January - February 2015

Money Moxie®

FINANCIAL STRATEGIES FOR YOUR LIFE

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Since 1982

SMEDLEY FINANCIAL SERVICES, INC.®

Black Swan Events & Your Investments

Dear Valued Financial Partners and Friends,

Black Swan Events are events that are unexpected and unprecedented. They are rare and have an extreme impact when they occur. The concept of a Black Swan Event was popularized in Nassim Nicholas Taleb's book, "The Black Swan: The Impact of the Highly Improbable" (Penguin, 2008).

Some modern day Black Swan Events include the sudden outbreak of World War I, the surprise attack on Pearl Harbor in December 1941, and the sudden terrorist attacks in the United States in September 2001.

Shortly after September 11, 2001, I attended a financial presentation where the instructor had prepared two charts and adjusted them to the same scale. The first chart was the S&P 500 Stock Index in the days just before and immediately following the surprise military strike at Pearl Harbor on Saturday, December 7, 1941. In my mind the instructor's graph documented and encapsulated the general public's human, sell-off reaction to this Black Swan Event as evidenced by the size of the stock market drop.

The second chart was the S&P 500 Stock Index in the days immediately surrounding the surprise terrorist attacks on Tuesday, September 11, 2001. Again, this second chart depicted our human, sell-off reaction to another rare, but major Black Swan Event by the size of the stock-market drop.

Now the magic! Remembering both charts were adjusted to the same scale, when superimposed, the two charts became indistinguishable! In 2001, our sell-off reaction, our human behavior was, for all practical purposes, identical to that of our predecessors—some 60 years earlier—by dropping approximately the same percentage.

The bottom line: No one knows when the next Black Swan Event will occur. Whether man-made or not, Black Swan Events will continue. Earl Nightingale stated in his book, The Essence of Success,"Only eight percent of your worries are worth concerning yourself about. Ninety-two percent are pure fog with no substance at all."

Black Swan Events will inevitably happen in the future. The challenge is to stay invested so that you don't miss out on market opportunities. Don't allow your personal emotions to keep you from reaching your long-term goals.

Bullish Best Wishes,

Roger

Roger M. Smedley, CFP®
President

Filing Early? You May Have To Amend Your Taxes.

Filing your taxes early, without the proper documents, may result in additional paperwork and fees. This can be easily avoided by taking an inventory of your investment tax documents. **Remember, the investment custodians providing your tax documents have until March 14, 2015 to put them in the mail.** If you have investment accounts you should watch for the following tax documentation:

- IRA and Roth IRA – Form 5498 and Form 1099R (if you have taken a distribution)
- Individual, Joint, Trust, Corporate, and other non-qualified accounts – Form 1099 Tax statement

If you have an account with National Financial Services (NFS) and have established a Streetscape ID, you can download your tax information directly into Turbo Tax.

If you have any questions regarding your 2014 tax documents please, contact our office at 800-748-4788. We will gladly review your accounts and verify that you have everything required. Happy filing!

Smedley Financial is Moving!

After 30 years at our current location, we are excited to announce Smedley Financial is moving. Our new home will be at the 102 Tower, located at 102 South 200 East in Salt Lake City. This is just blocks from our current location!

We feel that the new location offers many benefits to our clients and employees.

• **New parking terrace.** A brand new parking terrace has been built on the south side of the building. It will eliminate the need for our clients to park on the street, being exposed to bad weather conditions. The parking structure offers more spacious stalls and will easily accommodate SUVs and other high profile vehicles.

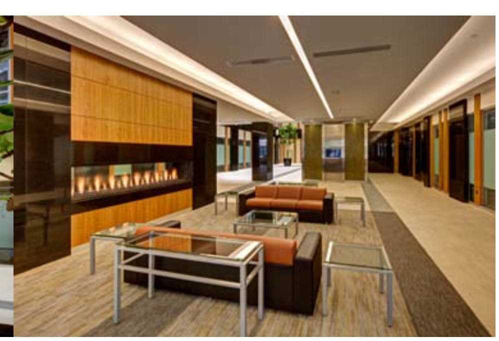
• **Disability access.** All entry doors have disability access so clients can open the entry doors with the push of a button.

• **First floor access.** Our new suite is located on the main floor, which allows easy access for our clients. No more waiting for elevators!

• **Welcoming experience.** Upon entering the building you will be greeted by a beautiful, warm, and welcoming foyer. The building is clean and inviting with comfortable seating by a beautiful fireplace.

• **Increased efficiency.** Our company will be more efficient in its use of space and energy, allowing us to save money and protect the environment.

We look forward to moving near the first of March and hope to see you soon at our new location. Watch for more information regarding our move and plan to attend our open house.



What Happened in 2014?

By James R. Derrick Jr., CFA®

Major Markets Update						
Market	**Index**	**2014**	**2013**	**2012**	**2011**	**2010**
Large U.S. Stocks	S&P 500	+11.4%	+29.6%	+13.4%	0.0%	+12.8%
Small U.S. Stocks	S&P 600	+ 4.4%	+39.6%	+14.8%	-0.2%	+25.0%
Global Stocks	Dow Jones Global	+ 2.1%	+20.8%	+13.7%	-9.9%	+11.9%

The U.S. economy begins 2015 with the best momentum in over a decade. For years investors have questioned whether tepid growth could overcome the slack caused by the 2008 recession and the collapse of the housing market. Now it is time to move on. The question is whether the U.S. economy is strong enough to pull the world out of its current slowdown.

Fall in emerging market stocks

Global Summary

There were plenty of reasons to be afraid of investing during 2014: Russia invaded Ukraine, United States joined a war against I.S. (or ISIS), spread of Ebola, and the quick collapse of oil prices.

Europe's economy shrunk by 0.1 percent in the second quarter and then grew just 0.1 percent in the third. Japan is experimenting with government stimulus and China is slowing down.

In spite of these fearful events last year, the S&P 500 managed to achieve a double-digit gain for the third year in a row. This had not occurred since the late 1990s when the S&P 500 reached a 10 percent or greater rise 5 years in row.

Best unemployment rate since 2008

U.S. Employment

Approximately 3 million new jobs were created in 2014—making it the best year for new jobs since 1999. Unemployment improved as well, ending the year at 5.6 percent—the best level since 2008.

The average U.S. consumer spends just about every dollar earned. This spending drives nearly 70 percent of the economy. While debt levels as a percent of income are relatively low, so is wage growth.

Incomes in the United States increased at just 1.8 percent during 2014. With that lackluster change consumers are not likely to boost spending significantly.

Drop in the price of oil since last June.

Gas Prices

The global supply of oil is surging thanks to producers in the United States and Canada. Members of OPEC seem unwilling to cut production. This combined with slowing global growth led to an epic 55 percent drop in prices since last June. This means lower prices for consumers.

The average price per gallon in December was just $2.54 and prices have continued to fall in January. The savings per household will likely be between $500 and $1,000 in 2015.

Summary

When it comes to investing in global markets, the winners and losers rotate unpredictably each year. Last year, the winner was U.S. large companies. This year it may be different. This is why including large, small, and foreign investments in your portfolio should help you achieve better results over many years.

*Research by SFS. Data from public sources. This is not a recommendation to purchase any type of investment. Investing involves risk, including potential loss of principal. The S&P 500, S&P 600, Dow Jones Global, and MSCI Emerging Markets are indexes considered to represent major areas of the stock market. One cannot invest directly in an index. Past performance does not guarantee future results. Please see disclosure on opposite page for more detail.

5 Predictions for 2015

By James R. Derrick Jr., CFA®

The Dow Jones Industrial Average crossed 18,000 for the first time in December 2014. No one knows where it will end in 2015, but I thought it would be appropriate to begin the year with 5 predictions I am comfortable with.

(1) Oil prices will remain near their lows until a major supplier cuts production. Oil prices matter as much as any price. When they drop, it is generally considered to have a positive impact on the economy. This time feels different because prices are dropping so fast. Since June 20, 2014, the price of oil has dropped over 55 percent.

Gas prices at the pump are at levels last seen in the spring of 2009 and stockpiles of oil are at record levels. Demand is down and there is no shortage anywhere.

So far, members of OPEC, Russia, and other major suppliers have been unwilling to slow the flow. Many are just too desperate for money to be the first to cut production.

As the abrupt drop in prices slows it will become clear that low energy prices are good for the U.S. economy. Americans are already reaping the benefits as sales for new cars rose by 6 percent (16.5 million cars sold) in 2014.

If you are thinking about a new car please remember that prices will eventually rise.

(2) The trend in job growth and moderate wage growth will continue. Over 5.2 million unemployed Americans were hired in 2014—the most since 1999. With unemployment at 5.6 percent, employers may have to increase wages in order to bring in more productive workers. Keep your eye on wages!

(3) The Federal Reserve will be more patient with rates than most investors expect. With slow global growth, low inflation, and a strong U.S. dollar, there just may not be a compelling reason to raise rates this summer.

(4) Increased volatility will continue in 2015. The third year of a president's term is hands down the best historically, but we expect this year to have above average volatility. Momentum has become so positive that 2015 is unlikely to be as good as 2014.

In the coming year, we expect positive results but with greater interruptions. In other words, we expect more frequent drops like those experienced in October and December of 2014 as investors digest a combination of factors: a slow global recovery, positive job creation numbers and high domestic stock valuations.

(5) The world will not pull the United States of America into recession. The strength of the U.S. economy is the envy of the world. We are more likely to lift the global economy than to sink with it. For at least 100 years our economy has led the world and there is no reason to think that things will be any different in 2015! SFS

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Assisting Aging Parents With Finances

By Rodney A. Walker, CFP®

Without warning, illness or death can come upon anyone leaving family members with additional responsibilities. Adult children are often forced into situations of having to handle their parents' financial affairs, and assisting with finances can be stressful.

Since every financial situation is different, I wish to share three advance planning methods that will help prepare both parties when the time comes to hand over control of the finances.

1. Durable Power of Attorney (POA):
This legal document must be on file with each financial institution where accounts are located. The POA allows the named person to sign financial documents, view account balances, and obtain account specific information. Without a POA, financial institutions are prohibited from releasing any account specific information without the owner(s) consent each time.

If your parent(s) have not had a POA document created, there is never a better time than now. Once the POA is created and copied, find a safe location for the original in case it needs to be accessed again later.

A POA should be created by an estate planning attorney. The cost will vary from one attorney to another.

2. Review Accounts:
Parents want to keep their independence and do not want to burden anyone, but avoiding help can be costly. Take the time, before the point of financial disaster, to sit down with your parent(s) and review bank accounts, investment accounts, mortgage, and life insurance policies.

Make sure all contact information for each company is current. Go through bank statements; learn where each income source comes from and become familiar with each bill. At some point you may need to assist in setting up bill pay or other means to pay bills.

3. Professional Network:
Parent(s) should have a professional network consisting of a financial planner, tax professional, and attorney. Having a network of professionals can help answer difficult questions and help avoid costly mistakes.

Examples of questions that should be addressed:

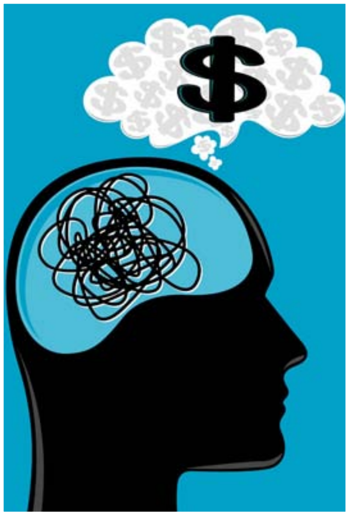
- Will my parents run out of money?
- Are they invested correctly?
- How much tax will they owe?
- Do they need a will and trust?

Finances are critically important and often complex, so it may take some time to gain familiarity. Talk to your parent(s) about whom they want to handle the finances when the time comes and how they want things to be handled.

Implement the advance planning methods early when no crisis mandates you take over immediately. This will help your parent(s) feel you love and care about them and are not trying to run their life. Give us a call at SFS, we would be happy to help you through the process before things fall apart.

New 2015 Key Numbers

Take a look at the key financial numbers for 2015. Each year changes are made to marginal tax rates, retirement contribution limits, Social Security, and other government benefits. You can view the most recent 2015 information by visiting our website SmedleyFinancial.com and clicking Take a Look at Key Financial Numbers for 2015. Or scan the QR code with your smart phone to be directed to this section of the website.



IRA Rollover versus 401(k)

By Mikal B. Aune, CFP®

If you have ever left a 401(k) at a previous job, you are probably wondering what you should do with your money. If you have over a certain amount, many 401(k)s will allow you to leave the money there or you could roll the money over to an IRA. Below is a list of seven questions you should ask yourself to determine where your money should be.

1. Do you want to be the financial advisor on your account?

Do you feel comfortable answering these questions: Am I saving enough? Am I taking the appropriate amount of risk for my age and time horizon? Which investments should I hold? How do I make my money last for all of my retirement? If you already know the answers to those questions and are competent at deciding the asset allocation of your 401(k), then your current 401(k) may be sufficient. If you don't know the answers to those questions, then you may want to roll out your 401(k) into an IRA at Smedley Financial where we can help answer these important questions.

2. How much do I value regular feedback and personalized advice?

Most 401(k) plans are limited in the advice they can render because of fiduciary liability. If you have ever asked a 401(k) advisor where you should invest your money, you may have received a response like: "Where you feel comfortable." 401(k)s also can't handle non-retirement investments, real estate, or life insurance. In addition, 401(k) advisors are typically servicing too many participants to provide personalized advice. Seek out a private wealth manager, like those here at SFS, that can advise you on your whole financial situation and align your investments with your goals and values.

3. Is the investment choice important?

Many 401(k)s offer a limited number of investment choices, typically 10 to 20. They may be lacking the ability to diversify into many other investment options that could boost return or diversify risk. IRAs tend to offer a much broader choice of investment selections. For example, our brokerage account has access to over 3,000 different investments. Review the investment options available and determine if they allow for appropriate diversification and if they have had good investment performance in relation to their benchmarks.

4. Do I understand how to compare fees and expenses?

Thanks to recent laws, 401(k)s are now required to disclose their annual fees, which makes this comparison easier. Compare the fees for the 401(k) and the IRA by looking at the total fee and what services are provided for that fee.

5. Am I between ages 55 and 59½?

For employees that separate service between the ages of 55 and 59½, some 401(k)s allow penalty-free withdrawals. IRAs on the other hand only allow penalty-free withdrawals after the age of 59½. Determine when you may need your 401(k)/IRA money and whether you have other sources that can bridge the gap between retirement at an earlier age and age 59½.

6. Am I concerned about creditor protection?

Both 401(k)s and IRAs generally offer substantial credit protection. 401(k)s are typically excluded entirely from bankruptcy proceedings while IRAs are typically excluded up to a maximum of $1 million. Check with your state to verify any state specific rules.

7. Do I own employer stock in my 401(k) plan?

Before cashing out your company stock in your 401(k), consult with a tax advisor to determine if a tax strategy called Net Unrealized Appreciation could benefit you. Depending on your individual circumstance, the company stock may be taxed at a lower rate. Once company stock is transferred to an IRA, it is treated like the rest of the IRA money and is taxed as ordinary income when it is withdrawn.

Before making these or any important financial decisions, talk to the Wealth Management Consultants at Smedley Financial so they can help you reach your goals. 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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