December 23, 2014

Dear Fellow Investors,

First, we at Woods Financial and Insurance Services want to wish you a very Merry Christmas. If Christmas isn't part of your holiday season, we hope this time will be wonderful for you, however you celebrate.

It is impossible to predict how 2014 will end. However, the stock market seems headed for a positive year. Bonds are also doing relatively well in their own right.

Elsewhere in the economy, things are looking pretty good. Concerns over unemployment and inflation are fading as the government numbers continue to show positive results. Production of energy products like oil and gas from the United States is starting to have an enormously positive affect. Even our U.S. Dollar is strong when it is compared to almost every other currency.

With all this positive information floating around, it is easy to see why the stock market would be in "the black". It is just as easy to see why average investors, who have weathered years of negative news, would want to increase the stocks in their portfolios.

The stock market is getting exciting, but as with so many things in life, it is the future that matters. Investments in stocks, bonds, or anything else, have a negative side too. So, if you are getting revved up about investing, we should talk about the pros and cons. By being informed, you are much less likely to be surprised. Remember the investors in 2007 were excited too and all of us can recall what happened in 2008.

I'm going to enjoy this season and all the positive things that have blessed my life. Sometimes, negative information just doesn't have a place and this is one of those times. Good news is simply good and for me, I'm happy for it.

Kindest Regards,

Bruce W. Woods
President, Woods Financial & Insurance Services
Registered Representative, LPL Financial

Enclosures

THE WOODSHED

News and Commentary
From
Woods Financial and Insurance Services

December 1, 2014

Stocks Edge Out Bonds as Volatility Increases

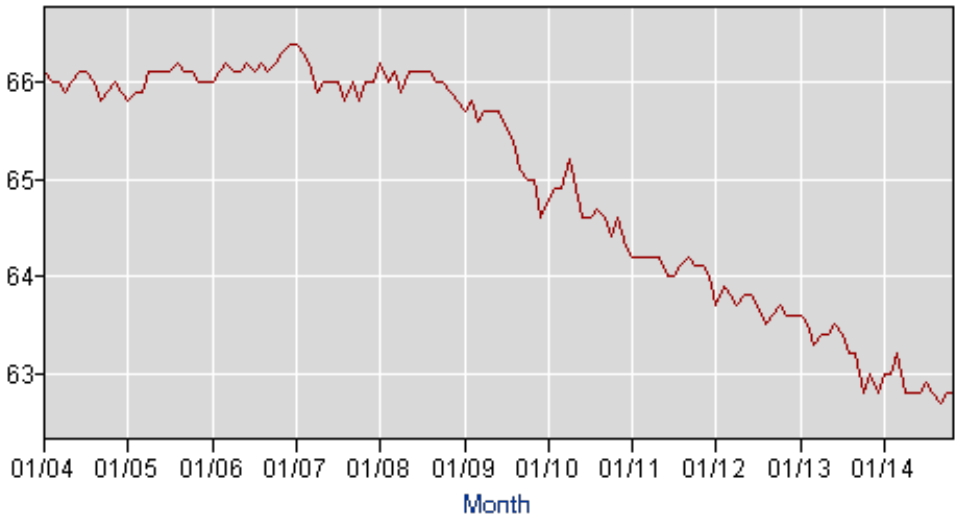
According to Google Finance, the **Dow Jones 30 Industrial Average** increased by **7.55%** for the year to date ending November 30, 2014. Bond values as reported by **Google Finance for the iShares Barclays Aggregate Bond Index (AGG)** increased **5.90%** over the same period.

Unemployment Numbers Improve

Unemployment as of November 30, 2014 as reported by the Bureau of Labor Statistics (BLS) in the U-3 & U-6 reports (**seasonally adjusted)** were improved slightly at **5.8% & 11.4%**. Also, the **"Participation Rate"** as reported by the BLS declined again making some feel the improving unemployment numbers are not as positive as they first appear.

Government Reports Employment Participation Still at Historical Lows

The Participation Rate was unchanged from October at **62.8%** for month ended November 30, 2014**.** (Remember "Participation Rate" is the percent of people who are working or looking for work. A lower percent means more people have dropped out of that group.)



Historically low participation rate shows that the percent of the working population has dropped since January of 2008. Experts debate about the cause of this drop, but can't argue the starting point or the negativity of this data.

The Strength of the Dollar and Bonds Is a Mystery

I have written extensively about the printing of money by the Federal Reserve Bank (Fed) and the potential collapse of our currency that could result. The most recent program of money printing was called Quantitative Easing (QE). This program had much to do with maintaining the low interest rates and perhaps supporting our economy. I have also reported this program is well on its way out as the Federal Reserve Bank reduces their contributions through this program. For some time, investors expected interest rates to rise as the "Fed" QE program ended. As you can see by the numbers above, interest rates have remained low and bond values are relatively high. The two questions on my mind are: 1. Who is buying the bonds in such quantities that price has remained high as QE ended? 2. Where are the buyers of U.S. getting their money? Speculation on this point is important because, as investors, we need to know who is buying in order to predict when the buying might end, sending bond prices down and interest up.

At this point, the buyers are difficult to identify leading to some wild speculation. For me, I'm interested in the International Monetary Fund as a possible buyer of bonds. Could it be the Fed is involved? Well, time will tell, but our economy and investments are affected by changing interest rates and the strength of the U.S. Dollar, so I'll be watching this carefully.

Required Minimum Distributions (RMD)

IRA investors must begin to take funds out of their Traditional IRA and various other retirement-type accounts after they turn 70 ½ years old. The IRS has detailed publications which describe the specifics of this law. There are substantial penalties from failing to follow these regulations, so if you are at or nearing 70 ½ I urge you to contact my staff and your tax professional to ensure your compliance. Processing an RMD may take several weeks, so please don't wait, December 31st is right around the corner.

Bags, Bags, and More Bags – Free To You (Still)

The reusable Woods Financial and Insurance Services bags are going fast. All you have to do is give us a call and we will send up to 5 bags to you. When you call for your free bags it would also be a great opportunity to schedule your annual account review. Simply leaving an investment as it is, without checking it periodically, might be leaving some profit behind. So, get your investments into the right bag and carry your groceries in style, all with a phone call.

More Important Information at Your Finger Tips

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