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Joint Ownership

Adding an adult child's name to your bank account, or to a major asset such as your home, can seem like a shrewd move: it allows for access in case of temporary or permanent impairment and can offer a certain convenience in leaving property to that person.

But there are drawbacks, even when the other party is fully trustworthy. There are hidden tax, liability, and creditor protection issues, including the risk of creating a taxable gift. We often see a serious loss of tax benefits. Highly appreciated assets which would have received a 100% step-up in cost basis to the value as of the date of death could lose half of that benefit if the assets are transferred to joint ownership before death.

If you are contemplating putting assets into joint accounts with children or parents, please consult us before you take that step.

Looking Ahead to the New Year

As we ring in the new year, we have to realize there is a lot to be thankful for. We have come a long way from a few short years ago, when we were worried about the collapse of the worldwide financial system. In the US, asset prices have recovered, we have had 6 years of positive (although modest) GDP growth, unemployment is down to 5%, and consumer confidence appears to be picking up. Whether as the result of employment gains or lower gas prices, retail sales have done well this quarter. Since consumption makes up 70% of our economic activity, an uptick in consumer confidence is a welcome statistic.

This quarter, for the first time in almost a decade, the Federal Reserve finally raised interest rates, if only by ¼ percent. Fed Chair Janet Yellen indicated that the US economy appears strong enough to start raising rates and she is committed to a slow path toward more normal interest rates.

That does not mean everything is rosy: look at our index returns chart. All the numbers are red. Markets suffered their worst returns since 2008, while blue-chip stocks and value strategies underperformed growth once again. No asset class produced expected returns. But we have been here before, as recently as 2011, and returns and markets recovered in the following years.

Index	*12/31/2015*	*YTD*
Dow Industrials	**17,425.03**	**-2.2%**
S&P 500 Index	**2,043.94**	**-0.7%**
Russell 2000	**1,135.89**	**-5.7%**
MSCI EAFE	**1,716.28**	**-3.3%**
Global Bond Index	**422.13**	**-3.2%**
10-Year Treasury yld	**2.3%**	

The story of 2015 seemed like a repeat of 2014: continuing low interest rates, collapsing commodity prices, a strong US dollar, and volatile and challenging stock markets. While lower energy prices help the budgets of US consumers, other developed economies that import oil are not seeing any benefit, as oil is priced in dollars and the US dollar hit new highs against other major currencies.

Commodities in general suffered precipitous price declines. The slowdown in China was a persistent headwind, depressing the value of Chinese companies and further undermining the commodity-driven emerging markets whose exports helped fuel China's furious growth.

With war raging in the Middle East, we have witnessed a terrible toll of human suffering forcing the migration of families from war-torn regions, and increasing terrorist activity in Asia, Africa, and Europe. Even here in the US, anti-immigrant sentiments have fostered xenophobia and isolationist rhetoric. The upcoming political campaign is likely to debate these issues from every angle.

However, crises around the globe should not diminish our expectations for improved returns. Volatility is likely to continue in 2016: we will be in the midst of a political season that is shaping up to be fear-driven, but history has shown us that there are always profits to be made during times of uncertainty. While we expect this current low-return environment to continue, we have confidence that we will see improvement in returns in the months and years ahead.

Social Security Claiming Strategies

The 2015 Budget Act recently passed by Congress will end two popular Social Security claiming strategies for married couples: ***file-and-suspend*** and ***restricted application***. These strategies allowed married retired couples to postpone the benefits due to one spouse while allowing the other to receive spousal or dependent benefits. Since postponing Social Security benefits is highly advantageous – the full benefit increases

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Safety in Numbers: Holes in Your Pockets

The Internet often feels like an entire ceiling hung with swords of Damocles, as the spectre of damage swings back and forth over our heads. The sheer level of connectivity puts the entire world at anyone's fingertips – including grubby fingers you don't want dipping into your pockets.

A steady stream of apps offer us more and more pockets: cloud storage and file-sharing apps for pictures and music, documents and data. But most of these are poorly secured and vulnerable to hacking. Dropbox, one of the best-known, is so notoriously insecure that it is frequently banned by US businesses.

Not every cloud cache is an open box: password managers such as Dashlane and Lastpass have successfully foiled several attacks over the last two years. The systems used by Firestone for its client portals, document transfer, and cloud-based data operate on much more stringent security protocols than Dropbox, SugarSync, Google Drive, and other easily breached platforms. We don't allow your data to fall into the wrong pocket.

Before you store anything in the cloud, look carefully at how valuable it might be to others, and how well secured it is against access.

Social Security Strategies

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8% per year from ages 66 to 70 if postponed – this can be a valuable plannng option.

While these strategies were entirely legal and permissible, their implementation was an unintended consequence of the Senior Citizens Freedom to Work Act of 2000, and Congress has now closed the loophole that allowed them. Although the new law was enacted on November 2, 2015, some couples are grandfathered under the existing rules. If you meet the criteria, you should be able to continue using these strategies.

File and suspend

File and suspend is typically used when the recipient wants to postpone his or her own benefit to age 70 while the spouse receives a benefit based on the recipient's earnings record. The strategy is still available if you have already reached your "full retirement age" of 66, or if you turn 66 by the deadline date, April 29, 2016.

To be grandfathered under the existing rules, you must file before the deadline: after the deadline, a spouse can no longer collect a benefit based on your earnings record if you are not receiving benefits yourself.

Restricted application

A restricted application is used when the beneficiary's own benefit is available, but the beneficiary wants to claim a spousal benefit and let his or her own benefit increase. If you reached age 62 before January 2, 2016, you can continue using the "restricted application" strategy for a spousal benefit when you reach your "full" retirement age of 66.

Since you are grandfathered in, the existing rule will allow you to collect the spousal benefit at your full retirement age of 66 if your spouse is receiving benefits or has filed and suspended their benefit before April 29, 2016.

These strategies are complex, and can be difficult to follow and apply. If you are married and not yet taking Social Security, and you will turn 66 on or before April 29th of this year, please feel free to discuss filing strategies with us during the remaining window.

Our Value Proposition

We are frequently asked, "What exactly do you do?" Often, we are confused with money managers, stock brokers, or accountants. The entire world of wealth management is a confusing mix, consisting mostly of salespeople in all shapes and sizes, with a small segment of advisors and other professionals who are true fiduciaries. Firestone Capital Management is a Registered Investment Advisor (RIA) firm, composed of Certified Financial Planner (CFP©) certificants and Chartered Financial Analysts (CFAs). As an RIA, we have a fiduciary responsibility to our clients.

But what is a fiduciary? A fiduciary is a person who, acting on behalf of another person – a client – *is required to put the client's interests first.* It's a special and specific level of professional obligation that leaves no room for half-measures or waffling.

The services we provide are different for each client, because relationships and clients are unique. From basic cash flow analysis, risk management, and tax planning, we move on to developing investment policies, building and managing portfolios, and developing college funding and gifting strategies. We do detailed retirement planning, coordinating our work with employer-sponsored retirement plans and individual savings.

Finally, we are deeply involved with planning for the inevitable estate transition, so that clients' heirs and beneficiaries are protected, charitable intents are realized, and after-tax legacies are maximized. Our approach does not focus on picking individual stocks, predicting the next hot investment fad, or foretelling the future. Our work is driven by client goals.

Clients turn to financial planners and wealth managers to help them navigate the financial mazes of life. Many times a specific issue initiates a relationship, but clients quickly discover that there is much more to gain from an ongoing working partnership. Even though markets have their ups and downs, what remains consistent is the knowledge and experience our team brings to your needs and your ability to call on us to help you meet your and your loved ones' long-term goals.