David Dietze's

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FIRST QUARTER 2015

John J. Petrides, MBA, joins Point View as Managing Director and Portfolio Manager.

John has over fifteen years of experience in managing investment portfolios at Advisors Capital Management and Bear Stearns Asset Management. John received his MBA from Pace University's Lubin School of Business in 2005 and his BA in Political Science from Fairfield University in 1999. John is actively involved in community service organizations. John lives in Summit, NJ with his wife and two sons.

SPECIAL IN THIS ISSUE

S&P 500 Index Funds: The New Black?

By David G. Dietze, JD, CFA, CFP™

S&P 500 index fund investors are sitting very smug. For 2014, including dividends, they've enjoyed a 13.7% return. For the last five years these funds have returned on average nearly 15.5% annually.

These profits have soundly beaten bonds (up 6% this year and 4.5% annually for the last five) and overseas stocks (negative 3.9% in 2014 and only 4.4% annually for the last five). Moreover, investments in the domestic focused S&P 500 seem to sidestep two of the market's big bogeymen: The threat of higher interest rates and the weak, geopolitically challenged environment overseas.

What's more S&P 500 index investors feel smart that they are paying some of the lowest investment management fees on the planet. Fidelity's **Spartan 500 Index Fund – Advantage Class (FUSVX)** sports an expense ratio of just five basis points, meaning investors pay just 50 cents annually per $1,000 invested, a far cry from the actively managed equity fund average of close to 1.5%, or thirty times more.

S&P 500 investors also like the transparency of knowing exactly what their fund is composed of and the tax friendly, low turnover approach.

"S&P index fund investors are sitting very smug"

No wonder the scuttlebutt from cocktail parties to endowment committee meetings is simply to deploy your entire nest egg into an S&P 500 index fund. S&P 500 index funds are so trendy and popular that they are the equivalent of the "new black" in investment circles.

So, should you join them, and simply toss your nest egg into an S&P 500 index fund?

Bottom Line

As returns have soared investors have embraced S&P index funds, investing billions, even suggesting that these investment vehicles are the only ones needed, trumpeting their returns, simplicity, and low cost.

Although we like low costs, an S&P 500 only approach flunks a number of important tenets of investing, including diversification, a search for value, and tax management. Investors are better served by combining the best of the index funds' traits, like low cost and infrequent trading, with a more value based approach over a more diversified range of investments.

Index Huggers Should Not Forsake Fixed Income

Even if you're an inveterate S&P 500 indexer, don't omit fixed income from your portfolio. Despite its relative underperformance, this is no time to abandon it.

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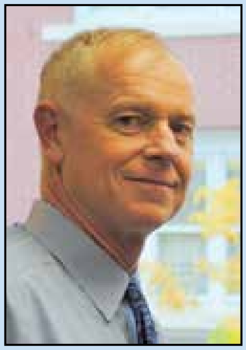
S&P 500 Index Funds: The New Black? *. . . continued from page 1*

Bonds may actually outperform going forward. This outcome becomes increasingly likely as stock valuations inflate.

Has that ever happened? Just look back to 2008, when the S&P 500 index fell 37% but the Barclay's Aggregate, the best known bond index, gained 5.24%.

But, that's just one year. How about a longer period? Actually, over the last 15 years the Barclay's Aggregate has trumped stocks, with a 5.7% average annual gain versus the S&P 500's 4.2%. And bonds had a lot less of a roller coaster ride.



"On balance, low energy prices are a positive for the country, but there will be winners and losers. The states of Texas, North Dakota, and Wyoming will be under pressure."

David Dietze, JD, CFA, CFP
CNBC, December 7, 2014

Admittedly, given the current low yield environment fixed income's prospects don't look appetizing. The problem is, if yields rise, putting pressure on fixed income, equity investors will feel that same downward pressure.

Next time you hear of an investor tossing money into an S&P 500 index fund because "what else is there?" think about what all those investors will do when indeed bond yields rise and there is something else there. It may not be pretty for equity index fund investors. Your risk is reduced if you own fixed income along with your index fund.

S&P 500 Index Fans Should Embrace Index Diversification

Using just one index, like the S&P 500, would not be optimal diversification and probably would not be the most profitable portfolio. The 500 is just that, 500 stocks out of some 7,000 stocks globally, and of course the US is just 30% of the world's stocks.

Examples of the groups of stocks to which the S&P 500 provides no exposure are small companies and overseas companies. Smaller companies have historically outperformed the larger companies in the S&P 500, while it's widely recognized that many areas of the world are growing faster than the US, have lower valuations and/or greater dividend yields. So, by incorporating more variety you could potentially enhance returns and reduce risk.

"S&P index funds are so trendy and popular that they are the equivalent of the 'new black' in investment circles"

A concrete example is the first decade of this century. An S&P only portfolio would have returned just 1.4% per year. If, instead, you divided your money in fifths, over the S&P, US small stocks, US real estate stocks, international, and emerging markets (EM), you would have ended up with 8.3% annually.

This looks like a particularly opportune time to diversify over both international stocks and EM stocks. For example, the emerging market fund category has recently dramatically underperformed the S&P, with EM funds down 5.7% this year and up just 1.9% annually over the last five, underperforming even fixed income.

To take advantage using an index approach, consider Fidelity's **Spartan Emerging Markets Index Fund – Advantage Class (FPMAX)**. This index fund sports an expense ratio of just 0.2%.

More importantly, the metrics (per Morningstar) on Fidelity's EM fund compare quite favorably to the S&P 500 index. EM's portfolio dividend yield is 2.9% versus the S&P's 2.1%. Prefer the EM's PE ratio of just 13 versus the 500's 18. EM's projected long term annual earnings growth is 10.8% versus the 500's 9.7%.

Bottom line, even if you stick with the index style of investing don't stick with just the S&P 500 index.

Market Cap Indexes' Big Flaw

In any event, investing by mimicking a market cap weighted index may over the long haul cause you to leave significant profits on the table. That's because in market cap weighting, the more expensive the stock, the greater the allocation of the index funds' dollars, while the cheaper the stock, the lesser the allocation. That's counterintuitive to most investing, which seeks to deemphasize the more expensive and the overpriced, while rotating into the less expensive, the bargains.

"An S&P 500 only approach flunks a number of important tenets of investing, including diversification, a search for value, and tax management"

Over the last 15 years, S&P 500 index investors have been burned several times as a result of that market cap weighting. For example, in early 2000 the mania for tech/telecom pushed those sectors to constitute about 37% of the 500 index, and the largest component, at nearly 6% of the index, was **Cisco Systems (CSCO)**, trading without any dividend and at 100 times earnings. Five years later the S&P was down 18%, dragged lower by tech stocks, off 60%, and Cisco, plunging 65%.

In sum, balance out your sectors and exposure despite what might be the popular, over weighted areas in the S&P. That will reduce risk and potentially enhance returns

Costs Matter but Should Never Be the Sole Motivator

It is true that S&P 500 index funds are the lowest cost funds. Just as you wouldn't buy a car that didn't meet your family's needs just because it was the cheapest, creating your investment portfolio simply on the basis of cost makes no sense.

For true cost savings, consider doing an end run around funds entirely by buying individual stocks and bonds. You can then customize your portfolio and pay no fund fees at all.

"Net Unrealized Appreciation" Untangled

By Claire E. Toth, JD, MLT, CFP™

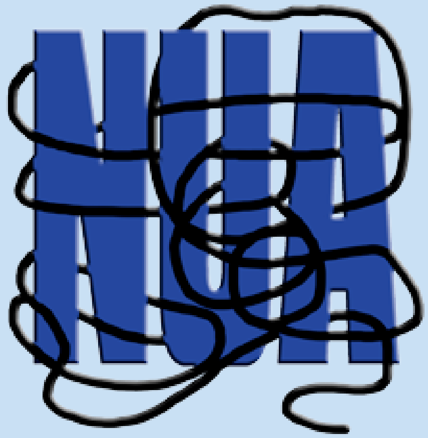
Investment professionals routinely warn clients against investing in their employers' stock. After all, if your present income stream is dependent on one corporation's fortunes, why risk your nest egg in precisely the same way? Many employees of large corporations have no choice but to invest in their employers' stock—that's what the employer contributes to their retirement plans.

Claire E. Toth, JD, MLT, CFP™

Claire E. Toth, as Vice President of Point View Wealth Management, Inc., provides our clients with tax, financial, and estate planning expertise, enabling the firm to offer fully integrated asset management and financial planning services. She works with clients on issues ranging from financial planning to estate planning.

Previously, Ms. Toth was Of Counsel to the law firm of Herold and Haines, P.A., in Warren, New Jersey, where her practice focused on tax and business planning for closely held businesses and their owners. Before joining Herold and Haines, Ms. Toth was with the IRS Chief Counsel in Washington.

Ms. Toth received her A.B. and J.D. degrees from the University of Chicago, where she was elected to Phi Beta Kappa. She has an M.L.T. from Georgetown University and was awarded the CFP™ designation.



Sometimes, it works just as it should—the employer's stock does well, and at retirement a significant piece of the employee's retirement accounts consists of highly appreciated company stock. These lucky employees have a choice not available to most of us. They can choose to take the employer stock in kind, pay tax on just the cost basis, and avoid higher taxes on the built-up appreciation.

"A special exception exists for employer stock held in a company retirement plan."

This strategy requires some unpacking. Typically, when an employee leaves a job, she can leave her retirement money with the former employer, roll it out tax free into an IRA (or sometimes to her next employer's retirement plan), or cash out the money. If she chooses to cash it out, the distribution is taxed as ordinary income. Plus, if she is under age 59-1/2, she pays an additional 10 percent penalty. Retirement money is for retirement; that harsh tax treatment is designed to discourage people from cashing out retirement plans.

A special exception exists for employer stock held in a company retirement plan. If an employee meets several specific criteria, she can roll out the company stock portion of the retirement plan into a taxable brokerage account and pay ordinary income tax on just the cost basis of that stock—its value at the time the company contributed it to the plan. The plan administrator should have that information. If the employee is under age 59-1/2, she still must pay a 10 percent penalty, but again—only on the cost basis. The employee then holds taxable stock in her former employer, with that low basis. The stock is always long term, so any gain on sale is taxed at a maximum federal rate of 20 percent, perhaps with the ACA (Obamacare) surtax of 3.8 percent. That is called the Net Unrealized Appreciation, or NUA. Each employee facing this choice should run the calculations to determine if this is the right move to make.

"The more NUA, the more valuable taking the stock directly can be."

In order to qualify for NUA treatment, the employee must meet all five of the following criteria; any misstep subjects the entire rolled out value of the employer stock to immediate ordinary income tax:

- The employee must distribute her entire vested balance of all the employer's retirement plans in a single tax year (though she can do it in stages throughout the year);
- The employee must distribute all assets from all company plans, even if only one holds employer stock;
- The employee must take the distribution of employer stock as actual shares—no selling first and taking the cash;
- The employer stock can only be from the current employer; former employer stock or companies spun off from a current employer aren't eligible; and
- The employee must have experienced a qualifying event: separation of service (self-employed workers cannot use this event), reaching age 59-1/2, total disability (only if self-employed), or death.

When does it make sense to elect to go the NUA route? If you are fortunate enough to be in this position, here are some factors to consider:

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Commodity Investing in Today's Volatile Enviroment

By Elaine F. Phipps, MBA, CFA, and Portfolio Manager at Point View Wealth Management, Inc.

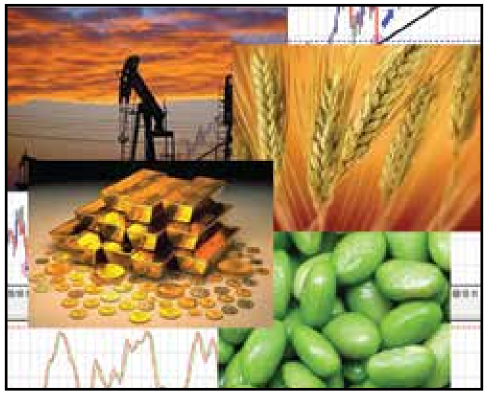
Recently, commodity investing has not been for the faint of heart. Plunging oil, gas and gold prices, softening world demand and the lack of inflation have driven this asset class out of favor. However, commodities can play a valuable role in a well-diversified portfolio. The traditional appeal of commodities is their lack of correlation with other major assets classes such as stocks and bonds. When stocks or bonds fall, commodities often remain stable or move in the opposite direction. In addition, commodities have offered inflation protection as their prices tend to rise along with inflation.

"The traditional appeal of commodities is the lack of correlation with other major assets classes such as stocks and bonds."

It may be a good time to revisit commodities due to their recent poor performance. Many global commodities are down while most other indices – including both stocks and bonds – are at all-time highs. Oil is down over 35% as we approach the end of the year due to softening worldwide demand and excess global production. Gold is hovering at 2014 lows and off 40% from its record 2011 high of $1900 an ounce. Grains continue to suffer, as farmers planted unusually large crops based on the recent period of high prices, and good weather further boosted yields. Given the under-performance across many commodity classes, perhaps it is time for another look.

Why commodities? - Commodities are the raw materials and basic goods used in production and commerce. They are the building blocks for both developed and emerging economies and are needed to fuel progress and growth. Some examples

Elaine F. Phipps, MBA, CFA



include oil, gold, silver, copper, platinum, wheat, corn, cattle, coffee and soybeans. However, cyclical and seasonal factors influence commodities' prices, making them very volatile. Examples are supply/demand, weather, floods, drought, acts of God and terrorism. As such, the allocation to your portfolio should be small, at about 5%. Commodities are best suited for larger portfolios that benefit from size and scale.

Downside - In addition to the volatility issues discussed, commodities don't produce income or give investors a stake in the future profit of a business like stocks and bonds do. Long-term returns on commodities have been mixed based on each individual component. Investors should allocate to the sector based on diversification and inflation protection and not bet on blockbuster returns.

Ways to invest-

Physical Purchase – While this is not the practical way to do things for most individuals, it is possible to buy the physical commodities. Storage costs and security concerns are key. It is easier to put some gold bars in your safe deposit box than to store a barrel of oil.

Futures – A futures contract is a standardized agreement to buy or sell a commodity at a specific date in the future at an agreed upon price today. These contracts tend to involve leverage, as a small amount of cash can control a large amount of commodity. The contracts also need to be settled, requiring a futures fund to roll these positions. This method should only be used by experienced and sophisticated investors.

ETNs/ETFs (exchange traded notes and funds) – This is a less risky way to track the price of a specific or basket of commodities. The ETN is a debt security issued by an underwriting bank. The ETF is a low-cost fund with stock-like features. Many ETFs invest in futures contracts rather than exposure to the commodities spot price. ETFs tend to eliminate company specific risk.

Buy companies that produce a certain commodity - Our preference is to not buy the outright commodity but instead buy the stocks of companies

"It may be a good time to revisit commodities due to recent poor performance. Many global commodities are down while most other indices – including both stocks and bonds – are at all-time highs."

involved in the production/extraction of the product. This type of investment provides a form of leverage on volatile prices. As an example, when the price of the underlying commodity rises, profits for the miner or oil producer often increase as the majority of the costs of extracting the product are fixed. When prices fall, the companies can often cut back production and reap income from other business lines. In addition, while commodities themselves do not pay interest or dividends, investments in these stocks often do, and provide a bit of stability to underlying earnings volatility. So if you want oil exposure, invest in **Exxon Mobil (XOM)** or **Chevron (CVX)**. If interested in gold, try **Barrick (ABX)** or **Newmont Mining (NEM)**.

Where in cycle now? – Earlier in 2014 commodity prices slid as concerns about weak worldwide economies and a slowdown in China tempered demand for commodities. Current plunging oil prices are the result of overproduction from both U.S. and Middle Eastern sources, with no party being willing to cut back production to stabilize prices. This has increased deflation fears. Easier U.S. monetary

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International Equities–Get Your Passport Ready

By Donna M. St.Amant, MBA, and Portfolio Manager at Point View Wealth Management, Inc.

Non-US equities account for more than half of the global equity markets, yet many investors have little to no exposure, even to the developed international markets. For a number of reasons, a well-diversified portfolio should include exposure to both developed and emerging markets. Reasons to consider the foreign markets include: added diversification, the potential for higher growth rates, and a chance to uncover attractive investment opportunities.

Diversification. When considering diversification, most often we think of investing in different asset classes such as stocks, bonds, commodities, real estate etc. Exposure to different countries and currencies can also diversify, as many times they do not move in synch with the US markets. Companies operating overseas may have a unique product set or a completely different customer base that will potentially respond differently to market forces. Diversification benefits are not as good as they used to be. Performance has become more correlated, particularly across the developed markets, due to global expansion, advances in communication and technology, and increases in money flows across borders.

Many investors avoid the stocks of foreign companies because they consider them to be too risky. An investor's risk profile should be considered when determining how much exposure to have, but often the diversification gained by adding an international component can reduce the overall risk of a portfolio. Or the risk of a portfolio will stay constant, but the returns will be higher given that same level of risk. No doubt there can be large swings in performance, particularly in the emerging markets, so an investor should understand that this volatility will exist.

"Non-US equities account for more than half of the global equity markets."

Higher growth rates are anticipated from economies abroad. In addition there may be growth opportunities overseas not present in the US due to any number of economic factors. Exposure to different geographies, including the emerging markets, can help to boost returns if included as a piece of a well diversified portfolio.


Donna St. Amant, MBA

Missed opportunities. International stocks are increasingly becoming a larger part of the investment universe. By allocating some portion of your investments overseas, you increase the likelihood of uncovering undervalued assets. It increases the chances of being in the right region at the right time. Investing solely in US based companies ignores three quarters of the world economy and more than half of all equities.

As is the case with any investment, determining how much exposure or the appropriate allocation is step one. International equity has two components: the developed markets and the emerging markets. Growth is generally expected to be higher in emerging markets, but they will face bumps in the road and most certainly greater volatility. Exposure to both the developed and emerging markets is recommended, but it's best to assess tolerance for this volatility when setting the allocation. Above all, balanced exposure across business sectors is still a priority. Sector allocations should be appropriately weighted across both US and internationally owned companies in the portfolio.

International Indices. MSCI, Inc. publishes widely used indices that track different regions of the international markets and indices that represent the market as a whole. They have developed specific criteria to classify a geographic region as developed or emerging. MSCI reviews the list of countries each year for potential changes. The developed markets are countries that are most advanced and meet specific criteria for a strong economy, a liquid market, openness to foreign capital, ease of capital inflows and outflows, and a sustainable operational framework. Developed markets currently include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, New Zealand, Netherlands, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, UK, and the US. Emerging markets are underdeveloped or developing economies that can be experiencing rapid growth. Emerging markets include: Africa, Eastern Europe, Latin America, Russia, the Middle East and Asia (excluding Japan, Hong Kong and Singapore).

"Many investors avoid the stocks of foreign companies because they consider them to be too risky."

Even if a portfolio holds only US domiciled companies, there can be some exposure to the international markets. Coca Cola, Exxon and GE for example have large scale operations abroad. Overseas expansion can be a major source of revenue and a primary driver of growth for a US company. Furthermore, factors that affect foreign companies will also have a similar impact on the overseas operations of US companies. So even if it appears a portfolio has zero international exposure, most likely it is exposed in some way. This should also be considered when establishing the international equity allocation.

How to Invest: For most investors the simplest way to invest internationally is to purchase foreign stocks that trade on the NYSE

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Ten Picks For 2015

By David G. Dietze, JD, CFA, CFP™

Because fixed income offers so little return, investors will continue to seek out pockets of stock market value.

The most attractive areas include mature tech companies, international stocks, emerging market stocks, energy plays, commodity oriented investments, and vice stocks.

A Resurgent Japan

Japan's been mired in an over 20 year slump. It's determined to move past that. Various factors are starting to work in Japan's favor.

Toyota Motors (TM) makes our top ten list for 2015. This is the gold standard for auto makers. As the largest company in Japan, it's a proxy for the entire Japanese market.

"Because fixed income offers so little return, investors will continue to seek out pockets of stock market value"

It's a good time to be an automaker, as 2015 sales should be the highest since 2001; any improvement in the global economy will provide further tailwind. This bodes well for Toyota.

Nippon Telephone (NTT) is our other Japanese choice, and gives good exposure to the dynamic telecom and wireless industry. NTT is essentially **AT&T (T)** and **Verizon (VZ)** wrapped into one, such is its dominant market share.

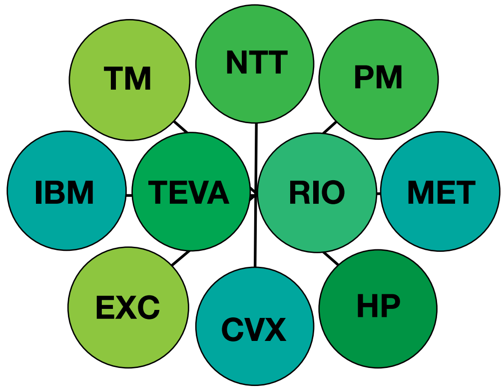
In sum, we think large cap, large franchise Japanese stocks can make sense for the well diversified portfolio.

Energy Rebounds

Investing 101 says buy when stocks are cheap. The current low price for fossil fuels spurs consumption, reduces supply, and gives pause to those who would transition to non-fossil fuel energy sources.

Dow component **Chevron (CVX)** fits the bill. The second largest integrated energy company in the country, it's got the diversity to ride out this crude oil sell off.

The valuation is attractive, with the stock down 20% since last summer; there's a 4%+ dividend yield and it trades at just 10 times earnings.



Helmerich & Payne (HP) is narrowly focused, supplying drilling rigs to larger companies. With the stock now cut in half since last summer on the back of the oil downturn, it's exceptionally cheap at less than 10 times earnings, with a 4.4% yield.

Legacy Large Cap Tech

This sector had a wonderful 2014, with such stalwarts as **Microsoft (MSFT)**, **Intel (INTC)**, and **Cisco (CSCO)** rising as we close the year 30%, 46%, and 26%. But, one of the biggest of all was left in the dust, **IBM (IBM)**, down 11%, and that's one reason we think it offers opportunity in 2015.

"Various factors are starting to work in Japan's favor"

Valuations are quite attractive for this industry leader, at less than ten times earnings, 1.7 times sales, and with an above average 2.6% dividend. Add it to your portfolio for 2015.

Financials

The combination of rising interest rates and an improving economy can prove to be a real tailwind for this sector. We recommend **MetLife (MET)**. It's the largest life insurer in the country and benefits mightily from economies of scale. It also boasts solid overseas exposure, with operations in 50 countries.

Commodity Play

Commodities were banged up in 2014, down over 14% as the year draws to a close. A surging US Dollar and weakening global demand, particularly from China, a voracious consumer of metals in the previous cycle, weighed.

The strategy is to buy a very well-managed, market dominating, commodity stock to play the inevitable rebound. **Rio Tinto (RIO)** fits the bill.

Down by a quarter from its 52 week high, RIO operates mines well diversified both by type of commodity extracted and by geographic location. Its resources in Australia are well positioned to benefit from Chinese growth.

Consumer Staples

These stocks are core portfolio holdings, as demand tends to be constant through thick or thin. If there's a strong brand name involved, premium margins are available. Those products are sticky; who's going to switch from their favorite gum or chocolate to save a quarter?

"The current low price for fossil fuels spurs consumption and reduces supply"

Philip Morris (PM) fits the bill. It represents the international holdings of the storied tobacco purveyor, while Altria (MO) holds the domestic operations.

PM has lagged recently; the international outlook has clouded due to the distaste for all stocks non-domestic, plus an invigorated push overseas to discourage smoking. The flip side is the stock now sports a more attractive valuation, down 5% since last summer, with a dividend yield over 4.6%.

This stock could do well regardless of the price of oil or the path of the global economy!

Healthcare Continues Strong

Healthcare stocks had a phenomenal 2014. As we conclude the year the **Healthcare Select SPDR (XLV)**, an exchange traded fund, was up 27%. The Affordable Care Act is bringing in lots of new customers, while imposing neither regulations nor price controls as onerous as feared.

Many healthcare stocks are richly priced, but we believe **Teva (TEVA)** can still do well. It's the largest generic maker in the world, plus it has extensive operations in the emerging world.

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"Net Unrealized Appreciation" Untangled

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Your Relative Tax Rates. The larger the spread between your ordinary income tax rate (as much as 39.6 percent) and your capital gains rate (typically 15 to 20 percent), the more attractive the NUA treatment looks. Be sure to consider whether you must pay the ACA surcharge (3.8 percent for singles with adjusted gross income of $200,000 or more and for married filing jointly of $250,000 or more), as well as any state taxes. Note that IRA distributions are NOT subject to the ACA surcharge.

The Absolute and Relative Size of the NUA. The more NUA, the more valuable taking the stock directly can be. This is even more the case if the original basis is very low. The lower the basis, the lower the tax cost to avail yourself of this technique.

Your Time Horizon. If you plan to dip into your retirement plans immediately to fund your living expenses, the NUA becomes even more attractive. You aren't foregoing much of the tax-free build up an IRA would provide, and you're paying retirement costs with dollars taxed at a lower rate.

One enticing factor in all of this is that electing NUA treatment isn't all or nothing. That, combined with IRS rules about basis allocation can produce a home run result—if the plan administrator understands the rules. Let's see how this can work.

Assume Mary's retirement plans total $800,000, including $300,000 of employer stock. That stock has a total basis of $75,000.

"The larger the spread between your ordinary income tax rate and your capital gains rate, the more attractive the NUA treatment looks"

If Mary rolls everything into an IRA, she pays no tax. When she begins taking distributions, every dollar that comes out is taxed as ordinary income (but again, is not subject to the ACA surcharge). If the required minimum distributions will exceed her living expenses, Mary is effectively paying tax on income she doesn't need.

If instead, Mary takes the $300,000 in stock directly, she is immediately taxed on $75,000 of ordinary income (and perhaps 3.8 percent ACA surcharge). At the top bracket, that's $32,550 of tax today. However, compared to a lump sum distribution of $300,000, it reduces the tax on the remaining $225,000 from $97,650 (if it all came out as cash today) to $53,550 (if taxed as capital gains). That's an immediate net savings of $11,550. Any tax on future appreciation also converts from ordinary to capital. If Mary dies owning the stock, she escapes income tax on the gain altogether. This is unlike dying with an IRA, where the ordinary income tax treatment carries forward to the beneficiaries.

But wait, there's more! As noted above, Mary doesn't have to take all of her employer stock directly in order to elect NUA treatment. Further, the tax code states that the portion rolled out to an IRA is "treated as consisting first of the portion that is includible in gross income." This suggests that if Mary rolls $75,000 of employer stock into her IRA and takes the remaining $225,000 directly, the $75,000 rolled over absorbs all of the taxable income, leaving Mary with $225,000 of stock and no current tax bill. Before you try to achieve this result on your own, talk to your tax advisor (the IRS has never flat out said this works, and its recent private ruling in the area is too heavily redacted to understand the rollout details) and the plan administrator. Any employer plan distribution is followed by a form 1099-R the next January. If you and your plan administrator don't agree on how much of the distribution is reported as taxable and how much as non-taxable, you will be left explaining the discrepancy to the IRS when you are audited.

Commodity Investing in Today's Volatile Environment

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policy has led to a stronger economy and job growth, with investor sentiment now leaning towards the belief the Fed will raise rates sooner rather than later. Higher rates usually benefit the U.S. dollar as investors flock to buy our debt. However, a strong dollar is often detrimental to commodities' prices, which are reflected in dollars and thus become more expensive for foreign investors. In addition, the strong U.S. stock market has siphoned investment dollars away from gold. These confusing and conflicting scenarios drive home the point that commodity prices are influenced by many factors and are notoriously difficult to predict!

"Our preference is to not buy the outright commodity but instead buy the stocks of companies involved in the production/extraction of the product. This type of investment provides a form of leverage on volatile prices."

Conclusion: Commodities offer a source of diversification due to their historic lack of correlation to the stock and bond asset classes. In addition, they can be a good inflation hedge as prices often tend to rise during periods of inflation when currencies lose value and investors seek to preserve purchasing power. We recommend limiting exposure to 5% of your portfolio and make exposure broad-based. Often commodity classes move in opposite directions, indicating the need to have wide exposure to both hard and soft commodities. Diversify amongst energy, agriculture, and precious metals. Consider acquiring your exposure through the purchase of stocks in commodity producing companies in order to mitigate some of the price risk and provide a dividend income stream to stabilize volatility.

Ten Picks for 2015. . . . continued from page 6

Its size gives it the ability to turn very complex drugs into generics, and should benefit from growth in this area. It's a buy at 11 times earnings, a 2% dividend yield, and at 2.7 times sales, thus at least a third cheaper than **Pfizer (PFE)**.

Utilities Still Offer Yield

Utilities had an excellent year in 2014, up over 22% as the year comes to a close. Utilities rode a tail wind of lower interest rates; these good yielding steady eddie companies are seen as bond surrogates.

Opinions differ as to the future; those who see interest rates rising are wary of the group. To be truly diversified you can't build your portfolio geared only to higher rates; what happens if you're wrong?

Exelon (EXC) is our utility pick. It's the largest power retailer in America, serving millions through its regulated subsidiaries throughout the East and Midwest. It generates 4% of the country's power.

What could give it material upside is its nuclear fleet, the largest in the country, producing 22% of the country's nuclear power. Tightened EPA emission standards now wending their way through the courts could become effective next summer, which could give it a significant advantage versus utilities more reliant on fossil fuels.

2015 Investment Picks

Investment	Symbol	Sector	12.5.14	Yield %
IBM	IBM	Technology	$163.27	2.7%
Toyota	TM	Consumer Cyclical	$129.03	2.6%
Nippon	NTT	Communication Services	$25.85	3.1%
MetLife	MET	Financial Services	$56.35	2.5%
Rio Tinto	RIO	Basic Materials	$45.29	4.2%
Helmerich & Payne	HP	Energy	$67.44	4.1%
Teva	TEVA	Healthcare	$57.88	2.4%
Philip Morris	PM	Consumer Defensive	$87.14	4.6%
Chevron	CVX	Energy	$110.87	3.9%
Exelon	EXC	Utilities	$35.59	3.5%
		Average Yield		3.3%
		S&P500	2,075	1.9%
		Dow	17,959	2.2%

Disclosure:
The author, his family and firm clients own the securities mentioned but may dispose of the securities at any time.

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in the form of an American Depository Receipt or ADR, or by purchasing an international mutual fund or ETF. These options provide liquidity and offer the ability to transact in US dollars on US exchanges.

Higher costs. Expect to incur higher costs with any of these investments. Mutual funds, even lower cost index funds, tend to carry a higher expense ratio on any international fund due to higher transaction costs incurred by the fund. ADRs offers the convenience of purchasing single stocks and receiving dividends in US currency, so an investor does not have to make a foreign currency transaction. This comes with a small added ADR fee. Sometimes there will be foreign taxes assessed. Finally, certain countries impose withholding taxes on dividends if you elect to receive the dividend in cash. This can be avoided in most cases by electing to receive the dividend in the form of additional shares of the company's stock.

"Exposure to different geographies, including the emerging markets, can help to boost returns…"

It may be a good time to review and potentially add international exposure to a portfolio as the markets have sold off this year and in general valuations are lower.

SUBSCRIPTION INFORMATION:

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