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Dear Investor,

First Quarter 2015 Market Update:
Buckle up, as the ride could soon get bumpier

After another long winter and a period of relative calm within the financial markets over the past couple of years, I believe we could see an uptick in stormy financial weather during the remainder of 2015. In fact, there was some evidence of increased volatility during this year's first quarter.

In January, the S&P 500 Index fell 3.07% but then reversed course and gained 4.14% in February. But in March, stocks again changed course, falling 1.58%. When we add it all up, the S&P 500 was essentially flat for the first quarter. While U.S. stocks were stuck in the mud, foreign stocks performed much better, with the MSCI EAFE Index gaining 4.88% during the first quarter.

Within fixed-income markets, the yield on the bellwether 10-year U.S. Treasury bond once again defied expectations, falling from 2.12% to 1.95% during the first quarter. Bond prices rallied in March after the Federal Open Market Committee signaled that—despite what many observers had been expecting—it most likely would *not* hike interest rates in June. However, in a March 27 speech, Fed Chair Janet Yellen did say that an interest rate increase "may be warranted later this year." Uncertainty over the timing of a Fed interest rate increase, which would be its first in more than 10 years, may spark more market volatility later this year.

How to Reduce Income Taxes

If you are wondering how you can reduce your income tax liability, and you are still working, consider maxing out your pretax contributions to your employer-sponsored retirement plan such as your 401(k) or 403(b) plan.

Typically, if you are under age 50, you can contribute $18,000 per year and, if you are over 50, you may be eligible to contribute up to $24,000 in 2015.

FINANCIAL PLANNING TIP

HOW MUCH WILL A 65-YEAR-OLD COUPLE, WHO RETIRED IN 2014, NEED TO COVER MEDICAL EXPENSES DURING RETIREMENT?

A. $72,000
B. $220,000
C. $105,000
D. $45,000

ANSWER: B.

Source: Fidelity Benefits Consulting

Currency values have also been more volatile in recent months as central banks around the world cut interest rates to stimulate domestic economic growth. These actions ignited a rally in the U.S. dollar, as investors shifted their capital from low-yielding currencies in Europe and Japan to the U.S. While this is good news if you're planning an overseas vacation, the rising dollar is also making U.S. goods more expensive overseas, which could eventually hurt exports and the U.S. economy.

The takeaway from all of these conflicting signals? Buckle your seatbelt, as the ride could soon get a little bumpier. Just remember that market volatility is not unusual and doesn't necessarily mean the market performance will be negative. Dealing with fluctuating values on your portfolio can be easier said than done. It will be easier to handle if you stay focused on longer term trends rather than short-term market fluctuations. I will continue to monitor events closely to see if any new trends are developing. I am available to visit with you if you have any questions about your portfolio.

Thank you for the opportunity to work with you.

Sincerely,

Mike Ovshak
CFP®

The S&P 500 Index is a broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks. All indices are unmanaged and investors cannot invest directly into an index. Past performance is not indicative of future results. Diversification does not assure a profit or protect against a loss in declining markets.

The main risks of international investing are currency fluctuations, differences in accounting methods; foreign taxation; economic, political or financial instability; lack of timely or reliable information; or unfavorable political or legal developments.

Bonds contain elements of both interest rate risk and credit risk. The purchase of bonds is subject to availability and market conditions. There is an inverse relationship between the price of bonds and the yield: when price goes up, yield goes down, and vice versa. Market risk is a consideration if sold or redeemed prior to maturity. Some bonds have call features that may affect income.
Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Past performance is no guarantee of future results.