January-February 2016

Money Moxie®

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Make 2016 Pay off Big!

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SMEDLEY FINANCIAL SERVICES, INC.®

SFS

The Irony and The Ecstasy

Dear Valued Financial Partners and Friends,

Through Sharla's professional connections, she was able to visit the NYSE trading floor.

The evening news often features the familiar image of the New York Stock Exchange (NYSE). It typically shows a group gathered on the balcony overlooking the trading floor ringing the opening or closing bell.

The irony. I've always shared a chuckle with Sharla's husband, Rich, for his astute observation: "When the stock market drops significantly, why do the people on the balcony clap so enthusiastically during the closing bell?" Great question. (Actually, it's because their company is being featured or recognized.) But the celebrating of a down day is truly ironic!

More irony. The stock market dislikes uncertainty. However, it is that very uncertainty that creates the opportunity for profits over the long run. The irony: The stock market, or more correctly, the market of stocks, thrives on uncertainty.

The ecstasy. Here's what Jeremy Siegel, PhD, said in the foreword of the 5th edition of his book, *Stocks for the Long Run*: "…there is overwhelming reason to believe stocks will remain the best investment for all seeking steady long-term gains."

Most of us are worried about our money lasting as long as we do. If we are too conservative or if we are too aggressive in our investing, we could easily end up with the same outcome—not having adequate funds. If we are too conservative and are averse to taking any risk, then our investments cannot keep up with inflation. If we are too aggressive and take too many chances, then we may forfeit what we have because we have risked too much.

For most of us seeking stock market gains, the stock market could be considered boring. It's like watching paint dry or grass growing. However, time and patience work wonders. Keep Jeremy Siegel's professional research and expert opinion in mind.

The ecstasy can come from sound investing and prudent financial planning. Remember, as a nationally recognized wealth manager, Smedley Financial's motto is, "Your financial success is our passion!"

Bullish Best Wishes,

Roger

Roger M. Smedley, CFP®
President

Thank you for joining us!

It was our pleasure to spend time visiting with you and share in the holiday spirit during our open house. We wish each of you good health, happiness, and success in the New Year.

Make 2016 Pay off Big!

By Sharla J. Jessop, CFP®

Social Security – Beginning April 30, 2016, the "File and Suspend" and "lump sum payment of suspended benefits" will no longer be available. If you are married, age 66 or older, and have not started taking Social Security, now may be the time to talk about maximizing your benefits before time runs out.

Currently a filer who is at or past full retirement age can file for individual benefits but suspend receiving them, allowing a spouse or dependent to collect based on the filer's record. In doing this, the filer can capture the delayed benefit increases of 8 percent each year that benefits are delayed, beginning at full retirement age and available up to age 70.

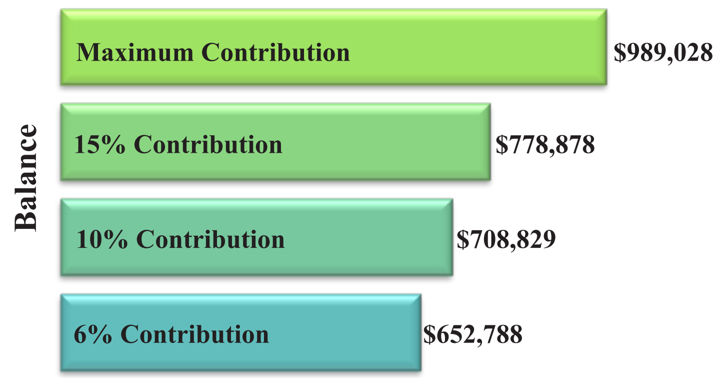
After April 30, 2016, in order for a spouse or dependent to collect benefits based on the filer's record, the filer must begin to collect his or her own benefits, thus forgoing the delay benefit increases. Furthermore, filers who have suspended benefits will no longer have the option to request a lump-sum payment of all suspended benefits. This strategy can be complex. We suggest that you start the process immediately to take advantage of this opportunity before time runs out.

Make up for lost time – Boost your retirement contributions. Living comfortably in retirement is largely determined by what you are willing to save today. Make the years before you retire really count by increasing your 401(k) or other retirement account contributions. This chart to the right illustrates the difference that setting aside 6, 10, or 15 percent of income can make. Even better, maximize your contributions, and make a significant difference.

The unseen result is what these contributions can do to supplement income at retirement. Using a 4 percent distribution rate, the difference in this illustration is $1,120 each month.

Decide today to make living comfortably in retirement a priority.

Boost Your Contributions



Assumptions: Beginning balance $250,000; Annual income $80,000; Monthly employee contributions; 4% company match; 6% return; 12 year time-frame. For illustrative purposes only. Not indicative of an actual account. Past performance does not guarantee future results.

Financial diary – This is not a typical diary. Keeping track of your spending goals and checking in on your finances regularly will keep you focused on your real financial goals.

Use the diary to list items you want or need and keep track of spending, investing, and savings. This will help you prioritize your spending. The result–focused spending and saving. Monitoring your diary will give you the emotional boost to keep you on track. When you see that you've accomplished a goal, you feel satisfied with your financial decisions. If you see that you are getting off track, this will be the silent kick to get you back on track.

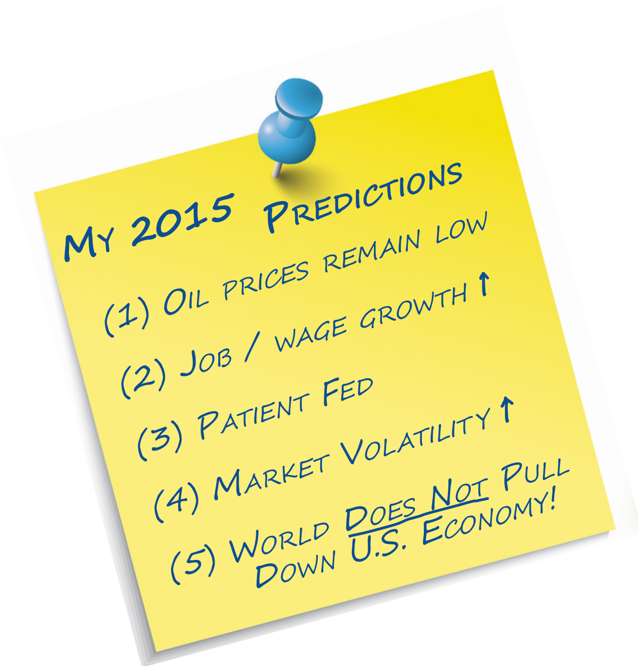
Keeping a financial diary will help prevent emotional spending–a compulsion to buy something right now. Retailers are excellent at getting us to buy things we didn't know we needed by simply placing an item strategically in view and setting the mood with a little shopping music. Keeping track of your spending can help you outsmart the retailers.

Looking at the financial diary weekly, even if you think nothing has changed, can help keep you on track and out of trouble.

Stocks Finish Their Worst Year Since 2008

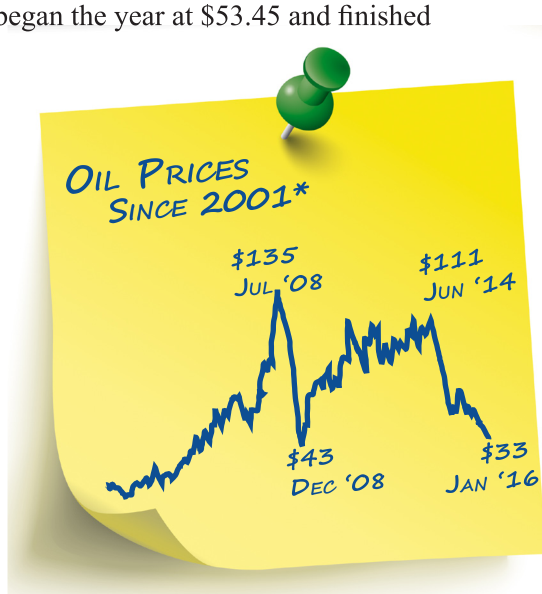
By James R. Derrick Jr., CFA®

"It's tough to make predictions, especially about the future." One cannot argue with these words from Yogi Berra, who passed away September 22, 2015. After all, conditions in the world change much more frequently than people would like. With that said, let's review my predictions for 2015 and discuss what changed last year.



(1) Oil prices will remain near their lows until a major supplier cuts production.
No major supplier cut production and oil prices did end the year lower–lower than any reasonable forecast would have stated. We began the year at $53.45 and finished at $37.53 per barrel. That's a 74% drop from $145 in 2008.

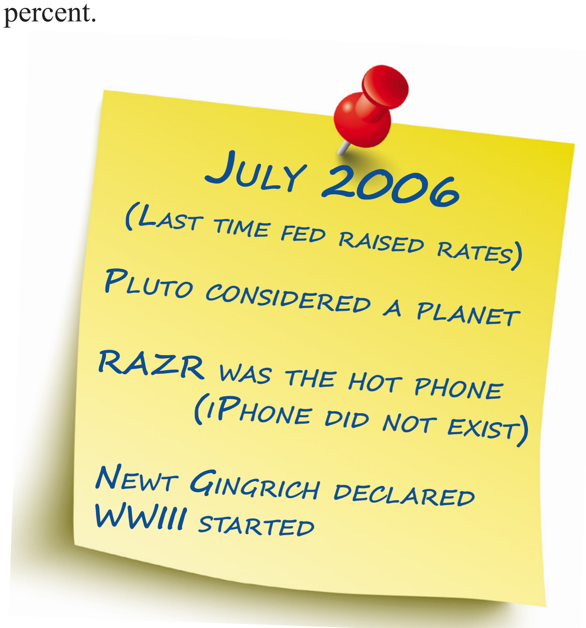
This is great news for U.S. consumers! It's hard to remember the last time a stop at the gas station was so cheap!



(2) Job growth and wage growth will continue. Our economy averaged 220,000 new jobs per month, which is over 2.6 million added in 2015. Unemployment continued its steady decline as it fell from 5.7 to 5 percent.*

This tighter labor market should increase wages, but the increase last year in income was just 2 percent–positive, but not as strong as I thought it would be.

(3) The Federal Reserve will be more patient with rates than most investors expect. The consensus view 12 months ago was that the Fed would raise rates in June. It turned out to be December and it was just a quarter of one percent.



(4) Increased volatility will continue in 2015. The S&P 500 rose 3.5 percent, fell over 12 percent, rose almost 13 percent, and then finished down for the year. The S&P 500 rose or fell at least 1 percent twice as many days compared with 2014. December, one of the best months historically, was negative by more than 3 percent.

(5) The world will not pull the United States into recession. Our economic growth rate is 2.2 percent and it appears that the U.S. economy has helped lift those of other nations around the globe.

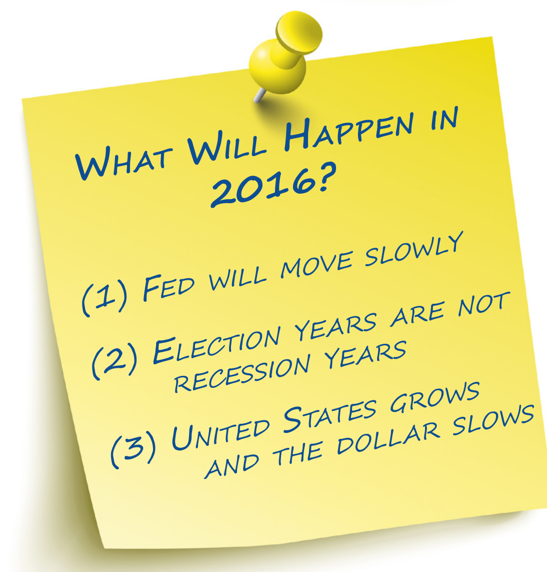
*Please see the disclaimer on opposite page.

Investing in 2016
The Fed and Election Years

By James R. Derrick Jr., CFA®

Major Markets Update						
Market	**Index**	**2015**	**2014**	**2013**	**2012**	**2011**
Large U.S. Stocks	S&P 500	-0.7%	+11.4%	+29.6%	+13.4%	0.0%
Small U.S. Stocks	S&P 600	-3.4%	+ 4.4%	+39.6%	+14.8%	-0.2%
Global Stocks	Dow Jones Global	-4.0%	+ 2.1%	+20.8%	+13.7%	-9.9%

(1) Historically, when rates rise they rise sharply, but "this time will be different." This phrase raises a red flag. However, I see no need for the Federal Reserve to increase rates quickly. Our economy is growing slowly and inflation is near zero.



Oil and food are unlikely to keep dropping in 2016 like they did in 2015. So, inflation may rise. (Without food and energy inflation is currently 2 percent.)

The Fed stated it may raise rates 4 times this year, but I am not convinced it will do that many.

Normally, rate hikes would be negative for bonds, but U.S. bonds are still paying attractive dividends compared to others overseas.

(2) Election years are not recession years. The economy will expand as the recovery in the United States enters its 8th year. The next slowdown is coming and no one knows when. However, I don't see convincing data for its arrival in 2016.

Election years usually start positive, slow down in the summer, and then rally in autumn–similar to most years. However, the rally in the fall does not typically begin after election day like many investors believe. It usually begins before the uncertainty is over–catching many off guard that are waiting. The average for a presidential election year is 9 percent.

(3) United States grows and the dollar slows. Global diversification should help investors in 2016, but the United States will continue to be a financial leader. Global returns will hinge on the U.S. dollar.

Since July 2014, our dollar has risen in value against every major currency around the globe! It gained 20 percent versus the euro and 54 percent versus the Russian ruble!

Why the big move? In all the world, our economy is one of the best and we are the only ones raising rates. Both of these make our dollar more attractive to global investors.

With so many countries lowering rates to stimulate growth, it is possible their economies will strengthen and the dollar's rise will slow. Overall, this would be good news. It would likely help those that have diversified globally.

Does 2015 offer any clues as to what 2016 will bring? In 2015, the S&P 500 finished within 1 percent of where it started. This has only happened in 4 previous years (1947, 1948, 1978, 2011). What happened following those respective years? In 3 out of 4, the market was up more than 10 percent. The outlier was 1947. It was followed by another low return year and then came the double digit. Of course, there are no guarantees.

History does firmly support the value of diversification and investing over the long run. SFS

*Research by SFS. Data from Federal Reserve Bank of St. Louis. Investing involves risk, including potential loss of principal. The S&P 500, S&P 600, and Dow Jones Global are indexes considered to represent major areas of stock markets. One cannot invest directly in an index. Diversification does not guarantee positive results. Past performance does not guarantee future results. The opinions and forecasts expressed are those of the author and may not actually come to pass. This information is subject to change at any time, based upon changing conditions. This is not a recommendation to purchase any type of investment.

Spending Money the Wealthier Way

By Rodney A. Walker, CFP®

How much money is needed to feel happy? Princeton University along with researchers Daniel Kahneman and Angus Deaton published a study stating that $75,000 a year is the tipping point where money and happiness separate.

Each of us needs money to provide food, shelter, and/or well-being. There are some emotional challenges when one is stressed over how to provide these necessities.

The researchers discovered that individuals expressed greater happiness as their income rose, up to $75,000. Beyond that, individuals had no measurable increase in happiness.

Making more than this helps people feel accomplished and successful, but it does not provide greater happiness. Whether one agrees with the study or not, it underlines a fact. Money can buy a little happiness, but only to a point. The rest is up to us.

No matter the amount of money we make, below are three tips to help us learn to spend our money in a wealthy and happy way.

"Concentrate on finding your goal, then concentrate on reaching it."
–Michael Friedsam

1. Financial goal
A financial goal will define a financial future. Knowing where you want to end up financially will assist you in making solid financial choices.

$75,000
The tipping point where money and happiness separate

Identify items that prohibit you from obtaining a financial goal. Often it's as simple as cutting out a TV show or limiting Internet surfing. This simple change will create the extra time needed to be devoted to reaching your financial goals. More time spent on a goal gets you a step closer to obtaining it.

2. Acquire experiences not expenses
As you reflect on past purchases, what do you remember most? Family vacations enjoyed with loved ones? Or that iPhone bought years ago that has been replaced multiple times?

3. Avoid random spending
Stop impulse purchasing. CreditCards.com conducted a survey and discovered 3 of 4 Americans make impulse purchases. In order to stop impulse purchasing, identify your impulse spending triggers. Track "reasons" why purchases are made. Identifying why you buy items provides awareness and accountability, which will help change buying habits from impulse to purposeful spending.

Spending money is easy; learning to spend money for worthwhile reasons is a challenge worth every penny spent in its pursuit. Spending money is necessary. Spending money effectively allows us to live our lives with greater joy and a sense of accomplishment.

Meals on Wheels

By Lynette S. Watts and Nashaela Lyons

"Meals on Wheels" is a program that provides a nutritious meal, a friendly visit, and a watchful eye on the health and safety of seniors.

For seniors who have diminished mobility making it hard to shop for food, "Meals on Wheels" can come to you. For seniors who can still get out, they serve in senior centers and community facilities.

Generally programs serve adults 60 and over, and depending on individual circumstances, meals may be provided along a sliding fee scale, from no cost to full price.

To learn more about all the services provided and to see if you are eligible or if you want to donate to or participate in "Meals on Wheels," check out http://www.mealsonwheelsamerica.org/.

IRA Charitable Donations Are Back… and This Time They Are Here to Stay!

By Mikal B. Aune, CFP®

For those of you over age 70 ½, a very beneficial tax law is back on the books thanks to the Protecting Americans from Tax Hikes (PATH) act signed into law on December 18, 2015.

The PATH act has a provision that allows you to donate IRA money directly to a qualifying charity and avoid paying any tax on the distribution. Even better, the distribution still counts toward your Required Minimum Distribution. Officially it is called a Qualified Charitable Distribution or QCD. Those who took advantage of it in previous years will be glad it is back.

Even better, the PATH act is now permanent. In the past, Congress has only approved the measure in 1- or 2-year increments, which has made it difficult to plan for the future.

Some people have wondered what the difference is between making a QCD directly to a charity or taking the money and then donating it to the charity personally. The main difference is that a QCD does not increase your income on your tax return (AGI). This may not sound like a big deal, but the implications can be large.

By not increasing your income you may reduce or possibly avoid paying taxes on Social Security. Also, if your income is lower, you may avoid paying the Alternative Minimum Tax (AMT).

To explore this in detail let's look at an example. Let's say Henry wants to get the money first and then donate it to a charity. If his required minimum distribution was $10,000 and he withheld $2,000 for taxes, he would get a check for $8,000. Henry would then deposit that check in his checking account and write out a personal check to the charity.

Next year Henry would get to include the $8,000 (not the full $10,000) as a deduction on his taxes. However, his income (AGI) will still be higher by $10,000, which may result in his Social Security being subject to higher taxes and/or his deductions being limited by AMT.

The other option is for Henry to donate the $10,000 directly to a charity. His income (AGI) isn't increased and he doesn't have to pay any taxes on the distribution. Also his charity is benefited by the full $10,000. That is an additional $2,000 to charity at no extra cost to Henry! The decision seems to be fairly easy.

If you plan to donate money to a charity and you have to take a Required Minimum Distribution, give us a call so we can help you take full advantage of this reinstated tax law. SFS

Source: http://www.wsj.com/articles/congress-gives-americans-a-tax-gift-for-christmas-1450434600.
Smedley Financial and its advisors do not provide personal tax advice. It is important to coordinate with your tax advisor regarding your situation.

Important Tax Information for 2016

Tax Forms

Some 1099 tax documents may not be available until March 15, 2016. If you receive a "Preliminary" tax form, changes may still be coming. We recommend waiting for all final documents before filing your 2015 taxes to avoid recalculating and resubmitting your tax forms. Please call our office with any questions at 801-355-8888.

Your SFS Team

Smedley Financial Services, Inc.® is an independent registered investment advisory firm. We work for our clients. Our wealth managers have the flexibility to implement our financial plans, retirement plans, and income distribution plans using the strategies that work towards each client's needs and goals. We work with individuals, businesses, and family estates. We provide financial solutions for your life.

Wealth Accumulation
- Managed Accounts
- Indexed Investing
- Mutual Funds
- Exchange Traded Funds (ETFs)
- Stocks and Bonds
- Alternative Investments

Family Protection
- Term Insurance
- Whole Life Insurance
- Universal Life Insurance
- Variable Universal Life Insurance

Retirement
- Social Security Maximization Strategies
- Medicare Supplement
- Guaranteed Income (Annuities)
- Lifetime Income Planning

Disability (Injury)
- Short-Term Disability Insurance
- Long-Term Disability Insurance

Elder Care
- Long-Term Care Insurance
- Hybrid LTC

Employers and Self Employed
- Health Insurance
- 401(k) Plans

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