George M. Hiller Companies L.L.C.

INVESTMENT MANAGEMENT, TAX, ESTATE & FINANCIAL COUNSEL

Financial Newsletter

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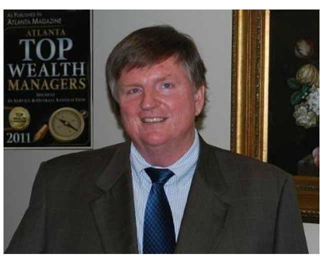
Special Announcement

The George M. Hiller Companies, LLC is pleased to announce to our clients and friends the addition of the fifth CERTIFIED FINANCIAL PLANNER PRACTITIONER™ of our firm, George M. Hiller Jr. CFP®. By successfully passing the July 2012 CFP® national board exam, and fulfilling the rigorous education, experience, and ethical requirements for certification, George Hiller Jr. CFP® now joins George M. Hiller Sr. CFP®, William M. Landers CLU® ChFC® CFP®, Steven D. Humphrey CFP®, and Bill Loveless CFP® as CERTIFIED FINANCIAL PLANNER PRACTITIONER™ professionals − the recognized standard of excellence for personal financial planning in the United States. Please join with us in congratulating George M. Hiller Jr. on this substantial professional and personal accomplishment.

Financial Lessons from Psalm 23: Thoughts on Investing in an Age of Turbulence

By George M. Hiller, JD, LLM, MBA, CFP®



"The Lord is my shepherd, I shall not be in want. He makes me lie down in green pastures, he leads me beside quiet waters" (Psalm 23:1-2).

The Bible contains over 2300 verses dealing with money and possessions, and the case could be made that this number is even greater. This is particularly true if we look for financial connotations or applications in verses that on the surface do not seem to speak about money or investments. For example, for eyes that are willing to see and ears that are willing to hear, there are important financial and investment lessons found in the first two verses of Psalm 23.

"The Lord is my shepherd."

Who is your shepherd? Who guides and protects your life as a shepherd protects his flock? The word shepherd was a widely used metaphor in the ancient Near East and in Israel for King. Who is your King? Who do you serve?

We often fool ourselves into thinking that we serve ourselves, that we are our own king, and that we guide and protect ourselves and do not need to trust in another shepherd to guide us and be our protector.

But in reality, we all have a master whom we serve - one to whom we look as a guide and protector. In many cases, we either serve God or money, so money can take the place of God as our king and master.

"No one can serve two masters. Either he will hate the one and love the other, or he will be devoted to the one and despise the other. You cannot serve both God and Money." (Matthew 6:24) Sadly, many of us choose to make money our master. Would we not be better off to put our trust in the Lord?

"Trust in the Lord with all your heart and lean not on your own understanding; in all your ways acknowledge Him, and he will make your paths straight." (Proverbs 3:5-6) Trusting in money or our nations' economic policies or structures will not make your paths straight.

"Delight yourself in the Lord and he will give you the desires of your heart." (Psalm 37:4) It is the Lord, not money, who can give you the desires of your heart.

So the first lesson to be learned from Psalm 23 is to invest your life in Jesus as your shepherd and king. Do not allow money or any other idol to be your master. The Lord can guide you to make better investments that you can on your own. Ask him to help you to make wise investments. "May he give you the desire of your heart and make all your plans succeed" (Psalm 20:4)

"I shall not be in want"

The world and the flesh say that you should always want more. Whatever you have is not good enough. You should have a better car, a better home, a better job. Whatever returns you are getting on your current savings and investments are not good enough.

The world influences you to live your life in a continual state of want. This creates an incentive to use debt to try to satisfy wants that can never be fully satisfied. And, in this ongoing attempt to satisfy wants, your debt continues to grow.

The Apostle Paul learned the secret of Psalm 23 - how not to be in want. "I have learned to be content whatever the circumstances. I know what it is to be in need and I know what it is to have plenty. I have learned the secret of being content in any and every situation, whether well-fed or hungry, whether living in plenty or in want. I can do everything through him who gives me strength." (Philippians 4:11-13)

We all want to be good stewards of the resources that God has entrusted to us, but to strive after ever higher returns on investments in order to satisfy a desire for more may not be wise. The motivation behind investing or using debt should be based on a desire to be a good steward. It should not be based on worry or want that pushes you to seek higher returns, which usually means the assumption of higher risk of loss.

It is good to seek a better life, and often, this may translate into a desire for a better home or more income. God knows what we ultimately need and what we deeply desire, and He wants to bless us.

"So do not worry, saying, 'What shall we eat?' or 'What shall we drink' or 'What shall we wear?' For the pagans run after all these things, and your heavenly Father knows that you need them. But seek first his kingdom and his righteousness, and all these things will be given to you as well." (Matthew 6:31-33)

"He makes me lie down in green pastures"

The world says that there are greener pastures somewhere other than where the Lord has led you. In the investment arena, we are bombarded by financial marketers and salespeople who say they can get even better returns with less risk. In other words, they make promises of having a better, greener pasture. Can they really fulfill these promises? If the Lord is your shepherd, He can guide you in the choice of investments and investment advisor to a green pasture of His choosing. His green pastures are better than any others, so don't allow yourself to be quickly led away to another pasture with promises that it will be better.

"He leads me beside quiet waters"

Quiet waters may be compared to a more restful, more tranquil investment strategy. The conservative or moderate investment portfolio may not have the high returns associated with aggressive investment portfolios or venture capital / private equity hedge funds, but they are usually safer and quieter. Investments with higher returns will be like turbulent waters, more volatile, with more risk of loss.

We live in a time of market turbulence in stocks, bonds, real estate, currencies, precious metals, commodities, and other investments. In this present age of turbulence, it may make sense to have a conservative or moderate investment strategy that is theologically reflective of a Psalm 23 investment philosophy - namely, that God is our King, our good and wise shepherd, who leads us beside quiet waters.

Comments on Taxes and the Upcoming Fiscal Cliff

By George M. Hiller Jr. CFP®

On the Wednesday morning of 7 November 2012, each of us awoke to the reality of another four years of President Obama and his administration. In this article I will address the concerns about the pending fiscal cliff and the implications of a second Obama presidential term for our earnings, investments, and inheritances.

The phrase "Fiscal Cliff" will be dominating the airwaves in the days and weeks to come. So what exactly is the fiscal cliff and why should we be thinking about it? The fiscal cliff is the term used to describe the dual combination of Americans paying more and higher taxes in 2013 alongside a decrease in government spending. It begins with the expiration of the Bush-era tax cuts on December 31, 2012. These were originally scheduled to expire at the end of 2010 but were extended in a compromise between President Obama and the GOP controlled Congress: the President agreed to continue the tax cuts for all Americans in exchange for Congress agreeing to extend long-term unemployment benefits for the many Americans who were out of work. If the tax cuts are allowed to expire, taxes will go up for most Americans - an increase that will extend to the amount of taxes we pay on our earnings, investments, and inheritances. The second part of the fiscal cliff scenario is an immediate reduction in government spending that starts on January 1st. In short, not only will Americans have less money to spend in our consumer driven economy, but this will occur alongside an environment of restrictive fiscal policy and potential job losses due to dramatic cuts in spending across the wide-ranging operations of the federal government. "Bloomberg" estimates that the value of the tax increases and spending cuts is worth $600 billion and "USAToday" gave an estimate of $560 billion. The concern and worry is that if Congress doesn't act to resolve these problems it could send the U.S. economy into a severe contraction, putting significant downward pressure on the economic recovery and making it more difficult for individuals and companies to engage in the financial planning process.

Here are several other items to consider:

Regarding personal taxes on earnings and passive income, under Obama's proposed plan, in 2013

- the top federal income tax rate on qualified domestic dividends may change from their current level of 15 percent to ordinary income tax rates
- the top federal income tax rate on long-term capital gains will rise from its current level of 15 percent to 20 percent in 2013
- for high income taxpayers, both dividends and capital gains will also become subject to the additional 3.8% Medicare tax in 2013 due to changes under the Affordable Care Act of 2010, to defer the cost of President Obama's health care law

Additionally, President Obama is proposing that the highest marginal income tax rate be affected for household taxpayers earning in excess of $250,000, rather than taxable income in excess of $388,350 as the law currently stands.

Regarding estate or inheritance tax: The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (2010 Tax Act) established a top estate tax rate for US citizens and residents of 35% and a $5 million exemption for years 2010, 2011, and 2012, with the estate tax exemption indexed for inflation in 2012. Prior to the 2010 Tax Act, the 2001 Economic Growth and Tax Relief Reconciliation Act (2001 Tax Act) provided for fluctuating top rates and exemption amounts and totally repealed the estate tax in the year 2010. Because the 2010 Tax Act only governs years 2010, 2011, and 2012, the estate tax will revert to how it existed prior to the passage of the 2001 Tax Act in 2013 and beyond, absent anticipated legislative action. This means that in the event Congress chooses not to act the estate tax exclusion amount will revert to $1 million at death and be subject to a top estate tax rate of 55%, the amounts in place prior to the 2001 Tax Act. (Source: Ernst & Young International Estate and Inheritance Tax Guide 2012. page 248)

With all the uncertainty about the possibility of the fiscal cliff and tax reform it is ever important to stay abreast of the changing economic climate and remain engaged in the financial planning process. We are committed to helping our clients understand their own situations, how these pending challenges may impact them and their families, and stand ready to offer our assistance and counsel once the legislative and tax changes become actualities.

It is our mission to provide high quality professional and objective financial counsel in the areas of investment management, estate and personal financial planning designed to help our clients improve their financial condition and achieve long-term financial goals.

Sincerely,
The George M Hiller Companies, LLC Business Team

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