Blue Bell

PRIVATE WEALTH MANAGEMENT

In our winter newsletter, we spoke about the U.S. markets versus the world markets, the fifty percent fall in oil prices, the potential for a giant Eurozone bond buying program, and how the strength of the U.S. dollar could cause our own economic growth to slow.

You may remember the slow growth of domestic earnings in the first quarter of 2014, which was presumably caused by the severe winter weather. In hindsight, it appears as if weather was a factor as both earnings and domestic equity markets (with the exception of energy) exhibited exceptional growth over the following three quarters. It feels like déjà vu after the April 3rd employment report showed that employment growth slowed to 126,000 for the March quarter, versus the initial report of 248,000. The futures market responded immediately with a fall in the Dow Jones futures of more than 160 points, but reversed course, and ended up more than 117 points by the close Monday. These employment numbers were certainly surprising news for our economy, very similar to last year's winter woes. At the same time, the Eurozone and several other world economies have been showing rather significant results, reinforcing our thoughts that some global exposure, where appropriate, should be a profitable strategy moving forward.

As for the U.S. markets daily volatility is at some of the highest levels since 2011. This is evident with an increase of intraday market movements of more than 1%. Why is this? Our opinion is most of the volatility is related to expectations as to when Fed Chair Janet Yellen will raise interest rates. The low cost monetary policy is surely one of the major reasons the markets have performed so well since the "Great Recession" of 2008. For those who read the headlines, the market movements may be very confusing. Good headlines regarding the economy seem to have a negative effect on stock prices while bad news in many cases has been followed by rising stock prices. Simply put, the markets are reacting to bad news as an indicator of when interest rates will finally rise. It seems that for now, at least, lower interest rates are a positive for stock markets around the world.

Shockingly, the first quarter is already behind us and earnings season will be upon us in a few days. Companies' earnings must continue to grow for their stock prices to rise, but like last year, the first quarter returns may have been affected by weather issues.

There are two things we need to watch going forward regarding the S&P 500 earnings. The first is how the substantial drop in oil prices impacts earnings of energy companies, which represent about eight percent of the S&P 500. In this case, good news for consumers may have been bad news for the previous quarter's S&P earnings. The second factor is the strength of the U.S. dollar as earnings and sales overseas will be negative on a year-to-year basis. Even with these earnings reports, it is "The Federal Reserve" and the perception of what their next move will be that is driving market direction.

To sum the quarter up: there was little movement in U.S. markets but favorable moves in some foreign markets. Market moves both domestically and internationally are beholden to interest rates and the perception of where those rates will be in the future.

We have increased our position in structured investments with ten percent downside protection as a means to reduce downside risk. We always appreciate the opportunities to explain how these investments are used and why we think staying invested, but with reduced risk, is certainly superior to trying to time the markets. We always welcome visits from our clients. Please contact us to set up a meeting.

Inside this issue:

Special Points of Interest:

- *Navigating Medigap Plans*
- *Value discrepancies in your account*
- *Celebrating 10 Years*

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Retiree health care costs are projected to keep rising– Make sure you get the lowest price for your plan

Are you turning 65 in the next few months? If so, it's time to start thinking about Medicare. The process of enrolling can be confusing for many, and the fact that health care costs for retirees are increasing rapidly is no help either.

Most people are automatically enrolled in Medicare Part A, hospital insurance, on their 65th birthday. However, you must enroll in part B (medical insurance) yourself online, at a local Social Security office, or by calling Social Security. This can be done up to three months before you turn 65. You can choose to purchase Part D, drug coverage, if necessary. A major concern for most people is how to cover the "gaps" between your medical bills and what Medicare will pay for?

For some, the answer might be a Medicare Advantage Plan, also known as part C. Part C is a combination of Part A, Part B, and sometimes part D. Medicare Advantage plans do cover healthcare costs beyond just what parts A and B would pay for. Unfortunately, the real advantages to the Medicare Advantage Plans pretty much stop there. Part C is purchased through private insurance companies, and these companies have flexibility in designing their plans. Therefore, Medicare Advantage Plans may differ depending on the insurance company that you choose. By choosing a Medicare advantage plan you give up your freedom of choice; you must seek care through their process, work strictly with their doctors, and be satisfied with the medical solutions that they offer you.

The biggest negative to Medicare Advantage plans, though, is that if you go to a doctor, facility, supplier, or other health care provider that doesn't belong to your plan's network, your costs could be higher, and in some cases, your services may not be covered. Medicare Advantage Plans may not end up being the safest or cheapest option when it comes to covering your extra healthcare costs.

Enter Medicare Supplemental Insurance, more commonly known as "Medigap." Medigap plans were designed by the federal government to help in paying costs over and above what Medicare covers. Examples of these costs include copayments, coinsurance, and deductibles. What's the difference between Medigap and Medicare Part C? While it was designed by the federal government, Medigap insurance is not offered or serviced by the government at all. It is an individual health insurance policy that is sold and serviced by private insurance companies. There are several different options for which Medigap plan you can purchase, ranging from A-N. The advantages don't stop there- Medicare Supplement Plans give you the freedom to choose your own doctor, the simplicity of no network restrictions, and some plans even cover foreign travel emergencies.

One of the most significant differences between Part C and Medigap, however, is that although these plans are sold through private insurance companies, every Medicare Supplemental Insurance plan is EXACTLY THE SAME, regardless of who you buy it from. So, if you choose to buy Plan F from one insurance company, it is the exact same plan as if you were to buy it from a different company. The ONLY difference between these plans is the price that you would have to pay for it. That's right, different insurance companies can charge different premiums for the exact same Medigap policy.

There are countless health insurance plans that offer Medicare Supplemental Insurance. Because these plans are exactly the same from company to company, the most important factor that should be kept in mind when purchasing a Medigap plan is price. In this case, the cheapest plan is definitely the best plan.

With the prices of retiree health care costs rising rapidly, it is important that people turning 65 are prepared to fill the gaps created by Medicare parts A and B. With the proper knowledge and guidance, you can find a Medicare Supplement Plan that remains affordable while covering your personal healthcare needs.

Question of the Quarter

Occasionally I notice a large daily change to my account value which makes it appear as if my account has lost a significant amount of money. What is the reason for these large value differences?

If you notice something that does not appear to be correct and you become concerned please call our office as we are always here to help. There are however two primary events that could trigger these abnormal values.

Ex-Dividend Date- This is the date in which an investor that purchases a security will no longer be eligible for the dividend. After the ex-date has been declared, the stock will usually drop in price by the amount of the expected dividend even though the dividend may not be paid for a few weeks. Because the security immediately falls by the dividend amount your account value will be reduced until the dividends are paid. This phenomenon is exacerbated by certain closed-end funds that pay large dividends or that pass though large capital gains. There is a temporary reduction in account value until the dividend is paid to you.

New Issue Structured Investments- The new issue structured investments that we purchase are created utilizing a competitive bid basis exclusively for the clients of Blue Bell Private Wealth Management. Occasionally you may notice a large account value fluctuation when we purchase a new investment. The discrepancy is caused by timing. For example when we purchase a new structured investment, your cash value is reduced by the amount of the purchase and the new investment is added to your account. However, the third party that provides pricing has yet to determine a value. This causes the new security to be valued at $0 until a price is assigned. Once the value is provided, usually within 24 hours if not sooner, the account value will be correct.

Please remember, if you see something that appears abnormal please call or email us. Hopefully the explanations above will alleviate concerns in the future.

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BBPWM IN THE NEWS

"The closed-end fund CAF [Morgan Stanley China A Shares] is a good way to invest in China, a country heavily reliant on foreign energy."

-J. Scott Miller, Jr. ***Wall Street Journal***, February 1, 2015, discussing different ways to hedge and profit from the downturn in oil

REMINDERS

- For 2015 IRA contributions the limits remain at $5,500 for individuals under the age of 50, and $6,500 if you are age 50 or older. Talk to your children about the benefits of starting an IRA, especially the Roth IRA.
- If you mail a check, please make the check payable to "Charles Schwab & Co, Inc." with your IRA account number written on the check along with the year in which the contribution is intended.
- If Schwab receives updated information due to income reclassification from the issuers of your securities after they have mailed your Form(s) 1099, they will send a corrected tax form with the revisions clearly highlighted. Please be aware that the issuers of your securities may reclassify the income from your securities anytime after Schwab has mailed your original Form (s) 1099.
- For your convenience, Schwab offers electronic delivery of your Form(s) 1099. Sign up now to go paperless and access up to 10 years of documents.

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