals of 30.5% and 46.4% (see below table). If you happened to be a very unlucky investor and managed to be invested only during those six downturns, your $100 would be worth just under $17 today. However, if you had simply invested $100 in the S&P 500 at the beginning of January 2000, and maintained that position through the end of November 2016, your savings would have grown to about $228 (reinvesting all dividends and absent fees).

Recent Stock Market Declines

Start Date	End Date	Total Correction
August 2000	September 2001	-30.50%
March 2002	September 2002	-28.4%
October 2007	March 2008	-13.8%
May 2008	February 2009	-46.4%
April 2010	June 2010	-12.8%
April 2011	September 2011	-16.3%
July 2015	September 2015	-8.4%

Source: DFA Returns 2.0 program.

Investors often think about whether they should "wait for the correction" to get into the market. However, we don't live in a perfect world and therefore don't know when the decline is coming. The problem with waiting for the bottom becomes apparent when the market recovers.

Some feel the market has run up too fast since the election and is due for a "correction." Others feel that with the President-elect's perceived platform of lower individual and corporate income taxes, reduced regulations, and significant investment in the country's infrastructure there will be more profits and increased inflation and these will lead to additional market increases. Investors that are fearful of a market pullback can either ride out the storm or take prudent actions such as re-balancing their portfolio. If either of those do no alleviate an investor's concerns then it may be time to consider being more conservative. This could mean a moderate decrease in allocation to stocks and modest increase to bonds. We are not advocating a portfolio re-allocation based on perceived market change; however, your portfolio allocation should reflect your financial needs and goals, investment time horizon, and attitude toward risk. As always, please feel free to call us if you think now is a good time to discuss your financial situation.

2016 IRA Rulings to Consider

With a new Administration coming to Washington D.C. on January 20, 2017, it is possible for new pension legislation to take place. As usual, 2016 did produce new laws, IRS action, and court decisions that affected IRAs and other retirement accounts. The following are some of those rulings:

60-Day Rollover Relief

The IRS does allow taxpayers to self-certify their annual federal income tax returns. In August 2016, self-certification came to the 60-day rollover deadline. Distributions from a tax-deferred retirement account such as an IRA must go back into a tax-deferred account within 60 days, in order to maintain the tax deferral. Some clients in past have failed to comply with this. Historically, the only remedy was to file and expensive and time-consuming private letter ruling (PLR) that granted the waiver. Now, according to Natalie Choate, an attorney in Boston, IRA owners and employer retirement plan participants can get a 60-day rollover waiver without requesting and obtaining a PLR. Instead, they can self-certify their eligibility for a waiver using a Revenue Procedure. However, the 60-day deadline waiver applies due to one or more of 11 specified "hardships." The most commonly cited error being financial institution error.

Qualified Charitable Distributions are Permanent

The Protecting Americans from Tax Hikes Act of 2015 passed in late 2015 made qualified charitable distributions (QCDs) permanent, after years of being passed by Congress retroactively. Only IRA owners and beneficiaries age 70 ½ or older can make QCDs by causing IRA funds to be paid directly from the IRA to the charity. The QCD will count towards the year's annual required minimum distribution (RMD); however, because no taxable income is reported by the taxpayer, there can be no charitable deduction claimed on the individual income tax return.

QCDs may be made from inherited IRAs or inactive SEP and SIMPLE IRAs, as long as the taxpayer is age 70 ½ or older. QCDs cannot be made to private foundations, donor-advised funds, and supporting organizations.

Loan Guarantees Terminate IRAs

In March 2016, Tax Court found that a prohibited loan guarantee disqualified an IRA. The case involved a couple, who caused their self-directed IRAs to acquire stock of a new-formed corporation. The corporation then bought the operating assets of a company, and the couple guaranteed the repayment of the corporate loan from the seller as part of the overall transaction. The IRS asserted the couple's guarantee of repayment was a prohibited transaction that resulted in a deemed distribution of the IRA's assets to the couple. The Tax Court agreed and the couple owed the 10% additional tax on early distributions in addition to the income deficiency because neither spouse was at least 59 ½ years old during the year the deemed distribution had occurred.

Taxpayers should be aware of IRA traps that may occur when setting up a self-directed IRA that involves a business entity, real estate, rental property, and other alternative IRA strategies. Two additional traps that worked against the couple were they paid themselves compensation in their capacity as corporate officers, and they personally provided services to the IRA-owned properties rather than hiring a custodian to hire outside contractors.

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
    - made due to total and permanent disability
    - made due to death
    - to the extent the individual's unreimbursed medical expenses exceed 10% (7.5% if taxpayer or spouse age 65 or older) of adjusted gross income
    - to pay for health insurance premiums for certain unemployed individuals
    - for qualified higher education expenses of taxpayer, spouse, child, or grandchild
    - for first-time home purchases ($10,000 limit lifetime and no home ownership in prior 2 years)
    - due to an IRS levy on an IRA
    - to reservists while serving on active duty for at least 180 days

- 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).

- Beginning in 2015, IRA owners and beneficiaries age 70 ½ or older can make qualified charitable distributions (QCDs) by causing IRA funds to be paid directly from the IRA to the charity.

- 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.

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

Craig C. Le Bouef, MBA, CPA/PFS, CFP®

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.

2811 SOUTH UNION • OPELOUSAS, LOUISIANA 70570

TELEPHONE (337) 942-3041 • FAX (337) 942-7112 • WWW.GOINGCPA.COM