Client Newsletter March 2016
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1st Quarter 2016: A Lesson in Patience

March 21, 2016- Mr. Market sent us on quite the ride to kick off the new year. The S&P 500, which is an index that consists of the largest companies in the US, started off the new year in a good place after a positive 4th quarter 2015. And then it started to slide. On January 20th, the index had dropped about 9%. Why? China, after a long stretch of growth, started to pull back. It seems that all that growth that was going on in China for so long was paid for with loans, and those loans were coming due. Why does that matter to us? Because all that growth in China had put it at a whopping 50% of world GDP! On top of that, the US and the Middle Eastern countries, primarily Saudi Arabia, were competing for oil output. Now there was simply too much of it. Of course, oil prices had been hurting the market since last summer as had China's woes; but renewed fears were kicked into overdrive at the start of the new year following a nice break during last fall.

Since that big drop the first three weeks of the year, the market has been slowly pulling itself upright with bumps along the way. As of market close yesterday, the S&P 500 was down a mere 3% from where it started the year.

As if you needed a reminder, the stock market proved this year that it is very volatile, and it will have periods of distress. However, between these periods of distress are periods of growth. The S&P 500 has an annualized return of more than 12% for the past 5 years through yesterday. That means from March 18, 2011, to March 18, 2016, your investment in the S&P 500 is up more than 60%, including this year's market drop. An even more impressive example is healthcare. From March 18, 2011, to March 18, 2016, your healthcare investment is up more than 109%, or nearly 22% per year, despite being the worst performer in your portfolio THIS year. These are simply two examples, one is a broad index and one is a very specific sector investment. Both have been very good for your portfolio over time.

We view both the markets and your portfolio with a long timehorizon. Rather than fret the inevitableups and downs of daily market activity, we continue to believe that adiversified portfolio, mindful of market and event risks, continues to be thebest strategy.

Should you have any questions, please contact any of our advisors. We send you a report each quarter of your portfolio performance, but we are happy to speak to you at any time. -

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Visit our Website

The Lipper Awards: Congratulations To Several of Our Fund Managers

The Lipper Awards are a prestigious honor bestowed on a selection of management teams who have "excelled in providing consistently strong risk-adjusted performance relative to their peers." Awards are given for 3, 5, and 10-year periods. Among award winners for 2015 are a handful of the mutual funds that our clients own in their portfolios. Among those are American New Perspective, Cohen and Steers Realty Shares, T. Rowe Price Health Sciences, Oppenheimer International Small-Mid Company Fund, Artisan International and TCW Total Return Bond Fund.

* A full list of assets used in client portfolios is available upon request.

Thomson Reuter Lipper Awards

TAX TIME! How can MVT help you?

The first income tax filing deadline for individual taxpayers is about 4 weeks away on Monday, April 18th. Extensions are due October 17th. Below is a summary of the investment-related items to keep in mind:

1. You should have received all 1099-DIV, 1099-INT and 1099-B statements from your custodians by now. These statements report your dividends, interest, capital gains and security sales for TAXABLE accounts (the Gains and Loss reports you may receive from your custodian for retirement accounts like Roth IRAs and IRAs are not needed). Keep in mind that not all pertinent information may be included on these statements. If you or your tax preparer has any questions, please do not hesitate to contact us to confirm dates, cost basis, etc.

2. You have until April 18th to make Roth IRA, traditional IRA, SEP and SIMPLE IRA and Education IRA deposits for 2015. Individuals under age 50 can deposit up to $5,500 in Roths and Traditional IRAs. Individuals over 50 can deposit up to $6,500. Education IRA's can receive $2,000 per year per beneficiary. SEP and SIMPLE IRA's are very specific to the individual. All of these accounts may have income and deduction limitations. Contact us to find out what applies to you.

3. If you have overdeposited in your Roth or IRA, you still have time to correct it. Ask us how right away.

4. If your tax liability is too high or you are getting back a huge refund, we will be glad to help you adjust your withholding or estimated tax payments to get you closer to what your actual tax liability will be in 2016.

5. There is nothing wrong with filing an extension! You may need to make a deposit with your extension, but it is better to get your tax return correct than have to pay to amend it later.

Please contact us if you are in need of a tax preparer.

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Back Door Roth IRAs and Conversions

For those who earn too much to contribute to a Roth directly, you have two possible ways to still have indirectly: 1) a Roth Conversion; or 2) a Back Door Roth contribution.

A Roth Conversion is available to anyone. You simply take existing IRA assets and send them to your Roth IRA where they will grow tax-free forever. The catch is that you will have to pay income taxes on any taxable contributions and earnings from your IRA

We know that a lot of this investment talk is Greek to you, which is why we keep repeating ourselves!

We love Roth IRAs. They are wonderful investment vehicles for anyone. And contrary to popular belief, everyone can have one! At least for now. There is some discussion in Congress to close some loopholes that allow high earners to utilize Roth IRAs...but I'm getting ahead of myself.

Roth IRAs are savings vehicles for a wide variety of uses, though they are advertised as retirement savings accounts. How do they work?

Roth IRAs allow individuals to contribute $5,500 per year (for those under age 50) and $6,500 per year (for those over age 50). However, if you are an individual who has Adjusted Gross Income (look at the last line on page 1 of your federal tax return) over $116,000 or a married couple with AGI over $183,000, your contribution could be limited or disallowed. The contributions are POST-TAX, which means that you do not save on taxes now. However, under current tax law, you will never be taxed on them again and neither will your beneficiaries.

You could contribute to a Roth IRA your whole adult life, have unrealized earnings of a gazillion dollars and pay NO tax when you withdraw it (there are rules for when you can withdraw, of course). It provides for unbelievable tax savings as well as tax flexibility because you can choose whether to take Roth IRA distributions or taxable IRA distributions when you retire.

While we recommend everyone contribute to a 401(k) at least up to the amount that is matched, a Roth IRA is a great additional vehicle that you can use even if you max out your 401(k).

that year, but you will not pay the usual 10% penalty for early withdrawal. We recommend that people take a little bit each year, preferably when the market is down, to spread your tax consequences depending on your tax bracket. If you are in a high bracket or close to retirement, this may not make sense unless your goal is to terminate income tax liabilities for your beneficiaries upon your death.

Back Door Roth IRAs are more limited in their use but are great for people who have no other IRAs (401ks are fine). It allows you to make deposits directly to your IRA (you cannot take a deduction) and then immediately convert them to your Roth. Since the contributions to your IRA are not taxable, you would pay no tax at all to move it to your Roth. And voila! You have a Roth IRA. Congress has gotten wise to this practice, and they are talking about closing the loophole for it. So if you're a a candidate, we should talk about it right now.

If you earn too much to contribute to a Roth, and you don't want to do a conversion or a back door Roth, you can still contribute to an IRA and track your basis. This is a pain, but it can be done so that you do not pay taxes on your contributions at the time of withdrawal. Make sure your tax preparer is tracking it with you.

If you do not have a Roth IRA, we recommend that you start one. They are extremely flexible savings vehicles, but some tax-free withdrawals require that you have the Roth in existence for 5 years. Even if you do not contribute much per year, we recommend having one to at least get that clock on the 5- year rule started.

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How SS Will Affect Your Income Tax Return

Social Security is one of those hot topics in the news these days. Older people are unhappy that their benefits are not larger, and younger people worry that they will never get a dime of the 12.4% of their income that gets taken from their paychecks. However, most people do not understand how social security will actually impact their financial situation.

There is conflicting information in the media from the "experts" who either recommend taking your social security income early, at age 62, or waiting until you turn 70. Of course, you can take it anywhere in between as well. The fact is that you and your potential surviving spouse will get a higher payout the longer you wait. What is not so clear is whether waiting is actually the right choice for you. There are a number of factors to consider:

1. **How long will you live?** There is the sad possibility that you will pass away before you receive ANY of your benefit.

2. **What other income do you have?** If you or your spouse still works, receiving social security before you both officially retire could very well add to your tax liability, effectively lowering your benefit.

3. **Do you have other retirement assets?** If you want to retire from your job but don't want to take your SS benefit, you will likely be spending your retirement assets, which have the potential of growing considerably from year-to-year depending on how they are invested. If you can take a benefit of $2,000 per month at age 65, but you want to wait until age 70 to get a $3,000 per month benefit, you are effectively giving up $120,000 in benefits over 5 years to gain an additional $12,000 per year at age 70. You would have to live to age 80 to make up the difference.

You could spend all of your retirement assets before you ever get an SS benefit. That means that your beneficiaries, except for your spouse, will no longer receive retirement assets after you pass. And once your spouse passes, your SS benefits will likely stop.

4. **Can you afford to wait?** If you have no other income and limited retirement accounts to draw from, you may have to file as quickly as you can to begin receiving benefits. If you stopped working because of disability, keep in mind that it is very difficult to get a SS disability payout.

Call us BEFORE you file for benefits, to determine what timing might be best for you and your family.

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[Social Security Retirement Calculator]

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Don't confuse lack of volatility with stability, ever.
- Essayist, scholar, and statistician Nassim Nicholas Talib

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