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THE SEIA REPORT

Successful wealth management is the result of an ongoing collaboration between investor and advisor, built upon trust and maintained according to the highest standards of integrity and expertise.

2014 MID TERM ELECTIONS: A LOT CAN CHANGE IN 6 YEARS

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Six years after the 2008 election, which netted Democrats 60 Senate seats and a super majority (along with the ability to enact broad legislation), the 2014 midterm "Republican wave" changed the balance of power, resulting in the most dominantly Republican Congress since 1929. In the Senate, Republicans picked up at least seven seats giving them a 52-54-seat majority (races are still to be decided in Alaska and Louisiana). In the House, they gained 13 seats to give the party its largest majority since before World War II.

Everyone knows that cooperation between the two parties in recent years has been nonexistent. (What may be truly remarkable is not that the Congressional approval rating is near its lowest level ever (currently 14%) but rather finding the 14 out of 100 people that think Congress is actually doing a fine job!). As a result, the country has not seen any meaningful fiscal, tax or structural reforms focused on improving domestic growth or the economy as a whole. Instead, the Federal Reserve has taken center stage with Bernanke/Yellen enacting extraordinary monetary measures such as Quantitative Easing (QE). But with the October end to QE, the responsibility may now revert back to our elected leaders. Yet the question remains—will they lead?

Unfortunately, this one election won't alter the bitter relationship between Democrats or Republicans. Nor will it end the gridlock between Congress and the President. But what the 2014 midterms may change is the current gridlock *within* Congress—and that may prove to be the defining point for the next two years as well as the 2016 Presidential election. No matter whom you blame, Republican "obstructionists" in both the House and Senate or the Democrat majority in the Senate preventing proposed legislation from even being voted upon, the simple truth is that legislation is being hung up in Congress.

President Obama refers to the "Do Nothing Congress" as he points to the historical low passage of bills and blames Republican "obstruction" in both the House and Senate. But if you side with the GOP, you argue that the Obama administration has relied on the Democrat majority in the Senate to block any and all proposed legislation from even being voted upon. According to Rep. Marsha Blackburn (R-Tenn.), the House has passed over 350 bills that are now sitting on the Democratic Senate Majority Leader Harry Reid's desk. Additionally, she notes that over 300 of those bills were passed with bipartisan support.

Regaining the Senate finally gives the GOP an opportunity to demonstrate its capacity to govern. Not only will they be able to pass legislation more easily due to their seat majority, the new Senate Majority Leader (Mitch McConnell) will be able to control which legislation is brought to the floor for a vote—legislation which likely will have already been passed by the GOP House. In short, the GOP can control what bills are voted on and more easily pass a range of measures now being held up by Reid.

continued on page 4

SEIA

Signature Estate & Investment Advisors, LLC® (SEIA) is a Registered Investment Advisor firm offering Investment Supervision and Financial Planning Services tailored to meet the unique needs of affluent individuals and corporations. Fundamental experience and professionalism enable the financial advisors, with SEIA's research and support staff, to design a financial plan or investment portfolio to meet the client's goals.

Should I use my own experience to teach my children the value of money?

Jennifer Kim, MS, CFP®, CFMC, ChFC®, CLU®

The first question you have to ask yourself is, "Will this fly?" When you do tell your "story," will there be eye-rolling and protests of "Yeah, yeah, we get it Mom [or Dad]"? Those reactions mean, quite simply, that you are not getting through.

So, when I myself use my own experience to make sure my kids understand not only the value of money but also how money works, I do so judiciously.

I have told them the story, for example, of how my mother never gave me any "free" money—that I had to shine 10 pairs of her shoes to earn a single dollar. I explained how I had to sell things door to door to earn spending money, how I started my own business in junior high and how I worked three different jobs during college to pay for it.

My four children listen, but they're like most children their ages: While they may appreciate how hard you've worked to give them the life they enjoy, unless you yourself inherited your wealth, the life you've lived has little to do with theirs. This is why I started *talking* less to teach my children money lessons and instead, started *doing* more. Here are some suggestions:

- Be a financially fit parent. Remember: Children of all ages study your every move and will mirror them.
- Give children allowances earned for doing specific tasks beyond making their beds, etc. If they do a good job, they get a "raise"; if not, they get a "salary" decrease.
- With young children, start off with money in a piggy bank; this way they can see it, touch it and count it.
- To teach the uses of money, split your kids' earned allowance into three jars: one to spend, one to save and one to give. The spending jar may be used anytime, the saving one is not touched and the giving one is for money they donate to a cause of their own choice.
- Do not reward your children with money, particularly if that money is fueled by guilt for not spending time with them. It's not easy—believe me, I know—but find the time.

Then, when children hit their teens, introduce them to investments; maybe buy them a stock or two to "track." And consider sharing details of your family finances so they see how a real household's cash flow actually works. More tips:

- If teens have credit cards, make sure they pay the balance in full at the end of each month.
- Go shopping with kids of all ages and talk about the prices of goods and services and how they fit into a budget.
- Have older children prepare an annual budget for clothes or other items, and if it runs out at any point, they're done for the year.
- Play money games, board games where things are bought and sold. My sixth-grade teacher set up a game to see who could earn a million dollars by year's end. (Guess who won?)
- To learn the value of a college education, even if money is not tight, have children take out a small school loan and make monthly payments. And if they can handle a part-time job and studies, have them get one.

So, how is all this working for me? Well, in all honesty, only time will tell. My oldest is going into sixth grade. But I can assure you: Neither he nor his siblings will be getting any "free" money in the years to come.

Leave a Lasting Legacy
Proper planning can help you pass on more than just money

Paul Taghibagi, CFP®, ChFC, AIF®

You've worked tirelessly to attain a certain degree of financial success. And while nobody wants to think about their family's future without them, putting off estate planning can leave your loved ones both financially vulnerable and emotionally troubled as they struggle to deduce what you would have wanted. Remember, it's not just your wealth you want to pass on to the next generation; it's also your values.

At a minimum you'll want to have a comprehensive Will crafted with the guidance of an estate planning attorney, as well as a durable financial and medical powers of attorney and a living will. Keep in mind that a living will is not the same thing as a durable medical power of attorney. A living will makes your wishes known when it comes to life-prolonging medical treatments. A durable medical power of attorney authorizes another party to make medical decisions for you (including end-of-life decisions) if you become incapacitated or otherwise unable to make these decisions. Working in tandem, all of these documents will help to save your heirs from potentially expensive and stressful headaches linked to probate and ambiguity.

Along with the provisions of a simple Will, trusts may afford you both added tax advantages and greater flexibility in accomplishing a wide range of estate planning objectives. Trusts can facilitate the transfer of your assets both during your life and after your death, giving you peace of mind that your spouse will be provided for and that your assets pass to intended beneficiaries according to your directives, and also help to:

- Avoid probate and protect your privacy;
- Offer a structured, tax-efficient way to achieve your charitable goals;
- Provide sound asset management and protection for your spouse and beneficiaries;
- Provide for your minor children or loved ones with special needs;
- Manage the value of your real estate or special assets;
- Minimize the potential for family conflict; and
- Make optimal use of available gift, generation skipping and estate tax exemptions.

Review your beneficiary designations

Who are the beneficiaries of your IRA and 401(k)? How about any annuities, pensions or life insurance policies? Time has a way of altering our beneficiary decisions. So if it's been a while since you've reviewed them, now might be a good time to do so.

Many people don't realize that their beneficiary designations take priority over any provisions in their Will when it comes to retirement accounts, life insurance, and other "non-probate" assets. For example, if an ex-spouse is the named beneficiary on your life insurance policy, he or she will receive that death benefit when you die, even if your Will stipulates that it goes to someone else. This is why estate planners typically suggest that you review your designations every two years.

Keep documents organized and accessible

It's important that both spouses be familiar with all the family assets and liabilities including:

- Bank accounts
- Investments
- Insurance
- Real estate
- Mortgages
- Loans

All important documents should be kept well-organized and accessible to avoid having your heirs struggle to find necessary documents during an already stressful time. Try to maintain an updated listing of all account numbers and institutions, along with user IDs and passwords for online access.

Gifting can reduce the size of your taxable estate

The lifetime individual federal gift, estate and generation-skipping tax exclusion amount is now unified and set at $5.34 million for 2014. This means an individual can transfer any assets up to that amount during or after his or her life tax-free (and that amount will rise with inflation). That means for a married couple, the unified credit is currently set at $10.68 million.[1]

Share your values along with your wealth

Philanthropy offers a tremendous opportunity not only to teach the next generation about managing their wealth effectively, but also to encourage their empathy, their generosity and their community engagement. There's really no right or wrong way to give, but planned giving vehicles such as donor advised funds and charitable trusts offer benefits above and beyond outright gifts. They enable assets to be irrevocably gifted and tax-efficiently sold, while still providing you or your family with an income stream. They also allow the assets you've gifted but not yet granted to continue being professionally managed so they can potentially grow and provide an even bigger gift to the charity. Your charitable desires may be the single most important legacy that you leave to your heirs: sparking in them a selfless desire to support the causes they too care deeply about.

Don't go it alone

You have numerous estate planning goals. Some are commonplace, like minimizing taxes and avoiding complications for your beneficiaries. Some are more unique, like providing for a dependent with special needs or ensuring the smooth transition of a family business. But they all require the meticulous attention of professionals who make the protection and preservation of your assets their highest priority.

Do-it-yourself estate planning is never a good idea, especially if your estate is complex enough to trigger financial, legal, and emotional issues among your heirs upon your passing. And don't forget that when children, friends or associates are named as executor and/or trustee, they are obligated to meet the rigorous demands of fiduciaries – whether they are prepared to do so or not. It can be a daunting and time-consuming task. So be thoughtful in assessing your options and consider naming professionals to oversee your estate.

1 - Forbes.com/sites/deborahljacobs/2013/11/01/the-2013-limits-on-tax-free-gifts-what-you-need-to-know/ [11/1/13]

2014 MID TERM ELECTIONS

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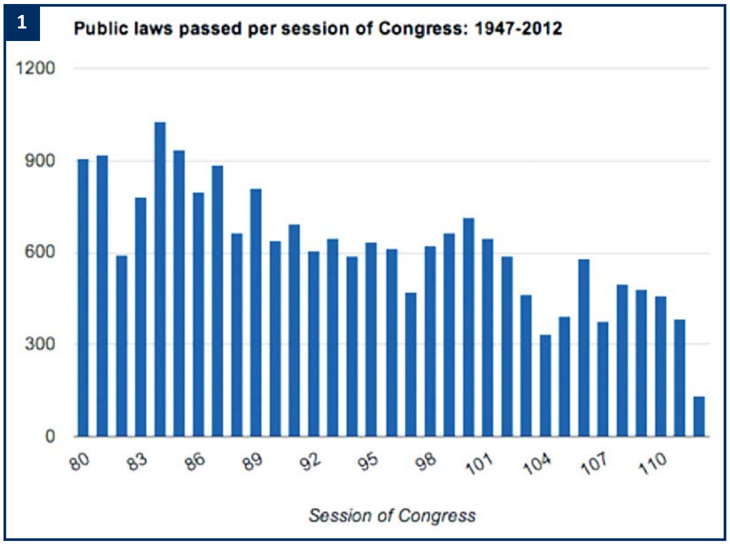


Come January when the new Senate is sworn in, Republicans will need to decide what tone they will take—will the GOP see its takeover as a stern mandate to unwind ObamaCare, force budget cuts and resume the battle over the debt ceiling? Or will they seek a more conciliatory tone and try to persuade voters in the run-up to 2016 that they are a party that can lead, pass legislation, and effectively govern?

Democrats will need to respond accordingly. Reid, no stranger to serving in the minority, must decide whether to filibuster the GOP agenda and deny McConnell credit for breaking congressional deadlock, or allow some measures to pass in a nod toward bipartisanship and to prevent Democrats from being painted as the new obstructionists. Meanwhile, President Obama will be forced to sign or veto every bill that a united Republican Congress sends to him.

Investors Take Note

No matter which approach the GOP takes, investors should monitor several issues that appear to be high on their list–issues they believe have strong public support and can be quickly passed to be put in front of the President:

- The long-debated expansion of the **Keystone Pipeline** will likely be at the top of the agenda. Although legal challenges surround the project, and the President's position remains unclear, the new construction would likely be a major boon to energy and infrastructure-related companies.

- Some changes to **health care** will almost certainly pass quickly through a Republican-controlled Congress. Specifically, a **repeal of the medical device tax** seems most probable. This is one aspect of the law where a Presidential veto might be avoided, since the tax has been so unpopular and roundly criticized. Repeal would significantly help the medical device industry.

- Faster **adoption of liquefied natural gas exports** from the United States is also likely to be on Republican radar screens, and any legislation to facilitate this would be a positive for the energy sector. Additionally, the GOP will probably push for **increased defense spending,** which could benefit companies in that industry.

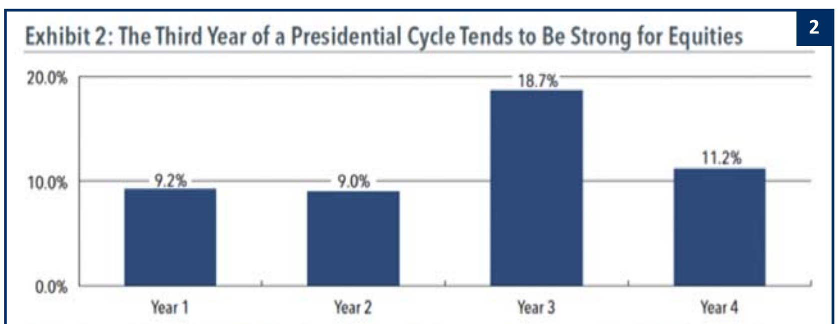
Investors will also want to keep an eye on a few key policy areas where any legislation could markedly impact the U.S. economy and financial markets:

- **Tax reform,** specifically the manner in which U.S. corporations pay taxes from overseas (i.e., "corporate inversions"), may be in play. Pressure has been mounting to increase the amount of taxes U.S. companies pay on their overseas earnings, or limit their ability to incorporate overseas. This issue will continue to heat up since the Treasury department recently tightened the tax rules around corporate inversions. We think there's a chance that the issue may open the door to a broader tax reform discussion. The extent of such reform is anyone's guess, but corporate tax restructuring is more likely than individual tax reform.

- It's also possible that **energy policy** changes could be forthcoming. Domestic energy production is increasing at a furious pace while demand is actually declining due to increased efficiency. Not only is the nation on course to become energy independent by the end of this decade, we are rapidly becoming a net energy exporter. This shift will have a far-reaching impact on everything from energy production policies and energy-related taxes to international relations and trade agreements.

Historical Setup: The Presidential Cycle

Few Washington insiders are under any delusion that Republican control of Congress will do anything to dramatically alter the current gridlock. If history is any indicator, however, that may not be such a bad thing after all. Since 1950, following the last 16 midterm elections, the S&P 500 has experienced positive returns in ***every*** subsequent six-month period, posting an average gain of 16%. And that data encompasses major gains for both parties. Why has there been such an unshakeable post-midterm bullishness? We believe it's the result of a degree of certainty that comes with gridlock. With few exceptions (e.g., the recent debt ceiling crisis) gridlock has proven to be quite bullish for stocks, providing increased confidence among investors that no economically foolish legislation will be able to make its way through Congress and be signed into law.



Source: Strategas Research Partners LLC. Data shows the S&P 500 Index average annual total return by presidential cycle between 1950 and 2012. Past performance is no guarantee of future results. Different indices and economic periods will produce different results. Indices are unmanaged and unavailable for direct investment.

Added to this favorable equity environment is the fact that the **third year of a presidential term is historically the strongest** average year of the four-year election cycle, as clearly demonstrated in the adjacent chart. It's impossible to say why with any degree of certainty. One theory is that as presidents approach reelection or start to consider their legacy, they focus on the economy and try to enact policies that promote growth, which are usually friendly to equity markets. Should 2015 follow this "three-year effect" pattern, it could be another tailwind for equities.

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Commitment to Advanced Education: SEIA Advisors Kathleen Adams and David Swift Earn Advanced Designations

SEIA's ongoing commitment to meeting the highest educational standards is demonstrated by the advanced degrees and designations our Partners and Advisors hold. We believe that it is our collective responsibility to continue learning in order to provide the highest level of service to our valued clients. We are therefore pleased to announce two new designations SEIA advisors Kathleen Adams and David Swift recently earned.

Kathleen Adams, CFP®, Senior Associate in the Redondo Beach office earned the Certified Private Wealth Advisor® designation earlier this year. The CPWA® certification facilitates expertise in identifying and analyzing the issues facing high net-worth families and individuals, highly compensated executives, and owners of closely held businesses. The curriculum, administered by subject matter experts and renowned professors at the University of Chicago Booth School of Business, teaches specific strategies to help clients minimize taxes, monetize and protect assets, maximize growth and transfer wealth.

As sophisticated investors require multi-disciplinary teams in order to address their complex financial needs, Kathleen's colleague and Associate Advisor, David Swift recently earned the Certified Investment Management Analyst® designation. Taught by professors at the University of Pennsylvania Wharton School of Business, the CIMA® curriculum integrates a complex body of investment knowledge to provide objective investment advice and guidance to individuals and institutions. With an emphasis on risk management, alternative investments, manager selection, and theory, the CIMA® designation sets a new standard for investment expertise.

We congratulate Kathleen and David for investing the time and dedication required to earn these advanced designations. Together with the entire firm, they personify our commitment to building multi-disciplinary teams while seeking opportunities for continued education in order to provide the highest level of service and expertise for our clients.

Kathleen Adams, CFP®, CPWA®
Senior Associate

David Swift, CIMA®
Associate Advisor

Would you prefer to receive our quarterly newsletter electronically? Do you have friends or family that you would like to add to our quarterly distribution list? E-mail us at: contactus@seia.com.

SIGNATURE FUND *for* GIVING

The Gift of Giving

During the holiday season, our firm believes in the importance of extending the gift of giving beyond our family, friends and valued clients. This December, in addition to donating funds to the SEIA Signature Fund for Giving, the firm is donating to the Leukemia and Lymphoma Society in honor of SEIA Senior Partner and leukemia survivor Vince DiLeva.

In March of this year, Vince was diagnosed with acute myeloid leukemia (AML). As he does with all aspects of his personal and professional life, Vince approached his treatment head on and with a passionate vigor. After multiple rounds of chemotherapy at UCLA Vince began the process of finding a donor for a stem cell transplant.

During this process, Vince became an advocate and supporter of the donor match organization called "Be the Match". Vince and his family hosted two "Be the Match" events that added 195 donors to the national donor registry database. SEIA partners, advisors and staff not only participated in these events in honor of Vince, but also worked together to raise $16,250 for the cause. Vince was fortunate to find a donor match and received a stem cell transplant in July. Vince is now in remission and on his journey toward full recovery.

We are overjoyed with Vince's recovery and will continue to offer our love and support to him and his family. We invite you to join our firm in donating to the Leukemia and Lymphoma Society this holiday season, in honor of Vince and all the Leukemia patients in need of advanced research, treatments and an eventual cure.

Vince's diagnosis and treatment were a good reminder of the importance of continued dedication to philanthropic support for people in need. Throughout the year the SEIA Signature Fund for Giving raises funds in support of A Place Called Home, Toberman Neighborhood Center, and the Children's Hospital of Orange County. Since our fund's inception in 2011 we have raised over $175k for both local and national nonprofits. We appreciate your continued support.

For questions on how you can support and get more involved with our Signature Fund for Giving, please feel free to contact us at 310-712-2323 .

a place called home

Toberman Neighborhood Center, Since 1903

CHOC Children's.