Investor Insights and Outlook

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UBUNTU

As a child I remember the feelings of excitement, anticipation (and maybe some anxiety) as I presented myself to my parents for inspection. Shoes polished? Pants clean? Tie clipped on straight? After all, one needs to look one's best when it comes to visiting with Santa.

So, after approval, my brother, sister and I would climb into our family Ford sedan and journey from our little house in the country to the big city department store in downtown Seattle. There, we would wait in line with hundreds of other children for our turn to sit on Santa's lap, have our picture taken and then whisper our wish list hoping he knew we would try even harder to be good.

Over the years, wish lists changed and the fun of receiving grew into the joy of giving. We remember the past and

are ever more mindful of the present and the gift of making new memories.

Several years ago I had the opportunity to hear the legendary anti-apartheid activist, Archbishop Desmond Tutu. He shared his journey, urged us to embrace forgiveness and challenged us to celebrate our common humanity.

As we reflect on the past and prepare for the future, I am reminded of the African word "ubuntu", which translates as "I am, because you are."

Blessings to you and yours.

2015 CALENDARS

We have a few pocket calendars left. Please stop in to pick up your calendar or let us know if you would like us to drop one in the mail.

Advisor Corner

Thank you for the opportunity to serve as your advisor.

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Hallett Advisors

Plan Well • Live Well

Strong Dollar, Weak Dollar—What it Means for You

For a U.S. investor, a currency gain or loss stems from a fall or rise in the value of the dollar against the currency in which the investment is made.

You may have heard news reports about the decline or strength of the U.S. dollar. Your reaction? Likely a yawn. But the truth is that the value of the dollar has ripple effects throughout the economy, ultimately affecting your day-to-day finances as well as your investments.

Making Sense of the Exchange Rate

What does it mean when the value of the U.S. dollar has declined or increased? In plain English, it refers to the amount of money you get when you exchange a dollar for another country's currency. When the dollar rises, you get more bang for your buck. When it declines, the opposite occurs.

If you have traveled abroad, you've experienced the effect firsthand. If the dollar is weak vis-à-vis other currencies, it costs you more when visiting another country because you won't receive as much of the foreign currency when you exchange your dollars.

Here at home, the relative strength or weakness of the U.S. dollar affects you both in the interest rate you are charged for loans and in everyday purchases. Think about the car you drive, the clothes you wear, your cell phone, or computer. Chances are many of these items are produced and imported from abroad. So the price you pay for these goods is going to depend on the value of the dollar.

When the dollar is strong, prices of consumer goods tend to be stable and/or increase more slowly. When the dollar is weak, prices may increase. Higher consumer prices also can lead to inflation and higher interest rates, which can affect the rate you'll be charged for a mortgage or car loan.

What About Your Investments?

As more individuals invest overseas as a way to stay adequately diversified and to potentially benefit from enhanced portfolio performance, currency risk is becoming a major factor to consider.[1,2] For a U.S. investor, a currency gain or loss stems from a fall or rise in the value of the dollar against the currency in which the investment is made: a fall in the value of the dollar relative to the local currency will increase your return; a rise in the dollar will lower your return.

Currency fluctuations arise from a number of factors, including the relative economic strength of each country and local political conditions. There are also indirect influences on exchange rates, such as trade balances, which can result in adverse movements of exchange rates and equity prices.

Managing Currency Risk

Portfolio managers use three basic approaches to manage currency risks. The first approach is not to hedge at all, assuming that currency fluctuations will wash out over a period of time; the second approach is to hedge fully, which may reduce the volatility of the portfolio. The third approach is to actively manage hedging, choosing when and how much to hedge. This approach is gaining popularity; most investment firms now offer some kind of currency service, and some firms with substantial international investments even appoint a separate manager to handle currency as a distinct asset class.

Currency fluctuations are a fact of your financial life. This article offers only an outline; it is not a definitive guide to all possible consequences and implications of any specific investment strategy. For this reason, be sure to seek advice from knowledgeable financial professionals.

Source/Disclaimer:

[1]Changes in foreign currency exchange rates will affect the value of currency investments. Foreign investments may entail greater risks than domestic investments due to currency exchange rates; political, diplomatic, or economic conditions; and regulatory requirements in other countries. Financial reporting standards in foreign countries typically are not as strict as in the United States, and there may be less public information available about foreign companies. These risks can increase the potential for losses.

[2]Foreign investments involve greater risks than U.S. investments, including political and economic risks and the risk of currency fluctuations, and may not be suitable for all investors.

MERRY CHRISTMAS AND HAPPY NEW YEAR

from the Hallett Advisors team:

Jim, Joanne, Stacey and Sulene

and of course, Mika & Maxwell

Six Questions to Ask Older Parents

At a minimum, your parents should have a will. If they don't, then the court system will step in and distribute their assets as it sees fit.

Regardless of whether you and your parents have always talked freely about money or never discuss the subject, there are several considerations you may want to address with them as they approach their later years. The six questions below can help you to start thinking about and planning for that conversation.

1. **What's the best way to introduce the topic of your parents' financial needs and goals?** When you do decide it's time to "have the talk," tactfully make clear what you would like to discuss, but also let your parents know you respect their privacy.

2. **Are you confident that they are staying on top of their finances?** Are bills getting paid on time? Are investments being monitored? Maybe you have already spoken with your parents about these money matters, but not in a long while. If you think they might appreciate a follow-up, it may be a good idea to check in again.

3. **Are they taking advantage of direct deposit, online bill paying, etc., to help simplify their financial life?** If your parents aren't comfortable with technology and/or using a computer, offer to help or ask another trusted family member to chip in.

4. **Do your parents have an estate plan, and is it up to date?** At a minimum your parents should have a will. If they don't, then the court system will step in and distribute their assets as it sees fit. In addition to having an up-to-date will, there are other planning considerations, such as shielding assets from estate tax. The federal estate tax exemption amount is $5.34 million in 2014 -- or double that amount for married couples. There are several ways to reduce the value of an estate:

One is to make annual tax-free gifts of up to $14,000 (in 2014) to anyone they wish.

Another is placing assets in an irrevocable living trust. Income taxes on revenue-generating assets placed in such a trust are paid by the trust itself, not by them. In addition, the assets in the trust are not considered part of your parents' estate and are therefore not subject to estate taxes when they both pass away. However, "irrevocable" means that generally they cannot change beneficiaries or trustees once they are chosen; your parents also relinquish control of their assets once they are placed in the trust.

5. **Do you and your parents understand the potential benefits of the power-of-attorney designation?** A power-of-attorney is a legal document that names an individual who will be charged with making financial or legal decision on behalf of another person, often a parent. This document can become very important should one or both of your parents become ill or incapacitated in some way.

Should they consider a long-term care insurance policy? The average cost of a private room in a nursing home -- now topping $87,000 annually nationwide -- can put a tremendous financial burden on a family.[1] For this reason, long-term care insurance can be a prudent addition to the financial plan of older parents.

For more information about any of the issues discussed above, contact a financial advisor.

This communication is not intended to provide tax and/or legal advice and should not be treated as such. Each individual's situation is different. You should contact a tax and/or legal professional to discuss your personal situation.

Source/Disclaimer:

[1]Genworth Cost of Care Survey, March 25, 2014.

Retirement and Health Plan Limits for 2015

The IRS has released the cost-of-living adjustments affecting dollar limitations for defined contribution and defined benefit retirement plans. The table below compares both the retirement plan and health insurance plan limits for 2013 through 2015.[1]

Retirement Plans	2013 Limit	2014 Limit	2015 Limit
401(k), 403(b), 457(b)(2) elective deferrals	$17,500	$17,500	$18,000
401(k), 403(b) "catch up" contributions for ages 50+	$5,500	$5,500	$6,000
SIMPLE plan elective deferral	$12,000	$12,000	$12,500
SIMPLE "catch up" contributions for ages 50+	$2,500	$2,500	$3,000
Defined contribution plan maximum	$51,000	$52,000	$53,000
Defined benefit plan maximum	$205,000	$210,000	$210,000
Maximum includible compensation	$255,000	$260,000	$265,000
Highly compensated employee	$115,000	$115,000	$120,000
FICA taxable wage base	$113,700	$117,000	$118,500
Health Insurance Plans	**2013 Limit**	**2014 Limit**	**2015 Limit**
Health Savings Account (HSA) contribution limit -- individu-	$3,250	$3,300	$3,350
HSA contribution limit -- family	$6,450	$6,550	$6,650
HSA "catch up" contributions for ages 55+	$1,000	$1,000	$1,000
Minimum deductible for high-deductible health plan (HDHP)	$1,250	$1,250	$1,300
Minimum deductible for HDHP -- family	$2,500	$2,500	$2,600
Maximum out-of-pocket for HDHP -- individual	$6,250	$6,350	$6,450
Maximum out-of-pocket for HDHP -- family	$12,500	$12,700	$12,900
Flexible Spending Account (FSA) contribution limit	$2,500	$2,500	$2,550

[1]The Internal Revenue Service.

Hallett Advisors
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