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2nd Quarter

REGISTERED INVESTMENT ADVISOR

2016

Market comments

Dress rehearsal or the real thing

Well noted by the major media headlines and ourselves, the start of the quarter was one of the worst in history. Commodities, notably oil, dropped into the mid-\$20 range, down from over \$100 not long ago.

Small company U.S. stocks think Russell 2000, historically the best performing long term U.S. asset class, approached a 30% drop from its peak in June

(see **Market**, Page 2)

Don't miss our blog
www.street-cents.com

New Vault in action

For regular Street-cents.com readers, you may recall during a trip late in the quarter a swiper gained access to my credit card, charging a Finnish hotel room and some fancy new luggage. No money was lost, and other than the inconvenience, no damage occurred. This event set our New Vault into action.

Late last year we began transitioning to a New Total Vault system which we

(see **New Vault**, Page 3)

Last year's taxes

FIVE last minute tax savings tips

With tax season upon us, good tax savings reminders never take a holiday, at least in our minds.

Here are our big five, last minute, last year (still good for 2015 savings) tax saving ideas:



John A. Kvale,
CFA, CFP®

1. **Fund an HSA** – If you have a high deductible health insurance plan, you may be eligible for a pre-tax contribution to a Health Savings Account. If you are unsure, make a quick call to your insurance carrier. Contributions now can offset last year's taxes.

2. **Offset any Non-W-2 income (think consulting) via a SEP (Simplified Employee Pension)** – You can even make this contribution

to your existing IRA if you are careful in the coding of your contribution. Max contribution amount is 25% of the net, after expenses adjusted income.

3. **Itemize your general sales tax deduction** – While tedious, any large purchase during the year may make it very advantageous to itemize your standard sales tax deduction, which is a general amount based on income and tax region. If you

(see **Tax tips**, Page 2)

INSIDE:

- **Market comments: Not the time to get overly aggressive in this cycle**
- **Questions and answers: Kvale talks about taxes, investing, personal finances**
- **New vault makes information safe, accessible**
- **Social Security: renting offers options, look at car needs, cut eating out**
- **New addition to newsletter**

Not the time to get overly aggressive in this economic cycle

(continued from Page 1)

of 2015 (make note of that date) putting the index easily into Bear Market territory, defined by a 20% drop or more, and showing just how volatile small company stocks can be.

Small company overseas, AKA emerging markets, one of our favorites, long ago reaching Bear Market territory continued their descent mid-way into the quarter as well.

The big boys, notably the Dow and S&P 500, joined the act dropping into the mid-teens percent correction, but smartly turned in mid-February along with most other global markets.

Fast forwarding to the end of the quarter, oil clawed its way up a stunning 50% to briefly over the \$40 mark. Most markets, including international rebounded smartly as well. The aforementioned big boys even made it back to even.

Had you closed your eyes at the beginning of the year and opened them now, it may have seemed boring. Underneath the covers as can be seen by the chart, it was much more volatile.



Remember that date we commented on earlier, June 2015? That date has marked the top of most of the U.S. capital markets as of this writing. That is a long time without hitting new highs!

Dress rehearsal?

If this was the dress rehearsal, we would expect to see the red line of our graph tested and very likely violated. The great news of this fact is this may be the last good buying opportunity of this decade! More on this at a later time.

Real thing?

If this was the real thing, we would look for capital markets to set new highs, most likely several months or even quarters down the road, as we grow into our frothy valuations. The good news is we will capture this reward as well.

In either scenario, we feel confident that with this economic cycle being very long

in the tooth based on historic standards, now is not the time to get overly aggressive. We would also expect continued volatility as all market participants attempt to determine if it was a rehearsal or real. *RK*

Tax tips: deductible IRA, real estate transactions

(continued from Page 1)

utilize one or a few ways to pay for items, it may be as easy as contacting the institution directly or getting a summary report.

4. **Fund a deductible IRA** – While this is an oldie, it is still a goodie. If you are not covered under a company plan or may have the ability to make a deductible IRA contribution, doing so may save more taxes, again for last year as you may make a deductible IRA contribution until your filing date or the normal filing tax deadline, not including

extensions.

5. **Check real estate transactions** – If you had a refinance, purchase or sale during the year, pull out that closing statement and make sure you counted all of the deductions available.

Good luck as we finish yet another tax season. Together we can help minimize the burden and hopefully this reminder will help, just in case one of these savings slipped your mind. *RK*

New Vault makes information safe, secure, easily accessible

(continued from Page 1)

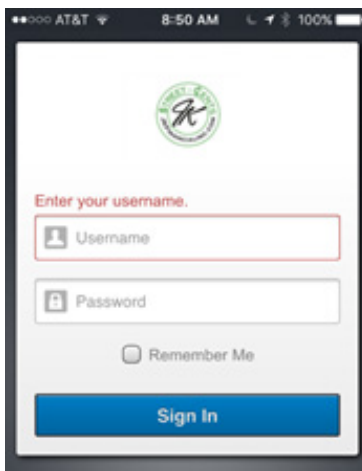
completed before the end of the quarter. Our old vault has been closed. All information in the old vault has been added to the New Vault, which has greater access and gets us back to our story.

With a card stolen, a few new items became more important to me to have immediate access.

- Driver's License
- Health insurance card
- Library card
- Voters registration
- Birth certificates

While literally on the road and feeling slightly violated, the New Total Vault earned its keep and greater respect immediately. This was completed via my cell phone, again on the fly.

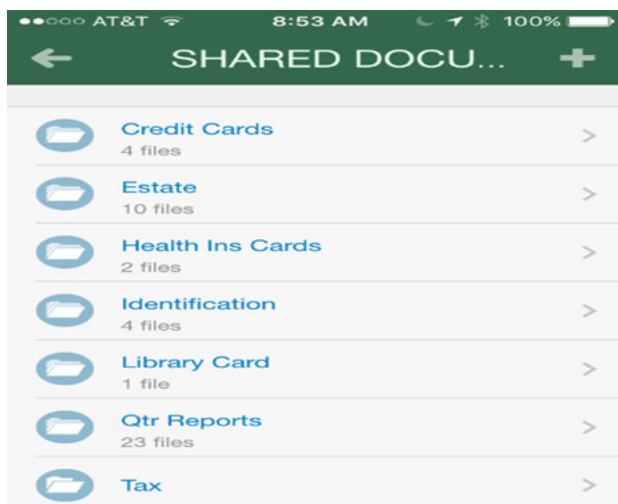
After saving the home screen to my cell phone, clicking the JK logo opened this screen.



Entering my username and password brought me to the home screen after which I clicked on the Vault tab, which opened the screen seen below.

This is the actual snapshot of my personal vault as viewed from my cell

and enlarged for those with dulling retina, such as mine.

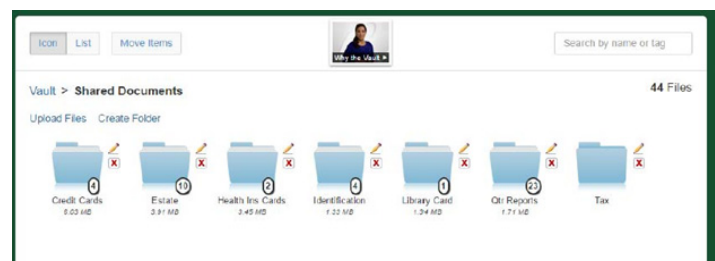


One click on any of these items brings up the pdf copy of the document, a safe and securely but easily accessible copy of the document and ready to use if needed.

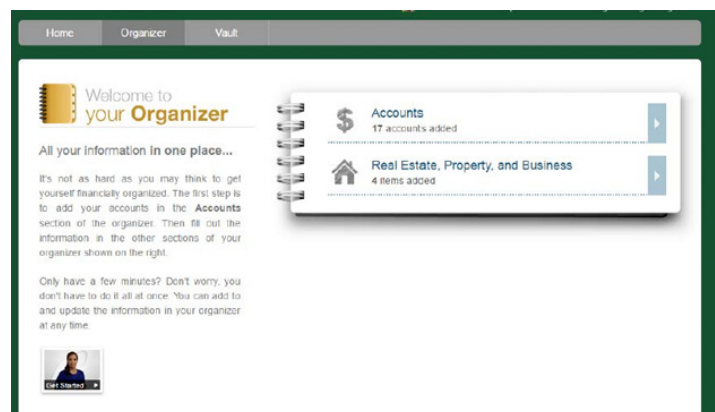
All of my estate documents including the Power of Attorney, HIPPA and medical directives are easily accessible, in case of an emergency.

If a credit card is lost, easy access to not only the actual credit card number but the phone number to call is right in the palm of my hands.

Here is the same Vault view from a laptop.



Lastly, what we are most excited about and will be the subject of our next newsletter is the Organizer. This view is from a laptop but looks



very similar on a tablet.

Clicking on the Accounts tab within the Organizer brings up another screen that allows connecting of any outside accounts. Outside connected accounts update daily and show balances and transactions.

As a safety reminder, our New Total Vault does not actually control, transact or direct anything, only acts as a window to all our information.

We look forward to sharing more exciting features soon. *JK*

Fun new addition to newsletter

In a world we live in today context, and noting that several study groups we attend lead each meeting with any new app that has been discovered, we decided to have fun and add a brief description of our favorite and new found apps and ones we use that you may find useful too.

Feel free to send us your favorite. We plan on going anywhere, bouncing from business (lots of these, we will try not to bore you too much) to fun and travels, as well as a few educational apps we find fun, handy and amusing.

Our first app is called List

App of the quarter: List Master

Master.

As a long time user, we have found this app most useful for the following items:

Password protected numbers

- A lack of certainty on the security (unlike our confidence in our New Total Vault) only allows us confidence in the following items (super handy)

- Frequent Flyer numbers for the entire family
- Hotel travel numbers
- Home Wifi password
- Electronic magazine usernames and passwords
- Industry ID numbers – always lost when most needed

General lists of all types

- Grocery list is apparently

the most used. Oddly we have never used it for this.

- Tracking lists of goals or items of all sorts
- Pre-formatted lists
- Industry related lists

One item we enjoy greatly is a new synch feature across multiple technology types. Our most common is the cell and lpad.

Note: We only use the free one. Some versions may have a charge.

Next quarter, a fun, learning app that you may have already heard of but is huge at our house.



Social Security: Cut down on eating out for more income

(continued from Page 7)

necessity it once was.

Many of you may still “need” a car for various reasons so here are a few tips that may keep that transportation expense down.

* Owning what you need, not necessarily what you want, may be helpful. Expensive cars, just like expensive houses, may have greater insurance costs and frequently greater operating costs.

* Speaking of insurance, carrying a high deductible may be a way to lower your cost of insurance.

* Drive that car forever – If you buy a new car every couple of years, depreciation is your enemy and most likely hurting your pocketbook.

* Take care of your car – regular maintenance – and that car may take care of you, allowing you continued use.

Moving on to our next belt-tightening area, let's talk food.

What is not showing in the BLS graph is the breakdown of at home and away from home food. According to the same 2014 BLS report, a whopping 41% of our TOTAL food costs are away from the home.

This is a stunning number. Eating out is fun but rarely as healthy or as cost effective a way to spend your monthly income. Staying at home, planning in advance, eating healthy and spending time with family or friends may be a great way to lower that bulging food budget.

We will all go out once in a while but limiting the high price visits along with frequency reduction may really add extra income when the end of the month occurs.

While you may not be able to directly attack each area, with planning and a little focus we bet you can provide yourself with savings to help that Social Security or other pension plan last a little longer.



Questions and answers

Kvale talks about IRAs, taxes, investing

Recently we were flattered to be asked and added to Investopedia as an expert advisor. Each week questions are asked and we answer in pro-bono form. With such a wide audience, answers are carefully answered generically. In the spirit of why we started in the industry, (help many people reach their goals), thanks to technology we are happy to help in a very productive manner. Here are some of the questions and answers.

IRAs, taxes

Do I open an IRA or a Roth IRA?

If your goal is to reduce taxes for this most recent tax year, an IRA would be the direction you would want to go. A Roth IRA does not allow you an immediate deduction on your current federal tax return, only tax-free deferral and tax-free withdrawal. You must check to make sure that you are eligible for a deductible IRA; if so, the deduction would help your taxes. One additional feature would be that you can contribute to a deductible IRA up to your filing date or April 18 of this year, again as long as you are eligible.

I have an IRA with after-tax money in it. How do I avoid being taxed again?

Form 8606 from the IRS will need to be included on your tax return in order to avoid double taxing your after-tax funds that are inside your IRA. You will need to include this basis each year you file your tax return and adjust that basis as distributions are taken from your IRA each year.

During your years of distribution a pro rata amount of the after-tax and pretax distribution will be calculated in order to determine the taxable amount of your distributions. As such, each year of distribution will adjust your after-tax basis, assuming you are making no further contributions. The key to remember is this is a pro rata distribution amount, not taxable or pretax only but a combination of both in each distribution year. The end of each year will determine the

following year's pro rata calculation so be sure to keep good records on distributions of the amounts and total value of the account. Done correctly, each year's total distribution from your IRA, with a basis, will be greater than your taxable amount on your taxes upon receipt, thereby reflecting the basis in your distributions.

Do we have to file taxes? Our only income is social security and a very small pension amount.

It sounds like from what you've said and what your accountant has told you, you may not need to file your income taxes. Generally, if your income is below your standard deduction, the IRS does not mandate you to file an income tax return. According to the IRS, here are the 2015 standard deduction amounts:

Filing Status	Standard Deduction
Single	\$6,300
Married Filing Jointly	\$12,600
Married Filing Separately	\$6,300
Head of Household	\$9,250
Qualifying Widow(er)	\$12,600

Investing

What recommendation should be advised to investors when interest rates rise?

Generally, from an investment standpoint as interest rates rise it is better to have shorter term bonds (also known as duration) in your portfolio. Longer-term bonds, assuming interest rates rise equally across maturity dates, will lose more face/principle value as interest rates rise, all other things being equal. From a consumer standpoint as interest rates rise, you want to have fixed rate loans thereby locking in your loan at the current lower rate. One additional item, it is true that if you hold the bond to maturity it will eventually mature at par (face value return the \$100); however, extremely long term bonds may still dramatically decrease in face value in the interim, forcing an investor to hold them for an extended maturity to regain full value.

Questions and answers

Insurance policy, personal finance questions

(continued from Page 5)

When you buy oil, do you have to buy thousands of stocks at one time or can you start out with a small investment?

While buying an index such as the XLE would expose you to many different oil stocks, you do not have to buy thousands of oil stocks all at once. You may purchase the stock of an oil company with as little as one share; however, that would generally not be a good idea due to transaction costs. If your budget is thousands of dollars, you may want to purchase several different individual oil stocks and may think of purchasing 10 to 25 shares of each oil company.

What should I do with an IRA that is currently in cash?

Most importantly, determine your comfort level of Fixed/Equities. This will most likely be a level you can comfortably maintain if history repeats and losses similar to 2000-02 or 2007-09 occur, which are severe market drops and more unusual than usual. Next, possibly set a time frame for being completely invested that you are comfortable and then divide that by a monthly amount or quarterly and Dollar Cost Average (buy equal amounts) into your allocation over the time frame may be a good option to keep you from diving in all at once. If you have an appropriate allocation, longer term (5 - 10 + years) from now, either entrance into your investment plan should garner similar results.

Insurance

Is short term care insurance a good idea?

Every situation is different; however, it may be beneficial to attempt to set aside enough funds to cover any type of short term insurance that you would need, like an emergency fund. Generally it is recommended that an emergency fund of safe cash or other type of investments in the amount of 3 to 6 months expenses be set aside. Each situation is different but it may be more economical to set aside enough short-term funds to avoid the short-term insurance cost.

Can policy benefits be paid out in 10, 20 and 30 year increments to its beneficiaries? Are

multiple policies required to do this? I would like to know if I buy a \$200k policy and name my sons and/ or grandchildren as beneficiaries, can I specify that I would like them to receive the benefits in 10 year increments?

Certainly there are annuity type payouts, which is what you were asking for, that have these type of death benefit options; however, to mandate a payout at this time from the insurance policy may be very difficult in advance. A better solution may be to set up a trust or designate a trust in your Will that would be the recipient of this death benefit and then specify your terms under the trust or Will provisions. You could instruct your trustee in the trust or in the Will to purchase a 10 or 20 year payout annuity. Pushing the death benefit through your estate plans may give you more control while still completing the your desires.

Personal finance

How can I set financial goals for the future?

In the essence of time-space, let's address the most important items in order of importance.

* Make sure your rainy day fund has at least 3 to 6 months expenses. This rainy day fund will need to increase as your monthly expenses increase.

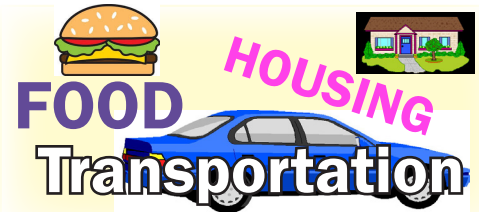
* Focusing on your house fund and retirement savings at the same time is important. You want to put as much in your retirement savings as possible, above and beyond the match, as long as you also have adequate cash flow to save after tax dollars for your house down-payment. These after-tax dollars saved on a monthly basis will also give you a good time horizon of when you will be able to purchase your home.

* Given your long-term goals, make sure your assets aren't too heavily weighted towards retirement. If you are young, it is possible to have too many assets in retirement funds early as a percentage of your total assets, leaving you less liquidity for an emergency.

To Read more: Google: John Kvale Investopedia

Social Security not going far enough?

Address the big three



Due to a flat year over year Consumer Price Index (CPI) the U.S. government, along with most other inflation adjusted plans, announced there will be no Cost of Living Adjustment (COLA) for Social Security benefits in 2016.

What if your Social Security is just not going far enough? Lucky for us, the Bureau of Labor Statistics (BLS) has recently released their Consumer Expenditure Survey which sheds great light on our spending habits.

The big three are housing, transportation and food.

Housing is clearly, on average, our most expensive expenditure, according to the survey (see chart on Page 2).

So how can we limit our

This article was originally requested by Credit.com, and while not applicable to many but has a few neat ideas and statistics, especially the dining out portion. We hope you enjoy.

housing expenditures?

First, ask yourself, "Is my housing cost what I want or what I need?" Home ownership, rightly an American dream, along with the wonderful experience of no longer having a mortgage associated with that American dream, is a wonderful goal and accomplishment.

Property taxes, HOA and other fixed costs do not go away when the mortgage is paid off; and generally, the larger the home, the greater the cost. Is this what I want or what I need?

It may be excruciating to think of downsizing but the

advantages, ease of stress and the extra money at the end of the month might possibly make it all worth it.

Rented dwellings make up 20% of the housing portion, according to the BLS survey, so if you are lucky enough to fall into this category, your options are tremendous.

- * Renting may allow for easier relocation.

- * Relocation options may allow for total expense reduction.

- * Rents for lower incomes may be subsidized in certain cases.

- * Renting in age restricted areas may provide expense reductions.

- * Freedom to downsize easier than direct homeownership may be available.

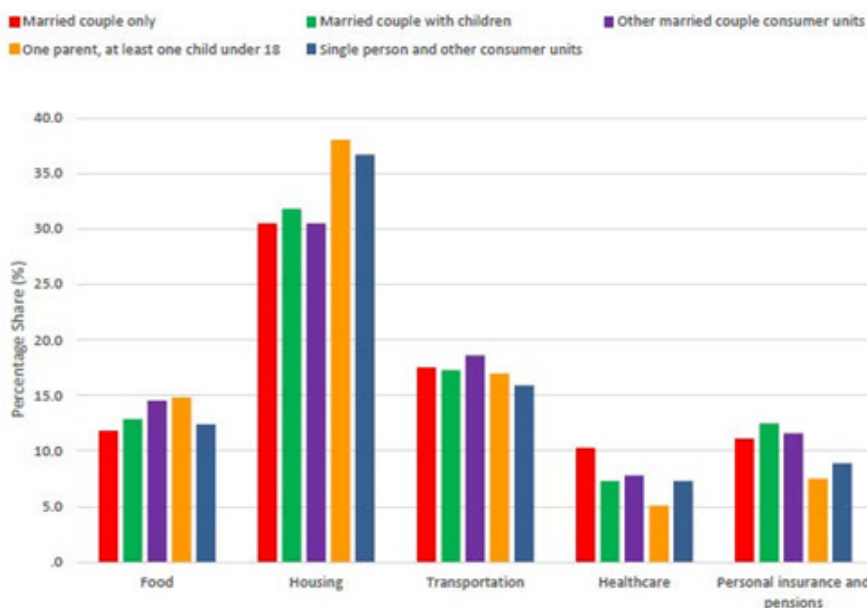
Renting may also be a great way for homeowners to lower their expenses as well, once they are ready to free themselves from the possible extra burden homeownership may be applying.

Transportation, the second greatest expense for the average American, according to the survey, allows even more ways to tighten that spending belt.

Ask yourself, "Do I really need a car?" With the popularity of mass transit options (Uber, Lyft) car ownership may not be the

(see Social Security, Page 4)

Chart 1. Shares of average annual expenditures on selected major components by composition of consumer unit, 2014





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The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investments may be appropriate for you, consult your financial advisor prior to investing.

A few parting thoughts for you...

After a record breaking ugly start to the year, as we mentioned in the last newsletter, statistics do not always forecast results. Dress rehearsal or real? Our "market comments" article dives deeper into this discussion.

A personal experience of another credit card hack, our New Total Vault became even more valuable to us and we discuss why in our Vault comments. With many unmentioned features, we look forward to introducing features in the future.

With a flattering request

to answer Investopedia questions as an expert advisor, we hand-picked questions that are asked occasionally inside our office walls, too. Not all are applicable but maybe helpful.

Our most recent credit.com requested article, similar to Investopedia, not being applicable to many, had a few statistics that we wanted to include. Look for a deeper conversation on Street-cents.com soon.

Happy Spring!



New knowledge sites:

www.onlinelistmaster.com

Our App of the quarter

www.bls.gov

Bureau of Labor
Statistics- great facts

www.irs.gov

Timely reminder site

Dates:

Mother's Day, May 8

Memorial Day, May 30
NYSE/Capital Markets Closed

Father's Day, June 19