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Hello Everyone,

Each quarter this year we will be featuring one of the four pillars of our business. This quarter we are focusing on how we stay current in our financial education. See the article "Still Learning After All These Years" to read more.

If you are inspired to read more financial information, visit our Learning Center at www.EyeOn Argus.com.

Please feel free to suggest topics by sending your suggestion to Joy Britton, Client Services Manager, at joy@EyeOnArgus.com.

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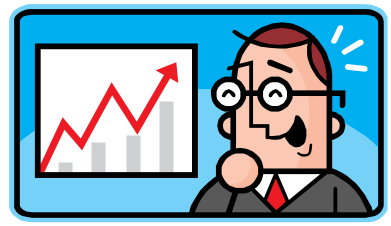
ARGUS FINANCIAL CONSULTANTS

Excellence is Defined by the Success of Our Clients

Winter 2014

Reflections On The Passing Of A Very Volatile Year



On December 28, 2012, the broad equity market in the United States, as measured by the Standard & Poor's 500-Stock Index, closed at 1,402. A few days shy of a year later—on Christmas Eve, 2013—it closed at 1,833. Thus, it was a very volatile year. Sorry: what's that you asked? How could a year in which the market went up 30% be characterized as "volatile"? Well, how would you describe it?

If it had as suddenly gone ***down*** 30%, you'd certainly have called it "volatile," would you not? But one senses that this is not the adjective which springs most readily to mind when you're considering an absolutely glorious year like the one just passing away. And what ought we to infer from that?

I for one infer that you may have a somewhat inconsistent definition of "volatility"—one that is potentially very unhelpful to your chances of success as an equity investor. Because you may be (however unconsciously) defining "volatility" as "down a whole lot in a big hurry," without realizing that a terrific leap forward such as that we experienced in 2013 is equally volatile—just in the opposite direction. They are two aspects of the same phenomenon.

Properly considered, the term "volatility," applied to prices and values in general and to the equity market in particular, simply means "tending to fluctuate sharply and regularly." (That isn't my definition; it's the dictionary's.) There's no implication of "down" versus "up" there at all. The fact is that equity prices have tended to fluctuate—sharply and regularly, ***up and down***—throughout history. Indeed, it is exactly their volatility—those sharp and regular divergences, ***both up and down***, from their long-term trend—which explains equities' premium return.

The long-term compound return of large company common stocks in the United States (per Ibbotson/Morningstar) is very nearly ten percent per year. The long-term compound return of high quality long term corporate bonds is very nearly six percent. Net out of both of those nominal return numbers a historical inflation rate of three percent, and one discovers that

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the long-term real return of large company equities has historically been more than twice that of large company bonds. ***Why?*** you ask. ***Volatility***, I answer.

And here I'm simply using the word volatility as a synonym for ***uncertainty***—which, properly speaking, is all it is. It is the vexing uncertainty of equity returns in the short to intermediate term—they can be up 20% one year and down 20% the next, or vice versa—which causes an efficient market to draw back from them until their long-term return exceeds that of (much more certain) bonds, by a margin great enough to prompt investors to accept equities' premium volatility. Take away equities' greater volatility, in this view, and in time their greater return must also disappear.

Follow this logic, and the rational investor must not only accept equity volatility: he must embrace it.

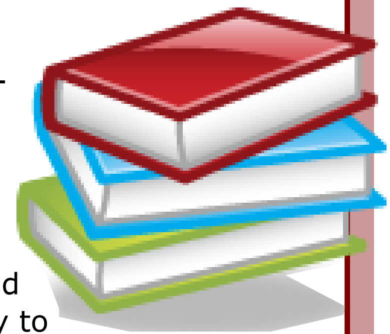
And why would he not? Just since 1980, the average annual intra-year decline in the S&P 500 Index has been very nearly 15%. Indeed, since the beginning of 1980, the Index has declined seven times as follows (in round numbers, and ignoring dividends): 27%, 34%, 20%, 19%, 49%, 57%, and 19%. That's pretty terrific volatility, wouldn't you agree?

Well, I would, too. But then I'd go one step further, and remind you, dear reader, that the S&P 500 came into 1980 at about 106, and seems likely (at this late-December writing) to go out of 2013 somewhere north of 1,800.

For this, I think, is the most important realization a long-term investor can (and indeed must) have about "volatility"—those sharp and regular fluctuations around equities' long-term trendline. ***It's the historically steep upward slope of that trendline itself.***

Look: nothing—absolutely nothing—about equities' past proves or predicts anything about their future. But I think I can offer one fairly educated guess about the past. To wit: that people who got alternately euphoric and then panicked by the volatility (up and down) around the trendline probably ended up with less favorable investment results than did people who simply stayed relentlessly focused on the trendline itself.

Still Learning After All These Years



Over the years, I have often been asked about the educational requirements to be a financial advisor. Unlike other professions such as pharmacists, engineers, or medical doctors, this question is a little tricky. Technically, there are no education requirements. Anyone can put out a shingle and charge a fee for advice.

There are licensing requirements for those that deal in securities or insurance transactions. Licensing requires ongoing continuing education in order to maintain. Classes that prepare candidates for the general securities registration take approximately one week to complete.

Professional designations show that an advisor has completed some additional training. These are the various combinations of letters that appear after the advisor's name. There are over 60 professional designations in the financial services industry, some require only a few hours of preparation and some require several years of study. The CFP® and the ChFC® are common designations that require rigorous classes, examination, and ongoing continuing education. In addition, the CFP® certification requires three years of experience.

Of course, there is a big difference between what is required and what is necessary to provide a high quality service with excellent outcomes. This is what drives us to seek out educational opportunities that have an impact on our client's financial success. In 2013, we spent approximately 340 hours in education related activities at Argus Financial Consultants. The time necessary to keep up with subjects such as taxation, investments, estate planning, and financial planning has grown considerably over the years. Be assured that we will continue to make our education a priority.

-A Christopher Engle,
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This article is also on our blog.

You can follow our blog at
www.EyeOnArgus.BlogSpot.com

Social Security Tips

If you are under full retirement age when you start receiving Social Security payments, $1 in benefits will be deducted for every $2 you earn above the annual limit. For 2014, this limit is $15,480.

You can have federal taxes withheld from your Social Security benefits. If you are receiving benefits and want to change or stop withholding, you will need IRS form W-4V, *Voluntary Withholding Request*. You can download the form from the IRS website, or call 1-800-829-3676 and request one. You will be able to select the percentage of your monthly benefit amount that you would like to be withheld. The options for tax withholding are 7%, 10%, 15%, or 25%.

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2014 Contribution Limits

	Maximum Contribution	Catch-Up Contribution*	Total Contribution with Catch-Up
401(k) & 403(b)	$17,500	$5,500	$23,000
Simple IRA	$12,000	$2,500	$14,500
IRA & Roth IRA	$5,500	$1,000	$6,500

**Those who reach age 50 by year-end can contribute the additional catch-up contribution amount for the year in which they turn 50.*

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly.

This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

Stock investing involves risk including loss of principal. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

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