



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

Market Outlook

As of November 21, 2014

Given generally improving economic indications and continued growth in corporate earnings, our intermediate market outlook is positive and our longer-term market outlook continues to remain positive, although we have concerns. In our opinion the current environment for investing in US equities is favorable and the outlook for several other broadly defined investment markets is also favorable.

For the last 100 years the three-month period from November 1 to January 31 has historically been the best time of the year to be invested in equities (source Wall Street Journal, November 3, 2014, page 1, WSJ Market Data Group, Bespoke Investment Group, 100-year Dow performance). Current trends in data indicate that the observed long-term history of higher than average performance over this period is more likely than not to occur again this time. Please remember that no market indicator is foolproof or guaranteed to accurately forecast future market conditions. Observed historical trends are not guaranteed to occur in each and every year nor in any given year or time period.

Year to date the Dow Jones Industrial Average is up 7.66%, the S&P 500 Index is up 11.82%, and NASDAQ is up 13.20% as of November 21, 2014 (source money.cnn.com). Thus far the S&P 500 has posted 42 record highs this year.

Our market snapshot (taken daily) is as follows:

-- U.S. Equities	Positive outlook for past 1,029 days
-- International Equities	Positive outlook for past 833 days
-- Resources and Materials	Positive outlook for past 798 days
-- Real Estate	Positive outlook for past 1,925 days
-- Bonds / Fixed Income	Positive outlook for past 266 days

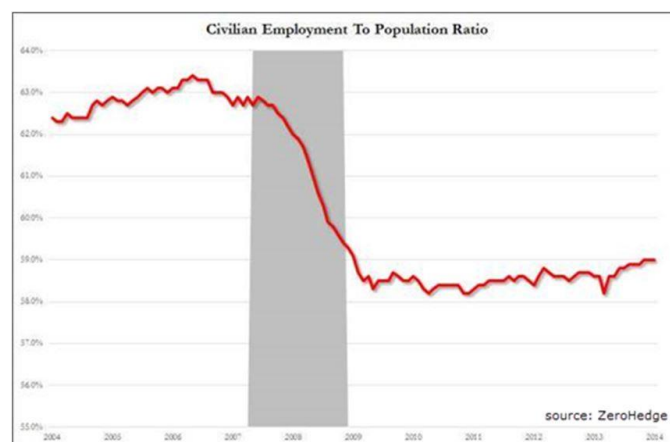
Currently, the top 3 performing sectors (based upon our assessment and ranking methodology) are:

- Healthcare**
- NASDAQ 100**
- Utilities**

In addition to the top three listed above; the Dow 30, Technology, Financials, and Real Estate all have above average rankings suggesting that these are currently strong areas for investing.

The most recently released unemployment data ticked down from 5.9% to 5.8%, with Bureau of Labor statistics reporting 214,000 jobs added in October. This marks the ninth consecutive month above 200,000 in job creation, the best stretch since March 1995. We are at the lowest unemployment rate since July, 2008. In spite of this 9 million people remain unemployed.

Long-term unemployment remains stubbornly high and the labor participation rate (the percentage of the population that could be working) is remarkably low. Below is a chart of the labor force participation rate expressed as civilian employment to population ratio from 2004 to 2014.



The shaded area of the chart reflects the recession period that began in consequence to the financial crisis of 2008. In prior post-recession periods, labor force participation has returned to pre-recession levels promptly - but it shows few signs of doing so this time.

Although muted by the low labor force participation rate, we see continuing signs of economic recovery in the US. This coupled with low interest rates lays a foundation for continued growth in asset values of US equities generally.

In summary, we remain bullish on all five broad asset categories outlined above. Based upon our

research and monitoring of various market indicators the current environment for investing in stocks is generally favorable.

U.S. equities are already at or near all-time highs as measured by broad stock market indexes. At some point one or more of the asset categories listed above will begin a significant decline.

Right now, many economic and business signs we review are bullish, but there will come a time when that changes. The intermediate-term market indicators we monitor are positive, other indicators we monitor are bullish, and with certain exceptions, many economic signs are positive. Thus, we are generally bullish on U.S. Equities, International Equities, Resources & Materials, Real Estate and Bonds/Fixed Income.

Meetings with President George W. Bush and former Federal Reserve Chairman Ben Bernanke

Recently, I attended the Schwab Impact conference in Denver, Colorado. This is one of the largest annual investment conferences in the United States.

President George W. Bush (43rd President) gave a keynote address to our group. His remarks included comments about a new book he authored entitled, [41: A Portrait of My Father](#). He shared details about his personal relationship with his father; that he was a great father and a great man that loved his son unconditionally and served his country with honor and distinction. He said that George H. W. Bush was the best single term president our country ever had. At one point President Bush was asked if he had any advice to give concerning leadership. He said "you need to know what you want to achieve and go after it."

We also had a meeting with former Federal Reserve Chairman Ben Bernanke. Ben Bernanke worked with President Bush and others in restoring order and liquidity to the financial and credit markets during the Financial Crisis of 2008 thereby preventing the crisis from turning into the Second Great Depression. In our session with him, Bernanke was upbeat about the economy. He said, "America is a good place to live and a good place to invest."

Bernanke's statement validates certain of our investment decisions in that we are generally over weight in US investment assets. The United States is currently among the best places to invest in the world.

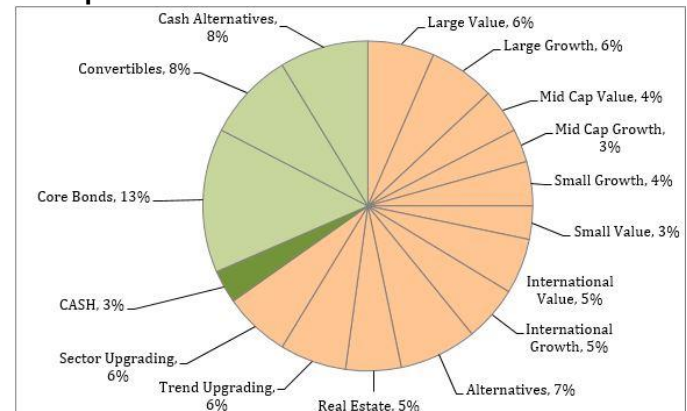
Basic Information on Asset Allocation

Asset allocation is the process of choosing different asset categories that make up a diversified investment portfolio, such as stocks, bonds, and cash. Investors are concerned about risk and return. How an investment portfolio is allocated across different asset categories has an important bearing on the risk and return characteristics of the investment portfolio.

Asset allocation strategy has the potential to increase investment return by investing part of the portfolio in asset categories that are generally

considered higher risk, higher return while reducing the overall risk of the portfolio through the effect of diversification across different asset categories. An example of an investment portfolio that is 60% equities and 40% fixed income is depicted in the pie chart below.

Example of a 60/40 Asset Allocation Portfolio



This asset allocation example is for educational and informational purposes only. It is not representative of any particular client account. Each person, family, or account has different facts and circumstances, so no single investment allocation can fit all situations. In addition, changes in an individual's time horizon and risk tolerance as well as various economic, financial and market factors can lead to changes in the asset allocation of an investment portfolio.

Index of Economic Freedom

The Index of Economic Freedom, a 20-year joint project of The Heritage Foundation and The Wall Street Journal, is a measure of relative economic freedom of various countries around the world. It is based on the premise that greater economic freedom promotes prosperity, quality of life, health, education, and democracy. Each of 178 countries is rated and ranked on various measures of economic freedom. Based on overall economic freedom scores the countries of the world are placed into one of five categories labeled; Free, Mostly Free, Moderately Free, Mostly Unfree, or Repressed.

For 2014 the six highest scoring countries are:

Country	Overall Score
1. Hong Kong	90.1
2. Singapore	89.4
3. Australia	82.0
4. Switzerland	81.6
5. New Zealand	81.2
6. Canada	80.2

These 6 countries are the only countries in the world labeled by the Index of Economic Freedom as "Free." For the first time in 20 years the United States fell out of the top 10 rankings. The United States is currently ranked 12th in the world in economic freedom, with an overall score of 75.5. This economic freedom ranking places the United States in the second category labeled, "Mostly Free."

Over the 20-year period of making economic freedom measures, the Index of Economic Freedom has observed that the global average of economic freedom has been increasing over time. This means that generally economic freedom is improving around the world with a few notable exceptions.

One exception is the United States. The United States is the only country to have seen 7 consecutive years of decline in economic freedom. While the United States is more economically free than most of the world, it has lost its position as a world leader in economic freedom.

The United States overall economic freedom is in a 7-year downward trend while the overall economic freedom of the rest of the world is in an upward trend.

For more detailed information and informative graphs, go to www.heritage.org/index.

Top Year End Tax Planning Ideas

1. Maximize contributions to qualified retirement plans such as 401(k), 403(b), SEP-IRA, Traditional IRAs and Roth IRAs. In general, maximum contribution limits for 2014 are \$17,500 for 401(k) and 403(b) plans (\$23,000 for age 50 or older). Contribution limits for Traditional and Roth IRAs are \$5,500 (\$6,500 for age 50 or older).

2. Consider timing of income and expenses. With exceptions it is generally to your advantage to defer recognition of taxable income and accelerate tax-deductible expenses. An example of deferring income would be delaying receipt of a bonus or other earned income until early in 2015. Another good example would be to consider not selling certain appreciated stocks or other capital assets until 2015 in order to avoid recognition of capital gain income this year. Also, consider prepaying certain tax-deductible expenses before year-end. An example of prepaying a deductible expense would be to pay estimated state income taxes by December 31 instead of the January 15 deadline.

3. Look at tax harvesting opportunities in your taxable investment portfolio. For example, you may have incurred capital gains during the year that are

subject to tax. Do you have capital losses you can take to offset the capital gains? The tax law allows you to take a net capital loss of \$3,000 against ordinary income after offsetting capital gains. Be careful to not violate the 30-day wash sale rule.

4. Make use of year-end charitable gifts. Many people simply write checks to charity, but one of the best tools available is the donor advised fund. A donor advised fund allows you to make tax-deductible gifts before year-end and then make decisions later as to the ultimate distribution of funds to qualified charities. I use a donor advised fund with the National Christian Foundation and have been highly pleased with its excellent service, online capabilities and detailed recordkeeping (www.nationalchristian.com). Gifts of long-term appreciated capital assets such as stocks or mutual funds is a way to avoid recognition of capital gains on the appreciated asset that is gifted to charity.

5. If you own a business evaluate the use of a section 179 deduction. This is a provision of the tax code that allows businesses to expense up to \$25,000 of capital asset purchases such as office equipment, furniture, computers and other assets that normally are depreciated and expensed over time based on their useful life. Special rules may apply.

Many other year-end tax-planning ideas exist that you might consider. The five ideas listed above are just to get your thinking started before it's too late. Many tax saving ideas involve special rules, exceptions and requirements that must be met in order to obtain the desired tax savings. It is advisable to work with a financial or tax professional in order to make sure that what you are trying to accomplish will produce the tax results you want in your specific circumstances.

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,
George M Hiller Companies, LLC Investment Team

George M. Hiller Companies, LLC - Financial Newsletter is published periodically by George M. Hiller
Address: 1110 Monarch Plaza, 3414 Peachtree Rd. NE, Atlanta, Georgia 30326
Phone: 1-800-359-0222 or 404-365-0222 Email: ghiller@georgehiller.com Web Site: www.GeorgeHiller.com
Please call or email if you have any questions regarding your receipt of this newsletter.
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