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"Real People provide Real Service"

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The numbers are looking rocky. Federal Reserve numbers are due out next month on interest rates. Geopolitical battles are still happening. The 2016 political campaigns are starting.

Our review of account performances for the first quarter showed that indexed accounts stayed close the respective index. Long term holdings did the same. The higher percentage of returns versus the respective index showed up in accounts with activity in ETFs and dividend paying stocks. Cash must have been a good thing to have for the first quarter.

Buried in 1040: Chance for Advisers to Shine
By: Darla Mercado ***InvestmentNews***

With the April 15 deadline for tax filing past, it is time to take a hard look at that form, Form 1040.

Though the individual income tax return is a window on the past, what it reveals also can shape future savings as well as add future value to the upcoming returns.

"Taxes are something we can exert some control over, whereas it's very difficult to control investment returns," said Dean Mioli, director of investment planning for the SEI Advisor Network.

John Anderson, managing director and head of practice management services for SEI, echoed that, saying, "It's more realistic to say, you can save $8,000 than to say that you can get a return of 10% or 12%.

Here are a few opportunities:

Reviewing Line Items

Turn your attention to lines 8a, 9a, 9b and 13. They cover, respectively, taxable interest, ordinary dividends, qualified dividends, and capital gains or losses.

High levels of interest in line 8a should be a signal to check what is the mix of fixed income. Bank certificates of deposit will not be of concern compared to priced fixed income securities like bonds and interest rate sensitive stocks.

"Would you have been better off with tax-free municipal bond interest?" Mr. Mioli asked.

Another conversation concerns asset location (the tax status of the account in which those investments are held) and whether certain asset classes are tax-inefficient.

Tax-efficient asset classes, such as municipal bonds with low turnover, may be better suited for a standard brokerage or nonqualified account, Mr. Mioli said. It might be better to put tax-inefficient assets, including emerging market debt, in

a tax-deferred individual retirement account or a tax-free bucket.

"By locating assets in the proper tax bucket, the tax picture can be made more efficient.

Discussing Dividends

Meanwhile, dividends noted on lines 9a and 9b should drive a discussion of those dividends' source and tax implications.

Stephen J. Bigge, partner with Keebler & Associates, provides the following example: You report $10,000 in dividends for 2014, $2,000 of which are qualified (and subject to taxation at the long-term capital gains rate) and $8,000 of which are nonqualified. Taxable interest received by a mutual fund and subsequently paid out falls under non-qualified dividends.

"You have to look at the after-tax effect," Mr. Bigge said. "Many people complain that their they are generating all these short-term capital gains. You're still getting a great return, and you're still out ahead after taxes."

Reporting Capital Gains

Line 13 applies to capital gains and may be accompanied by Schedule D, where you need to report short and long-term gains and losses.

If a you have loss carryforwards—a blessing, considering how strong the stock market has been over the past few years—be sure to use them efficiently, Mr. Bigge said.

Consider that short-term capital gains are taxed at the same level as ordinary income, which is at a height of 39.6%, versus the long-term capital gains rate of 20%. And don't forget that the net investment income tax applies to both, with an additional levy of 3.8% above certain income levels.

"A long-term loss against a short-term gain is very efficient, and a short-term loss against a long-term gain is very inefficient," Mr. Bigge said. "Long-term losses against long-term gains and short-term losses against short-term gains are neutral."

If capital losses exceed capital gains, the amount of excess loss taxpayers can claim on line 13 to lower their income is the lesser of $3,000 ($1,500 for married-filing-separately) or the total net loss on line 16 of Schedule D, according to the IRS.

At line 13, you need to ask whether there were opportunities to reduce gains throughout the year. "We never know when is the best time to tax-loss harvest, so you have to be prepared so that when the opportunity presents itself, you can pounce on it," Mr. Mioli said.

April was a cruel month for traders, as currencies, energies, equity and fixed income markets all saw important trends reverse course. And with a negative print for the S&P 500 index, many investors are faced with a dilemma — whether or not to embrace the "sell in May and go away" mantra that has been a part of market lore for decades.

Social Security is the Best Deal Going

CNNMoney.com

Just nine years ago President George W. Bush was leading a push to allow workers to direct a portion of their Social Security taxes into a personal account. By doing so, the thinking went, you could earn higher returns by investing in the stock market compared with what you would receive with Social Security.

You don't hear much about ideas like that these days. "Since the financial crisis, we have seen a sea change in how people view Social Security," says Alicia Munnell, the head of Boston College's Center for Retirement Research. "Social Security paid benefits, paid them on time, and they didn't go down."

Munnell is a former Clinton administration hand and was never a fan of Bush-style private accounts to begin with. It's clear, though, that the politics have changed. While Munnell has argued for keeping Social Security mostly as is, Sen.

Elizabeth Warren (D-Mass.) is calling to expand the program's benefits instead.

Don't hold your breath. But it's a good bet that Social Security isn't going anywhere. And Munnell says you should get smart about how you use it.

What Social Security calls the full retirement age is 66 for those born between 1943 and 1954. (It gradually moves up to 67 for those born later.) If you claim at 62, the earliest possible age, you'll receive 25% less than at 66. But "full" retirement is just jargon left over from old Social Security rules that have since changed. Now, for each year you defer to age 70, your benefit keeps increasing until it is 76% more than if you start at 62.

"The best-kept secret in America is that the real full retirement age is 70," says Munnell. Actually there may be an even better-kept one: Munnell's group has shown that today's low rates make waiting on Social Security a particularly good deal.

Basically, it beats the alternative investment. Each year you hold off from claiming is like buying an annuity: The money you give up now comes back to

you later as extra lifetime income. For example, you can get 8% more inflation-adjusted pay if you wait until 67 instead of collecting at 66. That compares with a 5.4% real income from an annuity.

The markets for April were.....

THE MONTHLY INDEX REPORT FOR APRIL 2015

Index	April 2015	QTD	YTD	Description
S&P 500 Index	1.0%	1.0%	1.9%	Large-cap stocks
Dow Jones Industrial Average	0.4%	0.4%	0.8%	Large-cap stocks
NASDAQ Composite	0.9%	0.9%	4.7%	Large-cap tech stocks
Russell 1000 Growth	0.5%	0.5%	4.4%	Large-cap growth stocks
Russell 1000 Value	0.9%	0.9%	0.2%	Large-cap value stocks
Russell 2000 Growth	-2.9%	-2.9%	3.5%	Small-cap growth stocks
Russell 2000 Value	-2.1%	-2.1%	-0.2%	Small-cap value stocks
MSCI EAFE	4.2%	4.2%	9.4%	Europe, Australasia & Far East Index
Barclays Capital U.S. Aggregate	-0.4%	-0.4%	1.2%	U.S. Government Bonds
Barclays Capital U.S. High Yield	1.2%	1.2%	3.8%	High Yield Corporate Bonds
Nomura QES PERI*	0.8%	0.8%	-1.1%	Private Equity Strategy
Aspen MFBI**	-3.9%	-3.9%	2.2%	Managed Futures Strategy
3-month Treasury Bill	0.0%	0.0%	0.0%	

Returns as published or estimated through 04/30/15; Returns reflect reinvestment of distributions.
**Nomura QES Modelled Private Equity Returns Index; **Aspen Managed Futures Beta Index*

Do you know who your beneficiaries are, and how your assets are titled?

Those may seem like simple questions, but over many years of accumulating bank and brokerage accounts, real estate, retirement accounts, annuities, and other assets, it's not uncommon to forget or fail to update that important information.

Getting those bits of paperwork wrong, however, can have far-reaching consequences.

For example, failing to retitle the retirement accounts you started 30 years ago may result in the accounts going to your ex-wife instead of the two children you designated as heirs in your will and estate plan. Ditto for the life insurance policy you bought when you were married to your first wife and had expected to leave to your current wife but forgot to update the beneficiaries. Odds are these missteps would also result in a costly and public probate proceeding, where a court would end up determining who gets what.

“Unfortunately, people often don’t realize that certain assets, such as retirement accounts, life insurance policies, and annuities, pass to their beneficiaries by contract and not under the provisions of their will or trust,” says Kimberly Rosati, Regional Manager of Estate Planning at Fidelity. Importantly, the beneficiary designations on those assets supersede what’s in a will or estate plan.

If properly titled, however, your assets can transfer to loved ones quickly and easily upon your death, normally avoiding probate and perhaps even reducing estate taxes. Most people will still need a will, but proper account designations can in some situations obviate the need for a more in-depth estate plan or more complex trusts. For those with larger estates or more complex situations, however, additional estate and trust planning will likely still be advisable.

To be safe, review your beneficiary designations on all key accounts and assets at least once a year, or after any major life change, including a marriage, divorce, birth of a child, or death of a spouse. And if you do have an estate plan, align your account designations with it and your goals.
The basics: account features

Let’s start with the basics. There are three key account features that can help avoid probate while keeping costs reasonable and potentially limiting taxes on your heirs. Let’s look at each of them—and their pros and cons.

- Joint ownership
- Naming a “transfer on death” or “payable on death” beneficiary
- Naming a beneficiary on certain accounts that are outside a will

Three types of joint ownership
Joint ownership of estates

Joint ownership itself may be structured in different ways that may affect an estate plan. Each type of joint ownership structure offers an undivided right to the use and enjoyment of the property. However, depending on the specific classification of joint ownership, the ultimate consequences of transfer at a joint owner’s death may vary.

There are three basic ways to open a joint account, and each of them has distinct implications for estate planning depending on your situation:

Joint tenancy with right of survivorship: When one owner dies, property ownership transfers to the other owner(s) through the right of survivorship. Probate may be avoided by jointly owning an account or property with another person—often, but not necessarily, a spouse.

Tenancy by entirety: This is just like joint tenancy with right of survivorship, except that it applies only to married couples, along with same-sex couples in some states.

Tenancy in common: Unlike joint tenancy, with tenancy in common, when a joint owner dies, the joint owner’s interest in a property will become part of the joint owner’s estate and be passed on according to his or her will. A word of caution: Be careful in establishing a tenancy in common account, because it will likely lead to probate issues.
Pitfall to avoid: beneficiary designations that don’t match your will

In general, the assets in any retirement account, life insurance policy, or annuity will pass to the beneficiary named on that asset, regardless of the terms of a will. Therefore, beneficiary designations should be considered as part of an overall estate plan, and should match the goals and wishes of your will. Too many people make the mistake of having beneficiaries on some accounts that do not match those in their will, and inevitably this creates conflicts among beneficiaries that may lead to the courts.

“That’s why it’s so important to coordinate the account titling and the naming of beneficiaries with your overall estate plan to make sure your assets are passed to your heirs the way you intend while helping to reduce estate taxes,” says

Rosati.

“Make sure you understand how all your assets are titled, and the effect of that title,” cautions Scott Lubar, estate planning specialist at Fidelity. “Then, review and update everything regularly.”
Pitfall to avoid: transfer on death or payable on death not matching wills
Transfer on death/payable on death

Another simple and easy way to help avoid probate is to name someone as a transfer on death (TOD) beneficiary or a payable on death (POD) beneficiary. The terms are essentially the same but apply to slightly different accounts. A TOD/POD beneficiary can be named on financial accounts, such as bank savings or checking accounts and investment accounts, vehicle titles, and—in some states—real property.

Despite their simplicity, one major issue with TOD/POD-titled assets is a lack of awareness or poor coordination with people’s overall estate planning strategies. Some might not realize that a TOD- or POD-titled asset overrides whatever is stated in a will. If a number of accounts are titled as TOD, a will can be rendered largely ineffective, and assets may not be distributed as intended.

“You could have a complex will with all sorts of trusts created for your children,” says Pamela Pirone-Benson, a Fidelity estate planning specialist. “But if the assets don’t pass by the terms of the will, then the will becomes an expensive paperweight.”

Lubar describes transfer on death as a “placeholder,” rather than an estate plan. “It’s a temporary bandage until you put a larger, more effective, comprehensive plan in place.”

Consider Susan, a hypothetical client with a brokerage account worth $1 million. She names her husband as a TOD beneficiary of the $1 million account. Five years later, she does some estate planning and states in her will that the account’s assets be split evenly between her two daughters from a different marriage. Unfortunately, Susan doesn’t realize that her now ex-husband will receive the assets, because the TOD registration overrides the will.

Another problem with a TOD or POD could occur if parents name their children individually as TOD on each of two separate accounts. At the time the assets are titled, the value of the two accounts is equal. But no one tracks the value of the accounts over time. Thirty years later, when the couple dies, one child could receive a much smaller sum than the other.

And estate taxes may be due on TOD assets and payable by the recipient, depending on, among other things, how the will is drafted. “This can create an administrative nightmare for the executor of the will, who then needs to go and collect taxes from the recipients after they receive the assets,” says Pirone-Benson.
Pitfall to avoid: trusts that don’t match your situation

“For high-net-worth families, setting up a trust and placing assets in the trust may shelter assets from taxation, probate, and creditors, while integrating it all with an overall estate plan,” Lubar notes. However, not every trust is right for every situation. Beyond estate tax considerations, there are many other possible reasons to set up a trust. (Read Viewpoints: “Six reasons you should consider a trust.”) “Your child might have special needs, a problem managing money responsibly, a drug or alcohol problem, debts, or a contested divorce,” Lubar says. In these cases, the specific objective would determine the type of trust established.

In addition, the type of assets at stake must also be considered. For example, naming a trust as the beneficiary of a retirement account may have inadvertent consequences. When an individual is named as the direct beneficiary of a retirement account, the individual may stretch out the payments from that account over the expected life of the individual beneficiary. If the direct beneficiary happens to be a spouse, there are other advantages as well. However, unless the trust is properly constructed, designating a trust as the beneficiary of the retirement account may effectively eliminate these advantages and prove less beneficial to the ultimate trust beneficiaries.
In conclusion

Because this aspect of estate planning is very circumstance-driven, each situation must be considered on its own merits. While avoiding probate is important, it is rarely the only consideration, and there are numerous ways to help avoid probate.

“Overall, people shouldn’t assume too much, and they should understand that there are no panaceas or magic pills for your estate planning needs,” Lubar says. “Make sure to get reliable advice from an expert in this area, and be thorough

in reviewing your entire estate plan."

Question and Answer on Stocks and housing.

Q. I'm selling stock to buy a home in two years. Should I spread out the sale to cut taxes?

A. Go ahead and sell. Yes, you could possibly save on taxes by waiting: If you've owned the shares for a year or less, your profits, treated as ordinary income, would be taxed at 28%--the bracket you report you're in. Gains on shares held for over a year, however, would be taxed at 15%, says Stephen Horan, managing director of the CFA Institute. Were gains to push your adjusted gross income up a bracket, past $250,000 ($200,000 for singles), you'd be subject to an extra 3.8% tax on some of the profit—a levy you might avoid by selling the shares over two years.

Delay, though, risks a price drop. "Trying to save a few dollars in taxes might cost you way more in investment losses," says David Walters, a financial planner with Palisades Hudson in Portland, Ore. Cash you need so soon should not be in the stock market.

Q. If you earn more than $117,000, do you keep paying Social Security taxes on wages above that amount?

A. No, you don't. The maximum amount of earning subject to Social Security tax this year is $117,000, up from $113,700 in 2013. Beyond the new limit, you're done with the 6.2% Social Security tax (12.4% if you're self-employed) for the year.

You're not done with all wage taxes, though. You'll owe a 1.45% Medicare tax (again, double that if you're self-employed) on total earnings, no matter how much you make. And there's one more tax, points out Michael Eisenberg, a certified public accountant in Los Angeles. Starting with 2013, couples making more than $250,000 and singles earning at least $200,000 also owe a 0.9% Medicare tax on any earned income above those thresholds.
Source:*CNNMoney.com*

Spike in Interest Rates Will Help Some, Hurt Others
By: Darla Mercado *Investment News*

Higher interest rates will be a blessing for many retirees with CDs and fixed annuities, but they are a terrifying prospect for debtors, particularly those with variable-rate debt.

At the end of February, Federal Reserve Chairwoman Janet Yellen indicated in testimony before the Senate Banking Committee that although the first increase in the key federal funds rate won't take place before June, the time for a hike is rapidly approaching as economic conditions continue to improve.

Stay tuned for the next moves by the Fed Reserve. Meanwhile, have a great month, and be back here next month.

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