PREMIER FINANCIAL PLANNING, INC.
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A Registered Investment Advisor

1st Quarter 2015 Commentary | *April 2015*

A Surprising Quarter: While some indices hit highs during the quarter, the Dow and S&P 500 ended flat with other benchmarks closing up. Short term volatility is now almost a daily routine. At present index levels, please remember that the daily swing in numbers represents a small percentage of your portfolio. Asset allocation delivered; portfolios performed well for the quarter.

When will Interest Rates Go Up?

The interest-rate setting Federal Open Market Committee (FOMC) meets eight times a year to discuss strategy and the current Fed policy. The FOMC members include the Board of Governors of the Federal Reserve System (Janet Yellen is the Chair), the president of the Federal Reserve Bank of New York, and a rotating selection of presidents of the other 11 reserve banks. The FOMC closely monitors three main factors to determine just when to adjust interest rates: Inflation, the unemployment rate, and the growth of our economy.

The stock market and the valuation of fixed income assets will fluctuate based on current interest rates (and projected changes to interest rates). When interest rates go up, bond values go down (newer bonds at higher rates are now available). Bond funds (which eventually purchase these higher-rate bonds) will eventually follow the interest rate trend. If rates go up, this is a sign that the economy is doing better and that we now need to be more concerned about inflation. That may have a positive impact on stocks (but not always). A moderate inflation factor is considered a signal of a sound economy.

The markets watch in close anticipation of each of these FOMC policy meeting results. As of the most recent March meeting, the consensus is that interest rates *may* start rising in mid-summer (again). We've heard this before, but then the previous policy meeting suggested a delay until the fall. We will have to wait and see what happens at the next meeting. It's a slow and calculated dance; raising interest rates too soon or at too fast a pace could harm our recovering economy.

So what should we do? Should we sell bonds and overweight in stocks since we know interest rates will eventually go up? The simple answer is NO because no one can accurately time the market! For instance, if we reduced our bond exposure and overweighted in stocks, and then the stock market crashed (due to an unforeseen event which we have all experienced), this could cripple a portfolio's value. Most of us do not have the luxury of many years of continued employment with discretionary cash flow that may be invested to replace lost principal due to taking an aggressive investment stance. Thus we continue to use a diversified asset allocation strategy to lessen our market risk from all sides of the table: stocks and fixed income (both domestic and overseas), with exposure to tangibles while maintaining cash reserves. As our time horizon shortens (we are in or are approaching retirement), we reduce volatility even further and become more conservative so we may achieve or maintain our desired inflation-adjusted retirement lifestyle. So we continue to maintain fixed income positions to minimize ongoing stock volatility.

March 31, 2015 Benchmark Returns

2015	1st Quarter
Large-Cap US Indices	
Dow Jones Industrial	0.33%
Standard & Poor's 500	0.44%
NASDAQ Composite	3.48%
Russell 1000 Growth	3.84%
Russell 1000 Value	-0.72%
Small-Cap Indices	
Russell 2000 Growth	6.63%
Russell 2000 Value	1.98%
Large Cap International Indices	
MSCI EAFE (Local Currency)	10.12%
MSCI EAFE (US Currency)	4.88%
Fixed Income Indices	
Barclay's US Aggregate Bond	1.61%
Citigroup World Govt. Bond	-4.36%
Real Estate Indices	
Dow Jones US Select REIT	4.71%

* *Index performance is provided as a benchmark only. The performance of your individual portfolio will vary from that of any one index. Past performance of an index is never a guarantee of future results.*

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Financial Planning Tips

Maximize your Retirement Plan Deferral. Investing on a tax-deductible, tax-deferred basis is usually your best investment ever – especially if you receive employer matching! Just a reminder that the IRS has increased the maximum you may defer in 2015. You may now defer up to the following maximum amounts:

401k:	$18,000 + $6,000 catch-up if >50 years of age by 12/31/15; $24,000 maximum
SEP:	20% x (net business income less ½ SE tax); $53,000 maximum
Solo 401k:	$18,000 plus 20% x (net income less ½ SE tax); $53,000 maximum + $6,000 catch-up if >50
Simple:	$12,500 + $3,000 catch-up if >50; $15,500 maximum

Check your paycheck and make sure you are maximizing your retirement benefit. If you are a planning client and need assistance determining the correct deferral amount, please let us know so we may help. ☺

Start Planning for 2015 Taxes Today. By now, you have likely already collected and provided your 2014 tax data to your tax professional. An easy tip to help with this annual chore is to create a "2015 Tax Info" folder that you keep in a handy location; perhaps near your "To Be Paid Bills" folder. Then, throughout the year, as you come across tax-related items (real estate tax payments, DMV registration license fees, estimated tax payments, charitable contributions), simply place the paid bill or receipt in your "2015 Tax Info" folder. If desired, you may choose to scan the tax item and a copy of the paid check, saving the scans in an electronic folder on your computer. You might also keep a copy of your 2014 tax planner questionnaire in this folder as an easy guide.

Enclosed Investment Reports

1st Quarter 2015 Reporting:

- *Aggregate Overview; Current Value, Asset Allocation and Performance; summarized by Portfolio and Combined Portfolios, as applicable*
- *Holdings Analysis by Account; summarized by Asset, Account and Asset Allocation*
- *Statement of Fees* for the 2nd Quarter 2015 (based on 03/31/15 values)
- *Disclosure Statement*

Please remember that this investment reporting is for informational purposes only and you should also refer to the investment statements you receive from your brokerage custodian.

As always, we appreciate your continued confidence and trust. Should you have any questions or concerns, please contact us.

Best regards,

Patricia C Patterson

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