April 2, 2015

7:11 PM EST

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Inside this issue

Just Trying to be Helpful Governor Malloy

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I hope you all enjoyed April Fool's Day. I know I definitely did and the emails, calls and texts continue rolling in. Even the media called for an interview about my new gig! :-)

Tax day is getting closer by the minute and if you or your tax preparer have questions please contact the office as soon as possible to ensure we have enough time to research your inquiry.

If you plan on making IRA contributions for 2014, the deadline is the same as tax day, April 15. Please make sure this is done this week to avoid any chance of missing the deadline and the potential deduction.

A few weeks ago at the NCAA tournament at UCONN, Connecticut Governor Dan Malloy just happened to be sitting a few seats away. As my daughter and I went to get our halftime snacks, the governor struck up a conversation with
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us. Although he and I almost completely disagree politically and economically, Governor Malloy could not have been any nicer, more engaging and polite, urging my daughter to take a picture with him while chatting about the game.

As we ended the brief conversation, I respectfully told the governor that I did not agree with his economic and tax policies and thought I could offer some sound alternatives from the other side of the aisle. He chuckled, shook his head and politely dismissed me with "call me".

Wishing those who celebrate a very Happy Easter & Passover!

Don't forget to check our blog for intra-issue updates.

www.Investfortomorrowblog.com

In Like a Bear Out Like a Bear

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The first quarter and the month of March rolled in like a bear and both rolled out like a bear, meaning that the bears had the upper hand at least in the short-term. During the middle of the quarter, the bulls were in firm control. The market certainly seems like it has transitioned into a trading range after February's big surge. That's not a bad thing.

When markets get overbought and sentiment is frothy, risk substantially increases. That can be worked off through a period of sideways movement in a range which frustrates both the bulls and bears, or it can be overcome by corrective action with a sharp pullback in prices. The former is what you most want to see during a healthy bull market.

While my intermediate and long-term views remain completely unchanged, the short-term is a bit murkier. The stock market doesn't seem like it's ready to explode higher by thousands of points just yet. That day is still coming, but I don't think it's right here at these levels. Rather, it looks like the trading range will continue and perhaps expand to the downside until we build up enough pessimism to launch another assault higher.

In the interim, it pays to watch sector leadership for future clues. There have been lots of good things happening, especially with the consumer as discretionary, retail and home builders have all led with biotech and healthcare. The latter two, which I remain long for full disclosure, went too far too fast and are now correcting sharply. On the laggard side, energy, which we also remain long in smaller size, has been percolating nicely and seems poised to see a small breakout this month. Remember, every time oil has declined at least 50%, it rallied 50% from the low over the ensuing year. Something to continue to keep in the back of your mind.

In the very short-term, the government will release the March employment report tomorrow, Good Friday, when the markets are closed. Why they do this I have no idea. It makes little sense. The bond market and stock index futures market open for a brief period to disseminate the news and then close until Monday. The stock market remains closed. Rob Hanna from Quantifiableedges did some top notch research and found that when this release happens on Good Friday, Monday's trading has outsized volatility, meaning there is a better than average chance for larger loss on Monday. See his excellent work **HERE**.
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Dow Theory Warnings Continue

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Several months ago, I wrote back to back articles about the Dow Theory trend change. You can view them below.

http://www.investfortomorrow.com/newsletter/CurrentStreet$marts20141029.pdf

http://www.investfortomorrow.com/newsletter/CurrentStreet$marts20141103.pdf

Simply put, this analysis holds that the Dow Jones Industrials and Transports should move in lock step to confirm each intermediate-term move in the stock market. When one index see a relative new high, so should the other. The opposite is true at lows. When one index diverges from the other, it is a possible sign of a trend change. When both indices closes below a previous significant low that is considered confirmed change of trend.

Let's look at the two charts below for some real life, recent examples. At the far lower left of both charts you can see the Ebola October lows where both indices closed below previous significant lows. By early December, they both went right back to new highs where the party began to fizzle.

Since early December, the transports have seen a progression of peaks that were each lower than the previous one where the industrials saw a clear trend of higher highs through February. With one index lagging the other, this is called a non-confirmation or divergence and warns that all is not perfect healthy. Of course, if and when the lagging index rallies to confirm the leader, this Dow Theory warning completely goes away. Right now, we have a series of caution flags since late 2014 without much in the way of price weakness.
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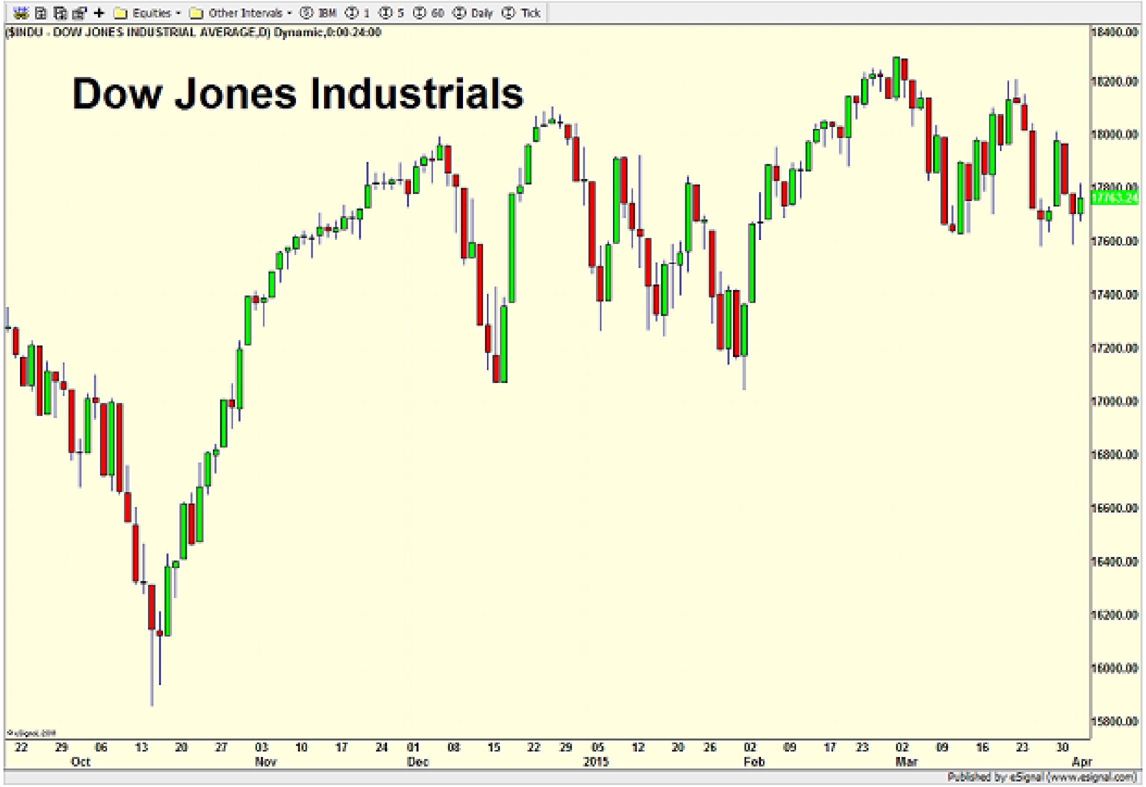

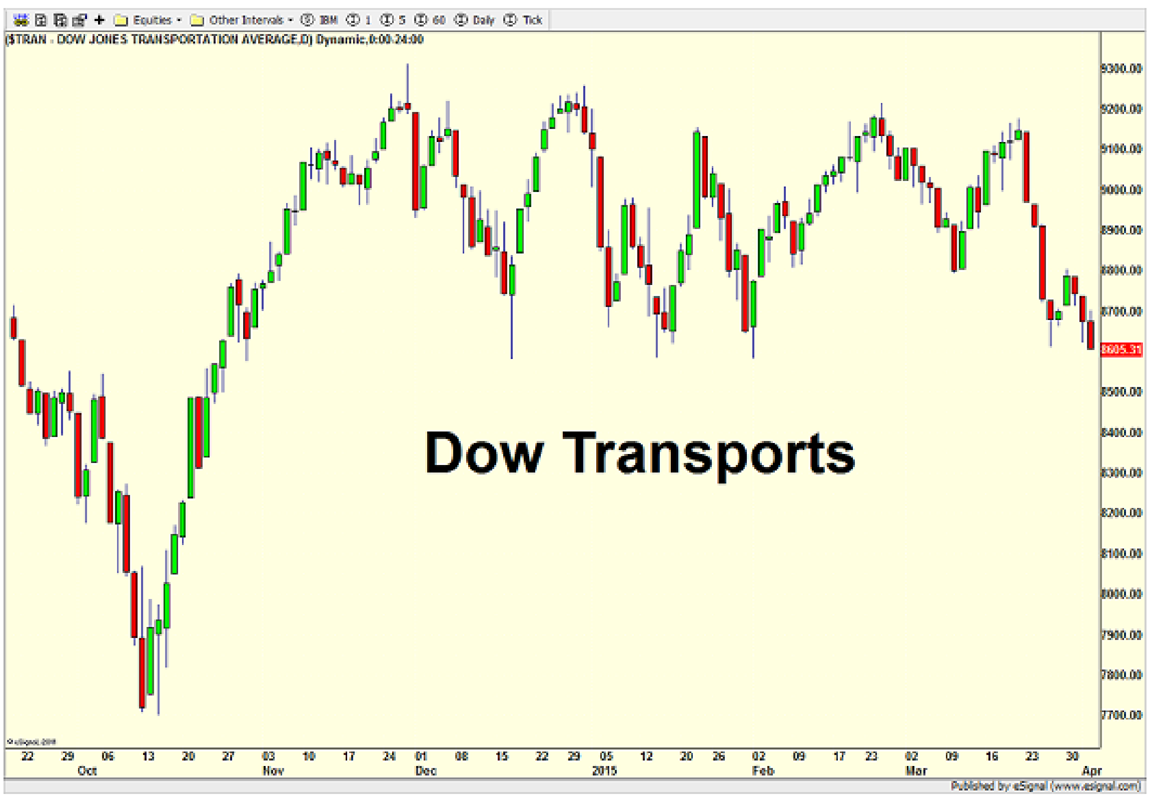

Beyond the Dow Theory non-confirmation discussed above, the more serious warning is the Dow Theory trend change. This occurs when both indices close below previous significant or above previous significant highs. On the left side of the chart in October, both indices saw Dow Theory trend changes to the downside that were immediately reversed. In other words, the October warning failed.

Today, the transports are getting close and should breach the low points seen from December through February. The industrials have another 600 points to go, but don't dismiss that as out of the question. I do believe, however, that if the industrials fall much more to signal a negative Dow Theory trend change, it will be short-lived like we saw in October.

Although the Dow Industrials and Transports are not and have not been perfectly in sync for many months, the broad stock market has been acting okay and lacking most of major signs that the bull market is ending. More than likely, any weakness this quarter will be of the ending nature, completing the divergence seen in the two major indices as the Dow Industrials prepare an assault on 20,000.

If you would like to discuss how this scenario may impact your own portfolio please hit REPLY or call the office directly at 203.389.3553 to schedule a meeting.

Managing the Tax Bite in Retirement

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There's nothing like tax season to make us very aware of the impact taxes have on our take home pay and earnings. When you are retired and withdrawing funds from retirement accounts, that tax bite can look even bigger. It's not like a paycheck, where the money was withdrawn before you ever even saw it.

One tool you do have to control the tax bite in retirement is a Roth IRA. Among the advantages of this retirement account structure are:

1. No federal taxes on earnings when withdrawn.
2. The ability to withdraw contributions without taxes or penalty, with a few conditions. Contributions are after-tax. While you cannot deduct Roth contributions, there are circumstances in which you can withdraw them prior to retirement without adding to your taxable income.
3. You can make contributions to a Roth IRA until you die.
4. You don't have to take minimum distributions.
5. Non-spouse heirs have to take distributions from an inherited Roth, but they can stretch them out over five years, or their lifetime, continuing free of federal taxes.
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To contribute to a Roth IRA, you must have employment compensation, and there are income limits. In 2015, the limit for single filers is income up to $116,000 for a full contribution ($5,500 or $6,500 over age 50); $116,001 to $131,000 for partial contributions. For joint filers, the 2015 limit is income up to $183,000 for a full contribution; $183,001 to $193,000 for a partial contribution.

If your income is over these limits, you can still take advantage of a Roth IRA's tax advantages by converting money from an existing retirement account such as a traditional IRA. You must pay income taxes on the conversion amount, however there are no penalties for early withdrawal as long as all the funds roll over into the Roth IRA. If you expect income tax rates to be higher in the future, it can make a lot of sense to pay taxes now and then let your account compound tax free. Or maybe you want to leave your retirement assets to the next generation.

The ability to convert an existing retirement account to a Roth IRA was initially limited to one year, but Congress has chosen to keep extending the period. But there is no guarantee how long the window will stay open.

If a Roth IRA sounds like a good tax and estate tool for you, please call the office to schedule a meeting. Let's go over your options and what your potential tax liability might be if you need to convert.

Upcoming Appearances

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Fox Business' Making Money with Charles Payne - April 14th 6:00 - 7:00 PM

CNBC's Closing Bell - April 16th 3:00 PM

You can view most of the past segments by clicking below.

Media Appearances

(http://www.investfortomorrow.com/InMedia.asp)

Investment Quotes/Adages To Live By

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"The only easy day was yesterday."

- The U.S. Marines

"When in doubt, get out!"

"If it's obvious, it's obviously wrong."
-Joe Granville

"It's ok to be wrong, but it's not ok to stay wrong."

"This time is different."

"The markets require the patience of a dozen men."
-Robert Rhea

"Luck is the residue of effort."

"The most bullish thing a market can do is go up in the face of bad news."

"The most bearish thing a market can do is go down in the face of good news."

"The market can stay irrational longer than you can stay solvent."
-John Maynard Keynes

"Government is best which governs least" - Thomas Jefferson

Inflation is the one form of taxation that can be imposed without legislation.
-Milton Friedman

"You cannot legislate the poor into freedom by legislating the wealthy out of freedom. What one person receives without working for, another person must work for without receiving. The government cannot give to anybody anything that the government does not first take from somebody else. When half of the people get the idea that they do not have to work because the other half is going to take care of them, and when the other half gets the idea that it does no good to work because somebody else is going to get what they work for,that my dear friend, is about the end of any nation. You cannot multiply wealth by dividing it." - Dr. Adrian Rogers, 1984

"Bear markets seem to be divided into three phases: the first being the abandonment of hopes upon which the final uprush of the preceding bull market was predicted; the second, the reflection of decreased earnings power and reduction of dividends, and the third representing distressed liquidation of securities which must be sold to meet living expenses. Each of these phases seems to be divided by a secondary reaction which is often erroneously assumed to be the beginning of a bull market."
- Robert Rhea

"Free enterprise is a rough and competitive game. Nobody too big to fail. Nobody too small to succeed. It is a hell of a lot better than government control." - Ronald Reagan via Dan Kennedy

"A government big enough to give you everything you want is big enough to take everything you have." - Gerald Ford via Dan Kennedy

"The problem with socialism is that, sooner or later, you run out of other people's money." - Margaret Thatcher

"Diversification alone is no longer sufficient to temper risk... You need something more to manage risk well."
- Mohamed El-Erian

"A little bit at a time adds up to a lot in no time"

Friends And Family Plan

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Finally, as you know, our firm and this newsletter continues to grow mostly from your referrals. If you know anyone who is interested in securing their retirement, planning for it or just plain worried about it, please send them here. As always, thanks for thinking of us with your circle of family and friends.

Sign Up Here

You can also forward this email to family and friends by hitting the "forward email" hotlink at the bottom of this email.
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Important Disclosure Information

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Please Note: Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that future performance will be profitable, equal the performance results reflected, or equal any corresponding historical benchmark index. The historical index performance results for all historical benchmark indices do not reflect the deduction of transaction and custodial charges, or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing indicated historical performance results. The historical performance results for all indices are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or prospective client in determining whether the performance of a Heritage program meets, or continues to meet, his/her investment objective(s). A corresponding description of each index is available from Heritage upon request. It should not be assumed that Heritage account holdings will correspond directly to any such comparative benchmark index. The Heritage performance results do not reflect the impact of taxes.

For reasons including variances in the investment management fee incurred, market fluctuation, the date on which a client engaged Heritage's investment management services, and any account contributions or withdrawals, the performance of a specific Heritage client's account may have varied substantially from the indicated portfolio performance results.

In the event that there has been a change in a client's investment objectives or financial situation, he/she/it is encouraged to advise Heritage immediately. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investments purchased and/or investment strategies devised or undertaken by Heritage) will be profitable.

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