

The Light

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Start the Year with a Financial Checkup



By Tim Rowsey, CPA, Investment Advisor Rep.

As we begin a new year and consider a fresh start to many areas of our lives, it can be helpful to check to see if our financial situation is on track. We maintain our cars, have regular dental and health checkups, and in the same way it is important to make sure we are headed in the right direction financially. Here are some tips and things to consider as we begin a new year.

For most individuals there are two primary phases in life relating to finances. First there are the accumulation years and eventually there are the retirement years. In each of these life stages there may be differing focus areas relating to your personal goals.

In the accumulation years, areas to focus on may include family budgeting, setting up a plan for paying for college, planning for retirement, and ongoing assessment of your current financial situation. One of the greatest challenges to individuals is understanding where all of the money that comes into the household ultimately goes. For most, it seems that there is a black hole of spending that consumes all of the income plus more. A beginning step to addressing this problem is to prepare a household budget for 2014. This would include an estimate of all expenditures expected for the year broken down in categories such as housing, vehicle expense, food, clothing, insurances, etc. With a basic budget it should be possible to see where things like funding retirement, or planning for children's college expenses, might fit in. If there is no room for things which you believe are a priority, then it is time to take a hard look at expenses and see if you can reallocate.

Another area that supports the budget is a look at your personal assets and liabilities. This would include a listing of all of the things you own, from cash to (continued on page 2)

Wills, Trusts, and Medical Directives

By Tim Rowsey, CPA/ Investment Advisor Rep.

There are four important legal documents that almost everyone should have in place. These documents help give direction relating to the ultimate disposition of your assets, and medical and financial decisions that would be made on your behalf if you were unable to make them yourself. Here is a summary of the basic documents and their purpose.

Will: Everyone who has assets that they wish to pass on to someone else, or who has children, should have a will in place. If you die without a will, Ohio Law will determine who inherits your property and it may not coincide with your wishes. A will is the legal document that directs the disposition of your assets according to your wishes. Another important function of a will is nominating a guardian for your children.

Durable Financial Power of Attorney: This document would allow the person you name to conduct your financial affairs if you were incapacitated and unable to perform these duties yourself. Having this document in place is preferable to a court process that could be cumbersome and time consuming. The person whom you name has requirements to act in your best interest, keep your property separate from theirs, maintain accurate records, and avoid conflicts of interest.

Living Will: This document may also be known as an advance health care directive. It is a set of written instructions that specifies what actions should be taken for the health of the individual if they are unable to make those decisions for themselves due to illness. Typically, it would provide the course of treatment to be followed by health care providers including life-sustaining measures you do and don't want. It may forbid the use (continued on page 3)

Helping individuals navigate their financial lives.



Start the Year (continued from page 1)

investments, vehicles, home, etc. In addition you would list all the debts you currently have which would include mortgage on home, vehicle loans, student loans, credit cards, etc. The difference between these two numbers is your net worth. Ideally, this is a positive number and one that should grow throughout your lifetime.

Another change to consider in the new year is to reevaluate your contribution to your company 401(k) plan or funding into your IRA. With higher limits, very few people are maximizing the amount that can be placed into these plans. These contributions can also help to lower your taxes. See our other article with 2014 limits for IRA's and 401(k)'s, including catch-up amounts for those age 50 or over.

For those who are beyond the accumulation phase, there are other priorities to consider for a new year. If college for children and accumulation for retirement are already behind you, there are still areas to watch.

First and foremost is ensuring that the assets that you have accumulated are continuing to grow at a pace that will keep up with inflation and provide for your ongoing financial needs. This has been a greater concern to many seniors recently as previously "safe" investments — like CD's— pay rates that are below inflation. A properly balanced investment portfolio, that may go along with pension payments received in retirement, can help insure that your resourced will last as long as you do.

Planning with legal documents is an important consideration for all adults and should be done by anyone over the age of 18. This would include the four basic documents of estate planning, a will and three medical directives including a Living Will, Health Care Power of Attorney, and Durable Financial Power of Attorney. These documents can ensure that your wishes, relating to end of life medical treatment and disposal of your assets after your passing, all occur according to your wishes.

If you don't have a clear picture of whether or not you are on track relating to retirement planning, we can help you with an analysis to make sure your goals will be met. Call for a meeting to talk about your specific situation and how we might help you reach your financial goals. ■

New limits for 2014

By Tim Rowsey, CPA, Investment Advisor Representative

Each year IRS releases updated information for the coming year. For 2014 most of the contribution limits stayed the same as they were for 2013. IRA limits, 401(k) limits and SIMPLE limits all remain the same as the prior year. In addition the annual gift exclusion also remains at \$14,000. The IRA allowable mileage rate for 2014 actually declined by ½ cent to \$0.56 for the new year. The chart below shows some of the limits that might be helpful for your planning purposes including limits on contributions to IRA's and 401(k) plans, annual gifting amounts and mileage rates.

Limitation	2013	2014
IRA contribution limit	\$5,500	\$5,500
IRA catch-up contribution (age 50 and over)	\$1,000	\$1,000
401(k) elective deferrals	\$17,500	\$17,500
401(k) catch-up deferrals (age 50 and over)	\$5,500	\$5,500
SIMPLE IRA elective deferral	\$12,000	\$12,000
SIMPLE IRA catch-up deferral (age 50 and over)	\$2,500	\$2,500
Income phase out for ROTH (MFJ)	\$178,000	\$181,000
Other information		
Income subject to Social Security tax	\$113,700	\$117,000
Maximum earned income before SS benefits are reduced for those collecting SS before full retirement	\$15,120	\$15,480
Annual Gift Exclusion	\$14,000	\$14,000
Standard Mileage Rate	\$0.565/mile	\$0.56/mile
Social Security Cost of Living Adjustment	1.7%	1.5%

Disclosure Statement

A copy of our Part 2 of Form ADV: Firm Brochure, which provides information about the qualifications and business practices of Lighthouse Wealth Management is available upon request. To request a copy contact Cheri Smeltzer at:

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Wills, Trusts... (continued from page 1)

of some types of medical treatment such as mechanical breathing or tube feeding or resuscitation. It only comes into play when the individual is unable to give informed consent due to incapacity.

Health Care Power of Attorney: This is a document that allows you to appoint someone you trust to make any health care decisions for you if you are unable to do so for yourself. This designation can help alleviate confusion as to who is authorized to make medical decisions on your behalf. It is usually good to have both the living will and the health care power of attorney in place. The living will helps your health care power of attorney to know some of your specific wishes regarding your end of life care.

Another document that is not necessary for everyone, but may be beneficial in some circumstances, is a trust. A trust can continue after the life of the creator and may give direction for distribution of assets over time for children or even adult children who are not the best stewards of money. There are increased costs in creating a trust and several other methods of transferring assets may accomplish some of the same goals more economically.

There are many types of trusts. One of the most common is the Revocable Living Trust. This is a trust created during your lifetime, rather than at your death. With this type of trust the creator of the trust can name themselves as trustee and keep full control of their assets during their lifetime. Any assets held in the trust are taxed as if they are still held by the individual. This type of trust would give directions for disposition of the assets once the grantor of the trust dies. Assets held in trust do not have to go through the probate process. Upon death of the grantor, a new trustee (named by the creator of the trust) controls the assets and follows the instructions of the trust document.

A common alternative to the use of a living trust is using a Transfer on Death (TOD) or Payable on Death (POD) designation on an asset. This can be used for bank accounts and brokerage accounts to name a direct recipient of the asset. Typically, a simple form can be completed naming a beneficiary of the specific account. This process will also keep that asset out of probate. Retirement accounts do not need this designation because they have a beneficiary designation. They also would not go through the probate process. Ohio also allows a TOD designation affidavit for Real Estate that can keep Real Estate out of probate as well. ■

Market Recap

How the major indices performed in the 4th Quarter 2013

DOW JONES INDUSTRIAL AVERAGE			
4th Quarter return	9.6%	YTD return	26.5%
S & P 500 COMPOSITE			
4th Quarter return	9.9%	YTD return	29.6%
RUSSELL 2000			
4th Quarter return	8.4%	YTD return	37.0%
BARCLAYS AGGREGATE BOND			
4th Quarter return	-0.1%	YTD return	-2.0%

Market Update

By Tim Rowsey, CPA
Investment Advisor Rep.

The fourth quarter of 2013 was strong for equities.

The Dow Jones Industrial average set multiple new all-time records this quarter and ended the year at a new all-time high of 16,576.66. This represented a 26% gain for the year. The Fed finally announced a small taper and the market celebrated with a 293 point climb in December. Smaller cap stocks as represented by the Russell 2000 fared even better for the year with a gain of 37%. The S & P 500 also showed a strong gain for the year with a 29% increase.

Bonds were flat for the quarter.

The Barclays aggregate Bond index was down 0.1% for the quarter and ended the year down 2%. PIMCO's flagship Total Return bond fund also ended the year with a small loss for the first time since 1999. The Federal Reserve's announcement of a taper starting in January slowed the bond fund returns in December. Hopefully bonds will be more stable in 2014 as the Fed uncertainty is resolved.

Market conditions look positive as we head into 2014.

Some political uncertainty was settled in December as Congress came to terms on a two year budget that will fix federal spending at 1 trillion dollars. In a rare show of bipartisanship leaders came to agreement. With the Fed's announcement of a taper in January that issue is also more settled. The economy continues to improve and unemployment is dropping. These factors could combine for a positive year in 2014. We continue to believe that a balanced exposure to bonds and equities is a prudent choice for most investors. ■



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Subscriptions are free. Paperless delivery is available upon request. Call Cheri Smeltzer at 419-496-0016 or email her at csmeltzer@lightwealth.com to be added to our list or to change your subscription.

At Lighthouse Wealth Management, we want to help our clients reach their financial goals and have plenty of peace of mind along the way. We offer a holistic, full service approach. We start by getting to know and understand our clients' wants, needs, and dreams. We partner with them to help them navigate all the financial challenges of life. We can help answer financial questions, help with tax planning and preparation, and guide our clients with their investments to help them reach their ultimate financial goals.

Just as a Lighthouse provides guidance to passing ships, Lighthouse Wealth Management provides our clients with solid, trusted, conscientious guidance to help them navigate risks and lead them to their financial goals.

Lighthouse Wealth Management believes in giving back. We give 10% of our profits to charities, including CURE, International. www.cure.org

Our Services

- Investment Advisory Services
- Individual Portfolio Management
- Retirement Planning
- 401(k) Rollovers
- Individual Tax Preparation
- Financial guidance in all areas



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