



## Newsletter

4th Quarter 2013

### *2013 Tax Returns By Carol*

With the prior year now behind us, it is time to start getting ready to file taxes for 2013. TD Ameritrade and Schwab expect to send the official 1099 reports by mid-February. However they expect to have some corrections to their early data that will result in them having to send corrected 1099s. The corrections are usually minor and are due to mutual fund companies reclassifying gains as qualified or non-qualified. Starting this year, the 1099s will have the cost basis information for the sales done in 2013. Therefore, we will not be sending you the realized gain/loss report as we have done in the past. However, if you need some advance numbers, call or email to request the reports and I can generate and send you a report.

### *Interest & Insurance Rates By Sandy*

Even though Bernanke thinks rates will remain low until the end of 2016, most economists see rates rising by 2015. That would be a very welcome sight to investors tired of seeing less than 1% on their bank savings and CD rates. Rate increases will depend on how the economy grows and if unemployment figures continue to decline. Many households are still reeling over their higher medical insurance rates due to Obamacare. Several clients that retired early and were bridging to Medicare age had their plans canceled and were forced to work with the computer disaster. Some are still without coverage, waiting for confirmation of insurance, without drug coverage while they wait. I expect this will all be straightened out but it certainly is not the price reduction that most expected.

### *Happy New Year by Sandy*

It always seems odd the first time you write the date in a new year. Yes, here it is, 2014. A fresh year, a new start, new goals and adventures are in store for 2014. We also have new players- Ben Bernanke is handing the reins of the Federal Reserve to Janet Yellen as she is scheduled to pass the final vote on January 6th. I don't expect much of a change in policy since these two are very similar in their beliefs. Ben did bid farewell to the markets in December with a 10 billion per month reduction in asset purchases and a forecast of low interest rates until the end of 2016. Our economic growth still lags at 2% per year and the forecast should hold steady for our new year.

*There is only one success – to be able to spend your life in your own way. -Christopher Morley*

*It was a really good year for investors with RISK appetite by Carol*

It was a really good year for investors with a RISK appetite... The equity markets enjoyed a great year. Small Caps, cyclicals, and low quality stocks outperformed all year. Safe investments, led by U.S. treasuries and gold, underperformed. The S&P 500 stock index closed up 29.6% for the year and the Dow Jones industrial increased 26.5% while the bond markets fell 3-8% depending on the bond category. We have been reviewing our bond holdings and have been selling off the ones that are most interest rate sensitive. The main reason for holding bonds in your portfolio is to give you yield which provides cash flow and downside market protection. In prior years, bonds were also increasing in market value but that is not the case now. If the bond is held until maturity, you will earn interest every year and at maturity you will be paid in full for the bond.

Mutual funds paid out decent capital gains for the 1<sup>st</sup> time since 2008. To counteract the capital gains in taxable accounts we were selling investments with a loss. This has resulted in more cash than normal in the accounts. We will be reinvesting and rebalancing the accounts in the next few months.

**2014 IRA, 401k, 403b, & 457 limits**

The annual limits do not change in 2014. 401K contribution limit is \$17,500, plus up to \$5,500 for a total of \$23,000 if you are 50 or older. Traditional and Roth IRA contribution limit is \$5,500, plus \$1,000 if you are 50 or older. To qualify for a Roth contribution, your 2014 adjusted gross income must be less than \$129,000 if you are single or \$191,000 if you're married filing jointly.

*Sadly, Erin fell victim to the flu at year end and missed the newsletter. She wishes everyone (including herself) a healthy new year!*

**Money Makeover by Sandy**

I did another LA Times Money Makeover in November and a copy is enclosed. This was an adult daughter that cared for both her parents until they passed. That is never an easy task for anyone and made even harder when the parents chose to stay at home instead of a care facility.

**New Goals by Sandy**

My new goals this year are to walk 400 miles, swim 150 miles, and moving my daughter off to college. I can't wait to hear what your goals are! Traveling to somewhere new?

*A positive attitude may not solve all your problems, but it will annoy enough people to make it worth the effort-Herm Albright*

**New Goals by Carol**

My big goal this year is to send my son off to college. We traveled back east Thanksgiving week to visit some colleges. It was good for him to experience the cold weather, not so much for me. He wants to be a civil engineer and is applying all over the country, including California. I am still riding my bike and did the Solvang ride again in November and plan to ride in Palm Springs in February.