Charles A. Going, CPA, LLC
M. Scott Sebastien, CPA, LLC
Donald E. Fisher, CPA, LLC
Craig C. LeBouef, MBA, CPA/PFS, CFP®, LLC
Darren J. Cart, CPA/PFS, LLC

Beth T. Spears, CPA
Matt Ledoux, CPA

July 11, 2016

Dear Client,

This letter contains news and views that I feel will be of interest to you. As always, please call me at your convenience to set up your quarterly meeting.

Contents:

Going, Sebastien, Fisher & Le Bouef, LLP News — Page 1
Investment Views — Pages 1-2
Critical IRA Mistakes You Should Be Aware Of — Pages 2-3
Assessing Tactical Allocation Funds — Pages 3-4
GSF&L, LLP Registered Investment Advisors — Pages 4

Going, Sebastien, Fisher & Le Bouef, LLP News:

- GSF&L is constantly looking for asset classes to include in clients' portfolios to increase income or reduce risk or both. We offer Insurance-Linked Securities and other Alternative Strategy Securities, so feel free to contact us for more details.

Investment Views:

- ***Morningstar Data - Through June 30, 2016 - Year-to-date returns -*** S&P 500 3.84%, Dow Jones Industrial Average 4.31%, NASDAQ Composite (dollars) -3.29%, Russell 2000 2.22%, MSCI EAFE (dollars) -4.42%, and the Barclays U.S. Aggregate Bond Index 5.31%.

- ***Northern Trust – Weekly Economic Commentary – July 1, 2016 –*** Forecasts for gross domestic product of the United Kingdom (UK) were revised substantially downward in the past weeks. Firms desiring to ensure continued access to the EU market may move some operations out of the UK. The UK may have to renegotiate trading terms with a series of global counterparties. The heightened level of uncertainty won't help business or consumer spending. This is all bad for the UK, but also bad for those who count the country as a client. The UK is Germany's third-largest export market, which will undoubtedly influence German Chancellor Angela Merkel's posture in departure negotiations.

- ***Bureau of Economic Analysis – June 28, 2016 -*** Real Gross Domestic Product (GDP) – the value of goods and services produced by the nation's economy less the value of the goods and services used up in production increased at an annual rate of 1.1% in the first quarter of 2016 as compared to a 1.4% increase in the fourth quarter 2015. Personal Income increased 0.2% in May 2016 as compared to 0.5% in April.

- ***Bureau of Labor Statistics – June 16, 2016 –*** On a seasonally adjusted basis, the Consumer Price Index for All Urban Consumers increased 0.2% in May, and over the last 12 months the all items index rose 1.0% before seasonal adjustment. Total nonfarm payroll employment rose by 287,000 in June, and the unemployment rate rose to 4.9%.

Craig's Thoughts and Views:

Critical IRA Mistakes You Should Be Aware Of

This article only addresses a few critical IRA tax planning issues you should be aware of due to space limitations. Feel free to contact us should you wish to learn more about other IRA tax planning issues.

Once-Per-Year IRA Rollover Rule

A 2014 Tax Court decision (*Bobrow Case*) ruled that an IRA owner can rollover a traditional IRA or Roth IRA once per year (365 day period). If an IRA owner violates the once-per-year rule there is no relief available in correcting the mistake. This rule went into effect January 1, 2015. The once-per-year rule applies in the aggregate to traditional IRAs and Roth IRAs. What are the possible consequences of violating the once-per-year rollover rule? If an IRA owner, who takes a distribution intending to roll it over, ends of being out of luck because of this rule, the distribution will most likely be taxable and potentially subject to penalty.

The problems could get worse if the ineligible funds were mistakenly deposited to an IRA as a "rollover." The amount deposited becomes and excess contribution in the IRA and will be subject to a 6% per year excess accumulation penalty if it is not timely removed from the account. To add insult to injury, the penalty will continue to apply each year that the excess funds remain in the IRA.

To avoid the once-per-year IRA rollover violation, be sure to monitor your IRA rollovers during the year (365 day period). Even better, you can avoid this disaster by using a trustee-to-trustee transfer rather than the 60-day rollover when possible. A check made payable to the receiving IRA custodian account is treated as a trustee-to-trustee transfer.

Net Unrealized Appreciation (NUA)

A tax break that may be beneficial to a retiring employee with highly appreciated employer stock in their company retirement plan is to make what is called a NUA election. If a lump-sum distribution from a company plan includes highly appreciated stock or bonds of that company, the plan participant can roll it over to an IRA, but he may not want to. By using a specific rule, the plan participant can withdraw the stock from the plan and pay regular (ordinary) income tax only on the original cost to the plan and not on the market value at the date of distribution.

The difference (the capital appreciation) is called the net unrealized appreciation (NUA). The plan participant can elect to defer the tax on the NUA until he sells the stock. When the stock is sold, he will only pay tax at his current capital gains rate on the NUA. To qualify for the tax deferral on the NUA, the distribution must be a lump-sum distribution from the employer plan. Lump sum means all the assets (securities) in all like plan accounts must be distributed out of the plans.

A common mistake that disallows the NUA tax break occurs when the plan participant is too quick on the draw with an IRA rollover. Once the company stock is rolled over to an IRA, the NUA tax break is lost forever because the rollover is an irrevocable election. The client will then start to pay ordinary income tax on the distribution of any company stock from the IRA. The capital gains treatment on the sale of the appreciated stock is lost.

2811 SOUTH UNION • OPELOUSAS, LOUISIANA 70570

TELEPHONE (337) 942-3041 • FAX (337) 942-7112 • WWW.GOINGCPA.COM

Another mistake that can void the NUA tax break is for the plan participant to fail to take a lump-sum distribution. A lump-sum distribution means that **all** of the company plan stock must be distributed in one tax year. If there is a balance in the plan at year end, the plan participant loses the NUA tax break.

Non-spouse Beneficiary Mistakes

If a non-spouse beneficiary inherits a retirement account, the beneficiary should proceed with caution. Any wrong move could cause the inherited funds to become immediately taxable. One mistake that could happen is for a non-spouse beneficiary to take a distribution payable to her from an inherited IRA or inherited company plan, either on purpose or through company error. Should that happen then there is no going back. A 60-day rollover is not an option. The reason is because the 60-day rollover rule does not apply to non-spouse beneficiaries. Therefore, non-spouse beneficiaries should carefully examine all their options before taking any action. If a distribution it taken by a beneficiary that later turns out to be a mistake, there is no remedy.

For inherited accounts, a non-spouse beneficiary can move inherited funds via a direct (trustee-to-trustee) transfer to another inherited IRA, but they cannot use a 60-day rollover to get it done. When transferring inherited funds using a trustee-to-trustee transfer, non-spouse beneficiaries of company plans must transfer to a properly titled inherited IRA.

Assessing Tactical Allocation Funds

Tactical allocation funds have been around since before 1994. These funds were created to provide better risk-adjusted returns by changing portfolio allocations based on underlying factors, depending on the fund's objective. Some funds move assets globally based on projected markets returns, some funds will alternate between stocks and bonds, some have broad leeway that allow a wide range of investment securities, and others have a narrow mandate that must keep an equity allocation within a certain range with a limited amount of possible investments. These funds gained popularity after the financial crisis with the thinking that tactical allocation can be valuable in bear markets or amid heavy volatility given their flexibility, which should help them sidestep trouble.

Research done separately by Morningstar and the American Institute of Economic Research (AIER) has shown that these actively managed funds (on average) underperformed a static balanced bond fund over time. In 2012, Morningstar wrote an article that highlighted the poor performance of tactical allocation funds. The firm compared the performance of a universe of tactical allocation funds in Morningstar's database against the performance of Vanguard's Balanced Index Fund (VBIAX), which typically keeps a static allocation of 60% U.S. stocks and 40% U.S. bonds. Morningstar found that very few tactical funds generated better risk-adjusted returns than Vanguard Balance Index Fund's over particular time periods.

AIER updated Morningstar's research by considering the most recent five-year period. AIER pulled mutual funds from Morningstar's "tactical allocation" fund database. They then filtered this list to include funds with data from at least the past five years. The database was additionally filtered to include mutual funds with only the lowest-cost share classes where multiple share classes were offered. Funds analyzed had to be around for the past five years. AIER determined total returns for 58 funds (that met the filter stated) and for the Vanguard Balanced Index Fund using Bloomberg's reported returns.

AIER's results were that not a single fund outperformed Vanguard's fixed allocation index-based fund. To be fair, a five-year time period is not a long time period for returns to be compared. When AIER looked at and compared to 10- and 15-year performances there were again no winners over Vanguard's Balanced Index Fund. However, looking at the most recent one and three-year periods, two of the 58 funds did outperform Vanguard's fixed allocation index-based fund.

Generally, investors will use more active managed funds because they believe the fund manager can add value and outperform the relative index. Another way of looking at the above results is that the tactical allocation funds (58) looked at on average did not give the investor added value.

Some might argue that comparing these funds, which span the universe of objectives (some conservative, some aggressive, some global, and some just domestic U.S.) is like comparing apples to oranges. However, tactical asset managers do have the flexibility to be active managers, while confining their funds to just U.S. stock and bond indexes. If anything, this flexibility is an advantage to these active managers.

Due to data constraints, a five-year period may not be a good window to compare these funds. However, the above research, by two different firms does raise interesting questions about tactical allocation funds relative to static balanced funds.

GSF&L, LLP Registered Investment Advisors:

We can never know what the future holds, but we can make informed decisions regarding investment strategies and portfolio allocations. We (GSF&L) make changes based on our perception of opportunities in the capital markets. We assimilate fundamental, technical, and economic information to make informed decisions. Of course it is important to have long-term focus on portfolio management, but with a critical analysis of intermediate strategies.

Managing risks and opportunities are important to portfolios and reaching one's financial needs and goals. Having a complimentary understanding of investment horizon and attitude toward risk are equally important. Markets and economies do not always behave as we expect them to. That is the problem with investing! There is no luck to professional investing. You can no more have a successful, disciplined approach by luck or accident than you can win a chess tournament by luck or accident.

If you know of someone who may fit our financial and investment planning philosophy, please mention our name. We are a small organization and intend to remain so. A solid organization makes it possible for us to spend our time managing our business rather than each other. Because everyone has so much to do, much gets done. We will forego any growth opportunity that may detract from our ability to serve our clients as they have become accustomed to. We never expect to be among the biggest, but our attention to be among the best is not subject to compromise.

Regards,

Craig

Craig C. Le Bouef, MBA, CPA/PFS, CFP®

NASDAQ composite measures the performance of all issues listed in the NASDAQ Stock Market, except for rights, warrants, units, and convertible debentures. The S&P 500 is made up of 500 common stocks representing major U.S. industry sectors. The Dow Jones Industrial Average contains 30 stocks that trade on the New York Stock Exchange (NYSE) which reflect the performance of 30 large American companies. The Morgan Stanley Capital International Europe, Australia, and Far East Index (MSCI EAFE) is a market-weighted aggregate of 20 individual country indexes that collectively represent many of the major markets of the world, excluding Canada and the U.S. The Lehman Brothers U.S. Aggregate Bond Index tracks performance of debt instruments issued by corporations and the U.S. Government and its agencies. The returns for this index are total returns, which includes reinvestment of dividends. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 8% of the total market capitalization of the Russell 3000 index.

All indices are unmanaged. It is not possible to invest in an index.

Past performance is no guarantee of future results.

Diversification does not assure against market loss.

2811 SOUTH UNION • OPELOUSAS, LOUISIANA 70570

TELEPHONE (337) 942-3041 • FAX (337) 942-7112 • WWW.GOINGCPA.COM