

QUARTER III  
OCTOBER 2013

# Advisor

BALTIMORE - WASHINGTON FINANCIAL ADVISORS





# BWFA

## President's Address

BETTER SOLUTIONS. BETTER SERVICE. BETTER RESULTS.

### Enhancing the Client Experience

BY ROBERT G. CARPENTER | CEO

As we look to the fourth quarter of 2013 and into 2014, I want to highlight the progress that we've made in this past year to enhance every aspect of the services we deliver. We're proud of the relationships we have built and the reputation we have achieved, but we're not satisfied. We know we can do more, and we can do better.

One of the most visible accomplishments of the last year has been our addition of new team members. We have increased our staff by 30 percent by adding a Chief Financial Officer, Chief Information Officer, another portfolio manager and a securities analyst, and an entire Business Services Department. Each person we have hired has exceptional skills and has quickly become a valued member of our team.

In technology, we have invested heavily in our contact management system and data storage capabilities. Our goal is to access and process data faster and more efficiently, while enhancing security.

We've purchased iPads for each employee, which gives us access to key information and software on the go. We invested in DocuSign technology so that our clients can sign via a secure system without having to bring in paper

Investing is at the heart of what we do, so we have added new research services. Our dedicated portfolio managers and financial analyst utilize these cutting-edge tools to make the best recommendations for you and your financial goals.

In operations, we overhauled the look of our quarterly financial statements so that they are easier to understand, and we began to provide portfolio information and other updates through secure online messages and databases. To help keep you updated on our activities and our ideas, we launched a weekly "Economic Outlook" that is delivered every Monday morning, and we have expanded our newsletter into a quarterly magazine. We have even changed our stationery in an effort to update our look!

Speaking of appearances, this summer we completed a new project that will be highly visible the next time you visit our offices. We remodeled our suite and added three new conference rooms. These new conference rooms are different sizes — smaller for most meetings, and larger for multi-generational family meetings — and each has full video technology.

Of course, our interest in you goes beyond new conference rooms and updated stationery. We have added client-appreciation events to thank you for all your support you have given us in our 27 years of service. On July 4th, we welcomed more than 325 of our clients and families to downtown Baltimore's Center Club for an evening of fun, food and fireworks. BWFA has also made charity a major focus, as indicated by our commitment to the following organizations: Green Spring Tennis and Educational Foundation, Wings of Hope, 2 Miles for 2 Hearts, and Consumer Credit Counseling of Maryland. We are always interested in supporting additional groups in our community, too.

One more thing I'd like to add. Each of the improvements I mentioned have either come from your direct feedback or from our Client Advisory Board that meets quarterly. I want to express my deep gratitude to the Advisory Board members and everyone else who has contacted us with ideas about how to improve the level of service we provide to you. It reflects your confidence that we are listening to you.

*Robert Carpenter*

WE THANK YOU  
FOR BEING PART OF  
THE FAMILY!

# The Advisor

October Quarter III 2013

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Designed by:  
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ROBERT CARPENTER  
President and CEO

*Do you know someone who could use  
guidance with their investments?*

**SOMEONE WHO IS NEARING OR IN RETIREMENT AND  
COULD BENEFIT FROM OUR SERVICES?**

**WE ASK YOU, OUR EXISTING CLIENTS, TO RECOMMEND OUR  
SERVICES TO FRIENDS OR FAMILY MEMBERS THAT COULD  
BENEFIT FROM OUR SUPPORT.**

**BY HELPING US GROW OUR "FAMILY OF CLIENTS" WE GET  
TO SHARE OUR PASSION WITH MORE PEOPLE JUST LIKE YOU.**





## INVESTMENT RESEARCH

### Our Equity Selection Process

BY PHILIP WEISS | CFA, CPA

#### OUR SCREENING PROCESS

Our stock-screening process has many steps. First and foremost, we seek to own companies selling below our fair value estimate. In general, we endeavor to invest in companies that are earning — and can be expected to continue to earn — above-average margins compared to peers. Such companies should have solid balance sheets (including low debt levels) and generate strong cash flow.

We also perform some accounting forensics to better assess the quality of earnings and cash flow. This helps us to determine if the company's reported financial information appears reasonable.

In addition, we review documents filed with the SEC, company presentations, conference calls, and reports from analytical services. We research stocks that we are considering for clients' portfolios, and we continually update our research for as long as we own shares.

If a company pays a dividend, we want to assess if it is sustainable and if it can grow over time. Especially when we are evaluating more mature companies, we prefer those that generate more cash flow from operations than is needed to meet ongoing business needs.

The excess of operating cash flow can be either reinvested in future growth opportunities or returned to shareholders via dividends or share repurchases. We typically prefer dividends to repurchases.

It is rare to find a successful company without a strong leadership team. However, assessing management strength is one of the more nebulous aspects of investing. As financial advisors, it is important that we be good stewards of client capital. We look to apply this same philosophy to our investments by selecting companies that we believe are good stewards of shareholder capital.

At BWFA, our overall investing approach is centered on identifying stocks that can be part of diversified portfolios that are appropriate for the models we have developed to invest clients' assets. While we tend to favor industries with above-average growth rates, proper diversification requires that we hold companies in mature industries as well. We are not momentum investors, and we do not seek short-term trades.

One of the key ingredients in investment success is consistency in approach. Investors who constantly change style or pursue the latest market fad may realize occasional success, but over the long term they are likely to generate returns well short of market averages. At BWFA, we hope to find stocks that we can hold for three to five years, on average, that we believe have the potential to generate total annual returns of at least 15%. We recognize that it is unrealistic to think we will always be successful in identifying undervalued stocks, so we set our target higher than the overall return we expect to generate.

Underlying that thesis is our understanding of key criteria about the company, such as fair value estimate, earnings, cash flow, dividend, corporate leadership, and strategic vision. How we use those criteria in our screening process is discussed below.

*One of the key ingredients in investment success is consistency in approach.*

To evaluate a company's management, we try to answer questions such as, does the company's return on investment exceed its estimated cost of capital, or does management consider the value of the company's stock when it decides to repurchase shares.

We also want to see that the company has a strategy that is consistently applied, rather than one that is constantly changing, as the latter is emblematic of favoring the long term over the short term.

Corporate governance is also important, including an understanding of factors such as executive compensation and the independence of the board. We also attempt to answer some of the following questions: Does the company engage in financial engineering-type transactions to boost earnings? Is the company sometimes willing to endure some short-term pain in exchange for long-term benefits? Does management pursue growth for the sake of growth, or does it focus on profitable growth opportunities?

## INVESTMENT RESEARCH

### SELECTING THE RIGHT INVESTMENTS

#### REASONS TO SELL

THE SHARES APPEAR OVERVALUED OR ARE TRADING NEAR FAIR VALUE, WITH NO CLEAR CATALYST TO PUSH THE PRICE HIGHER

THE BUSINESS FUNDAMENTALS HAVE BROKEN DOWN

A company can meet all of the criteria we seek and still not be a good investment. Valuation is a key facet of our investment approach. We are looking for companies trading at a discount to our long-term valuation assessment. We use a variety of metrics to make this determination. We look at relative valuation measures such as price-to-earnings, price-to-sales, price-to-cash flow, price-to-free cash flow, and earnings before interest and taxes to both enterprise value and capital. Where possible, we may also value a company based on our expectations of future cash flows discounted at the appropriate rate.

At the same time, we will avoid some companies. We will typically keep away from companies that are not generating current earnings or are not producing positive cash flow. There may be some exceptions, but only where we believe the company is pursuing a clear path to sustainable, long-term growth.

Of course, there are also times that even the best companies should be sold. Deciding when to sell a stock can be one of the most challenging parts of investing. As a result, it is important to have selling criteria. Reasons that could lead us to sell a stock include the following:

- (1) The shares appear overvalued or are trading near fair value, with no clear catalyst to push the price higher.
- (2) The business fundamentals have broken down;
- (3) Management has made missteps or changed strategy;
- (4) The original thesis for buying the shares no longer applies; and
- (5) Accounting-related concerns.

#### REASONS TO SELL

MANAGEMENT HAS MADE MISSTEPS OR CHANGED STRATEGY

THE ORIGINAL THESIS FOR BUYING THE SHARES NO LONGER APPLIES

ACCOUNTING-RELATED CONCERNS.

If you would like to learn how these criteria are reflected in specific investments in your portfolio, please contact a member of our investing team.



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## Foreign Investing in the Strong Dollar Era

BY ROBERT RAY | MBA

Through July of this year, the U.S. equity markets have posted returns of approximately 20%. This strong performance has led some clients to ask why we bother to diversify their portfolios, since this diversification into foreign assets (equities or bonds) has reduced performance this year. International stocks were up 9.6% through July—which would be great in most years—and emerging markets were down 8.6%. Thus, overall returns for diversified portfolios lagged U.S.-only equity portfolios.

The strong dollar hurt both asset classes. So, should we bring our cash home? Our answer is: no. If we did, we would be forgetting that emerging-market equities have led all asset classes in performance for seven of the last ten years!

### OUR INVESTMENT PRINCIPLES

BWFA manages client funds by creating a diversified portfolio of stocks and bonds designed to meet our clients' long-term investment objectives. Our goal is to earn market returns while reducing the overall volatility of the portfolio.

We diversify because we never know which asset classes will produce the highest returns for our clients. The best performer in 2012 was emerging markets, which is at the bottom year-to-date.

Portfolios that are diversified by asset class, industry, and credit normally have less risk because the correlation between these various asset classes is not uniform. The volatility of one asset class is often reduced or offset by another asset class.

We know diversification is the right way to manage client funds, and our long-term results have shown that this strategy works well. However, it takes discipline to stay the course in a strong-dollar era that hurts foreign returns.

**We know diversification is the right way to manage client funds, and our long-term results have shown that this strategy works well.**

### QUILT OF MARKET RETURNS

When we meet with new clients, we show them the Table of Equity Asset Class Returns as compiled by Eaton Vance (www.bwfa.com/marketreturnquilt). The most recent table shows returns by asset class over the last 10 years. It looks like a patchwork quilt. The returns are pretty random. The best performer one year may be the worst performer the next year.



Investors who "chase" returns by investing in the flavor of the month do so at their own peril. One would need a strong stomach to tolerate the volatility of a follow-the-leader strategy.

BWFA believes in diversification. It's not that we can't predict anything about the future — for example, BWFA is confident that interest rates will rise over the next few years as long as the economy continues to improve. It's the timing of known events or the inability to predict wars or natural disasters that's the problem. BWFA favors hitting singles and doubles by leaning in one direction based on the information we have, rather than swinging for the fences by assuming that we can outguess the market repeatedly.

**The weaker dollar did not help the returns on foreign equities that much.**

PLEASE TURN TO PAGE TEN TO VIEW RETURN ANALYSIS.

### THE STRONG DOLLAR ERA

After the market crash of 2008, the U.S. was quick to reduce interest rates and trash-talk the dollar in an effort to jumpstart our economy. The dollar fell 18% versus an index of our top 10 trading partners over the next two and a half years.

Since then the dollar has rallied 11% versus its trading partners, despite the Federal Reserve's unprecedented Quantitative Easing program that aimed to weaken the dollar.

However, the weaker dollar did not help the returns on foreign equities that much. They were in the middle of the pack in 2009 and the bottom of the pack in 2010. At the time, other issues were playing a more important role. After suffering through two and a half years of embarrassment, the U.S. dollar hit bottom in August 2011, and it lost its coveted AAA status.

How did diversification of investment portfolios pay off during that time? As you may have expected, international equities were down 12% in 2011, as compared to a 2% gain for the S&P. But in 2012 emerging markets led all asset classes with a return of 18%. International equities were not far behind at 17.3%. All of this happened in a strong-dollar era!

### DIVERSIFICATION, DIVERSIFICATION, DIVERSIFICATION

So if predicting the direction of the dollar correctly still doesn't ensure that you are invested in the correct asset class, then what can you do? You must diversify.

U.S. investors should have most of their funds in U.S. assets, since that is the currency they spend. However, when the dollar is strong, take advantage of the strength and buy foreign assets cheaply. Then you will benefit as the dollar weakens down the road.

If you rebalance over time, you will maximize the return of your portfolio. Demographics strongly suggest that most of the world's future growth will be overseas. So don't let short-term losses dissuade you from buying overseas.



**B | W | F | A**  
*Baltimore-Washington*

FINANCIAL ADVISORS

5950 Symphony Woods Road, Suite 600  
Columbia, MD 21044

(410) 461-3900

(888) 461-3900

Fax (443) 539 - 0330

TAKE ADVANTAGE OF THE STRONG DOLLAR. DO NOT BECOME HOSTAGE TO IT.





## TAXATION WITH REPRESENTATION

### Hot Topics for Year End

BY SHAROLYN HOCKEY | TAX MANAGER

*It's hard to believe the end of the year is almost here! As we enter the fourth quarter, it's time for taxpayers to get organized and plan for their 2013 tax returns and recordkeeping needs. Here are some important issues affecting many of our clients:*

1.

#### TRUSTEE'S DILEMMA: ADDITIONAL 3.8% TAX ON TRUST'S NET INVESTMENT INCOME

- Passive income from a trade or business is subject to the additional tax. Trustees will need to make an active/passive determination on income from pass-through entities (i.e., S Corps, LLCs, partnerships).
- Should the Trustee retain the income in the trust or distribute to the beneficiaries? The threshold for individuals is much higher than that for trusts. The tax will not apply to individuals with adjusted gross income below \$200,000 for single filers and \$250,000 for married filers. Remember that the threshold for trusts is only \$11,950.



2.

#### SIMPLIFIED HOME OFFICE DEDUCTION

- Starting in 2013, taxpayers can elect to use a simpler method for calculating their home office deduction, greatly reducing required recordkeeping. Taxpayers can simply deduct \$5 per square foot of home office, up to 300 square feet, for a maximum deduction of \$1,500. Taxpayers with more than one home office can elect this simplified method for only one per year, and the election is not binding for future tax years.

3.

#### AUTO MILEAGE LOG – WRITTEN EVIDENCE REQUIRED

- Taxpayers who take a deduction for auto mileage should remember the IRS requires the supporting documentation be written. The IRS has denied the deduction during audits if the taxpayer is unable to produce the written documentation. Mileage rates for 2013 are 56.5 cents/mile for business miles, 24 cents/mile for medical/moving and 14 cents/mile driven in the service of a charitable organization.

## TAXATION WITH REPRESENTATION

4.

#### TAX ON GAIN FROM THE SALE OF A HOME

- If you're considering putting your home on the market, plan now to limit your tax bill by utilizing the Exclusion of Gain from Sale of Principal Residence. Subject to an ownership test and a use test, individuals can exclude from gross income up to \$250,000 (or \$500,000 if Married Filing Jointly status) of the gain realized on the sale or exchange of their principal residence. What the homeowner spent to replace the roof, doors and windows, etc., will increase cost basis and lower that potential tax bill. The IRS requires that the homeowner document the expenses, so keep your receipts with that settlement sheet.



5.

#### TAX TIPS FOR NEWLYWEDS

- If you're married on December 31, you're considered married for the entire tax year. Taxpayers cannot amend a jointly filed return to file Married Filing Separately once they've filed jointly, so taxpayers should be sure their new spouse doesn't have any prior years' tax issues before saying "I Do" to filing a joint return.
- Your name and Social Security Number must match the Social Security Administration's records, or processing your return — and any refund due — will be delayed. If you've changed your name, report it to the Social Security Administration on Form SS-5 Application for a Social Security Card, available at ssa.gov or your local Social Security Administration office, or by calling 800-772-1213.

*File Form 8822 Change of Address to notify the IRS if you've moved. It's available at irs.gov or from your BWFA tax advisor.*

*Consider adjusting your payroll withholdings. Your BWFA tax advisor can assist with income tax projections and the revised Form W-4.*

### Organize Now for Your 2013 Tax Returns

*NOW'S THE TIME TO PREPARE FOR THE 2013 TAX SEASON.*

DO YOU NEED TO MAKE ESTIMATED TAX PAYMENTS ON INCOME NOT SUBJECT TO WITHHOLDING?

START TO ORGANIZE THOSE RECEIPTS FOR CHARITABLE DONATIONS, ETC., NOW AND BEAT THE LAST-MINUTE RUSH.

SHOULD YOU DONATE APPRECIATED STOCK OR YOUR REQUIRED MINIMUM DISTRIBUTION TO YOUR FAVORITE CHARITY?

Look for your 2013 BWFA tax organizers in December, and call us anytime if you'd like to talk taxes!



# Equity Asset Class

## Return Analysis

HIGHER

LOWER

	2003	2004	2005	2006	2007	2008		2009	2010	2011	2012	YTD 7/13
Emerging Markets	55.82	25.55	34.00	32.17	39.39	Small-Cap -33.79	Emerging Markets	78.51	Small-Cap 26.85	Growth 2.64	Emerging Markets 18.22	Small-Cap 23.97
Small-Cap	47.25	International 20.25	International 13.54	International 26.34	Growth 11.81	Value -36.85	Mid-Cap	40.48	Mid-Cap 25.48	S&P 500 2.11	Value 17.51	Value 22.16
Mid-Cap	40.06	Mid-Cap 20.22	Mid-Cap 12.65	Value 22.25	Global 11.66	S&P 500 -37.00	Growth	37.21	Emerging Markets 18.88	Value 0.39	International 17.32	Mid-Cap 22.14
International	38.59	Small-Cap 18.33	Global 10.84	Global 20.95	International 11.17	Growth -38.44	Global	34.63	Growth 16.71	Mid-Cap -1.55	Mid-Cap 17.28	S&P 500 19.62
Global	33.99	Value 16.49	Value 7.05	Small-Cap 18.37	Mid-Cap 5.60	Mid-Cap -41.45	International	31.78	Value 15.51	Small-Cap -4.18	Small-Cap 16.35	Growth 17.73
Value	30.03	Global 15.23	Growth 5.26	S&P 500 15.79	S&P 500 5.49	Global -42.20	Small-Cap	27.17	S&P 500 15.06	Global -7.35	Global 16.13	Global 11.13
Growth	29.75	S&P 500 10.88	S&P 500 4.91	Mid-Cap 15.26	Value -0.17	International -43.38	S&P 500	26.46	Global 12.67	International -12.14	S&P 500 16.00	International 9.60
S&P 500	28.68	Growth 6.30	Small-Cap 4.55	Growth 9.07	Small-Cap -1.57	Emerging Markets -53.33	Value	19.69	International 7.75	Emerging Markets -18.42	Growth 15.26	Emerging Markets -8.62

# Fixed Income Asset Class

## Return Analysis

HIGHER

LOWER

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	YTD 7/13
High Yield	28.97	EM (Local Currency) 22.97	EM (Local Currency) 6.27	EM (Local Currency) 15.22	EM (Local Currency) 18.11	Treasury 13.74	High Yield 58.21	EM (Local Currency) 15.68	Municipal 10.70	EM (Local Currency) 16.76	High Yield 3.34
Global Agg Ex-U.S.	19.36	Global Agg Ex-U.S. 12.55	Bank Loan 5.06	High Yield 11.85	Global Agg Ex-U.S. 11.03	MBS 8.34	Bank Loan 51.62	High Yield 15.12	Treasury 9.81	High Yield 15.81	Bank Loan 3.32
EM (Local Currency)	16.92	High Yield 11.13	Municipal 3.51	Global Agg Ex-U.S. 8.16	Treasury 9.01	Global Agg Ex-U.S. 4.40	EM (Local Currency) 21.98	Bank Loan 10.13	Investment Grade 8.15	Investment Grade 9.82	MBS -2.10
Bank Loan	9.97	Investment Grade 5.39	Treasury 2.79	Bank Loan 6.74	MBS 6.90	Municipal -2.47	Investment Grade 18.68	Investment Grade 9.00	MBS 6.23	Bank Loan 9.66	Treasury -2.21
Investment Grade	8.24	Bank Loan 5.17	High Yield 2.74	MBS 5.22	Investment Grade 4.56	Investment Grade -4.94	Municipal 12.91	Treasury 5.87	High Yield 4.98	Municipal 6.78	Investment Grade -2.60
Municipal	5.31	MBS 4.70	MBS 2.61	Municipal 4.84	Municipal 3.36	EM (Local Currency) -5.22	Global Agg Ex-U.S. 7.53	MBS 5.37	Global Agg Ex-U.S. 4.36	Global Agg Ex-U.S. 4.09	Municipal -3.54
MBS	3.07	Municipal 4.48	Investment Grade 1.68	Investment Grade 4.30	Bank Loan 2.08	High Yield -26.16	MBS 5.89	Global Agg Ex-U.S. 4.95	Bank Loan 1.52	MBS 2.59	Global Agg Ex-U.S. -4.57
Treasury	2.24	Treasury 3.54	Global Agg Ex-U.S. -8.65	Treasury 3.08	High Yield 1.87	Bank Loan -29.10	Treasury -3.57	Municipal 2.38	EM (Local Currency) 1.75	Treasury 1.99	EM (Local Currency) -7.67





## FINANCIAL PLANNING

### Financial Planning for Business Owners *A Whole New Ballgame*

BY THAD J. SMART | CFP®

For many business owners, their personal life and business life are practically inseparable. That is why it's important to integrate all the aspects of owning a business in developing a personal financial plan.

To deliver the combined expertise that a business owner needs, BWFA created a Business Services team last year. We are already working with numerous clients who have the unique challenges and opportunities that come with entrepreneurship.

When a new client who owns a business first starts to work with BWFA, we usually find that he (or she) has most of his wealth tied up in the business. Business owners see their business as their best investment; after all, it's what they know best, and they believe strongly in their ability to succeed.

*BWFA recommends building a diversified investment portfolio with some of the wealth generated by the business.*

The issue is that the business owner has made a risky decision. In effect, he's doubled-down on his investment, just like a person who puts all of his 401(k) into his employer's stock. For every very successful business, there are many others that either fail or only have a modest return. For this reason, we recommend building a diversified investment portfolio with some of the wealth generated by the business.



#### BUSINESS STRUCTURE

Selecting the right business structures (LLC, S Corp, Limited Partnership, etc.) is a crucial decision. Different structures have different tax implications, and they also affect many non-tax aspects of a business, such as an exit strategy and the ability to shield personal assets from creditors. Also, the business structure that made sense three years ago might not be ideal today, if the business has evolved and/or tax laws have changed.



#### INSURANCE PLANNING

Insurance is another area that business owners need to address more carefully than non-business owners. In addition to the typical insurance policies of non-business owners (life, health, disability, etc.), cont...

...business owners need to consider liability, property, health insurance for employees, workers' compensation, business interruption insurance, and insurance for succession planning, among others.

*Business owners have more retirement plans and options available to them than non-business owners.*



#### RETIREMENT PLANNING

Business owners have more retirement plans and options available to them than non-business owners. While greater choice is generally a good thing, the complexities of the choices can make choosing the right retirement plan very difficult.

Many factors should be considered before implementing a plan, including: the number of employees in the business; their access to company-sponsored retirement plans; the business owner's tax situation; and the business owner's retirement goals and need to build a nest egg.

**LASTLY, BECAUSE THE BUSINESS IS TYPICALLY THE LARGEST ASSET FOR A BUSINESS OWNER, AN EXIT STRATEGY IS POSSIBLY THE MOST IMPORTANT ISSUE TO ADDRESS. PLANNING FOR AN EXIT STRATEGY NEEDS TO START EARLY AND SHOULD ADDRESS THE FOLLOWING: DETERMINING IF THE SALE PRICE OF THE BUSINESS MEETS YOUR RETIREMENT GOALS, DETERMINING THE TAX IMPLICATIONS, AND DEVELOPING AN INVESTMENT STRATEGY FOR THE PROCEEDS. FOR DETAILS ON IMPLEMENTING AN EXIT STRATEGY, SEE BRIAN MACMILLAN'S ARTICLE ON DEVELOPING AN EXIT STRATEGY FOR A BUSINESS.**

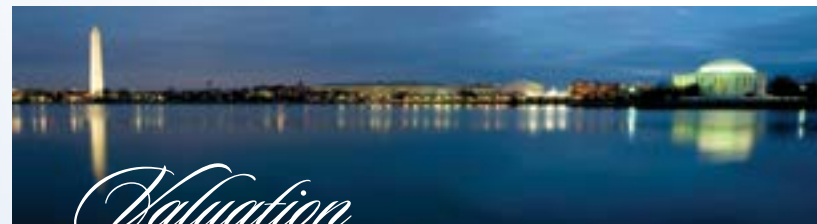
*If you are a business owner and are interested in learning more about how BWFA can assist you in creating a comprehensive financial plan for you and your business, contact us at 410-461-3900.*



## BUSINESS SERVICES

### Streamline Your Sale with Planning

BY BRIAN MACMILLAN | BUSINESS MANAGER



#### Valuation

Determining a fair market value for the business will give a picture of where the owner stands in relation to their goals. Depending on the time horizon for the sale, having an early valuation performed on the business may enable the owner to make changes to the business to increase its market value. BWFA's Business Services team has experienced business-valuation analysts.

#### Taxes

Another major issue is making sure that the business is set up in a fashion that will minimize the tax impact of a sale. Most small business sales are completed as "asset sales" rather than "stock sales." However, many older businesses have been set up as C Corporations, which could result in double taxation after a sale (once on the corporate side and then again on the personal side).

If the business owner has five years or more until a planned sale, it may make sense to change the structure to an S Corporation. Certain exit options can be more tax advantageous than others as well. BWFA's tax advisors can work closely with the business owner to compare the choices.

#### Potential Buyers

Who will buy the business is always a major question. Many business owners want to transition the ownership of the business to heirs, but it is estimated that this is only an option for about one-third of baby boomers who own businesses. Many children of small-business owners have seen how hard their parents have worked, and they have gone in other directions with their careers.

- Other options include selling to a current manager or co-owner, selling the stock to an employee stock ownership plan (ESOP), selling to another company, and selling to an investment group or private equity company.

Of course, each option has pros and cons that need to be weighed by the owner. Some may be more favorable for taxes. Others may allow the business owner to sell the company and still continue to work and contribute to the company that he or she has built.

#### Conclusion

Many business owners nearing retirement age love the work they do, but they need to fund their retirement nest egg. They also want to relieve themselves of at least some of the risks associated with owning a small business.

But selling requires many difficult steps--valuing the business, finding the right buyer, setting up the optimal tax structure, and more. Getting started on those tasks years in advance of a planned sale is the best way to ensure that the right bases are covered.

Contact BWFA's merger and acquisition team to discuss how we can help address those issues.







## INFORMATION TECHNOLOGY

### BWFA is Going Mobile!

BY JOE CAPUTO



Years ago, if you were a business and lacked a standard web page, you were considered irrelevant by consumers. Nowadays, the new standard is having an app for the many mobile devices that everyone seems to use.

With that in mind, BWFA has embarked on creating a mobile app for our clients. The app will give our clients instant access to our online publications, the capability to ask questions of our advisors, and a simple way to schedule appointments.

We are looking into whether the app will give access to our client vault, which retains financial plans, BWFA statements, and tax returns—but a decision will be made only after we are sure that we can provide a high level of security for this information.

Developing the app will take a while, but it's on our agenda for 2014. We'll keep you updated about our progress, and we appreciate any suggestions about which features you would like it to have.

## EMPLOYEE SPOTLIGHT: PHILIP WEISS | CFA & CPA



### Chief Investment Analyst Hire Date: June 3, 2013

Q & A WITH MEGHAN MANAS

#### MEET THE WEISS FAMILY



TELL US A BIT ABOUT YOURSELF.  
WHERE DID YOU GROW UP?



I grew up in Livingston, NJ. My family (I also have a younger sister) moved there when I was about four years old. Livingston was mostly farmland until the 1960s, when it was converted to a popular suburban community. It's about 30 minutes from New York City via the Lincoln Tunnel.



WHEN DID YOU FIRST KNOW  
YOU WANTED TO WORK AS AN  
INVESTMENT ANALYST?



Near the end of college, though it took me a long time to actually work in the field. I earned an accounting degree from Rutgers, and my first job out of college was in public accounting for Deloitte, where I focused on international corporate tax planning and research. I started transitioning to the investment analyst area after about 10 years. I initially did some writing, analysis, and portfolio management for TheMotleFool.com to get my feet wet. Then I learned about the Chartered Financial Analyst (CFA) program and earned that designation while working for T. Rowe Price as an institutional writer and editor.



WHAT CAME NEXT?

Not long after earning the CFA designation, I was offered a job with Argus Research, an independent research provider. I covered the energy sector (oil and gas companies) for Argus and also managed an equity income portfolio.



WHAT BROUGHT YOU TO BWFA,  
AND WHAT DO YOU LIKE BEST  
ABOUT WORKING HERE?



I joined BWFA because I was looking for a chance to develop both personally and professionally. I enjoy following the market and analyzing stocks. While I'll always maintain a keen interest in energy stocks, I appreciate the opportunity here to follow different businesses and apply my skills to a wider assortment of companies.



WHAT'S BEEN YOUR EARLY  
EXPERIENCE AT BWFA?



I think BWFA is a fun place to work. It's a good group of people and a nice place to come to every day. I also really enjoy the discussions with the other members of our Investment Committee about the market, the economy, and what's going on in the world.



WHAT WOULD OUR CLIENTS BE  
SURPRISED TO KNOW ABOUT YOU?



Hmm. Let's try these: I am an avid baseball fan, and my favorite team is the Yankees. My favorite player of all time is Thurman Munson. I love to bike, especially on the road. My wife and I have four kids — three boys and a girl (our youngest).







## FAMILY FINANCE: ADOPTION

BY MEGHAN MANAS

Adopting our daughter Miriam from Ethiopia was the biggest decision Eric and I made; not only that, it was an expensive decision that could have affected our finances in the future if we had not planned properly.



IN JANUARY 2011, THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PUBLISHED A COST OF ADOPTION

FACT SHEET WITH THE FOLLOWING RANGES:

Public Agency (Foster Care)	\$0 - \$2,500
Licensed Private Agency Adoptions	\$5,000 - \$40,000+
Independent Adoptions	\$8,000 - \$40,000+
Facilitate/Unlicensed Adoptions	\$5,000 - \$40,000+
Intercountry Adoptions	\$15,000 - \$30,000

Making the decision to become a parent comes at a price, regardless of what road you take. But with the help of a financial planner at BWFA, you can create a plan to not only pay for the adoption, but to prepare and save for your future children's education and a comfortable retirement for you.

If not for the help of my colleagues at BWFA, adopting our daughter from Ethiopia would have involved a lot more sleepless nights. Now, we have the sleepless nights thanks to our adorable little princess!

In my opinion, these three steps are the most important as you begin the journey:

### STEP 1 :

Work with BWFA to create (or review) your financial plan. Creating your financial plan is a careful and precise process. Our experts will look at how much you have in savings, investments, and insurance, and how much you have in debt. They will use this information to help you understand the additional cost of starting a family and raising a child and how it will affect your bottom line.

### STEP 2 :

Work with your BWFA tax advisor to understand your possible tax breaks. Families that adopt domestically or internationally may qualify for tax relief. There are limitations to what qualifies, as well as income limits, but by consulting with a tax advisor you will be able to know this ahead of time.

### STEP 3 :

Work with BWFA to make sure your estate documents are up-to-date. Plan for your children's future; make sure you have guardianship in place and that your assets are directed to help care for the child.



## BWFA in the Community

On Saturday, August 17, 15 BWFA staff members and their families took part in the 2 Miles for 2 Hearts Memorial Run in Ellicott City.

BWFA is a proud sponsor of the Green Spring Tennis and Education Foundation's Special Olympics Fall Festival Competition. It will be held on Saturday, October 19 at Mount St. Mary's University in Emmitsburg, MD.

If you are interested in making a charitable donation to either of these events, please contact Meghan Manas at 410-461-3900 or [mmanas@bwfa.com](mailto:mmanas@bwfa.com).



ELLICOTT CITY MEMORIAL RUN 2013

BWFA Expansion - We are pleased to announce that the expansion of our office space is now complete. If you're in the neighborhood, please stop in for a tour (or make a special trip to see us).

## New to our Team: Mike LaViña

Mike LaViña joined BWFA as a Portfolio Manager and Director of Trading in 2013. He is a graduate of the University of Colorado, where he received his B.A. in English Literature in 1994. He began his career in financial services as a financial advisor at Mass Mutual and then as an investment representative and tax liaison at T. Rowe Price Associates.

In 1999, Mike joined Campbell and Company, a Baltimore-based commodity trading advisor. While at Campbell, he was a trader for 12 years, trading all aspects of the firm's global portfolio, which included equities, derivatives, options and foreign exchange. In addition to his trading responsibilities, Mike was also a project manager for developing an algorithmic trading desk and trade execution platforms.

Mike spends his free time with his wife and three children in Monkton, Maryland. He enjoys traveling, camping and skiing with his family.



## WHAT'S HAPPENING AT BWFA?

### BWFA FALL HOURS:

In effect from Labor Day to Memorial Day

8:30 a.m. to 5:30 p.m., Monday to Friday.

Offices closed for the following federal and New York Stock Exchange holidays:

Thanksgiving Day  
Christmas Day



Mascots are not just for NFL teams anymore: BWFA is getting in the team spirit. Flip over this magazine to get a first look at Sammy, who will be featured on our new BWFA hats, shirts and other gear.



B | W | F | A

Baltimore-Washington

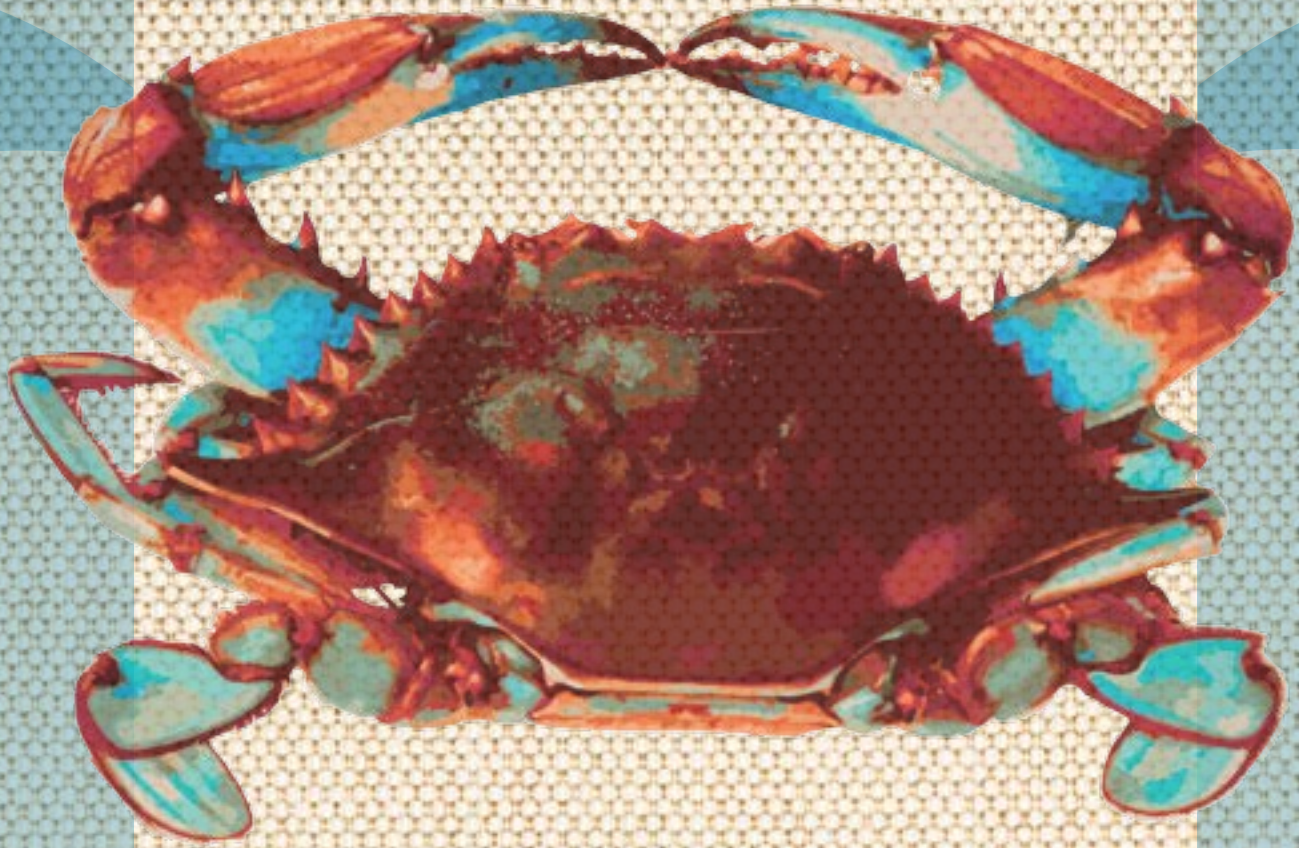
FINANCIAL ADVISORS

5950 Symphony Woods Road, Suite 600  
Columbia, MD 21044

(410) 461-3900  
(888) 461-3900

[www.bwfa.com](http://www.bwfa.com)





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