



**PREMIER  
FINANCIAL  
PLANNING, INC.**

*Planning Makes It Possible™*

A Registered Investment Advisor

## 2<sup>nd</sup> Quarter 2015 Commentary | July 2015

**Stock Market Jitters...** U.S. markets reacted strongly to the possible default of Greece on June 29<sup>th</sup>. While the Dow dropped 350 points (giving back this quarter's gains), bond values went up. The volatile quarter ended close to where it began with minor declines. Although the REIT index was down 10% for the quarter, single family home sales are showing promise with new and existing home sales at their highest levels since Nov 2009. Continuing diversification is the name of the game!

### Volatility Continues

Heading into the year, many investment experts dubbed 2015 the year of volatility. That theme has been evident in both fixed income and currency markets, and there are plenty of indicators that equity markets are headed for a bumpier ride. With markets in flux, consideration of downside risk is taking on increasing importance.

It is expected that heightened volatility will continue until we return to a more normalized market environment with 2-3% economic growth and interest rates that are closer to historical norms. In fact, winning may be largely defined by not losing in the next two to three years. While some factors may point to an upcoming correction, that is no reason to leave the market. One: you will miss out on interim gains, and two: you won't know the best time to get back into the market. We have all experienced market corrections in the past and know that staying in the game is how you come out ahead when the market bounces back. *As we have stated over and over, it is important to maintain sufficient cash reserves to minimize the need to sell equities during market downturns.* This is another reason we remain invested in fixed income vehicles; they serve as a secondary line of defense after cash reserves.

After two years of the market anxiously awaiting a rate hike by the Federal Reserve, a rate hike has yet to materialize. While U.S. rates may remain lower for longer than anticipated, we do expect them to return to historical levels at some point. This is why we utilize actively-managed bond funds in diverse bond asset classes. We reduce market risk by using different types of bonds and we leave the investment timing and bond selections to the professional bond traders.

### Financial Planning Tips – The Strategy of Gifting

There are many reasons why you may wish to make a gift. Some of the more common reasons are 1) a charitable donation, 2) funding for an event (birthday/Christmas, car purchase, home down payment), 3) bail out of debt, and 3) educational expenses. As you approach your later years and have a significant estate, another reason to gift may be to reduce the size of your estate to avoid or reduce estate taxes for the ultimate benefit of your heirs.

*Why should you gift an asset versus gift cash?* If you own appreciated assets (such as real estate or stocks), if you sell these positions to raise the cash for a gift, you will incur income tax on the now realized gains. *However, if you gift the asset instead of cash, you will pass the tax burden to the gift recipient.* This enables you to make a gift for the full value of the

### June 30, 2015 Benchmark Returns

2015	2 <sup>nd</sup> Quarter
<b>Large-Cap US Indices</b>	
Dow Jones Industrial	-0.29%
Standard & Poor's 500	-0.23%
NASDAQ Composite	1.75%
Russell 1000 Growth	0.12%
Russell 1000 Value	0.11%
<b>Small-Cap Indices</b>	
Russell 2000 Growth	1.98%
Russell 2000 Value	-1.20%
<b>Large Cap International Indices</b>	
MSCI EAFE (Local Currency)	-2.79%
MSCI EAFE (US Currency)	0.62%
<b>Fixed Income Indices</b>	
Barclay's US Aggregate Bond	-1.68%
Citigroup World Govt. Bond	-1.54%
<b>Real Estate Indices</b>	
Dow Jones US Select REIT	-10.00%

*\* 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.*

position (versus the after-tax value) and often times once the gifted positions are sold by the recipient, the resulting tax will be less since most recipients will have a lower tax bracket (or none at all if a charitable organization). There are a variety of gifting mechanisms, ranging from quite simple to fairly complex. If this is a topic that interests you and you would like to learn more, please let us know. ☺

### Enclosed Investment Reports

#### 2<sup>nd</sup> 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 3<sup>rd</sup> Quarter 2015 (based on 06/30/15 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, CFP<sup>®</sup>, CMFC<sup>®</sup>