

The INVESTMENT LETTER

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Year End Money Moves

As 2014 winds to a close and we're firmly in the midst of the holiday season our thoughts naturally turn to the three "F's:" Family, Friends and Food. But the end of the year marks not only new beginnings and a time of celebration but also an opportunity to do some very important planning regarding the fourth, often overlooked 'F' – Finances.

Among the most important financial moves you can make at year-end is doing a bit of tax planning. In an effort to lower your tax bill you may want to consider strategies like giving, both to charities and individuals, or tax-loss harvesting. Both have strict deadlines at the end of the calendar year, so timing is important.

Giving to a qualified charity is deductible in the year in which the contribution was made. Limits for charitable giving are high so the high degree of customization this strategy provides is attractive to many donors.

Gifting to individuals is another strategy you may wish to consider. This is usually done with family members, typically children and/or grandchildren. There are annual limits of \$14,000 per recipient, but no limits on how many gifts a donor may make.

Tax Loss Harvesting is the term used to describe selling securities at a loss to offset realized gains earned in other holdings. This strategy effectively lowers the total amount of gains for the year, thereby lowering taxes. Finding losses to harvest is more challenging in a year like 2014 - which is the latest in a number of consecutive years with impressive market

returns – but the potential benefit is worth the effort to identify opportunities.

Investment Counsel reviews all taxable accounts prior to year-end to identify opportunities to harvest losses where appropriate. While opportunities are limited in a strong bull market it is those same market conditions that make those losses even more valuable. We also work with our clients that wish to make charitable contributions or to gift assets to family members.

While taxes are certainly one of the most important and immediate of financial matters to consider at year-end they are certainly not the only one. So far we've discussed a few strategies we can assist with from an investment standpoint, but you may want to consider year-end a good time to evaluate other aspects of your finances, including:

- Reviewing insurance coverage for yourself and your family with your insurance agent,
- Ensuring that emergency savings is adequate to meet short term needs (typically 3-6 months of expenses),
- Checking your credit reports for fraud or identity theft at www.annualcreditreport.com,
- Considering the appropriateness and accuracy of trust and other legal documents with your family and legal counsel, and
- Budgeting for the year ahead, particularly for larger purchases.



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Lastly, if you are over age 70 ½ and have a balance in a retirement account, such as a traditional or rollover IRA, you will have to take a distribution that satisfies the IRS mandated Required Minimum Distribution or RMD. Don't forget that your RMD will be considered current income so make sure to budget appropriately for your upcoming taxes if you choose not to withhold taxes on your distribution. Required Minimum Distributions are due before the end of the calendar year.

A little bit of time and effort planning at the end of the year can make for a much less stressful tax experience on April 15th and can set the table for the coming year and beyond. We're available to discuss account matters for clients and we work with a network of attorneys, CPA's and other professionals to help answer specific questions. Let us help you focus on your finances so that you can focus your holiday season on the three "F's" that really matter: Family, Friends and Food.

Outlook for Stocks

Our outlook for the US market is still cautiously optimistic as our economy is growing unlike that of many other global economies. Many indicators (consumer confidence, consumer spending, unemployment) point toward further gains in the equity markets.

Non-US markets, however, seem to be struggling. The Eurozone is fighting off another recession, with recent reports showing drops in German industrial output, while China, a long-time driver of growth has shown significant signs of slowing as well. Japan is expanding their version of Quantitative Easing (QE) in the hopes of mimicking our results from the program.

Overseas markets can, and do, have an effect on US companies. We will be carefully observing global markets and monitoring the effects on the names we own, particularly those names that have significant overseas operations.

Outlook for Bonds

We expect interest rates to rise, which will decrease bond prices. Industry consensus seems to be mid- to late- 2015 for the first Federal Reserve rate hikes although recent developments suggest its more likely that will be pushed back rather than moved forward. While bonds are still a critical component of most portfolios, providing invaluable diversification and risk management, some types of bonds are more sensitive to interest rate changes than others. Highly sensitive bonds should be adjusted accordingly to limit downside risk from rising rates. On the whole bonds are priced at a premium.



INVESTMENT COUNSEL NEWS

Inside the Office

Throughout November we reviewed all our client portfolios for Required Minimum Distributions and opportunities to take advantage of any offsetting losses that could help minimize taxes. Therefore, your portfolio may have experienced some selling to accomplish these important goals. Please contact us if you have any questions.

Outside the Office

Everyone at Investment Counsel wishes you and your family a happy, healthy and joyous holiday season and a prosperous 2015!

