

## Beacon Hill Investment Advisory merges with W.B. Shorthill & Associates



# Quarterly

BEACON HILL INVESTMENT ADVISORY

Summer 2012

We are excited to have Bill on the Beacon Hill team and are confident our mutual clients will benefit from his experience and vast knowledge of financial planning. Bill represents the best of our industry and, importantly, he shares the value of always keeping his clients' interest first."



### About W.B. Shorthill:

William Shorthill, owner of W.B. Shorthill & Associates retired from the U.S. Army as a Major in 1995. He was authorized to use the Certified Financial Planner™ designation in 1999 and has spent the last sixteen (16) years helping clients achieve their financial goals. Mr. Shorthill is active

in the local Financial Planning Association chapter as a board member, the Sponsorship committee chair and Symposium committee member.

"As an individual operating a financial planning practice, I saw the benefits of a team approach for my clients. After meeting the Beacon Hill partners, I realized that our clients would be better served through collaborative efforts. The fee-only model that Beacon Hill employs is consistent with my lifelong approach" said Bill Shorthill, CFP®.

W.B. Shorthill & Associates serves a geographically diverse client base. Both parties will maintain their respective offices for their clients' convenience and will operate under the name Beacon Hill Investment Advisory, LLC.

*We hope you had a nice Fourth of July with friends and family! Our schedule has been full with many exciting initiatives. We are pleased to announce that Beacon Hill Investment Advisory and W.B. Shorthill & Associates have merged; more on the back page.*

*We are looking forward to a busy fall/winter on a personal level as well. Clint and Jenny are expecting in December, and Mark and Stephanie are expecting their third child in November! Enjoy the summer and be safe with vacation travel.*

*Best Wishes – The Beacon Hill Team*

## Quarterly Market Review: Q2 - 2012

A strong finish in June couldn't overcome equities' difficulties earlier in the quarter as Greece narrowly avoided a showdown with its eurozone peers. The Dow and the S&P 500 held up the best, while the Nasdaq and Russell 2000 saw bigger quarterly losses. Nevertheless, the previous quarter's performance means that all four domestic indices still have strong gains year-to-date, with the Nasdaq in the lead for 2012.

Anxiety about Europe also led to skyrocketing demand for U.S. Treasuries; as prices rose, the 10-year yield hit a historic low in June. As the global economy showed signs of slowing, oil prices fell dramatically, ending at roughly \$85 a barrel. Despite a late-inning bounce, gold ended the quarter with a loss of roughly \$75 an ounce, while the struggles overseas helped the dollar gain almost 6% against the euro.



### BEACON HILL INVESTMENT ADVISORY

84 South Fourth Street  
Columbus, OH 43215



Mark Fissel, CFP®



Clint Edgington, CFA

Market/Index	2011 Close	As of 6/29	Monthly Change	Quarterly Change	YTD Change
DJIA	12217.56	12880.09	3.93%	-2.51%	5.42%
NASDAQ	2605.15	2935.05	3.81%	-5.06%	12.66%
S&P 500	1257.60	1362.15	3.96%	-3.29%	8.31%
Russell 2000	740.92	798.49	4.81%	-3.83%	7.77%
Global Dow	1801.60	1831.63	5.09%	-8.37%	1.67%
10-year Treasuries	1.89%	1.67%	-8 bps	-56 bps	-22 bps

*\*Equities data reflect price changes, not total return.*



## Quarterly Economic Perspective

- Under pressure from Italy and Spain, European Union leaders agreed that a single body--possibly the European Central Bank--should oversee banks in all 17 eurozone countries, and that details should be finalized by year's end. Once that is in place, the current bailout fund and its replacement, the European Stability Mechanism, will be able to lend directly to struggling banks in countries whose governments have been struggling to assist them, such as Spain. The summit also reassured investors that any loans to Spain to help address its immediate debt crisis and soaring sovereign borrowing costs would not be treated as senior to existing bonds.
- Unemployment remained stalled at 8.2%, partly because more people are once again trying to reenter the workforce, and the first-quarter economic growth of 1.9% was substantially lower than the previous quarter's 3%. The Bureau of Economic Analysis said increases in personal spending, exports, and investments in business inventories and both residential and nonresidential investments were partly offset by reduced government spending at the federal, state, and local levels.
- Implementation of the Patient Protection and Affordable Health Care Act will proceed in the wake of the Supreme Court's ruling that the health-care reform legislation is constitutional. The 5-4 decision held that the penalty to be paid by those who choose not to buy health insurance as required by the law is constitutional as part of Congress's power to tax and spend.
- There was a glimpse of good news in the housing market at quarter's end. The Commerce Department said new home sales shot up in May to their highest level in more than two years, and the S&P/Case-Shiller index of home prices ended the quarter with gains in 19 of the index's 20 cities and slowing year-over-year declines. Meanwhile, the Commerce Department said construction spending was up from last year.
- The Federal Reserve will extend its "Operation Twist" bond purchases through the end of the year. The program, which will use the proceeds from sales of short-term Treasury bonds to buy longer maturities, is intended to stimulate the economy by keeping long-term interest rates low.
- Though durable goods orders were up in May, manufacturing data from the Institute for Supply Management and the Federal Reserve's industrial production numbers showed some slowing. Meanwhile, retail sales were up 5.3% from last May, with nonstore retailers showing the biggest gains.
- The silver lining to a sluggish global economy was moderate inflation at both the consumer and wholesale levels. The Bureau of Labor Statistics said the Consumer Price Index was 2.3% higher than last May, while wholesale prices were up less than 1% in a year.

Source: Broadridge

## Mid-Year Reality Check: Covering Your Bases in Uncertain Times

Imagine playing a complicated game, but the rules of the game are changing, and the new rules have yet to be announced. That's what income tax planning is like this year. In fact, if there was ever a year to spend some quality time with your financial professional, this is it. Here are a few items to discuss.

### How will higher rates next year affect you?

Federal income tax rates are scheduled to jump in 2013, with the bottom (10%) rate disappearing, and the top rate increasing from 35% to 39.6%. Starting in 2013, high wage earners--those with wages exceeding \$200,000 (\$250,000 for married couples filing jointly and \$125,000 for married individuals filing separately)--will also have to pay an additional 0.9% in the hospital insurance (HI) portion of their payroll tax, commonly referred to as the Medicare portion.

Could the current federal income tax rates be extended again? Of course, but it's far from a certain bet, and the odds are that any action would not take place until after the presidential election. That means any financial plan you put in place has to account for this uncertainty. And the uncertainty extends beyond just tax rates, because a number of popular tax breaks are also scheduled to expire at the end of the year, while others have already expired. So, any potential moves have to be considered in the context of several "what if" scenarios. For example, if you have the opportunity to defer compensation to next year, you have to really think about whether that makes sense, or if you would be better off paying tax on the income at this year's rates.

### Potential investment moves

In addition to increased tax rates on earnings, the rates that apply to long-term capital gain and qualifying dividends are scheduled to increase in 2013. The maximum rate on long-term capital gain will jump from 15% to 20%. And while qualifying dividends currently benefit from being taxed at the rates that apply to long-term capital gain, in 2013 they'll be taxed at ordinary income tax rates. Also beginning in 2013, a new 3.8% Medicare contribution tax will be imposed on the net investment income of individuals with modified adjusted gross income that exceeds \$200,000 (\$250,000 for married couples filing jointly and \$125,000 for married individuals filing separately). That means someone in the top tax bracket could potentially end up paying tax on some investment income at a total rate of 43.4%.

Potentially higher rates in 2013 could be a motivating factor in your investment strategy. For example, you might want to consider selling investments that have appreciated in value to recognize long-term capital gain in 2012, before the maximum rate is scheduled to increase. Alternatively, you might consider timing the sale of an investment to postpone the recognition of a capital loss until 2013, when it could be more valuable.

### Roth conversions--is this the year?

If you've been on the fence about converting traditional IRA funds or pretax 401(k) contributions to a Roth account, you ought to give the matter one last hard look before the year ends. That's because when you convert a traditional IRA to a Roth IRA, or pretax dollars in a 401(k) plan to a Roth account, the converted funds are subject to federal income tax (to the extent the funds represent investment earnings, tax-deductible IRA contributions, or pretax 401(k) contributions) in the year that you make the conversion. If tax rates go up next year, so will the effective cost of doing a Roth conversion. Additionally, qualified distributions from Roth IRAs and Roth 401(k)s are free from federal income tax. That could make a big difference in retirement if you're paying tax at a higher rate at the time. Whether a Roth conversion is right for you depends on a number of factors. If it makes sense for you, though, it might pay to think about acting now, rather than later.

Source: Broadridge

Beacon Hill does not provide tax or legal advice. The information presented here is not specific to any individual's personal circumstances. These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable.

## 401(k) Corner The Deadline is Here

If you haven't heard by now, it's late but not too late. The Department of Labor changed the 401(k) landscape in February when it passed the final ruling related to Fee Disclosures. As of July 1st, all participant directed plans (i.e. 401(k)), should have received a 408(b)(2) disclosure from their vendors. Vendors include TPAs, record-keepers, brokers and investment advisors.

The new Fee Disclosure has changed the industry and you must be aware of your duties as a Plan Sponsor/Administrator. One important duty will be to compile all of the vendor information into a prescribed format and distribute to your participants by August 31<sup>st</sup>. The silver lining: your plan costs will be more transparent.

We are helping our clients navigate the new regulations. Overwhelmed? Please contact us, we're happy to help.

