Mentor Monthly Missive

Financial Planning News
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Congress Finally Extends Tax Breaks for 2014

Well, finally. Congress on Dec. 16 extended dozens of expired "temporary" tax breaks for 2014.

It took the Senate, by a 76 to 16 vote, until the week after Congress was supposed to adjourn to pass the bill, which the House had already approved. The bill will now be sent to President Obama, who is expected to sign it.

A majority of tax breaks in the bill pertain to businesses, but a handful will affect individuals. Among those who will benefit from the retroactive extension to Jan. 1, 2014: Teachers who buy classroom supplies, mass-transit commuters, residents of states with no income tax, parents with kids in college, some homeowners and some retirees with IRAs. The bill includes a new provision that will benefit disabled adults.

What's not clear yet is whether passage of the tax extenders bill so late in the year will force the IRS to delay when you can start filing your 2014 tax returns,

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Last Minute Tax Tips

As we move into the final days of 2014, it's not too late to take actions that can reduce your tax bill.

As usual, all else being equal, it's a good idea to defer income and accelerate deductions. Waiting until 2015 to realize capital gains can make sense, as can bunching deductions like charitable donations or medical expenses into one year, especially if it's a year when your income is higher.

Making charitable donations of long-term gain property, instead of cash, is a good strategy as well. Taxpayers subject to capital gains taxes or the 3.8% Medicare tax on net income, or both, can benefit from selling off assets to realize a capital loss, offsetting other gains and offsetting other income of up to $3,000.

Start thinking about these strategies right now, because once the clock passes midnight Dec. 31, it will be too late.

Mentor Capital Client Corner

Mentor Capital Management Inc. would like to take this opportunity to wish everyone a safe and happy holiday season. We look forward to strengthening current relationships and welcoming new ones in the New Year. So, from John, Dan and Jaciene: Merry Christmas, Happy Hanukkah, Happy Kwanza, and Happy New Year.

Meet our Wealth Managers

Mentor Capital Management Inc. was founded in response to the belief that a consumer's best interests are served when his or her financial planner is Fee Only. Advisors of Mentor Capital strive to provide objective, prudent and thoughtful advice to clients based on their personal goals and objectives.

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How Financial Advice Helps People Get Ahead

Eighty-six percent of Americans who get advice take positive steps toward improving their financial well-being, according to a new survey by TIAA-CREF. More than half change their spending habits, increase the amount they save each month and even establish an emergency fund. What's more, two-thirds of those who get advice say they feel optimistic about their finances, the survey found.

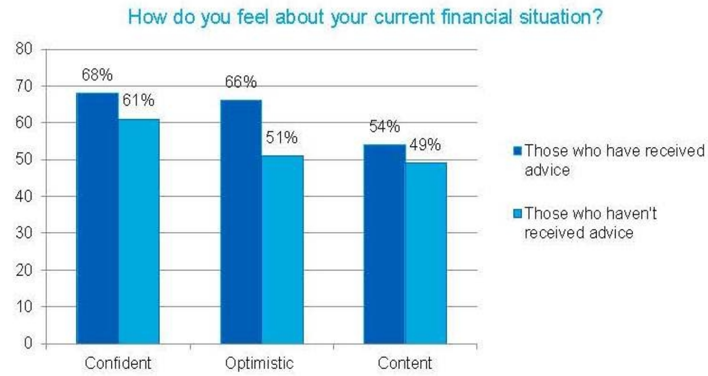
The not-for-profit financial services organization polled a random sample of 1,000 adults nationwide to gauge their attitudes, preferences and behaviors about receiving financial advice. It found that the number of Americans interested in receiving financial advice

The study found that those who are interested in receiving financial advice increased to 35 percent, from the 2013 survey's 24 percent. The organization called the fact that 65% still aren't interested “a precarious situation,” considering that a majority of Americans are not prepared for retirement.

People who say they're “not interested” in getting advice may not understand the nature of financial advice, TIAA-CREF said. The survey found that only 57 percent of those who said they're not interested in advice understood that such advice included specific investment recommendations.

Among obstacles to getting good advice, survey respondents cited difficulty in knowing whom to trust (64%), the expense of paying for such advice (44%), receiving information that doesn't meet their needs (39%) and not having the time to look for an objective adviser (35%).

Half of those who responded to the survey said they truly want a trusted source to turn to for financial



advice. Eighty-six percent of those who actually had received advice cited retirement as their biggest concern. Seventy-four percent cited general budgeting and saving, and forty-three percent said education-related topics were on the top of their list.

At Mentor Capital, we've talked with literally thousands of people about their personal finances. Their attitudes about getting help fall within a wide range, from denial to an eagerness to reach their financial goals and objectives. Many whom we've talked to indeed say they're “not interested” in getting advice. Their reasons range from being fee-averse to fear that an adviser will tell them to spend less and save more. Both these types are hiding their heads in the sand; the former because professional advice always comes at a cost, whether it is as an upfront fee or hidden commissions; the latter because only they can control their spending, and exercising such control will always improve asset utilization and capital accumulation. What's so bad about that?

Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA–CREF) is a Fortune 100 financial services organization that is the leading retirement provider for people who work in the academic, research, medical and cultural fields. It serves 3.9 million active and retired employees participating at more than 15,000 institutions and as of Aug. 1 had $2,667 billion in combined assets under management.

Have a question?

Do you have a question or want more information about any of the issues discussed in Mentor's Monthly Missive? Are you concerned about whether the financial decisions you're making are right for you? Would you like a second opinion about an action you're thinking of taking or something recommended to you by a stockbroker or insurance agent?

We offer a no-obligation initial consultation that might help. Please phone to set an appointment with one of our advisors. It could be the most financially worthwhile 45 minutes you've ever spent!

Congress Finally Extends Tax Breaks for 2014

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which typically begins in mid-January. But whenever tax season starts, here are the extended tax breaks that will be available for your 2014 tax return:

Deduction for teachers' expenses: This measure lets school teachers deduct up to $250 for the costs of classroom supplies that they buy with their own money. It's available to all teachers, whether they itemize or not.

Equal treatment of commuting costs: All commuters may reduce their pre-tax income to account for their commuting costs. Under the law, however, those who drive to work and pay for parking are allowed to exclude more ($250 per month) than those who use mass transit ($130 per month). This measure again provides parity by also allowing mass transit riders to exclude $250 per month.

State and local sales tax deduction: If you itemize your taxes, this measure lets you deduct the state and local sales taxes you've paid in lieu of state income taxes. The deduction can be a boon for retirees who pay no state income tax as well as itemizers who live in Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming. Those are the seven states that don't impose an income tax but where residents pay sales taxes, either at the state or local level.

Tuition deduction: Among the many education tax breaks on the books, this one is available to all tax filers, whether they itemize or not. With it, you may deduct up to $4,000 in qualified tuition, fees and related expenses for post-secondary education, such as college and graduate school. The deduction may be taken for yourself, your spouse or your dependents.

But there are income limitations, and if you take it you may not take other types of education tax breaks, such as the Lifetime Learning Credit. Your deduction also is reduced by any grants and scholarships received to pay for school, as well as any money withdrawn from tax-advantaged, education savings accounts.

Deduction for mortgage insurance premiums: If you only put down a small amount to buy a home you may be required to pay for mortgage insurance to protect the lender against default. This tax break lets you deduct the cost of your premiums if you itemize your deductions.

Income exclusion for mortgage debt that's been forgiven: When you sell your home for less than what you owe the bank or your home is foreclosed, the bank may agree to forgive the remaining debt you owe. But the IRS typically treats that forgiven debt as taxable income to you. This tax break lets you exclude it from your income.

Tax-free IRA withdrawals for charity: With this measure, anyone over 70-1/2 may take tax-free distributions of up to $100,000 from a traditional IRA if the money is distributed directly to an eligible charity. While retirees can't also take a deduction for that contribution, the money won't count as income. So it won't hurt when it comes to other taxes, such as those imposed on Social Security benefits when income exceeds a certain level.

Tax-free savings for people with disabilities: Attached to the extender bill is the Achieving a Better Life Experience (ABLE) Act. That act will permit people who were disabled before the age of 26 -- as well as their family and friends -- to contribute up to a combined total of $14,000 a year to an ABLE account. Earnings would grow tax free and the money would not disqualify the disabled person from receiving federal assistance benefits such as Medicaid and Supplemental Security Income so long as it is used to pay for housing, transportation, education and wellness.

2015 Market Outlook from SSGA

This article was prepared by David B. Mazza, head of research; and Matthew Bartolini, CFA, and Jared Rowley, CFA, research strategists, SPDR ETFs and SSGA Funds, State Street Global Advisors.

Investors would be hard-pressed to find many broad asset classes that had done anything but go up this year until volatility reared its head in October. While there have been periods of dispersion in returns, most portfolios are sitting on decent gains since markets bottomed in March 2009.

This year, risky assets have performed resiliently in the face of negative headlines ranging from the lack of conviction in economic growth to geopolitical risks percolating from all corners of the globe. Exchange traded fund (ETF) investors have followed suit by tilting allocations toward top performing classes and sectors.

2015 Market Outlook

BASE CASE – 2015's playbook resembles 2014's. Across the stock market, we continue to believe that the US remains the most attractive region as its competitive renaissance makes it the best house in an improving neighborhood. We expect profit margins to remain elevated due to cyclical and secular influences. This leads us to favor cyclical sectors over defensives.

Due to the negative impact the Ukraine crisis is having and lingering structural imbalances, we have become less favorable on Europe, but the potential for monetary stimulus may provide support for asset prices.

At the same time, we increasingly believe emerging markets are attractive from a valuation standpoint, but are concerned about deterioration in earnings expectations and growth concerns from the BRICs (Brazil, Russia, India, China), tempering expectations.

We feel that convertible securities are an attractive option for investors. The high-yield market may be prone to technical led sell-offs, but it still offers investors an opportunity to add income. We see opportunities in investment-grade credit. We maintain a belief that investors should diversify their fixed income exposures toward the shorter end of the yield curve.

While we believe that commodities should play a strategic role in portfolios from a diversification perspective, we feel that the investment environment for commodities is weak.

BULL CASE – While global economies have been growing, they have not been expanding at a pace that has reached escape velocity. Our base case incorporates that central bank action will provide a boost to risky assets, but in a bullish scenario growth is more organic as central bank policy plays a diminished role in affecting the trajectory of developed and emerging economies. In either case, the US will likely lead the global economy forward.

However, a decisive action by the ECB does seem to be the catalyst that investors need to wade back into the pan-European waters.

BEAR CASE – ANY escalation of geopolitical tensions, ranging from Russia shutting off natural gas exports through the Ukraine, to an intensifying of the situation in the Middle East, could spill over into financial markets.

The short bouts of market volatility that we experienced in 2014 are indicative of a potential impact on asset prices. As uncertainty would increase markedly, investor sentiment would shift toward a risk-off stance. As such, this would be bullish for safe-haven assets as investors would likely flock back to gold after its fear premium evaporated over the last year. Investors may also likely discount credit risk to a greater extent than interest rate risk. Investment grade would benefit relative to high yield. Due to a stronger U.S. dollar, emerging market local currency debt would sell off. Commodities, except Gold, and commodity-sensitive assets would suffer a setback as global economic growth declines.

Global stock markets would suffer. All else being equal, equity investors would favor the US, especially those companies that are more defensive in nature.

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