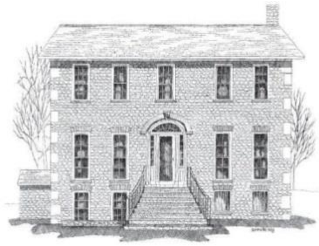

ON THE HORIZON...
NEWS, NOTES, AND COMMENTARY
FOR CLIENTS AND FRIENDS OF THE HORIZON GROUP

BY MARK CONGDON, SENIOR PARTNER

FRUSTRATION

DECEMBER 14, 2015

Fellow financial advisor Ric Edelman shared a humorous story on his national radio show this weekend. A witty client – upon receipt of the verification of risk tolerance and investment objective forms we're all required to send – crossed out the prepopulated information. He wrote a note at the top of the form that he'd immediately like to change his investment objective from losing money to making money!

I truly understand the sentiment. Although we've been expecting a market correction for some time, it's never easy to actually live through one. The fact is that most diversified portfolios have values similar what they were in the fall of last year, and are certainly well below the highs they reached this May. Most shocking is the depth of the losses in some asset classes. The index returns below are *year-to-date* through Friday, December 12th, as published in the 12/12-13 Wall Street Journal:

Dow Jones Industrials	- 3.1 %	S&P 500	- 2.3 %
Russell 2000	- 6.7	NYSE Composite	- 8.0
Dow Transports	- 17.7	Dow Global ex US	- 8.3
Dow Utilities	- 10.8	Philadelphia Oil Service	- 24.3
BOAML US CCC Bond	- 14.7	Philadelphia Gold & Silver	- 31.1
Citi World Bond Index	- 2.8	Value Line	- 12.2

I certainly feel your frustration. But with the exception of the "FANG" stocks that dominate the returns of the NASDAQ index, there has been relatively little return to be had. In case you're curious, FANG stands for Facebook, Apple, Netflix, and Google. More troubling for most people is the fear surrounding the Fed's expected rate hike this week and worry over how the market will react. Of course, the media does all it can to fuel that angst.

It's a natural reaction to want to throw in the towel and walk away. But the fact is that rates are being raised because the economy is recovering. Low gas prices are putting money in consumers' pockets that will be spent in stores. And the corporations keep innovating and driving growth. I saw this firsthand on vacation when I was granted a security clearance and private tour with one of Boeing's project managers on the floor of their 747, 777, and 787 production lines in Everett, Washington. I'm certain some of the technology you'll see in the new Star Wars movie this weekend is being used in those planes!

The point I'm making is that there are many reasons to be positive on the markets. But there are always risks and plenty of people more than willing to tell you about them – and their voices get louder with every 100 point drop in the DOW. These will be the same "finger in the wind" commentators who will be urging everyone to go *all in* once the DOW breaks 20,000. We've seen it before, and we'll certainly see it again.

Recently Ken was meeting with a fund manager who said he thought we were in the 5th inning of the bull market. I like the baseball analogy. Early in a typical market recovery, everything comes roaring back. But as the game wears on, the market gets much more selective. And just like the later innings of a baseball game, strategy becomes far more important for success.

No advisor has the ability to time markets or predict the future, including me. But extensive research and 29 years' experience certainly allows me to form an opinion as to where the stock market is headed. It's my belief that, after a stunning recovery from the March 2009 lows which featured several years of double digit returns, the markets needed to pause. Perhaps we borrowed some return from this year and next during that impressive six year rally. But the long-term fundamentals look good, and slightly higher rates just might prove a net positive for investors. For 2016 I'd expect another year of muted returns – as stock prices follow earnings growth (analyst growth predictions range from 2-8% on S&P 500 earnings) and bond returns are marginally positive while adjusting to slightly higher rates. That should set the stage well for 2017 and beyond. But anything can happen, and explosive rallies typically come quickly and without warning. This is why we have a strategy that keeps us diversified and invested. Keep the faith.

I want to take this opportunity to thank you once again for your trust, confidence, and friendship. Helping you manage your finances is an honor and a privilege. It is a responsibility that everyone here at the Horizon Group takes very seriously. It's what has driven me to make difficult changes this year – an effort to make sure we are here to serve you well for years to come. Here's wishing you and all those you love Happy Holidays and a healthy and prosperous New Year!

Mark, and your thankful Horizon Group Service Team

ODDS AND ENDS

I'd like to personally thank the 80 clients who pitched in and sponsored my 15 mile hike through Letchworth State Park to raise funds for the new Nature Center and classroom for park naturalist Doug Bassett. On my birthday this past November 18th I completed the hike in just over 6 hours – and can attest to some substantial elevation change within the park! You generously donated $9,335 to a great cause. I attached a single matching check to all of your contributions which means I'm just over $6,000 short of the $25,000 I pledged to raise. For those clients who missed the hike fundraiser but would still like to contribute, please wait for our final effort later this winter. It will involve Tim, me, a backpack and tent, and the coldest night of the year in the park. Stay tuned and thanks again!

There has been a deafening silence from Washington as the Obama administration and the Department of Labor finalize rules that will forever change the delivery of financial services and retirement advice in our country. This action is expected by April and will come as an executive order, bypassing the Congressional approval it could never achieve. It has been made clear all aspects of the new rules will become effective January 1st, 2017. Morningstar recently issued a 53 page summary of what they believe the ultimate impact will be for consumers, advisors, and firms within the industry. As you are well aware, I have been actively involved in this issue for years, lobbying on Capitol Hill and serving on the Financial Services Institute advisory board. I've shared with you information from those briefings – like the effect a similar rule had in the United Kingdom – where 44% of advisors left the business and account minimums at Barclays went from $100,000 to $800,000. Will that happen here? We don't know what the final rule looks like, but here is one of the Key Takeaways from page 2 of the Morningstar report, "*While the Department of Labor rule may look more lenient than the U.K. Retail Distribution Review or Australia's Future of Financial Advice reforms, **it isn't**.*"

I've been going to Washington for almost five years now. Nothing in the rule will surprise me. I've positioned our firm well for the coming changes. We've upgraded our money management process and our key strategic partners. An in-depth business plan was crafted that embodies the spirit of the rule changes. But the actual business model required by this sweeping reform will not be known until the final regulation is published. For that reason, I have the framework of four other plans sketched in anticipation of a range of possibilities. While we wait, we're working on improving every aspect of our service to you (that's why we've extended the contract of our consultants through next year). You can rest assured we will not only survive, but will thrive once we know exactly the model required to remain your advisor.

The office will close early at 11:30 Monday, January 4th, for an offsite training session for all staff. I'm heading to Florida twice this year – in early January and in early June. Kristin will call to set the January Florida appointments soon. From there I'll fly directly to Dallas to meet Carrie and Tim for coaching with our consultants, and will be visiting our Texas clients as well!

FYI – Please note that if you take scheduled monthly distributions from NFS brokerage accounts that are slated for any time after today, NFS is processing these distributions on the 17th and you may receive your distribution early. Do not be alarmed by this as custodians are having requirements heaped upon them by regulators and the IRS. All are setting similar deadlines to insure proper settlements and reconciliation by year end so tax information is reported correctly. It is particularly important to note that year end moves really must be completed by December 22nd to insure inclusion on 2015 tax forms. It is already past the deadline to guarantee completion of Roth conversions. Please don't hesitate to call the office ***immediately*** at 585.334.3600 should you have a question, issue, or concern!

Just a quick note to help a couple clients – If anyone is looking for a last minute rental, we have a client not using a nice home in Lutz, Florida in the Villa Rosa subdivision they would like to rent to a responsible party for three months (January through March). It has a master suite, screened pool and spa, and is close to several golf courses. Lutz is north of Tampa just above the USF campus – almost directly across from Tarpon Springs. Also, anyone looking for a used motor home, we have a client with a 31' Landau made by Georgie Boy. It's a 2005 dual slide out with a Ford engine. If you have an interest in either of these items please give Kristen a call and she'll pass your information to the owners. No, we're not starting a swap sheet; I was briefly overcome with Christmas spirit!