HERITAGE
RETIREMENT ADVISORS
Retirement Transition Specialists

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Welcome to 2014!

We hope that you and your family had an enjoyable holiday season. The year 2013 required many investors to revisit and update some of their overall financial plans. Following a presidential election year, there were major changes in the tax, investment, and estate planning areas. As we look toward 2014, no one can predict with certainty what other new changes or challenges may occur. Our view is to constantly monitor and review how we can continue to help our clients reach their financial goals. One of our primary objectives is to maintain our long-term relationships with our clients and we appreciate the confidence that they have shown in our firm.

Each year as a firm we review the services that we provide for our clients. One of our primary objectives is to always offer our clients a first class experience. For 2014 we are planning on offering the following services to our clients in addition to their personal meetings with our office:

- Our quarterly economic updates;
- Tax reports to keep them updated on opportunities and changes;
- Regularly scheduled educational workshops on relevant topics;
- A Client Advocate program that rewards clients who support our “Growth Initiative”;
- A continuous flow of meaningful articles on financial, tax, and estate planning topics; and
- Client Appreciation events.

We will continue to always be available to extend the proper attention that our clients’ finances deserve by offering a strong and frequent line of communication. 2014 once again provides us with the opportunity to help plan appropriately for their own personal financial future. We are proud of our ability to understand and effectively respond to our clients’ needs and concerns and enjoy providing information and services to our clients.

For 2014 we would like to offer our services to several others like you. We would like to offer you the ability to come in for a complimentary “Financial Check-up” to review your tax plan, estate plan, investment plan, retirement plan, and protection plan and make sure that they are all coordinated in your best interest. We are interested in working with you. If you are interested in working with us, then please call us at (858) 487-1111 to see if you can benefit from our services.

Until then, enjoy our first client mailing of 2014, compliments of us.

Preparing for 2014

2013 was a very strong year for stocks. Both the S&P 500 and the DJIA climbed over 25%. Those investors whose risk tolerances and portfolios included equities in their portfolios saw strong returns. On the other hand, 2013 was a very treacherous and challenging time for the bond market. Interest rates began the year artificially low because of the Federal Reserve's "Quantitative Easing" policy, but rose slightly towards year end. This resulted in many bond investors settling for very low or negative returns for the year.

So how do you prepare for 2014?

Planning for 2014 should be easier than 2013 because investors can make decisions without immediate worries about the "fiscal cliff" they were facing at the start of 2013.

However, 2014 also brings a continuation and perhaps an escalation of Washington's budget battle and a possibility that the Federal Reserve will let interest rates go higher. The financial landscape is further complicated by concerns that arise due to the stock market being at or near record highs.

Are there any strategies that are helpful during uncertain times?

Here are 5 helpful ideas to consider for 2014:

1. Review a budget of your expenses for the year 2014.

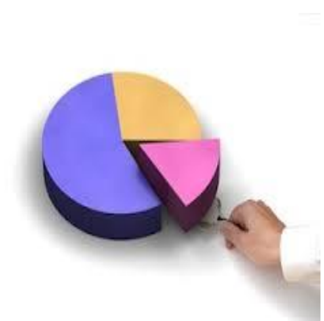
If you've managed your budget throughout 2013, information about your expenses should be handy. If not, this might be a great time to start. A simple way to approach this is to group your expenses in 3 major categories: essential expenses (i.e. housing, utilities, food), non-essential or discretionary expenses (i.e. dining out, hobbies, extra clothing), and vacation/reward expenses (i.e. visiting family, travel).

Examine each category and determine if you need to or want to cut back. One of the most critical categories to review is your non-essential or discretionary expenses. Many times these are controllable purchases and can include a daily cup of coffee, regular dining out, or something else that's not mandatory.

With your categories lined up, you can review your spending by month and for the year. This can serve two purposes. First, you'll be able to see spending patterns. Then you can try to find at least one area where you can improve or cut back. Your result might show a previously unnoticeable increase in outgoing cash during certain months, or merely the fact that you're dining out more than you realized. Many times just paying attention to your cash flow can add more to savings.

2. Revisit your asset allocations.

One helpful investment strategy is to review your personal situation and investment strategy. Traditionally, investors seek to attempt to reduce their overall portfolio risk through prudent asset allocation and diversification across the asset classes. Many fear that the year 2014 could bring an increase in uncertainty and risk, so that should be factored into your allocations.

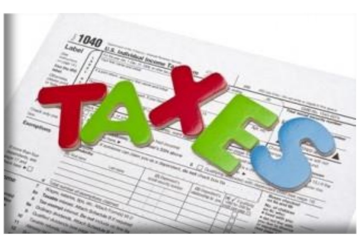


Asset allocation when investing money is typically defined as where and in what proportion you invest your money across the various asset classes. For example, you might invest 50% in equities and 50%

in fixed income investments. For many investors, simple asset allocation has worked quite well and many professionals still recommend it as a helpful investment strategy for the average investor. In theory, you hope that any losses in equities are offset by gains in fixed income investments and vice versa.

In 2014 and beyond, this may prove not to be the best way to invest money. We may be entering a new economic environment that few of today's investors are familiar with, and fewer yet understand. With equity markets hovering at or near all-time highs, today's investors understand that equity investments can be risky, but many are not as aware of the risks involved with investing money in fixed income. Fixed income investors can be in for serious losses if interest rates rise significantly. That's what the USA could be facing in 2014. With interest rates still uncertain investors need to analyze and pay close attention to the “duration” of their fixed income investments. Many financial strategists advise staying in short- to medium-term income investments (those that are no more than 2- 5 years in length and describe themselves as "low duration"). For more information on portfolio rebalancing, please call our office.

3. When making decisions, always take new tax changes into account.



The top federal tax rate has increased to 39.6 percent on income. It starts for those with incomes above $400,000. 2014 will be the second year of the new Medicare tax of 3.8 percent on investment income, which starts at the $200,000 level. Regardless of your tax bracket, it is always helpful to review any long term tax strategies in the first half of the year instead of waiting till year-end. One helpful idea is to bring your 2013 tax forms to a review so we can discuss any potential and appropriate tax strategies with you.

4. Review your 2014 strategy for retirement account contributions or withdrawals.

Retirement planning is always essential. You are either preparing for retirement or planning your best strategy for maximizing your funds during retirement. Planning can be an invaluable and productive use of your time. We always enjoy visiting with our clients to help determine the best ways to add to or use their retirement funds. This is another topic that can easily be discussed at your next review.

5. View volatility as an opportunity.

Many investors fear volatility. Perhaps a better approach is to view volatility as a way to revisit your investment strategy. While we are not hoping for volatility in 2014, strategists say the Fed is not the only factor promising to bring uncertainty to financial markets in 2014.

"The next 12 months is really a story about how the narrative changes and what kind of market we're in," said Thomas Lee, JPMorgan chief U.S. equities strategist. As 2014 becomes volatile we will do our best to help our clients make informed decisions.

So where do we go from here?

Our goal is to keep you and our clients informed throughout 2014. If you find you need to meet with us, please call our offices and we will be glad to schedule time together to review your financial picture. We thank you for the opportunity to help you with your financial goals!

Complimentary Financial Check-up

If you are currently not a client of Heritage Retirement Advisors, we would like to offer you a **complimentary, one-hour, private consultation** with one of our professionals at absolutely no cost or obligation to you.

To schedule your financial check-up, please call Raylene at Heritage Retirement Advisors, Inc. at (858) 487-1111.

About Brian Gibbs:

Brian D. Gibbs, RFC, BSFP, is President of Heritage Retirement Advisors, Inc. and has over 30 years of experience helping business owners and executives, retirees, and those about to retire. Brian can be reached at (858) 487-1111.