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Hi Everyone,

I hope all is well for those up north with the continuing Global Cooling !!! Some are predicting it will continue to worsen for another 30 years, yikes. How would that change things? Probably quite a bit, though gradually. Just my thought for the day.

I do hope all is well, and keep an eye out for a special email discussing the December year end results.

Best Regards, Paul B. Miller, CFP®

February 2015

Key Numbers for 2015

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Should Life Insurance Be Part of Your Retirement Plan?

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Key Numbers for 2015



Every year, the Internal Revenue Service (IRS) announces cost-of-living adjustments that affect contribution limits for retirement plans, thresholds for deductions and credits, and standard deduction and personal exemption amounts. Here are a few of the key adjustments for 2015.

Retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to \$18,000 in compensation in 2015 (up from \$17,500 in 2014); employees age 50 and older can defer up to an additional \$6,000 in 2015 (up from \$5,500 in 2014)
- Employees participating in a SIMPLE retirement plan can defer up to \$12,500 in 2015 (up from \$12,000 in 2014), and employees age 50 and older will be able to defer up to an additional \$3,000 in 2015 (up from \$2,500 in 2014)

IRAs

The limit on annual contributions to an IRA remains unchanged at \$5,500 in 2015, with individuals age 50 and older able to contribute an additional \$1,000. For individuals who are covered by a workplace retirement plan, the deduction for contributions to a traditional IRA is phased out for the following modified adjusted gross income (AGI) ranges:

	2014	2015
Single / head of household (HOH)	\$60,000 - \$70,000	\$61,000 - \$71,000
Married filing jointly (MFJ)	\$96,000 - \$116,000	\$98,000 - \$118,000
Married filing separately (MFS)	\$0 - \$10,000	\$0 - \$10,000

Note: The 2015 phaseout range is \$183,000 - \$193,000 when the individual making the IRA contribution is not covered by a workplace retirement plan, but is filing jointly with a spouse who is covered.

The modified AGI phaseout ranges for individuals making contributions to a Roth IRA are:

	2014	2015
Single / HOH	\$114,000 - \$129,000	\$116,000 - \$131,000
MFJ	\$181,000 - \$191,000	\$183,000 - \$193,000
MFS	\$0 - \$10,000	\$0 - \$10,000

Estate and gift tax

- The annual gift tax exclusion remains \$14,000
- The gift and estate tax basic exclusion amount for 2015 is \$5,430,000, up from \$5,340,000 in 2014

Personal exemption

The personal exemption amount has increased to \$4,000 (up from \$3,950 in 2014). For 2015, personal exemptions begin to phase out once AGI exceeds \$258,250 (Single), \$309,900 (MFJ), \$284,050 (HOH), or \$154,950 (MFS).

Note: These same AGI thresholds apply in determining if itemized deductions may be limited. The corresponding 2014 threshold amounts were \$254,200 (single), \$305,050 (MFJ), \$279,650 (HOH), and \$152,525 (MFS).

Standard deduction

The standard deduction amounts have been adjusted as follows:

	2014	2015
Single	\$6,200	\$6,300
HOH	\$9,100	\$9,250
MFJ	\$12,400	\$12,600
MFS	\$6,200	\$6,300

Note: The 2015 additional standard deduction amount (age 65 or older, or blind) is \$1,550 if filing as single or HOH (unchanged from 2014) or \$1,250 (up from \$1,200 in 2014) for all other filing statuses. Special rules apply if you can be claimed as a dependent by another taxpayer.

10 Financial Terms Everyone Should Know



Understanding financial matters can be difficult if you don't understand the jargon. Becoming familiar with these 10 financial terms may help make things clearer.

1. Time value of money

The time value of money is the concept that money on hand today is worth more than the same amount of money in the future, because the money you have today could be invested to earn interest and increase in value.

Why is it important? Understanding that money today is worth more than the same amount in the future can help you evaluate investments that offer different potential rates of return.

2. Inflation

Inflation reflects any overall upward movement in the price of consumer goods and services and is usually associated with the loss of purchasing power over time.

Why is it important? Because inflation generally pushes the cost of goods and services higher, any estimate of how much you'll need in the future--for example, how much you'll need to save for retirement--should take into account the potential impact of inflation.

3. Volatility

Volatility is a measure of the rate at which the price of a security moves up and down. If the price of a security historically changes rapidly over a short period of time, its volatility is high. Conversely, if the price rarely changes, its volatility is low.

Why is it important? Understanding volatility can help you evaluate whether a particular investment is suited to your investing style and risk tolerance.

4. Asset allocation

Asset allocation means spreading investments over a variety of asset categories, such as equities, cash, bonds, etc.

Why is it important? How you allocate your assets depends on a number of factors, including your risk tolerance and your desired return. Diversifying your investments among a variety of asset classes can help you manage volatility and investment risk. Asset allocation and diversification do not guarantee a profit or protect against investment loss.

5. Net worth

Net worth is what your total holdings are worth after subtracting all of your financial obligations.

Why is it important? Your net worth may fund most of your retirement years. So the faster and higher your net worth grows, the more it may

help you in retirement. For retirees, a typical goal is to preserve net worth to last through the retirement years.

6. Five C's of credit

These are character, capacity, capital, collateral, and conditions. They're the primary elements lenders evaluate to determine whether to make you a loan.

Why is it important? With a better understanding of how your banker is going to view and assess your creditworthiness, you will be better prepared to qualify for the loan you want and obtain a better interest rate.

7. Sustainable withdrawal rate

Sustainable withdrawal rate is the maximum percentage that you can withdraw from an investment portfolio each year to provide income that will last, with reasonable certainty, as long as you need it.

Why is it important? Your retirement lifestyle will depend not only on your assets and investment choices, but also on how quickly you draw down your retirement portfolio.

8. Tax deferral

Tax deferral refers to the opportunity to defer current taxes until sometime in the future.

Why is it important? Contributions and any earnings produced in tax-deferred vehicles like 401(k)s and IRAs are not taxed until withdrawn. This allows those earnings to compound, further adding to potential investment growth.

9. Risk/return trade-off

This concept holds that you must be willing to accept greater risk in order to achieve a higher potential return.

Why is it important? When considering your investments, the goal is to get the greatest return for the level of risk you're willing to take, or to minimize the risk involved in trying for a given return. All investing involves risk, including the loss of principal, and there can be no assurance that any investing strategy will be successful.

10. The Fed

The Federal Reserve, or "the Fed" as it's commonly called for short, is the central bank of the United States.

Why is it important? The Fed has three main objectives: maximum employment, stable prices, and moderate long-term interest rates. The Fed sets U.S. monetary policy to further these objectives, and over the years its duties have expanded to include maintaining the stability of the entire U.S. financial system.

Should Life Insurance Be Part of Your Retirement Plan?



As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications.

Any guarantees associated with payment of death benefits, income options, or rates of return are based on the claims-paying ability and financial strength of the insurer.

Most of us think of life insurance as protection against financial loss should we die prematurely. But if and when we reach retirement and the kids are all self-sufficient, do we still need life insurance? The answer is maybe--or maybe not. Here are some situations where life insurance may make sense for retirees, or those close to retirement.

Benefits at death

Provide for a dependent family member

Sometimes, even in retirement, there are family members who'll depend on you for financial and/or custodial support. Should you die unexpectedly, life insurance may help provide funds needed to support dependent family members who are physically or mentally challenged.

Income replacement for surviving spouse

Generally, Social Security retirement benefits are paid to both spouses, either based on their individual work records or on the work record of one spouse, with spousal benefits available for the other spouse. At the death of a spouse, his or her benefits end, reducing the total benefits available to the surviving spouse. Life insurance can be used to replace the loss of income for the surviving spouse.

Pay off debt

While past generations often retired with little or no debt, it is not uncommon for today's retirees to leave the workforce while still carrying a mortgage, car loan, and credit-card debt. Life insurance can provide the cash to pay off these debts, which is especially beneficial for a surviving spouse.

Provide a legacy

For many approaching retirement, as well as for those already there, a primary concern is having enough savings to provide income needed to live comfortably. While conserving savings and keeping track of spending in retirement are important, all too often retirees will forgo spending on themselves in order to fulfill a desire to leave a legacy. The death proceeds from a life insurance policy can provide a legacy for surviving family members, while allowing retirees to spend a little more on themselves, with the knowledge that they'll be leaving something for their loved ones.

Final expenses

Unfortunately, the expense of dying is often overlooked or underestimated. Uninsured medical bills, funeral costs, debts, and estate administration costs can add up. Typically, these expenses are paid in a lump sum, which can reduce savings for surviving spouses and

dependent family members. Proceeds from life insurance can be used to help pay for these final expenses, which may help preserve savings for other needs.

Living benefits

Source of retirement income

While life insurance is designed to protect against unexpected economic loss, cash-value life insurance also may provide a source of income during retirement. Earnings in life insurance accumulate tax deferred, and in some instances cash-value distributions can be income-tax free. However, loans used to access cash values from a life insurance policy will reduce the policy's cash value and death benefit, could increase the chance that the policy will lapse, and might result in a tax liability if the policy terminates before the death of the insured.

Income you can't outlive

Your financial circumstances may change during retirement, and the need for the policy's death benefit may not be as important as the need for a steady income. One option that may be available is to exchange a portion or all of your policy's cash value for an immediate annuity that can provide a fixed income for the rest of your life, and for the life of your spouse if you choose. If the policy is not a modified endowment contract and there are no outstanding policy loans, the exchange to an annuity should be income-tax free. But exchanging your cash value for an annuity will likely decrease or eliminate the policy's death benefit. And these exchanges work only one way--you can't exchange an annuity for a life insurance policy.

Long-term care benefits

Some cash-value life insurance policies provide multiple sources of protection. Along with the death benefit and potential cash value, these policies may also provide a long-term care benefit. Often, these policies allow for a portion or all of the death benefit to be "accelerated" if used for the payment of qualifying medical and long-term care expenses.

Life insurance provides protection for your family's financial future should you die during your working years. However, life insurance may provide other benefits that can be useful during your retirement. Whether life insurance should be part of your retirement plan is best determined based on your individual circumstances and goals. You may want to talk with an insurance or financial professional before making this decision.

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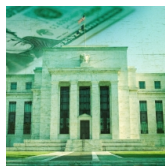
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Should I be worried about a Federal Reserve interest rate hike?

After years of record-low interest rates, at some point this year the Federal Reserve is expected to begin raising its target federal funds interest rate (the rate at which banks lend to one another funds they've deposited at the Fed). Because bond prices typically fall when interest rates rise, any rate hike is likely to affect the value of bond investments.

However, higher rates aren't all bad news. For those who have been diligent about saving and/or have kept a substantial portion of their portfolios in cash alternatives, higher rates could be a boon. For example, higher rates could mean that savings accounts and CDs are likely to do better at providing income than they have in recent years.

Also, bonds don't respond uniformly to interest rate changes. The differences, or spreads, between the yields of various types of debt can mean that some bonds may be under- or overvalued compared to others. Depending on your risk tolerance and time horizon, there are many ways to adjust a bond portfolio to help cope with rising interest rates. However, don't

forget that a bond's total return is a combination of its yield and any changes in its price; bonds seeking to achieve higher yields typically involve a higher degree of risk.

Finally, some troubled economies overseas have been forced to lower interest rates on their sovereign bonds in an attempt to provide economic stimulus. Lower rates abroad have the potential to make U.S. debt, particularly Treasury securities (whose timely payment of interest and principal is backed by the full faith and credit of the U.S. Treasury), even more attractive to foreign investors. Though past performance is no guarantee of future results, that's what happened during much of 2014. Increased demand abroad might help provide some support for bonds denominated in U.S. dollars.

Remember that bonds are subject not only to interest rate risk but also to inflation risk, market risk, and credit risk; a bond sold prior to maturity may be worth more or less than its original value. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.



How can I try to manage the impact of an interest rate hike?

With higher interest rates a distinct possibility in 2015, you may want to think about whether the bond portion of your portfolio is positioned appropriately given your time horizon and risk tolerance. One factor you might consider is which types of bonds may be most vulnerable to a rate hike.

Some investors forget that a bond's principal value may fluctuate with market conditions. When interest rates rise, longer-term bonds may feel a greater impact than those with shorter maturities. When interest rates are rising, bond buyers may be reluctant to tie up their money for longer periods if they anticipate higher yields in the future. The longer a bond's term, the greater the risk that its yield may eventually be superseded by that of newer bonds.

High-yield bonds (also known as junk bonds) may be affected disproportionately because they involve greater risk. Issuers must pay those higher yields because they are seen as having a greater risk of default, especially if a company already has a high debt burden and/or a relatively short history of successful

debt repayment, or is otherwise on shaky financial footing. Investors may be reluctant to purchase risky debt if they foresee receiving a comparable yield from an issuer seen as more trustworthy.

Bonds redeemed prior to maturity may be worth more or less than their original value; however, if you hold a bond to maturity, you would suffer no loss of principal unless the issuer defaults. Bond investments also may be laddered. This involves buying a portfolio of bonds with varying maturities; for example, a five-bond portfolio might be structured so that one of the five matures each year for the next five years. As each bond matures, you might be able to reinvest the proceeds in an instrument that carries a higher yield.

Don't forget that all investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful. In addition to interest rate risk, bonds also face credit risk, inflation risk, and market risk.