



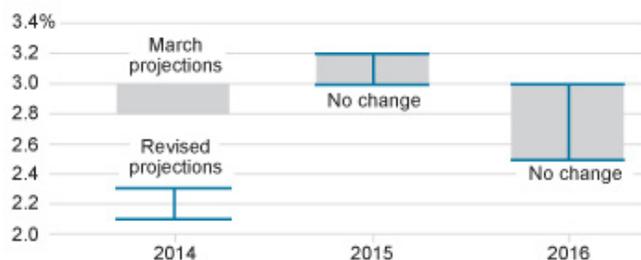
**Lackluster Economy:** While the economy stumbles along, the market responded with good 2<sup>nd</sup> quarter performance. At a recent news conference, Fed Chairwoman Janet Yellen said there were “many good reasons” to expect faster growth in 2015 and 2016: an improving labor market, the Fed’s easy credit policies, reduced household debt burdens, rising stock and home prices, and an improving global economy. She also expects consumer spending to pick up with rising wages.

**The Dance between Interest Rates and Inflation Continues**

Projected changes in interest rates or inflation always impacts the markets; both good and bad. As the bond-buying program continues to wind down, officials advise that short-term interest rates are expected to remain low throughout the year. “Growth in economic activity has rebounded in recent months,” the Fed said in a policy statement at the conclusion of a two-day policy meeting, citing an improving job market and resumed growth in business investment. The Fed’s latest tint of optimism about the economy follows a gloomy 1<sup>st</sup> quarter in which the economy contracted, forcing officials to reduce their projection for economic growth this year. The Fed forecasts that the economy will expand 2.2% this year, substantially slower than the projected growth rate of near 3% offered last March.

**Short-Term Stumble**

The Federal Reserve forecasts for GDP\*



\*Projections are from the fourth quarter of the previous year to the fourth quarter of the year indicated

Note: Projections shown are the central tendency, which excludes the three highest and three lowest projections for each variable in each year.

Source: Federal Reserve

The Fed now forecasts the benchmark federal-feds rate would, on average, rise from nearly zero today to 1.2% by the end of 2015 and 2.5% by the end of 2016 (slightly higher than estimates last projected in March). On inflation, Ms Yellen said recent data have been “a bit on the high side,” but generally provide evidence that price levels are moving back towards the Fed’s 2% target. Fed officials also see the jobless rate falling more than previously thought – from the current 6.3% to 6% by year-end, the mid 5% range in 2015, and the low 5% range in 2016. These changes suggest the Fed is a little less optimistic about the longer-run outlook for economic growth; perhaps as low as 2.1% in the long-run, the latest in a string of downward revisions made in recent years. That gloomier long-run growth outlook could help explain why the central bank is forecasting a lower long-run interest rate of 3.75%.

June 30, 2014 Benchmark Returns	
2014	2 <sup>nd</sup> Quarter
<b>Large-Cap US Indices</b>	
Dow Jones Industrial	2.83%
Standard & Poor's 500	4.69%
NASDAQ Composite	4.98%
Russell 1000 Growth	5.13%
Russell 1000 Value	5.10%
<b>Small-Cap Indices</b>	
Russell 2000 Growth	1.72%
Russell 2000 Value	2.38%
<b>Large Cap International Indices</b>	
MSCI EAFE (Local Currency)	2.28%
MSCI EAFE (US Currency)	4.09%
<b>Fixed Income Indices</b>	
Barclay's US Aggregate Bond	2.04%
Citigroup World Govt. Bond	2.64%
<b>Real Estate Indices</b>	
Dow Jones US Select REIT	7.15%

*\* 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.*

## Financial Planning Tips

*Home Mortgage: Is it time to refinance?* As discussed on page one, interest rates are expected to start rising in the near-term. If you haven't yet taken advantage of current lower rates, we recommend you contact your current lender to see if a refinance makes sense for you.

*Document your Possessions and Important Papers!* With fire and other natural disasters becoming more prevalent, the ability to document your personal property and keep your critical records safe could prove crucial to your recovery. Take the time to record your personal property on a DVD. As you walk through the house, be sure to focus on expensive items, and discuss the items as you record. If you have receipts, record those as well to document value. Keep a scanned copy of your important papers at home and then store the DVD and original documents in a safe deposit box. Examples of important papers: birth certificates, passports, estate planning original documents (if originals are not held for you by your attorney), pink slips, life insurance policies, grant deeds, etc.

## Enclosed Investment Reports

### 2<sup>nd</sup> Quarter 2014 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 3<sup>rd</sup> Quarter 2014 (based on 06/30/14 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, CFP<sup>®</sup>, CMFC<sup>®</sup>