The Light

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Investing in a Presidential Election Year

By Tim Rowsey, CPA, Investment Advisor Rep.

As we enter the 2016 year, we are constantly reminded that this is the year that America will once again be choosing a president. While we probably will soon grow tired of the many campaign advertisements, there may be some reason to think about the impact this election could have on the markets. Many articles and analyses have been done on the impact of a presidential election on the markets. The traditional thinking is that administrations attempt to exercise fiscal policy in a manner designed to pump up the economy prior to a presidential election. This stimulus, if it actually happens, is intended to encourage voter support and potentially also improve investment returns.

Several studies have shown apparent links in market performance in election years that might encourage this thought. In the 18 presidential election years between 1928 and 1996, there was a positive return in the S & P 500 in all years but one with an average annual return of 15.7%. This would exceed the S & P 500 average over that period of time and would lend some credence to the theory of better performance in an election year.

Recent history, however, tells a different story. The attempts of politicians to influence the markets through “stimulus” or “policy” may no longer have the same impact that they once did. In the four presidential elections since 2000 we have seen two positive returns (in 2004 and 2012) and two negative years with the 2008 performance a whopping -37%. This yields an average return of -4.8% in the election year for the last four elections cycles. The financial crisis of 2008 was obviously a major factor in the

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Things to Think About as Retirement Nears

By Tim Rowsey, CPA, Investment Advisor Rep.

As individuals draw closer to retirement, there are many questions that may need to be considered. We thought it might be helpful to cover some of the most common questions that we encounter when working with those with retirement in their near future.

Should I max out my 401(k) contribution?
Normally for most people the answer to this question is yes. The only limit is what your household budget will allow you to put into the plan. Many people I talk to seem to think that they are maxing out their 401(k) if they are putting enough of their own money in to get the full match from their company. While this is a great place to start, for individuals who are 50 or older, the actual deferral limit is $18,000 per year plus an additional $6,000 allowed for the catch-up provision. For people who are able to do so, $24,000 can be deferred into a 401(k) or 403(b) plan. This will help considerably in retirement accumulation.

Should I fund a Roth IRA?
There are a few situations where an individual may not be able to fund a Roth IRA. If income for a married couple is above $184,000, or if a filing status of married filing separate is used, a Roth IRA may not be allowed. Otherwise, if household finances allow it, we believe it can be very smart to fund a Roth IRA as retirement approaches. Money in a Roth provides great flexibility for tax planning and strategies in retirement and offers a pool of tax free money to access.

What about Health Insurance?
The availability of affordable health insurance in retirement is a huge factor in the timing of retirement. For individuals thinking about retiring before age 65 when Medicare becomes an option, the cost of Health Care is a significant issue. We see many individuals who would retire at an earlier age, but continue to work until age 65 simply because

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Election Year (continued from page 1)

decline in 2008 and may have overshadowed the impact of the presidential election.

Another historic pattern that does not bode well for 2016 is what has happened in the eighth year of presidential terms in the last 100 years. While this does not happen very often, it has happened six times this century. Presidents Wilson, Roosevelt, Eisenhower, Regan, Clinton and George W. Bush all served two terms. In 2016 President Obama will be the seventh president this century to serve two full terms. In the eighth year of the cycle the president is a lame duck and is not running for reelection. His priorities may typically be more on his legacy and not necessarily focused on things that will help the economy or the markets. In this situation, the S & P 500 has averaged a decline of almost 11% in the last year of a two term president's service.

While looking at history and understanding past trends can be interesting, it is probably not the best overall approach to investing. Instead, we prefer investing in a more focused, safe way. This involves analyzing risk and return, diversifying, and in general holding quality investments with a long term perspective. This approach should work, no matter who wins the election. ■

Congratulations to Our New Owner!

Greg Emmons has purchased into the ownership of Lighthouse Wealth Management. He joins Tim Rowsey and Aaron Rowsey as a third owner of the business.

Greg joined Lighthouse in the spring of 2015, and has already been working with clients providing investment advisory services, individual portfolio management, financial planning, and wealth preservation using various financial strategies. Using a holistic approach for an individual or family's finances, Greg's expertise allows him to put together a strategy that fits his clients' needs for both short and long-term goals.

Greg was raised in Ashland and is thrilled to be working back in his home town! He graduated from Ashland University in 2007, where he studied business and finance and was a captain on the varsity basketball team. He brought over 7 years of financial industry experience to Lighthouse, having previously worked for Westfield Insurance and AXA Advisors.

Greg obtained Series 7 & 66 FINRA Securities Registrations and his life and health insurance licenses prior to joining our firm. He is currently studying for his CERTIFIED FINANCIAL PLANNER™ designation.

Currently, Greg lives in Medina with his wife Missy and daughter Georgia.

Call Greg today for a free, no obligation investment review and consultation. ■

Retirement (continued from page 1)

of the high cost of health care. Some companies offer subsidized lower cost health insurance to their retirees, but this is becoming less common. In addition, the cost of covering a spouse can be significant.

When should I begin drawing Social Security?

There are many options to consider relating to this question. One major concern is the potential reduction in Social Security benefits if they begin before full retirement age. For most people retiring now, 66 is their full retirement age. There is about an 8% per year reduction in benefit for every year prior to full retirement. For example, a benefit of $1,000 per month at age 66 would be reduced to approximately $680 at age 62. There are many other factors to consider to adequately answer this question and many planning opportunities exist.

How much money will I need in retirement?

The answer to this question varies greatly from family to family. One of the best ways to try to answer this question is to total your actual household expenses now. From this you may be able to make some adjustments for expense that may decrease. Funding of retirement plans, cost of work clothes, transportation cost to work and other expenses normally decrease in retirement. The cost of health care, however, may be an increased costs in retirement. A simpler lifestyle and lower living costs in retirement means less assets are required to fund retirement living.

This list is really only the beginning of all the choices and decisions that must be made as retirement nears. If you are contemplating retirement soon, give us a call and we would be glad to discuss your options, questions, and concerns. ■

New limits for 2016

Each year the IRS releases updated information for the coming year. For 2016 there were almost no changes to the contribution limits compared to 2015. 401(k) limits and SIMPLE limits, plus the associated catch up deferrals all remained the same for 2016. IRA contribution limits and catch up contributions also remained the same. In addition, the annual gift exclusion remains at $14,000. The federal estate tax exemption does increase to $5.43 million in 2016. This is the amount an individual can leave to heirs without having to pay federal estate tax. The IRA allowable mileage rate for 2016 decreased slightly to $0.54 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	**2015**	**2016**
IRA Contribution limit	$5,500	$5,500
IRA Catch up contribution (age 50 and over)	$1,000	$1,000
401(k) elective deferrals	$18,000	$18,000
401(k) catch-up deferrals (age 50 and over)	$6,000	$6,000
SIMPLE IRA elective deferral	$12,500	$12,500
SIMPLE IRA catch-up deferral (age 50 and over)	$3,000	$3,000
Income phase out for ROTH (MFJ)	$183,000	$184,000
Other information		
Income subject to Social Security tax	$118,500	$118,500
Maximum earned income before SS benefits are reduced for those collecting SS before full retirement	$15,720	$15,720
Annual Gift Exclusion	$14,000	$14,000
Standard Mileage Rate	$0.575/ mile	$0.54/ mile
Social Security Cost of Living Adjustment	1.7%	0.0%

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:

(419)496-0016 or csmeltzer@lightwealth.com

Market Recap

How the major indices performed in the 4th Quarter 2015

DOW JONES INDUSTRIAL AVERAGE
4th Quarter return 7.0% YTD return -2.2%

S & P 500 COMPOSITE
4th Quarter return 6.5% YTD return -0.7%

RUSSELL 2000
4th Quarter return 3.2% YTD return -5.6%

BARCLAYS AGGREGATE BOND
4th Quarter return -0.5% YTD return 0.5%

Market Update

By Tim Rowsey, CPA
Investment Advisor Rep.

Equities ended down for the 2015 year.
Following a correction in the third quarter we saw a sharp rebound in October. A great deal of the loss of the year was recovered in this October rally. That was enough to make the fourth quarter positive, but not enough to bring the year into positive territory. The Dow Jones Industrial, S & P 500 and Russell 2000 all ended the year with a loss. Small cap stocks, as represented by the Russell 2000, were hit the worst with a 5.62% decline for the year.

Bonds were down for the quarter.
The Barclays aggregate Bond index decreased by 0.55% for the quarter. For the entire year this index did manage a small gain of 0.5%. The Federal Reserve also finally increased interest rates by a quarter point. Now the debate begins on future rate increases for 2016.

Presidential election and world uncertainty may drive the markets in 2016.
Oil, China and interest rates were key influencers of the market in the 2015 year. As we begin a new year these three may continue to impact the markets. In addition election year politics and other world events may also have an impact. Corporate earnings may be the driver that could impact some positive growth in the markets. Several individual stocks such as General Electric, Home Depot, and Disney had strong years in 2015, largely driven by strong earnings. As other companies show growth and profit that should positively impact their stock values. We believe it is important to keep a long term perspective through this current market. ■

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ASHLAND AREA CHAMBER of COMMERCE

The Light is published quarterly by Lighthouse Wealth Management, Inc.

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
- Financial guidance in all areas

Helping individuals navigate their financial lives.