November - December 2014

Money Moxie®

Financial Strategies For Your Life

Since 1982

Smedley Financial Services, Inc.®

Your Financial Success is Our Passion

Dear Valued Clients and Friends,

The 1975 Broadway musical, "A Chorus Line," centers on seventeen dancers auditioning for a strong dancing chorus consisting of four males and four females. When one of the dancers, Paul, is injured and taken to the hospital, all at the audition stand in disbelief, realizing that their careers can also end in an instant.

Zach, the director, asks the remaining dancers what they will do when they can no longer dance. Led by Diana, they reply that whatever happens, they will be free of regret. Diana and company then sing, "What I Did for Love," with music by the inimitable Marvin Hamlisch and lyrics by Edward Kleban. Simply put, the dancers lived for their love to dance.

Similarly, this idea is conveyed in another powerful way in a movie quote taken from the 2001 movie, "Serendipity." "You know the Greeks didn't write obituaries, they only asked one question after a man died, 'Did he have passion?'"

Our commitment to you isn't just a hobby. It isn't just a nice thing to do. It goes beyond being a means of support. At Smedley, your financial success is, "What We Do for Love." Seeing you succeed financially is our passion.

No matter what your age or stage in life, may this time of year find you making the best of your personal circumstances, not only for yourself and your family, but also for others.

Bullish Best Wishes,

Roger

Roger M. Smedley, CFP®
President

Are you taking full advantage of your retirement savings?

Many of the contribution limits for next year have increased. Even if you can't put aside the full amount, plan now to take advantage of the new tax law changes for 2015.

Retirement Contribution Limits	
Maximum Deferral: 401(k), 403(b), 457	$18,000
Catch-up Deferral: 401(k), 403(b), 457	$6,000
SIMPLE Plan Maximum Deferral	$12,500
Catch-up Deferral for SIMPLE	$3,000
IRA Contribution Limit (Traditional and Roth)	$5,500
Catch-up for IRA (Traditional and Roth)	$1,000

Small changes over time can have a powerful impact. Do yourself a favor by increasing your automatic payroll deductions as much as possible beginning January 1, 2015.

9 Ways to Reduce Taxable Income This Year

By Sharla J. Jessop, CFP®

It is hard to believe 2014 is swiftly drawing to a close. At this point, what can you do to better manage your taxes? Here are several ideas you can consider:

Maximize retirement contributions.
All contributions to your traditional 401(k) or other tax deferred retirement accounts are made before taxes are calculated. This means that if you make a maximum $17,500 contribution to a 401(k) your taxable income is reduced by $17,500. So, why not pay yourself rather than Uncle Sam? Generally speaking, you can modify your contributions at any time during the year, but check with your benefits office to be sure of your plan's rules.

9 Ways to Reduce Taxable Income

1. ***Maximize Retirement Contributions***
2. ***Harvest Tax Losses***
3. ***Defer Income***
4. ***Make up Tax Shortfalls***
5. ***Bunch Itemized Deductions***
6. ***Make Stock Donations***
7. ***Be Generous to Charities***
8. ***Maximize Gift Tax Exclusions***
9. ***Schedule a Financial Checkup***

Harvest tax losses.
After several years of market growth you may want to lock in some of your investment gains. The downside is you will also trigger a tax on any growth over your initial investment. Consider dumping some of your portfolio losers. This will allow you to offset your taxable gains with losses resulting in a zero tax bill if the numbers are the same. Keep in mind you can only offset long-term gains with long-term losses. The same applies to short-term gains and losses. We can help you identify any tax harvesting opportunities in your portfolio.

Defer income.
If you have control over when you will receive income, consider deferring some of your income until next year. This generally applies to those earning commissions, bonuses, consulting fees, or self-employment income. A quick exercise to determine where you are tax-wise and how much income should be deferred to prevent you from hitting the next marginal tax bracket is recommended. This can be done by consulting with your tax professional. Some programs such as Turbo Tax allow you to run a pro-forma tax filing to get an idea of where you stand.

Make up tax shortfalls.
If you have not paid enough withholding or estimated tax throughout the year, there is still time make up the difference before the year ends. Increasing your tax withholding or making an estimated tax payment will help avoid any underpayment penalties.

Bunch itemized deductions.
Retirement brings with it some unexpected tax situations. For many there are not enough deductions each year to itemize on Schedule A of the tax return, in effect minimizing any tax advantages. By bunching deductions every other year, you can itemize one year and take the standard deduction the next year. This could be applied by prepaying state taxes every other year, making charitable donations every other year, moving up or pushing back a non-urgent medical procedure, and much more. Your tax professional can share ideas that fit your specific situation.

Make stock donations.
If you have held taxable investments for more than a year and they have increased in value, you can donate the stock directly to a qualifying charity. This avoids any capital gains you may owe on the growth of your investment. Nevertheless, you can still itemize the full value of the donation. Even better, the receiving charity pays no tax on the gift. You are then free to invest the cash you would have donated, creating the opportunity for future stock donations.

Be generous to charities.
Gifting cash to a qualified charitable organization also has tax perks. You can deduct the cash donation on Schedule A when you file your return. (Be sure to keep receipts for all cash donations.) You also get the benefit

Continued on next page

of helping others, while this may be a completely intangible outcome; the good feeling of making a difference in the world goes well beyond any tax advantages.

Maximize gift tax exclusions.
If your estate is growing considerably, you may want to gift something to your children and grandchildren while you can watch them enjoy the gift. You can give $14,000 annually to as many people as you wish. Neither you nor the happy recipients will pay gift taxes or estate taxes. If you are married your spouse can gift the same amount. Get double tax benefits by gifting appreciated stock and avoiding the capital gains taxes. The capital gains basis will transfer to the recipient, who is most likely in a lower tax bracket.

Schedule a financial checkup.
Throughout the year there may have been changes to your personal situation. This is a good time to review beneficiary designations, retirement plan contributions, estate planning options, and investment strategies. Your advisor can make you aware of and help you take full advantage of a wide range of planning opportunities.

For more information and ideas on how to maximize year-end planning opportunities, contact one of our wealth management consultants or your tax professional. Don't wait too long; there is a deadline for getting everything finalized and some of our suggestions take time.

*Securities America and its representatives do not provide tax advice; therefore it is important to coordinate with your tax advisor regarding your specific situation.

Do I Really Need A Backup?

By Shane Thomas

The holiday season is upon us and with that comes gatherings of family and friends. Chances are there will be plenty of opportunities for pictures. Before you head over the hills or through the woods, take a moment and save the pictures you have taken with your camera to your computer.

Saving photos on your computer will free up space on your memory card to capture all the fun memories this time of year brings. For any of you that love to take pictures with your smartphones, remember to save those pictures off to your computer as well. You will be glad you did if your phone doesn't make it through the season.

There are even options to have the images stored in the cloud as a backup.

It's also a good time of year to make sure all your other files are being backed up. Can you afford to lose everything on your hard drive?

It's not a question of if your computer hard drive will crash, but when.

There are many ways to back up your important documents and pictures from your computer. You can purchase an external hard drive and have it automatically backup the requested files or you could use a cloud service like Backblaze or Crashplan.

There are pros and cons to purchasing a hard drive versus using a cloud service; however, the most important thing is to back up your information and have it be automatic. If you have to think about doing it, it won't happen. Feel free to call us if you have any questions.

Gen Y Investing

By Rodney A. Walker, CFP®

For anyone who has siblings, take a moment and think, what are your perceptions of the youngest sibling? Do the words spoiled or lazy cross your mind? If you are the youngest sibling, maybe you hear about how life has been handed to you. In essence, Millennials have been labeled the youngest sibling. They are often perceived as spoiled, entitled, lazy, and focused only on themselves. Are these perceptions correct? It might depend on which generation you are from.

Who are Millennials? They are those born between 1980 and 2004 and account for almost one third of the US population[1]. They are also the most educated generation and are eager to ask questions, learn, and take action. They want to be successful and make a difference in the world. Millennials have enormous amounts of fresh, new ideas, thoughts, and knowledge that will impact our economy for decades to come. Technology has played a key role in their upbringing and they value quality of life as well as family and community.

Millennials entering the workforce now see that the economy is showing signs of improvement, however, most are reluctant to invest in the stock market. Can you blame them? They have lived through two large market declines, one of which shattered the housing market. A major challenge that they will face is retirement planning. Pension plans are becoming like the dinosaurs, and Social Security will likely alter payouts to accommodate longer life expectancy. Most Millennials will only have a work-sponsored retirement plan to rely on.

The MFS Investing Sentiment Survey results discovered that Millennials, on average, have 30 percent of their assets in cash. They may have the time to prepare for retirement, but are missing the guidance and knowledge to get them started on the pathway to retirement. So, are Millennials doomed? I say no.

I recently interviewed Erica Owens, who just graduated from college and started a professional career. As I interviewed Erica it became very apparent this generation has a lot to offer financially, and they have had to make hard financial decisions.

Erica shared an amazing experience and life lesson. Erica's mother taught her to save between ten and fifteen percent of her income for a rainy day.

Erica's rainy day came when she signed an expensive housing contract. At the time she felt if her finances stayed the same she could afford the payment. Unfortunately shortly after signing the lease, her financial situation changed to where she could no longer make rent without dipping into her hard earned savings.

Erica will always put money into savings because she now knows the true value of setting aside money for an emergency. The second influential lesson Erica learned is, "After I figure out what I can afford, I then shoot for less." Just because you can afford something today does not mean you can afford it tomorrow.

I asked Erica if there was something stopping her from saving for retirement? Her answer to me, "The lack of knowing where to start and what products to use."

Millennials want to succeed and navigate life just like their parents and grandparents, but on their own terms. It does not mean they are spoiled, entitled, or lazy, but they have a different way of working through today's problems. They value a good education and are willing to sacrifice to achieve it. As a nation, we have a generation that needs our guidance and advice in leading them to prepare for retirement while they have time on their side.

1. 15 Economic Facts About Millennials http://www.whitehouse.gov/sites/default/files/docs/millennials_report.pdf

Fear Leads to 3 Costly Mistakes

By Mikal B. Aune, CFP®

To hear bad news, all you have to do is turn on the TV. Every other day another story appears about how we are in a bubble and stocks are going to crash, especially if you listen to the eternal pessimists. On the flip side if you listen to the eternal optimists, stocks have a lot of room to run. So, to which side should you listen?

You can usually find opinions at both extremes. The truth, however, usually falls in the middle. So, the next time you are ready to make a knee jerk reaction to some bad news, think through these mistakes to make sure you are making the right decision.

Trying to time the market and go into cash – It's hard not to react to bad news because it is in our emotional makeup to protect ourselves. The next time you hear a pundit or a co-worker saying there is a bubble and stocks are headed down, try not to jump on that emotional roller coaster.

Just remember, "When you sell, you have to be right twice."[1] Not only do you have to time it right when you get out, you also have to time it right when you get back in. That leads to the next mistake.

Holding on to cash and not reinvesting – If you have sold some investments into cash, it is hard to figure out when to reinvest. You have heard the adage, "Buy low, sell high," but implementing it is very hard to do.

Mark Yusko said, ***"Investing is the only business I know that when things go on sale, people run out of the store."[2]***

Don't just sit on cash that is earning hardly anything. Look at market volatility as an opportunity and redeploy your cash into investments with at least a little growth potential.

Short-term thinking – The most common mistake people make is to change their entire portfolio structure based on what is happening right now.

One example is a retiree moving all of his investments into cash because of a conflict on the other side of the world. That is like boarding up your house to protect against a hurricane when the forecast is for an afternoon thunderstorm.

A properly designed investment plan should be able to weather the storms on the horizon. Don't short circuit your plan by making a knee jerk reaction to the news of the day. Make sure that your investment plan is driven by your goals and values, and stick with it.

1. Fearing a bubble can lead to 5 costly mistakes, CNBC 11/10/14. http://finance.yahoo.com/news/fearing-bubble-lead-5-costly-140000840.html
2. http://mebfaber.com/2011/03/12/when-things-go-on-sale-people-run-out-of-the-store/#sthash.3bJmQucQ.dpuf

Need Help Allocating Your 401(k)?

By James R. Derrick Jr., CFA®

One of the most common questions we get at SFS is "How should I invest my 401(k)?" This is a critical question, especially considering that 18% of retirement assets are tied up in these accounts (source: Investment Company Institute). Managing your 401(k) may be the most important place to place your financial focus after managing your spending.

First things first—start saving now. Starting early is the best way to get compounding rates of return to work in your favor. Remember, Albert Einstein called compounding rates of return the "8th wonder of the world."

Next, take advantage of free money by getting the full match your employer offers. Not all 401(k) plans include a match, but if yours does, then make sure you get the full benefit. The rate at which you save is far more important than the rate of return you get. So, keep saving for the future.

Now let's get into the investing nitty-gritty. Every person must decide how much risk to take in his or her savings. Your risk tolerance should be based on your ability, willingness, and possibly your need to take risk. It will be different than that of your friends and coworkers. It may even be different than that of your spouse.

Your ability to take risk includes factors like your overall financial situation and your time horizon. The more savings you have, the more risk you can take. The longer you plan to invest, the more risk you can take. Why? Your chances of positive returns in stocks go up the longer you invest.

Willingness to take risk is more difficult to determine. The essential question is how well will you be able to handle a drop in the value of your investments? If you view a fall in the stock market as an opportunity to buy more then you may have a high tolerance for risk.

When it comes to picking investments, the easiest route is to find an investment that approximates your retirement date. These all-in-one solutions provide some diversification. While diversification is far from a guarantee, it is still a good way to help manage risk. The pitfall of the retirement date choices is that these don't take into account your personal situation (health, income, assets, debt, etc.) and they may not even disclose exactly how they are invested.

If you choose to select your own mix, be careful. Selecting the hottest performer last year can get you in a lot of trouble. Distributing your account balance evenly into each option is certainly not the way to go either.

This is where a little research and help from a professional can help. Give us a call. We can help you navigate the 401(k) maze. SFS

Your SFS Team

Smedley Financial Services, Inc.® is an independent registered investment advisory firm. We work for our clients. Our wealth managers have the flexibility to implement our financial plans, retirement plans, and income distribution plans using the strategies that work towards each client's needs and goals. We work with individuals, businesses, and family estates. We provide financial solutions for your life.

Wealth Accumulation
- Managed Accounts
- Indexed Investing
- Mutual Funds
- Exchange Traded Funds (ETFs)
- Stocks and Bonds
- Alternative Investments

Family Protection
- Term Insurance
- Whole Life Insurance
- Universal Life Insurance
- Variable Universal Life Insurance

Retirement
- Social Security Maximization Strategies
- Medicare Supplement
- Guaranteed Income (Annuities)
- Lifetime Income Planning

Disability (Injury)
- Short-Term Disability Insurance
- Long-Term Disability Insurance

Elder Care
- Long-Term Care Insurance
- Hybrid LTC

Self Employed
- Health Insurance
- 401(k) Plans

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