

INSIGHTS

INVESTMENT OVERVIEW

ECONOMIC OVERVIEW

If market performance is a leading indicator, what does this past year's exceptional performance say about the strength of economic data over the coming year?

With the NASDAQ gaining 40% in 2013 – surpassing levels seen at the top of the “dot.com” bubble – there was little debate about the recovery of the US equity market in 2013. While investors have marveled at the stock market, individuals have had trouble reconciling the strong equity market returns and the paltry GDP growth figures, seemingly unable to break above 4% since the 2008 recession. The end of 2013 brought the convergence of these two historically disparate data points, as third quarter GDP growth was revised upward of 4.0%, while manufacturing data continued to satisfy expectations.

The market accurately read the economic tealeaves in 2013. Now we need to sit back and embrace what needs to be a year of robust economic data necessary to support the lofty stock market moves we experienced in 2013. In other words, the economy needs to exceed expectations in 2014 by putting up the numbers, or the market may rescind the credit it extended over the past two years. It is our belief that the last five years represented the early stages of the cyclical recovery, and now we are entering the latter stages of a bull market. Where the crystal ball begins to get cloudy is in determining how long this latter stage will last and how much time we have to prepare before another downturn?

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FINANCIAL ADVISORY OVERVIEW

IRAS, RMDs, AND BENEFICIARY DESIGNATIONS - WHAT YOU NEED TO KNOW

Required Minimum Distributions

If you are the owner of a Traditional IRA, beginning at age 70 ½, the IRS requires that a portion of your IRA be distributed to you each year as taxable income. This distribution is referred to as your Required Minimum Distribution (“RMD”). It is determined by taking the IRA account balance as of December 31st of the previous year, and dividing it by the IRS predefined factor based on your age.

In prior years, Rinehart Wealth Management has sent RMD paperwork each year allowing you to elect how you wanted your RMD processed. Beginning in 2014, you will receive paperwork that will give Rinehart Wealth Management the authority to distribute future RMDs without requiring your signature. In 2015 and beyond, RMDs will be automatically calculated and processed according to your pre-specified instructions. This new process will not only save time and paperwork, it will also provide you with more flexibility regarding when to take RMDs throughout the year. If you have any questions about this change, please contact

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SPECIAL POINTS OF INTEREST

- Stock & Strategy Spotlight
- Monthly Index Review
- IRAs, RMDs, and Beneficiaries
- Around Rinehart

INVESTMENT OVERVIEW

ECONOMIC OVERVIEW

As the scores of oranges falling prematurely from the trees in Florida portend trouble with Tropicana, does the first opening-day decline since the ominous prelude to 2008 suggest a bumpy market ride in 2014? It is our belief that the 2013 market performance was a positive signal that the economy will continue to heal in 2014.

We expect subtle shifts in the leading market drivers indicative of a late-stage bull market. Consumer discretionary stocks outperformed the broader market last year, and, while initial earnings results from this sector have been disappointing, we anticipate sector rotation away from discretionary stocks towards equities that benefit from increased corporate capital expenditures. We expect corporations shift capital deployment away from share buybacks and dividend increases to accelerating merger and acquisition (M&A) activity and growth investment capital. Finally, with rising home prices and the whiff of wage increases, we expect a modest but measured increase in inflation, making vigilant real capital preservation increasingly

important. As we have seen thus far in 2014, fixed income is necessary during a declining equity market. We continue to caution against reactively abandoning fixed income – for more information, please refer to our October 2013 Whitepaper, *The Conservative Portfolio Conundrum*.

We will review 2013 and the themes outlined herein during our Quarterly Economic Overview Webinar. This marks the third anniversary of our quarterly broadcasts; we have been presenting since the fourth quarter of 2010, and we look forward to many more!

Economic Overview Webinar Details

When? Tuesday, February 4th at 10:00am

How? Register using the link in the original email or see any of our registration reminder emails that will go out prior to the webinar.

A recording will be available after February 4th in the Webinar Archive on our website.

STOCK & STRATEGY SPOTLIGHT

Stock/Company Name:

American Water Works Company, Inc.

Ticker/Symbol:

AWK

2013

16.08%

Strategy Description:

As the largest domestic water utility service provider, we view American Water Works Co., Inc. as well positioned to benefit from the aging water infrastructure across the United States, which will require significant, capital-intensive investment over the next several years. AWK provides water and wastewater utility services to residential, commercial, industrial, public, and other customers. It operates through two segments: Regulated Businesses and Market-Based Operations. We believe Utilities are poised to exceed performance expectations in 2014 after underperforming in 2013. Moreover, we anticipate additional growth in AWK's dividend yield as it continues to match EPS growth with its target payout ratio of 50-60%. This EPS growth will come from improving regulatory conditions and enhanced measures to meaningfully increase its allowed ROE across its Regulated Businesses.

MONTHLY INDEX REVIEW

| Data as of Jan. 31 st , 2014 | January 2014 | 4 th Quarter 2013 | 2013 |
|---|--------------|------------------------------|--------|
| S&P 500 | -2.94% | 10.51% | 32.39% |
| Dow Jones Industrials | -3.80% | 10.22% | 29.65% |
| NASDAQ Composite | -1.86% | 11.10% | 40.12% |
| Russell 2000 | -2.15% | 8.72% | 38.82% |
| MSCI Emerging Markets | -6.72% | 1.86% | -2.27% |
| MSCI EAFE | -2.83% | 5.75% | 23.29% |
| Barclays US Aggregate | 1.16% | -0.14% | -2.02% |

FINANCIAL ADVISORY OVERVIEW

ABOUT RINEHART

IRAs, RMDs AND BENEFICIARY DESIGNATIONS - WHAT YOU NEED TO KNOW

your Financial Advisor.

The Importance of Beneficiary Designations

Properly designating your IRA beneficiary is an important part of your estate plan. Otherwise, your heirs may have to pay more in taxes than necessary after you have passed. Certain assets like IRAs, 401(k)s, and life insurance policies pass outside of your will. Therefore, the beneficiary form, not your will, determines who will inherit these assets after your death. The most common beneficiary designations are spouses, children, grandchildren or other loved ones. After your death, RMDs from your IRA may be required, and who you've named as a

allowing them to use their individual life expectancy to determine the RMD. Additionally, you should specify what happens to the share of a child who predeceases you. State law generally presumes that a bequest to a blood relative automatically passes to that relative's descendants. However, custodian agreements require that, in the case of multiple primary beneficiaries, the account be paid equally to the existing primary beneficiaries who survive you, unless you specify otherwise. This would result in the account being split among the remaining beneficiaries, instead of passing to the deceased beneficiary's children. If you want a deceased child's share to pass to his or her children, a "per stirpes"

"You can't connect the dots looking forward; you can only connect them looking backwards" - Steve Jobs

beneficiary can dramatically affect the amount of RMDs that must be distributed.

It is important that you name a contingent beneficiary for your IRA in the event that your primary beneficiary predeceases you. If your IRA does not have a contingent beneficiary listed, most plans require your estate to be the default beneficiary which usually produces unfavorable tax results. For example, IRA benefits payable to an estate must be distributed within five years of your death if you died before you began taking RMDs or during your remaining single-life expectancy if you die after RMDs began. In contrast, individual beneficiaries are permitted to take RMDs over their individual single life expectancy, providing more flexibility and less paid in taxes.

If you name multiple beneficiaries, such as your children, the IRA can be divided into a separate account for each beneficiary,

designation must be noted.

At Rinehart Wealth Management, we review your beneficiaries annually, but if you are concerned that your beneficiaries might not be current, please contact your Financial Advisor.

Contribution Deadline: You can make an IRA contribution for the 2013 tax year until the **deadline on April 15th, 2014**. Please make sure that you get your contributions to Rinehart Wealth Management or your Financial Advisor **by April 1st** to allow ample time for processing and deposit.

Rinehart Wealth Management is an experienced boutique Registered Investment Advisor dedicated to independent, comprehensive wealth management. Founded in 1985 by Mary Rinehart, the firm, from its inception, has had a singular focus: to provide highly customized investment management and financial planning solutions to clients.

Boutique Firm:

Being a boutique wealth management firm allows us the flexibility to provide more personalized service and offer unique investment solutions to clients in a Fee-Only environment.

Team Approach:

Because each client's situation is different, the team of advisors is hand-selected to ensure areas of expertise are appropriately aligned with the client's specific needs and interests.

Proprietary Investment Research:

The differentiating factor of our portfolio management process is the proprietary investment research driving the portfolio construction. All investment research and analysis is done entirely in-house by our Investment Team.

AROUND RINEHART

Encryption Enhances Information Security

In today's world of electronic communication, thieves have become more sophisticated and successful at stealing money. The most common form of identity theft these days occurs when hackers gain access to email accounts, turning your personal correspondence into a treasure trove of sensitive information hackers use to their advantage. In January, we experienced an attempted wire fraud through a client's email that was hacked. Thankfully, due to our firm's internal policies and procedures, we were quickly able to identify the attempted fraud and notify the client. This was the second time in the last year that a client's email was hacked and attempted theft was prevented.

Rinehart Wealth Management has invested in numerous technologies over the years to protect our clients and their information. The most recent addition was our encryption email service last summer. This encryption email service allows us to communicate with our clients securely and send files that contain sensitive information safely. Many of our clients have already signed up for encryption email. We encourage all clients to sign up for this service, so if you have not yet enrolled and would like to do so, please contact your Financial Advisor.

Happenings - New Reports Under Construction!

In mid-January, Lorri Tomlin and Alana Linn traveled across the country to Seattle, Washington for training on our newest software - Tamarac AdvisorView. This is the

second part of a three-part software suite that the firm has invested in and is among the most sophisticated software in the industry for RIA's. We are all currently learning about AdvisorView from Lorri and Alana and working on the most anticipated part of AdvisorView - new and improved performance reporting capabilities.

For those of you who are new to our firm, or have been with us for decades, these performance reports herald a fresh look at the portfolio data you are used to seeing, and we are all extremely excited at how they are turning out. We hope to share the initial version next quarter.

Just for Fun

Lorri and Alana visited the Seattle Space Needle and Chihuly Garden and Glass with their time before the red eye flight back to Charlotte after Tamarac training- check out a few pictures below!

We also look forward to seeing many of you at "Investing in the New Healthcare Frontier" event on February 5th!



Rinehart Wealth Management

Wealth management is our only business; therefore, our attention is undivided and our intentions are transparent.

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