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July 24, 2015

FINANCIAL PLANNING SERVICE

Dear Client:

Due to increased client interest in financial planning, I continue to provide quarterly updates on the investments I recommend. Clients that actively use our services are aware that:

1) A large percentage of the investments I recommend are in the S & P 500.
2) I only recommend investments that my family actually owns and that we follow daily.
3) I am paid only on a fee basis for the time spent reviewing your portfolio and making recommendations.
4) I am not a registered investment advisor. Due to the fact that I only provide investment advice as an incidental part of other services, I am able to qualify for the accountant's exemption from registration.
5) I chart recommended investments on a spreadsheet in order to review them and to update clients on the results.
6) Finally, I am not a market timer. The strategy followed is buy and hold. This strategy reduces trading costs, taxes, and planner fees.

Currently, I recommend eight mutual funds. My family also has three self-directed individual stock portfolios that attempt to outperform the S & P 500 due to lower costs and superior stock selection. I consider myself a value investor that likes reasonably priced technology stocks. The actual results are as follows:

	2009 (12 mos.)	2010 (12 mos.)	2011 (12 mos.)	2012 (12 mos.)	2013 (12 mos.)	2014 (12 mos.)	2015 (6 mos.)
Mutual Funds							
#1 VTSM	28.7 %	16.5 %	1.1 %	16.3 %	33.3%	12.4%	1.9%
#2 INVESCO DD	23.5 %	10.3 %	.7 %	17.2 %	29.0%	11.9%	1.9%
#3 VW	34.9 %	14.2 %	(3.9 %)	20.8 %	36.1%	11.7%	2.7%
#4 VS	24.8 %	9.9 %	.8 %	13.8 %	17.8%	7.4%	2.1%
#5 INVESCO GCE	15.9 %	11.9 %	(10.8 %)	13.2 %	22.3%	.3%	3.7%
#6 VIG	41.9 %	13.8 %	(13.7 %)	20.1 %	23.0%	(5.5 %)	6.7%
#7 VWII	26.9 %	10.6 %	2.8 %	16.8 %	30.8%	11.3%	2.1%
#8 V500	26.5 %	14.9 %	2.0 %	16.0%	32.3 %	13.5%	1.2%
Individual Stock Funds							
#1 JMP (27)	36.5 %	13.4 %	(1.2 %)	14.4 %	34.1%	12.1%	.6%
#2 MCP (100)	22.6 %	12.9 %	1.8 %	15.3 %	35.2%	13.5%	2.1%
#3 WEB (31)	18.7 %	25.0 %	(6.1 %)	10.2 %	26.2%	0.0%	2.8%

Please call if you have any questions regarding my investment planning services. These services are offered to our clients strictly as an extra benefit. It is a pleasure to have you as a client.

Sincerely,
Mark C. Peters, CPA
President
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In many cases, an identity thief uses a legitimate taxpayer's identity to fraudulently file a tax return and claim a refund."

Tax issues aside, most of the public is aware of the exposure that can come from losing one's identity, having the identity misused, and creating adverse credit positions, among other issues that fall under the label of identity theft. Now that the IRS has specifically targeted this scam as the "leader" of the dirty dozen, taxpayers and preparers must be that much more alert.

The IRS noted that the stolen identity is often employed to file a false tax return and possibly claim a tax refund. Thus tax preparers must be, *a fortiori*, that much more on alert for identity theft issues. The potential damage to a given individual when their "good name" is engaged in a scam reinforces the broad nature and impact that identity theft may have in damaging members of the public.

Pervasive Telephone Scams

These scams involve the use of false and misleading information that is conveyed to the taxpayer via the telephone. The IRS is also seeing more of this activity develop via emails and websites.

Some of the calls will be made by parties alleging to be from a given organization or government agencies, especially the IRS. Taxpayers that have questions as a result of a call from a scam artist often call their CPA or attorney to ask what they should do. Of course, normally the professional tax advisor will alert the taxpayer to not respond to the telephone scam. (See below for a few suggestions linking to other sources of information and protection for taxpayers.)

The concern occurs when taxpayers do not call his or her professional advisor but rather fearfully reacts to the caller by providing them with key information or even sends a check—normally the scammer's goals.

Of course, the fraudulent representations and scams come in many forms. According to the IRS:

> These phone scams include many variations, ranging from instances from where callers say the victims owe money or is entitled to a refund. Some calls can threaten arrest and threaten a driver's license revocation. Sometimes these calls are paired with follow-up calls from people saying they are from the local police department or the state motor vehicle department.

When consider these type of threats and sanctions raised by the scammer, it is not difficult to envision why a taxpayer might react out of fear, and provide the caller with what they want. After all, the caller often says that he or she is from the IRS!

The fear of a criminal wrong being committed by an uninformed taxpayer shapes a reaction to cooperate with the scammer. Such a reaction is often exacerbated when the taxpayer is less familiar with the tax system and the sanctions it entails. IRS Release IR-2014-16 noted that "one sophisticated phone scam has targeted taxpayers, including recent immigrants, throughout the country." Thus, scammers capitalize on the fear and trepidation that are common to many immigrants,

The fear of a criminal wrong being committed by an uninformed taxpayer shapes a reaction to cooperate with the scammer.

Impersonating an IRS agent is akin to impersonating another government official, such as a police officer. This setting is disturbing to the victim and such misrepresentation can produce the scammer's desired result.

According to the IRS, some characteristics of these scams can include:

- Using fake names and IRS badge numbers.
- Using the last four digits of a victim's Social Security number.
- Spoofing the IRS's toll-free number on caller ID.
- Sending bogus IRS emails to support their bogus calls.
- Using background noise to mimic a call center.

These tactics make the scammer's actions appear more legitimate. Monetary damage is not the only issue victims face. Additional threats also are quite common, as noted by the IRS:

> After threatening victims with jail time or a driver's license revocation, scammers hang up and others soon call back pretending to be from the local police or DMV, and the caller ID supports their claim.

who have faced governments in other countries that do utilize heavy-handed tactics to pressure citizens.

The IRS has said that victims are often told they need to pay, immediately. If they hesitate, the IRS noted:

> If the victim refuses to cooperate, they are then threatened with arrest, deportation or suspension of a business or driver's license. In many cases, the caller becomes hostile and insulting.

What should a taxpayer do and what should a professional advise in this setting? The IRS has said:

> If you get a phone call from someone claiming to be from the IRS, here's what you should do: If you know you owe taxes or you think you might owe taxes, call the IRS at 1.800.829.1040. The IRS employees at that line can help you with a payment issue—if there really is such an issue.
>
> If you know you don't owe taxes or have no reason to think that you owe any taxes (for example, you've never received a bill or the caller made some bogus threats as described above), then call and report the incident to the

THE COLOR OF MONEY

IRS notices are scary, but don't ignore them

By Michelle Singletary
Syndicated columnist

It is done. I can start my summer vacation with some good news from the Internal Revenue Service.

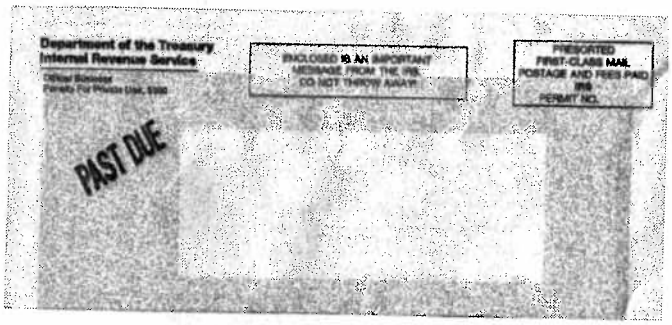
I was so thrilled to see these words on a letter from the IRS: "Amount due: $0.00. We're pleased to tell you that the information you provided resolved the tax issue in question."

Hallelujah.

In March, my husband and I got what's called a "CP2000 Notice" from the IRS that said its "automated underreporter" program had found a discrepancy in our 2013 federal return.

The IRS has a system designed to compare what it receives on documents such as W-2s or 1099s with what people report on their tax returns. When an inconsistency is found, the IRS sends a notice that makes adjustments that could result in a refund or additional tax owed. We fell into the latter category.

After my heart stopped racing, I did some sleuthing and found the mistake. A media company that I had done some freelancing for had a glitch in its internal accounting system and as a result incorrectly generated a 1099 under my name and Social Security number that was meant for someone else.



Dealing promptly with notices from the IRS can make the process easier on taxpayers. (iStock / Thinkstock)

But even after I sent documentation about the error, I received a few more notices from the IRS with scary language that, if I owed the money, interest was still accruing. Feeling confident, we waited for vindication.

It just came in a new "CP2005 Notice." The letter told us our case was closed and we were clear.

Here's the lesson if you ever get a notice from the IRS: Act quickly. This is not something you want to procrastinate about. Even if you think you owe the money and don't have it, call anyway. If you are put on hold a long time, and you probably will be, wait it out.

And unless you have a complicated problem in which you need to hire a tax professional to represent you before the IRS, don't ever mess with the companies you hear on the radio or on television commercials promising they can get the agency to significantly reduce your tax debt.

Spend some time reading online consumer complaints about these tax-relief companies. People have forked over thousands of dollars — typically starting at about $1,000 — for so-called help that ended up being the establishment of a payment plan they could have set up themselves.

Find out how to help yourself by going to irs.gov. Search for "Struggling with Paying Your Taxes? Let IRS Help You Get a Fresh Start."

The tax relief ads run all year long because the companies know the IRS' document matching system can take months or years before it catches discrepancies. They know people can't pay their taxes and are looking for a savior. Save your money. Use it to help reduce your tax debt. By the way, we were encouraged to keep all our documentation. You bet we will.

Retirement Savings:
How Much Is Enough?

You will most likely spend years saving for retirement. But how will you know when you've saved enough?

To get a quick estimate, consider the "Rule of 25": Take the pretax amount you plan to withdraw from your portfolio and multiply it by 25. For example, if you believe you'll initially need $40,000 in pretax income from your portfolio on an annual basis, you should have $1 million in your portfolio by the time you retire.

This is just a rough estimate, of course – many factors can influence your bottom line. If you plan to retire early and travel the world, for example, you'll likely need more income than someone who works into his or her 70s and then stays close to home.

This is why working with your Edward Jones financial advisor is so important. He or she knows your situation and financial goals, and can help you tailor a strategy to achieve them. Then as you're nearing retirement, sit down with your financial advisor to develop an income strategy for your portfolio. To learn more, contact your financial advisor today.

How Much Can I Spend?

Once you've retired, how much can you withdraw each year from your portfolio? The table to the right highlights our recommended ranges based on your age.

But keep in mind that there is no one rate or strategy that will work for everyone. Since your age and time horizon may be different, the withdrawal rate that makes sense for your situation may be different as well. Additionally, since your income needs (and investment performance) can vary over time, you may need to make adjustments to your withdrawal rate to remain on track.

Rising Withdrawal Guidance

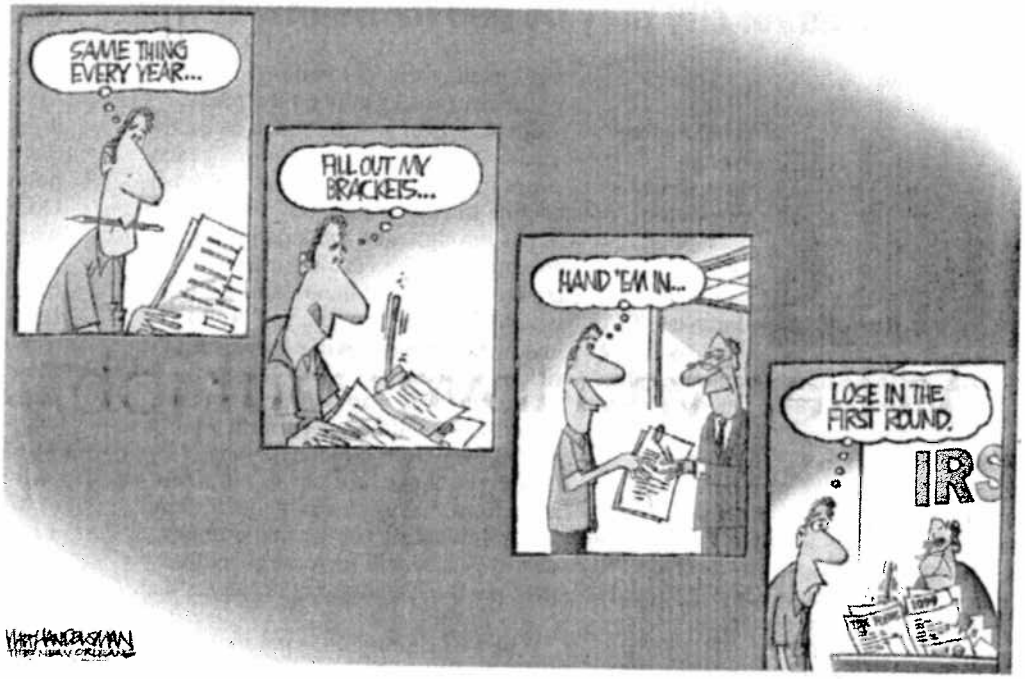
		More Conservative	Less Conservative
Age in Retirement	Early 60s	3.0%	4.0%
	Late 60s	3.5%	4.5%
	Early 70s	4.0%	5.5%
	Late 70s	5.0%	7.0%
	80s+	6.0%	8.0%

Source: Edward Jones calculations. The above withdrawal rates assume an annual increase in withdrawals of 3% each year to account for inflation and can include the withdrawal of principal. If preservation of principal is a high priority, you will likely need to use a lower withdrawal rate. In general, the higher your withdrawal rate, the greater the risk that your money may not last throughout your time horizon. The above withdrawal rates are based on estimates and assume a diversified portfolio – 50% equities, 50% income – and a life expectancy to approximately age 90.

Your financial advisor knows your personal situation and can help you tailor a withdrawal strategy to fit your retirement lifestyle. To learn more or to schedule an appointment, call today.

CHARGED with "MISBEHAVIOR BEFORE the ENEMY & ENDANGERING the SAFETY of a COMMAND".

www.investors.com/cartoons



IRS

"You knew there was a penalty for filing a late return, so you decided not to file a return at all?"