

## INSIGHTS

### INVESTMENT OVERVIEW

#### COAL IN YOUR STOCKING: CAPITAL GAINS DISTRIBUTIONS

Tax efficiency is one of the key factors we consider as Portfolio Managers. There are certain portfolio management strategies that we actively implement, such as year-long tax loss harvesting and asset-location optimization. Despite our best efforts to minimize the use of mutual funds in efficient markets and employ tax-inefficient strategies in tax-protected accounts, the timing and magnitude of mutual fund capital gains distributions are out of our control and have the potential to wreak havoc on portfolios with large mutual fund exposure. It is worth noting that over the past five years, the Investment Team has actively reduced the number of and percentage allocation to mutual funds in asset classes and sectors where we see little to no performance advantage: this effectively reduces an additional layer of fees across portfolios, while simultaneously increasing the tax-efficiency of portfolios.

Mutual funds are open-end investment vehicles consisting of the pooled assets of a diversified investor base. The underlying holdings within a mutual fund's investment portfolio contain numerous positions in individual securities, making available the benefits of diversification at the expense of discretion over individual securities. Whenever a mutual fund sells one of these positions, the transaction normally results in either a realized gain or a realized loss, thereby generating a taxable event for holders of the mutual fund, with no regard for timing or the individual investor's tax situation.

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### FINANCIAL ADVISORY OVERVIEW

#### NEW CHANGES THAT AFFECT SOCIAL SECURITY CLAIMING STRATEGIES

There is a lot of confusion surrounding the Social Security policy changes that resulted from the Bipartisan Budget Act of 2015 passed by Congress that went into effect November 2, 2015. The two strategies that are affected include the "File-And-Suspend" strategy, as well as filing a "Restricted Application" for spousal benefits.

##### WHAT'S CHANGING?

**File-And-Suspend:** The original version of the File-And-Suspend claiming strategy allowed someone, upon reaching full retirement age, to file for Social Security retirement benefits and then immediately suspend them. The suspension of benefits meant that delayed retirement credits could be earned that would increase their social security benefit by 8% for each year delayed until age 70 (a maximum of 32% increase in benefit). In addition, the fact that benefits had been filed for meant a spouse became eligible for spousal benefits (spousal benefits cannot be claimed until the primary worker also files for *their own benefits*).

Under the new rules, when a taxpayer's benefit is suspended,

*Continued on page 4*

#### INVESTMENT TEAM

Daniele Donahoe, CFA  
*CEO & Chief Investment Officer*  
Elliott Van Ness, CFA  
*Director of Research & Portfolio Manager*  
Mary Rinehart, CFP®  
*Chairman & Portfolio Manager*  
Brittany Danahey, CFA  
*Portfolio Manager*

#### WEALTH ADVISORY TEAM

Sandy Carlson, CFP®, CPA, CDEA™  
*President & Wealth Advisor*  
Andrew Savant, CFP®  
*Wealth Advisor*  
Lorri Tomlin, RP®  
*Wealth Associate*  
Cynthia Sims, JD  
*Client Service Associate & Communications Manager*  
Jeremy Williamson  
*Client Service Associate*

#### SPECIAL POINTS OF INTEREST

- Stock & Strategy Spotlight
- Monthly Index Review
- Around Rinehart

**INVESTMENT OVERVIEW****COAL IN YOUR STOCKING: CAPITAL GAINS DISTRIBUTIONS**

According to tax law, mutual funds are required to distribute all realized gains, net of any realized losses, to the mutual fund shareholders via capital gains distributions, which often occur close to year-end. Mutual fund companies provide estimates of projected capital gains distributions to aid tax planning towards the end of the year. While not exact, and often made available too late in the year for measured tax planning, these projections allow investors to anticipate what could contribute to a large swing in taxable gains for the year.

These distributions, often made in tandem with dividend payments, are recorded and scheduled to be paid out to shareholders after settlement at the end of the trading day.

This can look like a dramatic decline in the market value of the mutual fund position due to a decrease in the price, or net asset value ("NAV"), per share of the mutual fund.

However, the nominal decrease in NAV corresponds to the amount paid out by the mutual fund to the shareholder, as well as residual day-to-day fluctuations in the underlying securities.

In Table I, the Investment Team has assembled data on actual capital gains distributions made by several of the mutual funds held across client investment portfolios, so that clients may be more aware of potential capital gains distribution activity.

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**TABLE I: 2015 CAPITAL GAINS DISTRIBUTIONS (USD PER SHARE)**

<b>Name:</b>	<b>Ticker</b>	<b>Capital Gains Date</b>	<b>Latest Capital Gains NAV</b>	<b>Latest Capital Gains Distributions</b>
AMG Yacktman Fund	YACKX	12/28/2015	\$ 20.99	\$ 2.51
Vanguard Wellington Fund	VWELX	12/24/2015	\$ 37.05	\$ 1.39
Vanguard Intermediate-Term Bond Index Fund	BIV	12/23/2015	\$ 82.95	\$ 0.26
Vanguard Total Bond Market Index Fund	BND	12/23/2015	\$ 80.58	\$ 0.05
Vanguard Short-Term Bond Index Fund	BSV	12/23/2015	\$ 79.49	\$ 0.05
Adirondack Small Cap Fund	ADKSX	12/22/2015	\$ 19.27	\$ 0.66
Brown Advisory Growth Equity Fund	BIAGX	12/21/2015	\$ 19.19	\$ 1.28
Buffalo Flexible Income Fund	BUFBX	12/18/2015	\$ 13.50	\$ 0.10
PRIMECAP Odyssey Aggressive Growth Fund	POAGX	12/16/2015	\$ 32.35	\$ 2.03
Vanguard Wellesley Income Fund	VWINX	12/16/2015	\$ 24.59	\$ 0.61
Absolute Strategies Fund	ASFIX	12/15/2015	\$ 10.12	\$ 0.84
Matthews Asian Growth & Income Fund	MACSX	12/10/2015	\$ 15.97	\$ 0.76
Matthews Pacific Tiger Fund	MAPTX	12/10/2015	\$ 23.08	\$ 2.21
Permanent Portfolio	PRPFX	12/9/2015	\$ 34.88	\$ 2.03
Kellner Merger Institutional Fund	GAKIX	12/8/2015	\$ 10.42	\$ 0.35
Burnham Financial Long/Short Fund	BURFX	12/7/2015	\$ 17.13	\$ 0.39
Highland Long/Short Healthcare Fund	HHCZX	12/2/2015	\$ 13.81	\$ 0.58
Tortoise MLP & Pipeline Fund - Institutional	TORIX	11/25/2015	\$ 11.43	\$ 0.02
Parnassus Core Equity Fund	PRBLX	11/24/2015	\$ 38.35	\$ 2.75
Artisan International Value Fund	ARTKX	11/19/2015	\$ 32.62	\$ 1.68
Artisan Mid Cap Value Fund	ARTQX	11/19/2015	\$ 19.73	\$ 3.54
Artisan Small Cap Value Fund	ARTVX	11/19/2015	\$ 10.61	\$ 2.22

Source: Morningstar®

## INVESTMENT OVERVIEW

## COAL IN YOUR STOCKING: CAPITAL GAINS DISTRIBUTIONS

Certain mutual funds are inherently less tax efficient because they incorporate investment strategies involving significantly more transactions or a higher-degree of portfolio turnover and, as a result, generate more capital gains. One way that the Investment Team manages the taxable implications of investing in mutual funds with a high degree of turnover is by holding such positions in tax-protected accounts.

Nevertheless, our fiduciary duty and primary directive as Portfolio Managers is to pursue an appropriate investment strategy designed

to achieve long-term financial objectives according to predetermined risk-return parameters. Ultimately, we implement our highest-conviction investment ideas across client portfolios in the most tax-efficient manner possible while not sacrificing long-term performance for tax sensitivity.

As always, please feel free to contact your Wealth Advisor or Portfolio Manager if you have any questions or would like additional information on how capital gains distributions may affect your end-of-year tax planning.

*"It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so."*

*Mark Twain*

## MONTHLY INDEX REVIEW (USD TOTAL RETURN)

Data as of December 31 <sup>st</sup> 2015	December 2015	4Q15	2015	2014
S&P 500	-1.58%	+7.04%	+1.38%	+13.69%
Dow Jones Industrial Average	-1.52%	+7.70%	+0.21%	+10.04%
NASDAQ Composite	-1.91%	+8.71%	+6.96%	+14.75%
Russell 2000	-5.02%	+3.59%	-4.41%	+4.89%
MSCI Emerging Markets	-2.17%	+0.73%	-14.60%	-1.82%
MSCI EAFE	-1.33%	+4.75%	-0.39%	-4.48%
Barclays US Aggregate	-0.32%	-0.57%	+0.55%	+5.97%

## STOCK &amp; STRATEGY SPOTLIGHT

Strategy Name	Ticker	2015
Henderson Strategic Income Fund Cl I	HFAIX	+2.07%

## Strategy Description

The Henderson Strategic Income Fund ("the Fund") combines thorough fundamental, bottom-up individual security selection with a macro-economic overlay in its approach to investing in various sectors and subsectors of income-generating securities across international financial markets, with an emphasis on Europe, which is a unique and distinct feature of the Fund. During a recent conference call with Jenna Barnard, CFA, Co-Head of Retail Fixed Income for Henderson Global Investors and Co-Portfolio Manager of the Fund, the Investment Team heard first-hand how the portfolio management team has been able to generate extremely impressive absolute performance, as well as attractive risk-adjusted returns in an increasingly complex and yield-starved fixed income market during the European recession and financial market turmoil, which we believe to be ending. Moreover, the Investment Team believes that European markets are poised for a comeback, and with this Fund's focus on core European markets, we believe this Fund offers a more attractive risk-reward proposition from a yield perspective relative to domestic fixed income markets.

## ABOUT RINEHART

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.

## FINANCIAL ADVISORY OVERVIEW

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they will not only suspend their own benefits, but they will also suspend any benefits payable to other individuals based on their earning record. Therefore, beginning May 1, 2016, if you suspend your benefit, your spouse and/or dependent children will no longer be able to collect a benefit based on your earning record during the time that you are not collecting a benefit.

**Restricted Application:** The original version of the Restricted Application strategy allowed you to choose a spousal benefit instead of your own benefit at Full Retirement Age, allowing your own benefit to grow by 8% per year until age 70. At age 70, you would then switch over to your own retirement benefit which had grown by a possible 32%. This strategy allowed you to receive Social Security income through your spousal benefit while allowing your own untouched benefit to grow.

Under the new rules, you will be required to receive the greater of your spousal benefit or your own benefit based on your earning record at the time you file.

#### WHO'S AFFECTED?

Those who are already receiving benefits are not impacted at all. For everyone else, your age determines the potential effects:

- If you or your spouse is 66 or will turn that age within 180 days of the new law's enactment on November 2, or you're a widow or widower (including if you were divorced before your former spouse died), you should still be able to use these strategies. You'll want to file for and suspend your benefits before May of next year, though, so you're grandfathered under the old provision.
- If you're already 62 or are turning 62 this year, you'll still be able to file a restricted application to receive only spousal benefits at your full retirement age, provided your spouse is either receiving or has filed for and suspended benefits within 180 days of the law's enactment.
- If you're divorced and age 62 by the end of 2015, you'll be able to use the restricted application at your full retirement age, again provided your former spouse is also receiving or has filed for and suspended benefits within the 180-day grace period.

- If you're younger than age 62 after January 2, 2016, you won't be able to use the strategies.

Married couples are not the only ones that will be impacted by the new law once all of the changes are fully incorporated. Single individuals will no longer be able to use the file-and-suspend strategy to preserve their ability to collect a large lump sum retroactively in the event that they decide not to employ this strategy. While the grandfathering rules covering the Social Security's recent changes do not require immediate action, those who are grandfathered in will need to make sure they take the appropriate steps to preserve their future benefit options.

Tax laws and Social Security policies aren't the only things that change regularly. Your financial goals and personal situation also go through changes that can affect your retirement plans. Therefore, it's a good idea to review your plan regularly with your Wealth Advisor to optimize your financial resources.





## AROUND RINEHART

### RINGING IN THE NEW YEAR WITH A NEW PHONE

Happy New Year! In an effort to serve you more efficiently and effectively, we have upgraded our phone system and dedicated a secure line specifically for clients to ensure that we quickly address your needs. Additionally, each member of the Rinehart team now has a direct line providing you with immediate access to your Advisor, Customer Service Associate and Portfolio Manager. We will be able to roll these direct lines to our cell phones for you to reach us even if we are out of the office. Our goal is to always be accessible to our clients. Kindly update our contact information and thank you for your patronage and trust in our firm.

**The new priority number for clients is (980) 585-3390.**

Individual direct phone numbers of the Rinehart team are listed below for your convenience.

Daniele Donahoe	980-585-3359
Sandy Carlson	980-585-3362
Mary Rinehart	980-585-3364
Elliott Van Ness	980-585-3363
Andrew Savant	980-585-3365
Lorri Tomlin	980-585-3366
Jeremy Williamson	980-585-33678
Leah Maybry	980-585-3360
Brittany Danahey	980-585-3361
Cynthia Sims	980-585-3368



### MARRIAGE AND MONEY MATTERS



Start the New Year off right by joining us Thursday, January 14th, to hear special guest speaker Ed Coombs, CFP®, LMFTA and founder of “Marriage and Money Matters” as he discusses the

impact money has on relationships and how to have constructive conversations around this topic. To sign up to attend, [click here](#).

### RWM WELCOMES NEWEST TEAM MEMBER



We are pleased to announce the addition of Jeremy Williamson to our Rinehart Team. Jeremy came highly recommended to us, and we are thrilled that he chose Rinehart over other options. As we grow, it is important to have numerous seasoned client support professionals on our team which is why Jeremy, with over 7 years of direct client experience is such an asset. Jeremy graduated from Cleveland State, but has made his home in Charlotte for the last ten years. His experience with both the Schwab and Fidelity platforms make him an immediate contributor to both our team and our clients.



### CFA FORECAST DINNER

The CFA Society of North Carolina celebrates their 2016

Annual Forecast Dinner January 12th. This event brings over 350 of North Carolina's leading investment professionals and key decision-makers together. Keynote speakers include Steen Jakobsen, Chief Economist and Chief Investment Officer, SAXO Bank and Raoul Pal, Author and Publisher, The Global Macro Investor and Co. —Founder of Real Vision Television. RWM is pleased to sponsor this notable event.

### Rinehart Wealth Management

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

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*Rinehart Wealth Management is a Registered Investment Advisor.*

## MANAGERS MAKE THE CASE FOR INVESTING IN ALTERNATIVES

### PRESENTATION OVERVIEW

You're invited to attend Rinehart Wealth Management's premier, exclusive alternative manager panel presentation. Six investment experts will outline their strategies and views on alternative investment performance in 2016 and beyond.

- ♦ Rare assembly of Portfolio Managers, not product sales people, provides direct access to the investment decision makers.
- ♦ Participating managers include industry experts in healthcare, financial services, merger arbitrage, hedge funds and global macro.
- ♦ Hear first-hand market views and strategies on positioning directly from the experts who are frequently quoted in the Wall Street Journal and featured on CNBC.
- ♦ Gain an understanding of fee structure and the price for managing risk in a rising equity market.
- ♦ Ability to ask questions in an interactive fireside chat.
- ♦ Rinehart Wealth Management's CEO and Chief Investment Officer Daniele Donahoe will moderate the panel and field audience questions.

### WHEN AND WHERE

TUESDAY, FEBRUARY 2ND, 2016 5:30PM - 7:30PM

DEL FRISCO'S SOUTH PARK

4725 PIEDMONT ROW DRIVE

Please contact your Rinehart Wealth Management Wealth Advisor or contact Cynthia Sims at [csims@rinehartwealthmanagement.com](mailto:csims@rinehartwealthmanagement.com) or (980) 585-3390 to request an invitation. Limited Availability.

**Rinehart** Wealth Management  
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**MM**  
MAYBRY McShane  
FAMILY OFFICES



**Michael Aronstein**  
*Panel Member*  
President, Portfolio  
Manager and CIO  
Marketfield Asset  
Management LLC



**Jay Compson**  
*Panel Member*  
Principal and Portfolio  
Manager  
Absolute Investment  
Advisers



**Michael Cuggino**  
*Panel Member*  
President and Portfolio  
Manager  
Permanent Portfolio  
Family of Funds



**Christopher Pultz**  
*Panel Member*  
Portfolio Manager  
Kellner Capital



**Anton Schutz**  
*Panel Member*  
Portfolio Manager  
Burnham Financial