Year 2014 Commentary | *January 2015*

PREMIER FINANCIAL PLANNING, INC.
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A Registered Investment Advisor

Happy New Year! During the 4th quarter, we continued to encounter short term volatility; watching stock values rise and fall based on current events and perceived threats. Most domestic benchmarks performed well for the year, especially in light of a low interest rate environment. Unfortunately, emerging markets and international asset classes turned in negative results which dampened one year portfolio performance. Three year annualized returns remain strong.

December 31, 2014 Benchmark Returns*	4th Quarter	2014
Large-Cap US Benchmarks		
Dow Jones Industrial	5.20%	10.04%
Standard & Poor's 500	4.39%	11.39%
NASDAQ Composite	5.40%	13.40%
Russell 1000 Growth	4.78%	13.05%
Russell 1000 Value	4.98%	13.45%
Small-Cap Benchmarks		
Russell 2000 Growth	10.06%	5.60%
Russell 2000 Value	9.40%	4.22%
Large Cap International		
MSCI EAFE (Local Currency)	1.47%	3.20%
MSCI EAFE (US Currency)	-3.57%	-4.90%
Fixed Income Indices		
Barclay's US Aggregate Bond	1.79%	5.97%
Citigroup World Govt. Bond	-2.91%	-2.68%
Real Estate Indices		
Dow Jones US Select REIT	15.09%	32.00%

** 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.*

History doesn't repeat itself, but it does often rhyme (Mark Twain)

What should we expect in 2015? We learned again in 2014 that unexpected events should be expected and that a diversified portfolio will help weather these storms. In 2014, we had the "polar vortex", Russian invasions, quantitative easing ending, Ebola, a midterm election, oil falling off a cliff, and numerous other domestic and international events that could have derailed the stock market, but didn't. We also learned that it's good to pay attention to history, as we again saw a sizable stock market decline leading up to a midterm election; which has happened every midterm election year going back to 1962. And, sizable stock gains have typically occurred in the year following the correction, which in this case would take us through October 2015. In addition, the third year of a Presidential term, which is 2015, has also traditionally been the best year of the presidential cycle; especially in the first half of the year.

At this point, we have little reason to doubt these trends will continue into 2015, supported by improving US economic growth. Employment has picked up markedly, adding over 200,000 jobs a month for the majority of 2014, capped off with an impressive 321,000 job gain in November. This corresponded with the unemployment rate dropping from 6.7% in January to 5.8% in the December release. The federal deficit continues to shrink and is approaching 2.5% of GDP (gross domestic product).

We also have what we believe is a tailwind in the form of lower gas prices. While hurting energy producers, depending on the length and magnitude of the fall, it should help a much larger segment of the economy – energy users. Businesses should profit from lower costs and consumers can take advantage of some more cash in their pockets. There is a risk of unforeseen problems associated with such a sharp fall in an important asset class, so we'll continue to monitor the ongoing impact on the markets as we all appreciate the savings at the gas pump.

The US stock market appears set for further gains into at least the first half of the year, although risks are elevated with valuations no longer discounted and looming rate hikes. While we enjoyed super-strong growth in the economy in the third quarter (the fastest growth rate in 11 years), it is very doubtful the Federal Reserve will change their plan to wait until the summer to raise short-term interest rates. Inflation trends continue to stay below the Fed's 2% goal. As of November, the 12 month inflation factor was 1.4%.

Financial Planning Tip

The start of a new year is a good time to start preparing for the upcoming tax season.

- Maintain your 2014 tax file and start a new 2015 tax file. As tax reports and receipts arrive, file them away so they may be easily located and provided to your CPA. Keep your tax folder with that year's tax return (once prepared) for easy reference.
- ***2014 4th quarter estimated tax payments are due January 15, 2015.*** Keep copies of all payments in your tax folder.
- We will be sending 2014 capital gains tax reports for all trades conducted within taxable accounts. These will arrive in the near future.
- TD Ameritrade will be mailing their 1099 tax forms in the next few months.
- As you weed through your files, we are often asked "How long should we retain documents?"
    - Tax returns and all supporting documents: 7 years
      Note: Federal returns can be audited for up to three years after filing (and up to six years if income is under-reported by 25%)
    - Investment records: Ownership period plus 7 years
    - Real estate and home improvements: Ownership period plus 7 years
    - Journal and general ledger: Life of business plus 7 years

Enclosed Investment Reports

4th Quarter and Annual 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*
- *Portfolio Performance Detail by Account; summarized by Asset and Account for 2014 calendar year performance*
- *Statement of Fees* for the 1st Quarter 2015 (based on 12/31/14 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. Benchmark returns listed on page one are per 12/31/14 Morningstar *reported values.*

We hope 2015 is a year that exceeds your expectations in every meaningful way. 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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