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Indexing Advice

by Robert Gephart

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For a comfortable retirement, spend less than you earn and invest the difference.

DJIA: 15,115	S&P 500: 1630	NASDAQ: 3455	10-yr Treasury: 2.16%	June 2013

If you are looking for someone to manage your portfolio, please call to discuss options for investable assets above $200,000.

Indexing Advice is a newsletter that recommends how to diversify your investments across different market sectors based on current market news and trends. It does so by recommending that you invest a specific percentage of your assets in specific market sector funds (see the table below for current recommendations). This allows you to apply this advice in your company retirement plan or in your own brokerage account. If timed properly, this approach will likely achieve above average returns while mitigating risk with diversified holdings. This newsletter is published 4 times per year. It is recommended that you re-balance your portfolio to the current recommended percentages at least annually (if not more frequently) in order to take advantage of changing market conditions. If the preferred ETFs are not available in your retirement plan/401k, select the closest match available. If you have any questions about your specific plan or any other financial matter, do not hesitate to call me at the number listed above.

Sector:	Prev.	Current	Preferred Exchange Traded-Fund (ETF) Name	Symbol
Large Cap Stocks	40%	30%	Vanguard S&P 500 ETF	VOO
Small Cap Stocks	20%	20%	Vanguard Russell 2000 ETF	VTWO
International Stocks	30%	25%	Vanguard MSCI Europe, Australia, & Far East ETF	VEA
Intermediate Corp Bonds	10%	25%	Vanguard Intermediate-Term Corporate Bond ETF	VCIT

Economic Outlook:

The last time I was writing this newsletter, the markets were approaching all time highs. Since then, the markets have smashed through those highs and have continued higher. The bull market run continues! There is still a good chance of a sell off in the next few months. A market correction of 5 to 10 percent would be considered normal and would not be a reason to panic. Even with a 10% correction, the S&P 500 would still be positive for the year as it is up over 14% year to date!

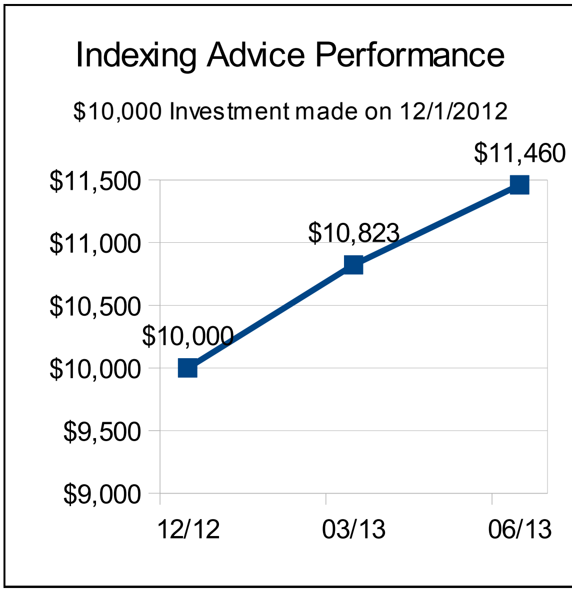
What I'm really watching is the state of the economy. The Federal Government has been providing cheap money for the past 4 years to stimulate the economy. Finally, positive signs are emerging. Homes are selling. The job market is better. New home construction is up. While annualized Gross Domestic Product growth of 2.4% isn't great, it is moving in the right direction. I've used the term “muddle through” before and I think that the term is still appropriate for what we should expect for the remainder of the year.

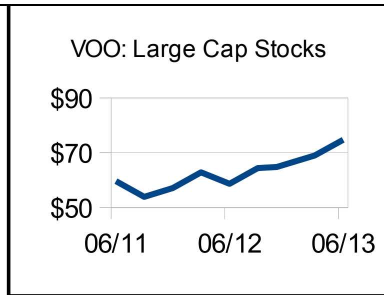
I have changed the asset allocations for the recommended portfolio. I have increased the bond allocation from 10% to 25% while trimming back exposure to Large Cap and International Stocks. I am doing this because while I expect interest rates to continue to rise (the U.S. Government 10-year has risen from 1.6% to 2.1% over the last few months), we've had a great run in equities so far this year. Trimming back our equity exposure is a prudent move at this time.

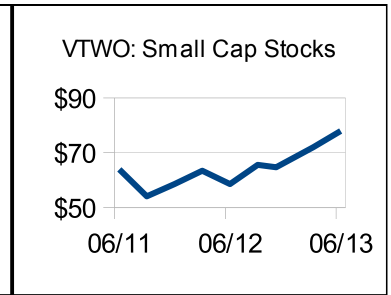
When adjusting your asset allocations, remember to not only adjust your current holdings to the appropriate percentages, but also change your monthly payroll deductions as well.

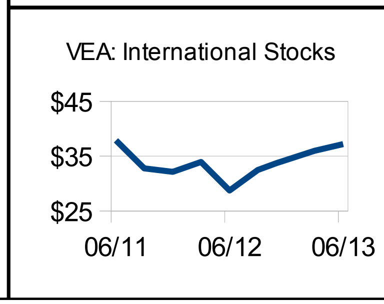
I always enjoy hearing from you. Feel free to give me a call if you have any questions or comments.

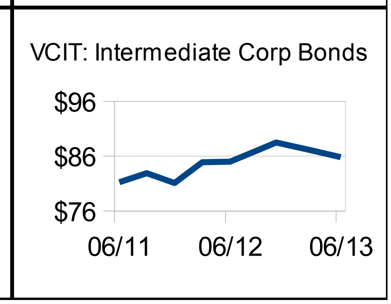
Yours truly,
Robert Gephart











Learn Something New:

At the beginning of the year, there were a lot of changes to our tax laws. It is always a good idea to keep up with the major changes.

The best news is that for taxpayers with an Adjusted Gross Income (AGI) of less than $300,000, the majority of the “Bush Tax Cuts” were made permanent. In addition, the personal exemption increased from $3,800 to $3,900 per person. The Alternative Minimum Tax (AMT) has also been fixed by adding an annual inflation adjustment so that Congress doesn't have to mess with this each year.

On the down side, Medical and Dental expenses can only be deducted if they exceed 10% of AGI. This is a revision up from 7.5% in 2012. What the change means to you is that you need to have more Medical/Dental expense before you can start claiming a deduction.

There is a new top tax bracket in the land. If your income exceeds $450,000, your marginal tax bracket went up from 35% to 39.6%. Also, your long term capital gains and dividend tax rate was increased from 15% to 20%. Those taxpayers with AGI above $300,000 are now limited on the amount of itemized deductions that they can claim.

If your Modified Adjusted Gross Income (MAGI) is above $250,000, there are 2 additional taxes that you need to pay. There is an additional 0.9% in Medicare tax applied for all Medicare wages above $250,000. In addition, you also become subject to the Net Investment Income Tax. This tax is an additional 3.8% tax that is applied to your investment income.

All of the incomes listed above are for Married Couples Filing Jointly. People who are filing as Head of Household, Married Filing Separately and Single Filers have lower thresholds than those listed above. There are many other changes than those listed above. As always, consult a tax adviser if your tax situation is complex.