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2016 is off to a rough start, with all the major indices currently negative YTD. The good news is that the markets have rebounded some off their earlier lows in February.

Other good signs exist... employment is showing strength with unemployment below 5%, the workweek has increased, and average hourly earnings recently rose. Housing remains relatively strong, and manufacturing improved in January.

Other factors for the year should come into sharper focus in the next two months. The Fed will likely provide at its March meeting its perspective on the economy and potential additional interest rate hikes. And, the presidential election situation will have more clarity following Super Tuesday and other subsequent primaries.

As always, we will continue to monitor your investments, and the environment in which they are operating. Thank you for your business, and don't hesitate to call us with questions you may have, or to update us on your situation.

-jv

March 2016

Dave Ramsey's Endorsed Local Providers

VISION FINANCIAL ADVISORY CORP

DELIVERING FINANCIAL CLARITY

Assessing Portfolio Performance: Choose Your Benchmarks Wisely

You can't help but hear about the frequent ups and downs of the Dow Jones Industrial Average or the S&P 500 index. The performance of both major indexes is widely reported and analyzed in detail by financial news outlets around the nation.

Like the Dow, the S&P 500 tracks the stocks of large domestic companies. With 500 stocks compared to the Dow's 30, the S&P 500 comprises a much broader segment of the stock market and is considered to be representative of U.S. stocks in general. Both indexes are generally useful tools for tracking stock market trends, but some investors mistakenly think of them as benchmarks for how well their own portfolios should be doing.

However, it doesn't make much sense to compare a broadly diversified, multi-asset portfolio to just one of its own components. Expecting portfolio returns to meet or beat "the market" is usually unrealistic, unless you are willing to expose 100% of your life savings to the risk and volatility associated with stock investments.

Asset allocation: It's personal

Just about every financial market in the world is tracked by one or more indexes that investors can use to look at current and historical performance. In fact, there are hundreds of indexes based on a wide variety of asset classes (stocks/bonds), market segments (large/small cap), and styles (growth/value).

Investor portfolios are typically divided among asset classes that tend to perform differently under different market conditions. An appropriate mix of stocks, bonds, and other investments depends on the investor's age, risk tolerance, and financial goals.

Consequently, there may or may not be a single benchmark that matches your actual holdings and the composition of your individual portfolio. It could take a combination of several benchmarks to provide a meaningful performance picture.

Keep the proper perspective

Seasoned investors understand that short-term results may have little to do with the effectiveness of a long-term investment strategy. Even so, the desire to become a more disciplined investor is often tested by the arrival of quarterly or annual financial statements.

The main problem with making decisions based on last year's performance figures is that asset classes, market segments, or industries that do well during one period don't always continue to perform as well. When an investment experiences dramatic upside performance, it may mean that much of the opportunity for market gains has already passed. Conversely, moving out of an investment when it has a down year could mean you are no longer in a position to benefit when that segment starts to recover.

On the other hand, portfolios that are left unattended may drift and begin to take on too much risk or become too conservative. Rebalancing periodically could help bring your asset mix back in line with your preferred allocation.

There's really nothing you can do about global economic conditions or the level of returns delivered by the financial markets, but you can control the composition of your portfolio. Evaluating investment results through the correct lens may help you make appropriate adjustments and effectively plan for the future.

Note: *Keep in mind that the performance of an unmanaged index is not indicative of the performance of any specific security, and individuals cannot invest directly in an index. Asset allocation and diversification are methods used to help manage investment risk; they do not guarantee a profit or protect against investment loss. All investments are subject to market fluctuation, risk, and loss of principal. Shares, when sold, may be worth more or less than their original cost. Investments that seek a higher return tend to involve greater risk. Rebalancing may result in commission costs, as well as taxes if you sell investments for a profit.*

Can You Get to a Million Dollars?

In trying to accumulate $1 million (or any other amount), you should generally consider how much you have now, how much you can contribute in the future, how much you might earn on your investments, and how long you have to accumulate funds. But remember, there are no guarantees--even when you have a clearly defined goal. For example, the market might not perform as expected, or you may have to reduce your contributions at some point.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful. Review your progress periodically and be prepared to make adjustments when necessary.

Often in life, you have investment goals that you hope to reach. Say, for example, you have determined that you would like to have $1 million in your investment portfolio by the time you retire. But will you be able to get there?

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Current balance--your starting point

Of course, the more you have today, the less you may need to contribute to your investment portfolio or earn on your investments over your time horizon.

Time (accumulation period)

In general, the longer your time horizon, the greater the opportunity you have to accumulate $1 million. If you have a sufficiently long time horizon and a sufficiently large current balance, with adequate earnings you may be able to reach your goal without making any additional contributions. With a longer time horizon, you'll also have more time to recover if the value of your investments drops. If additional contributions are required to help you reach your goal, the more time you have to target your goal, the less you may have to contribute.

The sooner you start making contributions, the better. If you wait too long and the time remaining to accumulate funds becomes too short, you may be unable to make the large contributions required to reach your goal. In such a case, you might consider whether you can extend the accumulation period--for example, by delaying retirement.

Rate of return (earnings)

In general, the greater the rate of return that you can earn on your investments, the more likely that you'll reach your investment goal of $1 million. The greater the proportion of the investment portfolio that comes from earnings, the less you may need to contribute to the portfolio. Earnings can benefit from long time horizons and compound rates of return, as returns are earned on any earlier earnings.

However, higher rates of return are generally associated with greater investment risk and the possibility of investment losses. It's important to choose investments that meet your time horizon and tolerance for risk. And be realistic in your assumptions. What rate of return is realistic given your current asset allocation and investment selection?

Amount of contributions

Of course, the more you can regularly contribute to your investment portfolio (e.g., monthly or yearly), the better your chances are of reaching your $1 million investment goal, especially if you start contributing early and have a long time horizon.

Contributions needed

Now that the primary factors that affect your chances of getting to a million dollars have been reviewed, let's consider this question: At a given rate of return, how much do you need to save each year to reach the $1 million target? For example, let's assume you anticipate that you can earn a 6% annual rate of return (ROR) on your investments. If your current balance is $450,000 and you have 15 more years to reach $1 million, you may not need to make any additional contributions (see scenario 1 in the table below); but if you have only 10 more years, you'll need to make annual contributions of $14,728 (see scenario 2). If your current balance is $0 and you have 30 more years to reach $1 million, you'll need to contribute $12,649 annually (see scenario 3); but if you have only 20 more years, you'll need to contribute $27,185 annually (see scenario 4).

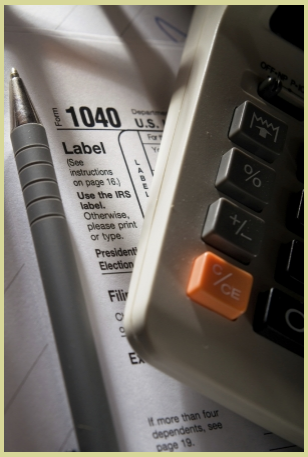
Scenario	1	2
Target	$1,000,000	$1,000,000
Current balance	$450,000	$450,000
Years	15	10
ROR	6%	6%
Annual contribution	$0	$14,728

Scenario	3	4
Target	$1,000,000	$1,000,000
Current balance	$0	$0
Years	30	20
ROR	6%	6%
Annual contribution	$12,649	$27,185

Note: *This hypothetical example is not intended to reflect the actual performance of any investment. Actual results may vary. Taxes, fees, expenses, and inflation are not considered and would reduce the performance shown if they were included.*

Dave Ramsey's Endorsed Local Providers

Filing Your 2015 Federal Income Tax Return



Filing deadline for most individuals:

- *Monday,* ***April 18, 2016***
- *Tuesday,* ***April 19, 2016,*** *if you live in Massachusetts or Maine*
- *Monday,* ***October 17, 2016,*** *if you file for an automatic six-month extension by the original due date*

Whether you're preparing your own tax return or paying someone to do it for you, tax season can be a stressful time of year. Make things easier on yourself by pulling all your information together sooner rather than later--that includes a copy of last year's tax return, W-2s, 1099s, and any deduction records you have.

File on time

The filing deadline for most individuals is Monday, April 18, 2016. That's because Emancipation Day, a legal holiday in Washington, D.C., falls on Friday, April 15, this year. If you live in Massachusetts or Maine, you have until Tuesday, April 19, 2016, to file a federal income tax return because Patriots' Day, a legal holiday in both states, is celebrated on April 18.

If you're not able to file your federal income tax return by the due date, you can file for an extension using IRS Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return.* Filing this extension gives you an additional six months (until October 17, 2016) to file your federal income tax return. You can also file for an automatic six-month extension electronically (details on how to do so can be found in the Form 4868 instructions).

Note: *Special rules apply if you're living outside the country, or serving in the military outside the country, on the regular due date of your federal income tax return.*

Pay what you owe

One of the biggest mistakes you can make is not filing your return because you owe money. If the bottom line on your return shows that you owe tax, file and pay the amount due in full by the due date if at all possible. If you absolutely cannot pay what you owe, file the return and pay as much as you can afford. You'll owe interest and possibly penalties on the unpaid tax, but you will limit the penalties assessed by filing your return on time, and you may be able to work with the IRS to pay the unpaid balance (options available may include the ability to enter into an installment agreement).

It's important to understand that filing for an automatic extension to file your return does not provide any additional time to pay your tax. When you file for an extension, you have to estimate the amount of tax you will owe; you should pay this amount by the April 18 (April 19 if you live in Massachusetts or Maine) due date. If you don't, you will owe interest, and you may owe penalties as well. If the IRS believes that your estimate of taxes was not reasonable, it may void your extension.

Limited planning opportunities may still be available

Though the opportunity for many potential tax-saving moves closed on December 31, the window is still open for IRA contributions. You generally have until the April due date of your federal income tax return to make contributions to a traditional or Roth IRA for the 2015 tax year. That means there's still time to set aside up to $5,500 ($6,500 if you're age 50 or older) in one of these tax-advantaged savings vehicles.

Note: *To contribute to either a traditional or a Roth IRA for 2015, you (or, if you file a joint return, your spouse) must have received taxable compensation during the year. Provided that you did not reach age 70½ by the end of the year, you're able to contribute to a traditional IRA. Eligibility to contribute to a Roth IRA depends on your filing status and income.*

With a traditional IRA, you're generally able to deduct the full amount of your contribution, provided that you're not covered by a 401(k) or another employer-sponsored retirement plan; if you or your spouse is covered by an employer plan, the ability to deduct some or all of your contribution depends on your filing status and income. With a Roth IRA, there's no up-front deduction, so contributing won't affect your 2015 tax situation, but it's still worth considering given that future qualified Roth distributions are free of federal income tax.

You also have until the due date of your return, including any extension, to undo ("recharacterize") a 2015 Roth IRA conversion. For example, if you converted a fully taxable traditional IRA worth $100,000 to a Roth IRA in 2015 and that Roth IRA is now worth only $50,000, the $100,000 will be included on your 2015 federal income tax return. If you recharacterize the conversion, however, it's as though it never happened--you have a traditional IRA worth $50,000, and no income or tax resulting from the conversion. If you do recharacterize a 2015 Roth conversion in 2016, you're allowed to convert those dollars (and any earnings) back to a Roth IRA after a 30-day waiting period (taxes due as a result of such a reconversion would be included on your 2016 federal income tax return).

You don't have to do it alone

When it comes to your taxes, you want to make sure that you get it right. A tax professional can answer any questions you have, help you evaluate your situation, and keep you apprised of any legislative changes that might affect you.

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Should I delay taking my first RMD?

Your first RMD from a traditional IRA and an employer retirement plan must be taken for the calendar year in which you turn 70-1/2. However, if you're still working, you can delay RMDs from your current employer's plan until the year you retire (but only if allowed by the plan and you are not a 5% owner).

In general, you must take your RMDs no later than December 31 of each calendar year to avoid a serious tax penalty equal to 50% of the amount you failed to withdraw. However, a special rule applies to your first RMD. You have the option of delaying your first distribution until April 1 of the following calendar year.

You might delay taking your first distribution if you expect to be in a lower income tax bracket in the following year, perhaps because you're no longer working or will have less income from other sources. However, if you wait until the following year to take your first distribution, your second distribution must be made on or by December 31 of that same year.

For example, assume you have a traditional IRA and you turn 70½ in 2016. You can take your first RMD during 2016 or you can delay it until April 1, 2017. If you choose to delay your distribution until 2017, you will have to take two required distributions in that year, one for 2016 and one for 2017. This is because your distribution for 2017 cannot be delayed until the following year.

Receiving your first and second RMDs in the same year may not be in your best interest. Since this "double" distribution will increase your taxable income for the year, it will probably cause you to pay more in federal and state income taxes. It could even push you into a higher federal income tax bracket for the year.

In addition, the increased income may result in the loss of certain tax exemptions and deductions that might otherwise be available to you.

Obviously, the decision to delay your first required distribution can be important. Your tax professional can help you decide whether delaying the RMD makes sense for your personal tax situation.

What do I need to do to create a will?

A will is a legal document that is generally used to describe how you want your estate to be distributed after your death. It might also be used to name an executor for your estate or a guardian for your minor children. It is generally a good practice to name backup beneficiaries, executors, and guardians just in case they are needed. Even though it's not a legal requirement, a will should generally be drafted by an attorney.

In order to make a will, you must be of legal age (18 in most states). You must also understand what property you own, who the family members or friends it would seem natural to leave property to are, and who gets what under your will.

Generally, a will is a written document that must be executed with appropriate formalities. You should sign the document (or direct someone else to sign for you in your presence). The will should also be signed by at least two witnesses who are of legal age and understand what they are witnessing; some states require three witnesses. The witnesses should not benefit from any provisions in the will. Some states also require that a will be notarized.

Some states allow a will that is entirely in your handwriting, known as a "holographic" will. Some states allow a "nuncupative" will, which is an oral will you dictate during your last illness, before witnesses, that is later converted to writing.

Note that certain property is not transferred by a will. For example, property you hold in joint tenancy or tenancy by the entirety passes to the surviving joint owner(s) at your death. Also, certain property (e.g., life insurance, qualified retirement plans, IRAs, Totten Trust accounts, Payable on Death accounts, Transferrable on Death accounts) passes directly to the designated beneficiary at your death, bypassing the probate process.

Your will does not take effect until you die. You can create a new will or revoke or amend an existing will up until your death.