We hope you all were able to get through the holiday season with no more than a modest weight gain and were able to spend plenty of time with friends and family. As the new-year was approaching several of us were reminiscing about the hysteria that surrounded Y2K. Hard to believe it was 16 years ago! Do you recall the angst over the thought of computer systems failing at midnight? It is easy to chuckle about now, but was a scary situation back then, made even more threatening by the sheer number of people talking about it. The reasoning was simple; if it is on the news every day it must be true.

While a lot has changed since then, there are some things that have not. Among them is this concept that if enough people are giving credence to something it must be valid. Many of you will remember the dot.com craze and the internet bubble that pushed the market to dizzy heights in the late 90’s. In retrospect it is easy to ask how so many people bought into so many companies that had never earned a cent and did not look to earn anything for years. We would argue the same thing has happened countless times over the years and is happening again as we speak.

Today, many social media and e-commerce type companies are the beneficiaries of this recurring phenomenon. The innate desire to be part of the crowd and not be “left out” seems to be the unifying theme over time. As the stock price goes up it validates the decision to own it and causes even more people to buy in. After all, if everyone else is buying it must be good. Soon the media notices the trend and begins to promote all the positive and hopeful attributes of the stock. After all, they want to appeal to as many people as they can and precious little is more appealing than listening to someone validate and confirm your intelligence by telling you how great the stock you bought is…and if it is on the news it must be true.

The peaks of these events have been represented by what we call a narrow market. This means that there are just a small number of companies that are driving the results in the markets while the others are suffering. This occurs as investors sell their “unpopular” or less glamorous holdings in order to fund more purchases of the few companies that are popular thus driving them up even further. Various news sources such as Thomson Reuters, Bloomberg, Wall Street Journal, and more have recently begun publishing stories confirming that we are again in such a period.

Our experience is that chasing what is hot or popular rarely works out well over time, especially when the concept is based on the hope of future events which may or may not happen. While not a perfect comparison, I would argue that this type of behavior is roughly similar to a Ponzi scheme which works only as long as new investors keep buying at higher levels. At some point the crowd will change directions and the narrow market effect will hit overdrive in reverse as everyone rushes to follow the herd out. Not owning the handful of stocks that make up the current narrow market made 2015 a difficult year. However, if history repeats, not owning those names may very well be an attribute for 2016. We continue to recommend investing over speculating, logic over emotion, and plans over hopes. Thanks for your trust, call anytime.
Tax Time Reminder – IRS Does NOT Communicate via Phone/Email

As we enter into tax filing season the team would like to bring to your attention an item that continues to be an issue for American Tax Payers, fraudulent IRS telephone calls and e-mails. It is important to remember the IRS will only proactively communicate with tax payers via hard mail.

Our local compliance officers have been alerted to many instances where clients have been contacted via telephone call or email and instructed to send money for taxes due or provide banking information for a refund. In an effort to help our clients avoid this situation we are providing five signs of an IRS scam communication. The IRS does not:

1. Call you to demand immediate payment. The IRS will not call about taxes you owe without first mailing you a bill.
2. Demand that you pay taxes without giving you the chance to question or appeal the amount they say you owe.
3. Require you to use a certain payment method for your taxes, such as a prepaid debit card.
4. Ask for credit or debit card numbers over the phone.
5. Threaten to bring in local police or other law-enforcement to have you arrested for not paying.

Remember, the IRS currently does not use unsolicited email, text messages or any social media to discuss your personal tax issues. For more information on reporting tax scams, go to www.irs.gov and type “scam” in the search box.

Like us on Facebook!

We are excited to share with you that The Riverwood Group at Morgan Stanley is now on Facebook! With the popularity of social media, you may already be using social networks. Now we can communicate and exchange information here as well.

We invite you to “like” our professional page on Facebook so you can:

Access our Research and Insights: Get our perspective on the latest market activity and how it may impact your wealth.

Get Guidance on Planning for the Future: Get thematic wealth planning material to help you reach your financial goals.

Participate in the Social Dialogue: Engage in social media conversation and join your peers on this powerful interactive channel.

We truly value our relationship and hope we can use this new communication medium to further develop it.

Like our professional page on FACEBOOK!
Important Birthdays for Retirement Planners

Birthdays are always milestones, but when you plan for retirement, some birthdays are more important than others. The following birthdays are especially important when you’re planning for retirement because they offer choices you didn’t have before:

<table>
<thead>
<tr>
<th>Year</th>
<th>Note</th>
</tr>
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<tbody>
<tr>
<td>50</td>
<td>In 2016, you may be allowed to make catch up contributions of $6,000 a year to your 401(k). That’s in addition to the maximum annual contribution of $18,000.</td>
</tr>
<tr>
<td>55</td>
<td>You can withdraw assets from your 401(k) without penalty, if you leave your employer for any reason. Withdrawals are still fully taxable but no longer subject to a 10% penalty.</td>
</tr>
<tr>
<td>59½</td>
<td>You can withdraw assets from your 401(k) or traditional IRA without being subject to a 10% penalty. Withdrawals are fully taxable.</td>
</tr>
<tr>
<td>62</td>
<td>You can choose to begin Social Security payments if you wish, but payments will be approximately 25% smaller than those you would receive by waiting until you reach what the Social Security Administration considers to be “Full Retirement Age.” (See chart below.) In addition, if you decide to keep working, you lose $1 in benefit for every $2 you earn above a specified threshold that is adjusted annually. In 2016, you can earn only $15,720 before your benefits are affected.</td>
</tr>
<tr>
<td>65</td>
<td>You qualify for Medicare. The Social Security Administration recommends that you apply three months before your birthday. If you are already receiving Social Security benefits, you will automatically be enrolled in Medicare Part A (hospitalization) and Part B (other medical expenses) without an additional application. You can decline Part B, if you wish, as it requires out-of-pocket premium payments.</td>
</tr>
<tr>
<td>66</td>
<td>If you were born between 1943 and 1954, you are now at Full Retirement Age. You can receive Social Security payments and even continue to work, if you wish, without reducing your benefits.</td>
</tr>
<tr>
<td>67 or Later</td>
<td>If you were born in 1950 or later, you can now enjoy the same Social Security benefits available to older workers at age 66. In other words, you are now at Full Retirement Age.</td>
</tr>
<tr>
<td>70</td>
<td>If you haven’t yet taken your Social Security benefits, now is the time to apply. Your payments are as high as they are ever going to be, and there is no benefit to waiting any longer.</td>
</tr>
<tr>
<td>70½</td>
<td>This is the age when you may have to begin taking annual distributions from your 401(k) or IRA. Failure to take required distributions can result in a penalty tax of 50% of the payment you were required to make but didn’t.</td>
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The graphic above mentions general ages but we wanted to show you how your Year of Birth affects your actual Full Retirement Age as well. Knowing when your full benefit begins is an integral part of your family’s social security filing strategy.

If you have any questions regarding how these changes will affect your individual retirement saving and planning strategies please feel free to give the Team a call at any time.

“Working hard to earn your trust...and even harder to keep it”
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The proceeds from a residential mortgage loan (including draws and advances from a home equity line of credit) are not permitted to be used to purchase, trade or carry eligible margin stock; repay margin debt that was used to purchase, trade or carry margin stock; or to make payments on any amounts owed under the note, loan agreement, or loan security agreement; and cannot be deposited into a Morgan Stanley account.

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