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Financial Perspectives

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Protect Yourself from Tax-Related Scams

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Perhaps one of the biggest trends in tax filing is the proliferation of identity thieves trying to swipe refund checks, and criminals utilizing phishing emails, threatening calls and texts posing as the IRS in an attempt to get innocent taxpayers to fork over false penalty funds. These issues topped the IRS "Dirty Dozen" list[1], a compilation of the most concerning tax scams. In fact, the agency reported that from 2011-2014 it was able to stop 19 million suspicious tax returns and protected more than $63 billion in fraudulent refunds. That said, the IRS acknowledges that it has paid at least $5.8 billion in fraudulent refunds.

Bottom line: you need to be on the lookout for scammers and thieves. The IRS is doing its best to help you as well. The agency recommends the following key points to help protect yourself:

- Always use security software with firewall and anti-virus protections. Make sure the security software is always turned on and can automatically update. Encrypt sensitive files such as tax records you store on your computer. Use strong passwords.
- Learn to recognize and avoid phishing emails, threatening calls and texts from thieves posing as legitimate organizations such as your bank, credit card company and even the IRS. Do not click on links or download attachments from unknown or suspicious emails.
- Protect your personal data. Don't routinely carry your Social Security card, and make sure your tax records are secure. Treat your personal information like you do your cash – don't leave it lying around.

The IRS has published other resources for you to review as well. To learn additional steps you can take to protect your personal and financial data, visit the IRS web site (www.irs.gov) and search for the page entitled Taxes. Security. Together. We All Have a Role to Play in Protecting Your Data. On that page, you will find a link that will open Publication 4524: Security Awareness for Taxpayers, which provides additional details on steps you can take to keep your information safe.

Dealing with taxes is tough enough. Do everything you can to keep from dealing with the bad guys trying to make your life even worse.

[1] To see the complete list, go to www.irs.gov and enter the term "Dirty Dozen" in the search box.

PATH Act Stabilizes Many Tax-planning Strategies

On December 18, the President signed the Protecting Americans from Tax Hikes ("PATH") Act. Many tax extenders that had previously been patched on an inconsistent basis over the past several years have now been made permanent. Others have been extended until the end of 2016, or even 2019 in some cases. There are numerous provisions involving individual taxpayers, business deductions, and other specialty areas. Some key highlights you should be aware of are outlined in the tables below:

Important Changes For Individuals	
Qualified Charitable Distributions from IRAs Made Permanent	The Act made permanent the tax free treatment of qualified charitable distributions by individuals who are age 70½ or older of up to $100,000 for payments made directly from an IRA to a qualified charity.
Rollovers to SIMPLE IRAs Available After Two Years of Participation	SIMPLE IRAs were the only retirement plans after portability rules were enacted that did not allow rollovers from other retirement plans to be comingled with SIMPLE IRA contributions. This was primarily because of the special 25% early withdrawal penalty applicable to any distributions taken in the first 2 years of participation in the plan. Rollovers from IRAs, 401(k)s or other qualified retirement plans can now be made to a SIMPLE IRA after the two-year period expires.
529 Plan Qualified Expenses and Rollover Expanded	Computer expenses that are used primarily by the 529 plan beneficiary during years they are enrolled in an eligible school are now considered qualified expenses beginning in 2015. Qualified expenses paid from a 529 plan to an educational institution that are later refunded may now be recontributed to a 529 Plan for the same beneficiary if the rollover is completed within 60 calendar days of the refund. If the refund was received earlier in 2015, the rollover will be permitted if made within 60 days of the PATH Act enactment date of December 18, 2015.
State and Local Sales Tax Deduction Made Permanent	Taxpayers that itemize deductions may use the greater of state income taxes paid or state and local sales taxes paid. The sales tax deduction can be either validated by receipts, or the IRS provides a calculator that estimates the claimed amount based on the taxpayer's income and zip code. The sales tax deduction is typically utilized by individuals living in a state that has no income tax.
American Opportunity Tax Credit Made Permanent	This tax credit provides up to $2,500/year for the first 4 years of college for taxpayers under certain AGI thresholds ($160,000 for married couples, $80,000 for singles). This credit permanently replaces the former Hope tax credit.

Important Changes For Individuals (continued)	
Qualified Tuition Deduction Extended	Effective for 2015 and 2016 only, the above-the-line deduction for qualified tuition and expenses continues. The deduction is for $4,000 for an eligible student, but is reduced to $2,000 for married couples with AGI above $130,000 ($65,000 for individuals) and is fully phased out for AGIs above $160,000 married/$80,000 individuals.
Mortgage Insurance Premiums Considered Qualified Residence Interest	Extended through 2016 for individuals that pay PMI (Private Mortgage Insurance). If a mortgage was taken out after 2006 and was "acquisition debt" for a primary residence, that insurance premium may be deducted. This deduction phases out for a taxpayer with AGI in excess of $100,000 and is completely phased out at $110,000 of AGI.
Enhanced Child Tax Credit Made Permanent	This allows a $1,000 tax credit for each "qualifying child". The credit phases out with AGI at $110,000 for married couples, $75,000 for individuals. For taxpayers whose credit exceeds their tax liability, the taxpayer may receive a refundable credit equal to 15% of earned income in excess of the threshold dollar amount (which has been permanently set at $3,000).

Important Changes For Businesses	
50% Bonus Depreciation	Effective for 2015 through 2017, the 50% bonus depreciation rules will continue. In 2018 the rules will continue at a 40% bonus depreciation rate, and in 2019 will be reduced to 30%. The provision is slated to lapse after 2019.
Small Business Stock Capital Gains Exclusion Made Permanent	The rules to exclude capital gains on qualifying small business stock acquired and held more than five years are now permanent. Pursuant to IRS Code Section 1202, the gain is excluded, even as an AMT preference item which means the favorable treatment would be preserved for those subject to AMT.
Section 179 Expensing Made Permanent	The Section 179 expensing limits, including the $500,000 maximum deduction amount and the $2,000,000 threshold for the phase out of the deduction are now permanent. These thresholds are also indexed for inflation going forward. Special rules for computer software and some qualified real property deductions are also included.
Work Opportunity Tax Credit Extended	For businesses that hire employees who fall into one of nine favored groups, which include veterans and now long-term unemployed individuals, a federal income tax credit is available. The credit ranges from $2,400 to $9,600 for each qualified newly hired employee. This credit is extended through 2019.

In addition to the above, there were several other specific changes in the PATH Act that may affect certain individuals and businesses. Consult with your tax professional to make sure you are examining all of the applicable changes that could affect you or your business.

With most of these provisions either permanent or with multi-year extensions, many taxpayers can better plan for their ongoing tax situations. However, taxes remain a complicated and moving target. Work with your Benjamin F. Edwards Financial Consultant to make sure your investments are aligned with your tax strategy. Working together with your tax and financial advisors can help you maximize your after-tax dollars.

How to View Your Tax Forms on NetXInvestor

Many of the tax forms related to your investment accounts are available for you to view via your online account access. To pull up these forms – and print copies for informational or recordkeeping purposes – simply log on to your NetXInvestor account.

1) On the www.benjaminfedwards.com web site, place your cursor over CLIENT ACCESS at the top of the page, and click on Client Login.
2) Enter your User ID and password to log on to the system.
3) From the home screen of NetXInvestor, click on the Communications tab.
4) On the left hand navigation menu, select the Tax Documents option.

From this screen, you will be able to view a list of all your available tax documents. You can click on an individual document to view, or you have the option to Combine Documents to view multiple forms in a single, combined PDF. You can print copies of these forms, but please keep in mind these cannot be used to officially file with the IRS; these are for your information only.

Don't have online access?

This is easy to obtain. In addition to viewing your tax materials, your online account provides access to details such as account holdings, current account balances, statements, and much more. Contact your Financial Consultant to learn how to set up this valuable tool.

Tax Filing Deadline Extensions

We all know that April 15 is typically the deadline for filing your individual income tax return with the federal government. But depending on how that date falls on the calendar, sometimes there are exceptions to that general rule; if the due date falls on a Saturday, Sunday or a legal holiday, the due date is delayed until the next business day. Here are a few special circumstances to be aware of this year:

Emancipation Day

Annually celebrated in Washington, DC on April 16, this year's holiday will be observed on Friday, April 15, thus delaying the filing deadline for all taxpayers until Monday, April 18.

Patriot's Day

Celebrated on Monday, April 18 this year, this holiday will delay the deadline for taxpayers residing in Maine and Massachusetts until Tuesday, April 19.

Disaster Relief

In addition to calendar holidays having an impact on filing deadlines, the IRS provides relief for taxpayers affected by severe storms and natural disasters. Depending on the circumstances, the IRS may grant additional time to file returns and pay taxes. Currently, the agency has posted notices related to disaster stricken counties in these states:

Mississippi
Missouri
Arkansas

Individuals who reside or have a business in certain counties in those states have been granted a deadline extension until May 16 to file their taxes this year. To see the most current information related to disaster areas, go to www.irs.gov and use the search term "Tax Relief in Disaster Situations."

Market Recap

Market Summary (As of March 1, 2016)

	Year-to-Date	Trailing 12-Months	3-Year Annualized	5-Year Annualized
DJIA	-5.21%	-8.91%	5.53%	6.20%
Nasdaq	-8.98%	-8.17%	12.98%	10.38%
Russell 2000	-8.98%	-16.17%	4.30%	4.66%
S&P 500	-5.47%	-8.19%	8.45%	7.80%

Sources: Benjamin F. Edwards & Co. and Bloomberg

	U.S. Treasury Yields
Two-year	0.77%
Five-Year	1.20%
10-year	1.72%
30-Year	2.61%

Source: Bloomberg; As of March 1, 2016

U.S. Stocks

Performance of S&P 500: Index Price Returns

for Periods Ended February 29, 2016

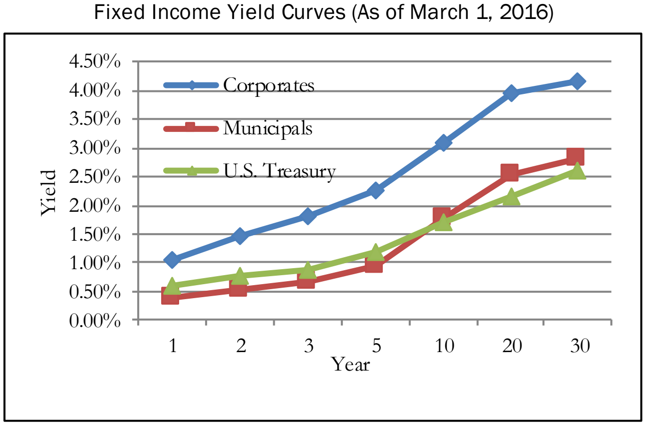
Sector	Weightings	Year-To-Date	Trailing 12-Months	Five-Year Annualized
Info. Technology	20.7%	-6.36%	-5.82%	9.51%
Financials	15.9%	-11.85%	-13.40%	4.57%
Health Care	14.7%	-8.31%	-8.43%	15.20%
Cons Discretionary	12.9%	-4.96%	-1.91%	13.72%
Cons Staples	10.6%	0.51%	1.41%	11.28%
Industrials	10.0%	-2.51%	-8.31%	7.13%
Energy	6.6%	-5.55%	-26.66%	-6.12%
Materials	2.6%	-4.09%	-18.65%	1.37%
Utilities	3.3%	6.34%	2.30%	7.59%
Tele. Services	2.7%	8.31%	2.15%	5.09%

Ranked by highest to lowest index weightings; Weightings may not equal 100 due to rounding
Source: S&P®

- Unprecedented similarity in movement between oil prices and equity market indices has contributed to increased market volatility. The current glut in oil supplies, and resistance from oil-producing countries to reduce production, could keep prices low. Domestically, the uptick in driving during the spring and summer travel seasons could help lower oil inventories. Fourth-quarter GDP growth in the U.S. was recently revised upward to a 1.0% annual rate – well above the 0.4% consensus forecast. Studies indicate year-over-year GDP growth could be about 2.5% in 2016.
- Many economists believe recent talk about a possible recession may be significantly overstated. High debt levels resulting from expansion in the oil industry are troublesome, but the housing bubble and risky mortgages that helped to spark the recession in 2008 are not concerns at this time. Personal spending and incomes grew 0.5% during January – both higher than expected – and the personal savings rate has also moved upward.
- A clearer picture of earnings expectations for 2016 is likely to be a key market driver. With 96% of S&P 500 companies reporting fourth-quarter 2015 earnings, about 69% came in above the mean estimate, and 48% reported sales above the mean. Companies appear to be doing a favorable job controlling costs in an uncertain revenue environment, placing them in a good position for an economic turnaround.

Fixed Income

Fixed Income Yield Curves (As of March 1, 2016)



Sources: Bloomberg, Bloomberg US Corporate (A) Fair Value Index, Thomson Reuters MMI

- The Treasury curve flattened significantly over the last quarter, and the differential between 2-year and 30-year Treasuries got smaller. In December, that differential was 2.19%; by the end of February that spread compressed to 1.84%. Some of that move is attributed to stock market volatility and investors moving from equites into bonds, as well as below-expectation inflationary pressures. But the primary driver was low commodity prices.
- The Municipal Bond market has continued to represent an attractive relative value to taxable bonds. Over the past quarter, munis have traded with a lower volatility than Treasuries. Longer maturity muni bonds currently represent a better value than Treasuries of similar maturities, trading at around 101% and 105% of the treasury yield in the 15-year and 30-year varieties, respectively (note: these percentages do not take into account the federal tax-free benefit).
- The investment grade corporate market continues to see steady demand, but the high-yield portion of the market has recently seen weakness due to the commodities markets. The Oil & Gas and Mining sectors continue to be under pressure from the combination of larger amounts of debt on the balance sheet, and margin compression due to low commodities prices has weighed heavily on the debt market.

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Diversification does not guarantee a profit or protect against loss.

Investing in securities entails certain risks, including the potential loss of all or a portion of the proceeds invested. Individuals should consider their specific financial needs, investment objectives and risk tolerance before making an investment.

Equity investments refer to buying stocks of U.S. companies as well as companies outside of the U.S. The market capitalization of U.S. companies is used to group large, medium (mid) and small companies. The investment return to the owner of stock (shareholder) is in the form of dividends and/or capital appreciation. Shareholders share in both the upside potential and the downside risk. Dividends are not guaranteed and are subject to change or elimination.

Mutual funds and ETFs are sold by prospectus. Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from your financial consultant and should be read carefully before investing.

An investment in a 529 plan will fluctuate such that an investor's shares when redeemed may be worth more or less than the original investment. Investors should carefully consider a 529 plan's investment objectives, risks, charges and expenses before investing. This and other important information can be found in the 529 plan issuer's official statement, which should be read carefully before investing.

The return of principal for bond funds and funds with significant underlying bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds.

Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline of the value in your investment.

An index is not managed and is unavailable for direct investment. The Dow Jones Industrial Average (DJIA) is an index that shows how 30 large, publicly owned companies based in the United States have traded during a standard trading session in the stock market. The Nasdaq Composite Index measures over 5,000 NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The Russell 2000 is a stock-market index measuring the performance of 2000 small-capitalization stocks. The S&P 500 Index covers 500 industrial, utility, transportation and financial companies in the U.S. markets. S&P®, Standard & Poor's® and S&P 500® are registered trademarks of the Standard & Poor's Financial Services LLC.

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