Wealth Management

INVESTMENTS, ADVICE & TRUST SERVICES

MEMBERS® Trust Company

14025 Riveredge Drive
Suite 280
Tampa, FL 33637
(888) 727-9191

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Overseas Markets: Open for Business

Including foreign investments in your portfolio can provide exposure to new markets and add another layer of diversification. Overseas markets sometimes respond differently to economic conditions than U.S. markets do. Investing abroad may help cushion your portfolio when U.S. markets are stagnant or falling.

But foreign markets may present risks that U.S. markets don't have — among them, political uncertainty, currency fluctuations, and foreign taxation. Added to these is the difficulty of obtaining complete information on many of the companies traded. While overseas investing may offer the opportunity for earning potentially higher returns, investors should be aware of the risks and exercise caution.

Understand Their Role

Your own risk tolerance should serve as a guide when you're deciding what percentage of your portfolio to devote to foreign securities. Investing in certain developing areas of the world may offer the potential for rapid growth, but you'll want to make sure you're comfortable with volatility. Areas of the world with more established economies tend to be less volatile.

Review What You Already Own

You'll want to assess your portfolio's current international exposure before you invest. Keep in mind that many U.S. companies have foreign business operations and are likely to be affected by the same factors that affect foreign companies in the region.

Simplify the Process

Professionally managed mutual funds offer investments in a variety of categories, from funds that hold only foreign securities to those that include U.S. securities as well. Here is an overview of the types of funds that are available.

Global funds hold U.S. securities and securities from foreign countries in their portfolios.

International funds generally invest exclusively in foreign stock and bond markets in

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Market and Economic Update

By John M. Largent, CPA, CFP®, CAP
Chief Investment Strategist

For now, "steady as she goes" seems to be the mantra of the new Federal Reserve Chair. Janet Yellen has had several opportunities to discuss policy recently, and for now, she has chosen to keep the course that Bernanke laid out previously. MTC's view of Yellen is that she will be another very qualified and worthy central banker. She has not been the Chair but has been in the Fed mix a long time. The Fed's dual mandate of full employment and steady inflation is a challenge but is structurally worth the occasional conflicts.

The short-term task for the Fed is to reduce the current round of quantitative easing (QE3) in a manner that will slow the growth of the Fed's balance sheet without materially dampening economic growth. MTC's view is that the Fed will continue to taper the amount of quantitative easing around $10 billion per meeting.

The Federal Open Market Committee (FOMC) is the part of the Fed that makes decisions on interest rates, and meetings occur approximately every six weeks.

Determining Value

The tax deduction available for making a charitable donation of property may be no more than the fair market value of the property on the date of the gift. *Fair market value* is the price that a willing buyer and seller would agree to when neither is required to act and both have reasonable knowledge of the relevant facts.

The IRS lists several factors that may be considered in determining fair market value.*

Cost or selling price can be an accurate measure of fair market value when the transaction and the donation dates are close and there has been no change that would affect the item's value.

Sales of comparable properties may be useful for determining value where the properties sold and the property donated are similar and the sales occurred reasonably close in time to the date of the donation.

Replacement cost may be a good indicator of value in some situations, provided that depreciation is subtracted from the cost to reflect the property's physical condition and obsolescence.

Expert opinion is relevant to the extent the expert has the appropriate education and experience and has thoroughly analyzed the transaction.

* IRS Publication 561, *Determining the Value of Donated Property*

Who Qualifies as an Appraiser?

Generally, where a charitable deduction of more than $5,000 is claimed for donated property, the IRS requires *a qualified appraisal* by a *qualified appraiser*. A qualified appraiser is someone who:

- **Has earned an appraisal designation from a recognized professional organization or has met certain education and experience requirements**
- **Regularly prepares appraisals for a fee**
- **Is not an "excluded individual," such as the donor, the donee, or a party to the transaction in which the donor acquired the property being appraised (Other exclusions apply.)**

The qualified appraisal must be signed and dated and can be made no earlier than 60 days before the valued property is donated.

Look at All Sides of a Retirement Offer

If your employer offers you an incentive to retire earlier than you planned, you have a lot to consider. Early retirement can affect you both financially and psychologically. Before you accept or decline the offer, make sure you evaluate all the potential consequences of your decision.

Retirement means giving up a steady income, having fewer years to contribute to a retirement account, and losing out on any employer matching funds or profit sharing contributions you're receiving. And the earlier you tap your retirement savings, the greater the possibility you'll run out of money later on.

Remember, too, that working provides structure and an opportunity for social interaction. Losing your work connection may also diminish your sense of achievement and self-worth.

Before you act on an early retirement incentive, thoroughly review the offer and ask for the details in writing. Also, gather as much information as you can about the company's direction and your future with your employer. Accepting an early retirement incentive may be your best course of action if there's a possibility you might be reassigned or lose your job in the not too distant future.

Trusts — Filling a Roll in Your Financial Plan

Would a trust help you accomplish some of your financial and estate planning objectives? Trusts can be used to address a variety of concerns, including protecting and distributing your assets, managing taxes, and achieving your charitable goals. The assets in a trust are managed according to your wishes by the trustee you choose.

Not Just for the Wealthy

Trusts are very flexible arrangements and offer many different planning options that can be tailored to fit your situation. Here are some ways a trust can be used for your benefit or for the benefit of others.

You can establish a trust to:

- Manage the distribution of assets to beneficiaries based on criteria you establish
- Manage assets and provide recordkeeping for financially inexperienced beneficiaries
- Provide for management of your financial affairs if you become ill or incapacitated
- Protect financial interests of your children from a previous marriage
- Secure funds to provide for special needs dependents, including disabled children, elderly parents, or other relatives
- Minimize exposure to estate taxes and/or probate costs
- Benefit a charity while still providing for loved ones
- Keep the affairs of a business private and help to preserve it for family members

A Helping Hand

If you do decide to establish a trust, make sure you have confidence in a potential trustee's ability to properly manage your affairs before you make a selection. You might want to consider naming an institution such as ours as trustee or co-trustee to obtain the benefits of professional management services and an unbiased perspective.

A Strategy for Success

Successful investing involves defining expectations and having a plan for reaching multiple goals. A financial professional can help investors create an investment strategy that meets their objectives.

Defining Criteria

An investment strategy should focus on a number of key issues, such as selecting a regular investment amount and choosing a target asset allocation based on the investor's priorities, time frame, and risk tolerance. Investors with longer time horizons may be able to accept more risk with their portfolios since they'll have more time to recoup any losses.

> "Defining criteria to track investment performance is an important component of any investment strategy."

Assessing Performance

Defining criteria to track investment performance is an important component of any investment strategy. In concert with an advisor, investors should identify appropriate benchmarks and determine parameters of acceptable investment performance over various time periods (three months, one year, five years, and so on). Having a diversified portfolio may help investors weather any market downturns.

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both mature, stable economies and in the more volatile economies of emerging countries. These funds do not invest in U.S. markets.

Regional funds invest in securities from countries in a specific geographical area, such as Latin America or the Pacific Rim. Funds may have the flexibility to balance investments between regions that are thriving and those that are struggling economically.

Country funds limit investments to a single country. Funds may invest in countries with well-established economies or in emerging countries with the potential for rapid growth.

International index funds track the performance of a particular index, such as the MSCI EAFE. The MSCI EAFE includes stocks from 21 developed markets throughout the world, excluding the U.S. and Canada.

Investing in shares of an ***exchange-traded fund*** (ETF) that tracks an international index offers investors another option for investing overseas. ETFs are listed on stock exchanges and trade throughout the trading day like stocks.

ADRs — A Different Route

An American depositary receipt (ADR) is a negotiable certificate that represents one or more shares — or a fraction of a share — of a foreign stock. ADRs are issued by U.S. depositary banks and trade in the U.S. markets. ADRs allow you to buy and sell foreign shares the same way you would trade shares of U.S. stocks. ADRs are priced and pay dividends in U.S. dollars and fluctuate in value just as stocks do. As foreign investments, ADRs are subject to currency risk — the risk of foreign exchange fluctuations between the U.S. dollar and the underlying stock's foreign currency.

Overseas investments offer another option for helping you reach your goals.

This publication involves sophisticated tax and financial planning concepts. Before applying anything you read to your situation, you should consult with your professional advisor.