

JULY 2015

# Advisor

BALTIMORE - WASHINGTON FINANCIAL ADVISORS

*On January 19, 2006*, the New Horizons spacecraft lifted off from the Kennedy Space Center aboard an Atlas V launch vehicle. New Horizons quickly became the fastest spacecraft to reach the moon as it headed out into the solar system on its journey to Pluto and then beyond to the Kuiper Belt.

*On July 14, 2015*, nine years after lifting off, it will make a close approach to Pluto. Congratulations to JHU APL and the scientists and engineers working on this project.

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After passing by Pluto, New Horizons will continue farther into the Kuiper belt for encounter with one or more additional Kuiper belt objects of the order of 50-100 km (31-62 mi) in diameter.

**PLANNING FOR PLUTO**

ROB CARPENTER  
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*President's Address*

The vision and foresight required to plan for and engage in a long-term project is something that we as financial advisors understand well. That's one reason why we're so excited about the impending flyby of Pluto by NASA's New Horizons spacecraft.

After nine years of traveling through space, New Horizons is scheduled to fly by the Pluto system in mid-July. New Horizons was designed and built by the scientists and engineers at the Johns Hopkins University Applied Physics Laboratory (APL) in Laurel, MD, just a few minutes away from BWFA's office. APL continues to maintain and operate the spacecraft as it draws nearer to the dwarf planet Pluto and its family of five moons.

We're proud of the members of our community who helped bring this project to life through years of planning and hard work. The vision and dedication needed to carry on this rich tradition of exploration and discovery is what have made this country so great.

Here is information from an official NASA press release outlining media coverage and giving some background details of the flyby:

Media will have the opportunity to cover the New Horizons' mission, including the spacecraft's closest approach to the dwarf planet on July 14, from APL where the mission operations center resides. NASA also will provide comprehensive NASA Television, NASA.gov, and social media coverage of the New Horizons mission as the spacecraft closes in on Pluto in the coming weeks. Details of coverage will be released as they become available.

Following a nine-year journey of more than 3 billion miles, New Horizons will pass approximately 7,800 miles (12,500 kilometers) above Pluto's surface. The spacecraft will zip through the Pluto system at more than 30,000 mph (about 50,000 km/h) with the most powerful suite of science instruments ever sent to the outer solar system.

New Horizons is the first mission to the Kuiper Belt, a gigantic zone of icy bodies and mysterious small objects orbiting beyond Neptune. It marks the first direct exploration of the "third" zone of our solar system, beyond the inner rocky planets and outer gas giants.

APL designed, built, and operates the New Horizons spacecraft, and manages the mission for NASA's Science Mission Directorate in Washington. The Southwest Research Institute in San Antonio leads the science team, payload operations, and encounter science planning. New Horizons is part of the New Frontiers Program managed by NASA's Marshall Space Flight Center in Huntsville, Alabama.



*Robert Carpenter*

For a complete timeline of the mission refer to page 12. For more information on the New Horizons mission, including fact sheets, schedules, video and images, visit: [nasa.gov/mission\\_pages/newhorizons/main/index.html](http://nasa.gov/mission_pages/newhorizons/main/index.html) and [pluto.jhuapl.edu](http://pluto.jhuapl.edu)

Follow the New Horizons mission on social media, and use the hashtag #PlutoFlyby to join the conversation. The mission's official NASA Twitter account is @NASANewHorizons. Live updates will be available on Facebook at: [facebook.com/new.horizons1](https://www.facebook.com/new.horizons1)

Source: [nasa.gov/press-release/nasa-opens-media-accreditation-for-new-horizons-pluto-flyby](http://nasa.gov/press-release/nasa-opens-media-accreditation-for-new-horizons-pluto-flyby)

*Advisor*



*Do you know someone*  
WHO COULD USE GUIDANCE  
WITH THEIR INVESTMENTS?

MAYBE YOU KNOW SOMEONE  
WHO IS RETIRED OR NEARING  
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.

PLEASE CONTACT MEGHAN AT [MMANAS@BWFA.COM](mailto:MMANAS@BWFA.COM)

JULY 2015  
TABLE OF CONTENTS

- 2 **PRESIDENT'S ADDRESS**  
ROB CARPENTER | President & CEO

---

- 4 **FINANCIAL PLANNING**  
THAD ISMART | CFP®  
Senior Financial Planner

---

- 6 **JOSEPH MANFREDI | MBA**  
Chief Operating Officer /  
Senior Portfolio Manager

---

- 7 **INVESTMENT MANAGEMENT**  
CHRIS KELLY | CPA, CFP®, M. Accy  
Financial Advisor and Portfolio Manager

---

- 8 **INVESTMENT RESEARCH**  
PHILIP WEISS | CFA, CPA  
Chief Investment Analyst

---

- 14 **BUSINESS SERVICES**  
BRIAN MACMILLAN  
Managing Director Mergers & Acquisitions

---

- 15 **TAX SERVICES**  
JOSEPH HILL, JR. | CPA, MBA, MSF  
Tax Manager

---

- 16 **TECHNOLOGY**  
JOSEPH CAPUTO  
Chief Information Officer  
& Associate Portfolio Manager

---

- 17 **BOOK REVIEW: *Passing the Torch***  
ROB CARPENTER | President & CEO

---

- 18 **WHAT'S HAPPENING AT BWFA**  
MEGHAN MANAS  
Director, Client Services

# Financial Planning



## LONG-TERM CARE OPTIONS

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As the American population grows older, the need for long-term care continues to increase. The Department of Health and Human Services has estimated that 70 percent of people 65 and older will need some form of long-term care services during their lifetimes. In addition, more than 40 percent of people 65 and older will need care in nursing homes sometime during their lifetimes, and about 10 percent will stay there five years or longer.

### UNDERSTANDING YOUR LONG-TERM CARE OPTIONS IS THE FIRST STEP IN CREATING A LONG-TERM CARE PLAN FOR YOU AND YOUR LOVED ONES.

When hearing the term “long-term care,” many of us automatically think of nursing homes, which are extremely expensive and offer 24-hour care. However, there are many different types of long-term care available. In fact, 40 percent of those receiving long-term care are younger than 64, and most are receiving care in their own homes.

Understanding your long-term care options is the first step in creating a long-term care plan for you and your loved ones.

### CCRCs

Continuing care retirement communities (CCRCs) are retirement communities that offer more than one kind of housing and different levels of care. In the same community, there could be individual homes or apartments for people who still live on their own, an assisted-living facility for people who need some help with daily care, and a nursing home for those who require higher levels of care. Residents might move from one level of care to another based on their needs, but they usually stay within the CCRC.

A CCRC contract usually requires residents to use the CCRC’s nursing home if they need nursing-home care. Some CCRCs will only admit people into their nursing home if they’ve previously lived in another section of the retirement community, like an assisted-living or an independent area. Many CCRCs generally require a large payment before you move in (called an “entry fee”) in addition to charging monthly fees.

If you’re considering a CCRC, you can go to [www.medicare.gov/nursinghomecompare](http://www.medicare.gov/nursinghomecompare) to check the quality of a nursing home.

### PACE

The Program of All-inclusive Care for the Elderly (PACE) is a Medicare and Medicaid program that helps people meet their health care needs in the community, instead of going to a nursing home or other care facility. PACE covers: adult day primary care, dentistry, emergency services, home care, hospital care, laboratory/X-ray services, meals, medical specialty services, nursing-home care, nutritional counseling, occupational therapy, physical therapy, prescription drugs, Part D-covered drugs, preventive care, social services, caregiver training, support groups, respite care, social-work counseling, and transportation if medically necessary.

### RESIDENTIAL CARE FACILITIES

Residential care facilities include group homes and personal care homes, as well as assisted-living communities. These facilities are group living arrangements that provide assistance with some daily living activities.

Please note that not all assisted-living facilities provide the same services. Residents often live in apartments within a building or group of buildings. Meals and social and recreational activities are usually provided, and some facilities provide health services on their campuses.

In most cases, board-and-care home and assisted-living residents pay a regular monthly rent and additional fees for the services they receive. Medicare does not pay for assisted-living facilities.

### COMMUNITY SERVICES

For those who would prefer to stay in their homes, there are a variety of community services that help with personal activities. Services vary in cost, depending on geographic location and services required (some services might be offered by volunteer groups at little or no cost). Some home services and programs that might be available include:

- Adult day care
- Meal programs (like Meals on Wheels)
- Visitor programs
- Shopping and transportation assistance
- Senior centers
- Assistance with paying bills, taxes, and answering legal questions


### HOME HEALTH CARE

In addition to community services available to those staying in their homes, there are also some home health-care agencies that can help with daily activities, such as bathing, dressing, and taking medication. Home health-care agencies may also provide other services, like physical and occupational therapy.

### IN-LAW SUITES

An “in-law suite” (a semi-private space attached to a family member’s house) could help some people needing long-term care to keep their independence. An in-law suite has a separate living and sleeping area, kitchen, and bathroom from the main home. This allows a level of independence while providing convenient access to the loved ones assisting with long-term care needs.

### NEXT STEPS

Before selecting a long-term care facility, you must first understand what level of care different facilities provide and what services are available. Once you have an understanding of the types of long-term care available, you can then evaluate the level of care you or your loved one would require. Once you’ve determined what level of care is needed and which facilities could adequately provide the required care, the next step is to determine how to pay for long-term care. We will address this topic in next quarter’s *Advisor* newsletter. 

# Financial Planning



## UNANSWERED RETIREMENT QUESTIONS? BWFA CAN HELP

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Baby boomers are retiring—or being forced to retire—at alarming rates. And this unprecedented rate of workers leaving their jobs is redefining what we mean by the word “retirement.”


Many of these aging boomers aren’t quite prepared to handle the options that retirement presents. Others might even be looking to start a new career entirely, perhaps anticipating as many quality working years ahead of them as they have already put in.

### Here are some of the questions they all should be asking themselves:

- Do I want to retire outright and never work again? How many years do I need to work before making outright retirement possible?
- Do I want to reinvent myself? Would I like to retire early from my present job, so that I can spend more time on my passion (which can also provide needed income)?
- For corporate “downsizers”: What are my best options for maximizing financial independence?
- Do I understand all of my corporate pension options? There are many considerations for corporate employees when building retirement wealth, as well as when approaching distribution time from established plans. What are the best options?

- Once retired, how much can I take from my accounts and still be confident I won’t outlive my money? And how do I structure those retirement assets to benefit my heirs?
- Federal tax laws are complicated and change every year. How do I take full advantage of the rules to capture all of the available rewards when investing for retirement?

### WE’RE PASSIONATE ABOUT WORKING WITH YOU TO MAKE SURE THAT IT ALL COMES TO FRUITION OVER THE LONG TERM

That’s a lot to get under control, especially when dealing with everything else with which aging boomers are faced. That’s where the tax and planning specialists at BWFA can add tremendous value. As many of our clients have already experienced, these professionals work with you and your legal advisors to address all concerns connected to retirement—everything from the emotions involved with spending and saving to clarifying your dreams of financial independence. We’re passionate about working with you to make sure that it all comes to fruition over the long term, developing and executing your investment plan in partnership with your BWFA portfolio manager. 




## Welcome

### MEET OUR NEWEST AUTHOR:

#### JOSEPH MANFREDI

We’re happy to announce the newest addition to the BWFA team, Joseph Manfredi. As chief operating officer and senior portfolio manager, Joe is responsible for day-to-day management of BWFA with a focus on portfolio management, operations, and compliance leadership. Before joining BWFA, Joe was senior vice president and regional manager for Wells Fargo Wealth Brokerage Services in central Virginia. Prior to Wells Fargo, he worked with Merrill Lynch, Prudential Financial, and UBS/Piper Jaffray. He currently serves on the board of directors for the Virginia Boat Club, and he is a competitive Master rower. He holds a bachelor’s degree in finance and an MBA, both from Fordham University in New York. When not working or rowing, Joe is focused on his faith and his family—wife Susanna and their four grown daughters. Welcome, Joe!

“After personally spending 30 years employed at big corporations,” Joe said, “it is exciting to be a part of BWFA today, where we integrate planning as well as investment management for our clients. We join together as one team to ensure we spend time getting to know you and understanding your goals, before we begin managing your money.” 

# Investment Management



## FOUR QUESTIONS EVERY DO-IT-YOURSELF INVESTOR SHOULD ASK

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Many years ago, a potential client asked me, “Why do I need you to manage my money, when I can do it myself?” This question comes up frequently. Although I fully understand the numerous benefits of professional investment management, I would sometimes struggle to provide a clear and concise response.

Today, when I meet with potential clients who have a “do-it-yourself mentality,” I ask them to answer the following four questions.

- Do you have the **time** to manage your own investments?
- Do you have an **interest** in managing your own investments?
- Do you have the **knowledge** to manage your own investments?
- Do you have the **emotional wherewithal** to manage your own investments?

If the potential client answers “no” to any of these four questions, then chances are he needs to work with a professional investment manager.

### Do you have the TIME?

Managing money is what we at BWFA do for a living, and we know how much time it takes to do so properly. The average investor rarely has the necessary time to effectively oversee the management of his investment portfolio. As with many things in life, you only get out of something the time that you put into it—and investment management is no exception.

### Do you have an INTEREST?

In general, individuals tend to excel at those activities in which they have an interest. For do-it-yourself investors, a heightened level of personal interest often arises during secular bull markets. This artificial enthusiasm can quickly dissipate, however, when the market is going in the opposite direction—the exact time at which investor interest should be paramount.

Successful stewardship of an investment portfolio requires consistent monitoring, analysis, and an unwavering passion—even as the excitement of a high-flying stock market fades. As a financial advisor and portfolio manager, I am passionate about what I do, and I know that my BWFA colleagues share this same passion.

### Do you have the KNOWLEDGE?

Attempting to manage an investment portfolio without formal training and education is akin to driving an automobile while being blindfolded—it is reckless.


When I was in high school, I had a friend who would change the oil in his car himself. He would always boast about how he was saving roughly \$150 a year on oil changes, and he suggested that I should change my own oil as well. I did think about it, but that is about all I did. I certainly had the knowledge to change the oil in my car, so why didn’t I?

Early on, I realized the benefit of having an experienced mechanic. Not only would he change my oil, but he would also perform a comprehensive inspection while my vehicle was up on the lift—something I did not have the knowledge to do myself.

This was invaluable to me, since he was able to point out minor issues before they became major problems (i.e., major expenses). My friend, on the other hand, learned the hard way. Although he had the knowledge to perform a basic oil change, that is about all he knew. Since he never employed the skillful eye of an experienced mechanic, little problems went unnoticed. Unfortunately for him, these little problems quickly grew into big problems (i.e., big expenses).

### Do you have the EMOTIONAL WHEREWITHAL?

By nature, humans are emotional creatures, and this is especially evident when it comes to our investing habits. It is the rare individual investor who can remain calm and collected during periods of uncertainty and market volatility. Most individuals need the objective advice of an investment manager to guide them along the way. This is not to imply that individuals who work with an investment manager are in a constant state of euphoria, but it certainly helps knowing that they have someone in their corner keeping an eye on the important issues.

Some people may be capable of managing their own money, but not everyone has the time, interest, knowledge, and emotional wherewithal to do so effectively. At BWFA, we have a team of professionals—including CPAs, CFPs, and a CFA—who deliver comprehensive and objective investment advice for our clients. Please contact a BWFA professional or stop by our office if you would like to discuss your investment portfolio in further detail. 

# Investment Research



## OMAHA IN EARLY MAY IS A MUST SEE... FOR INVESTORS

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### BACKGROUND

Fifty years ago, an investment partnership controlled by Warren Buffett acquired control of Berkshire Hathaway Inc. (BRK), a struggling textile manufacturer. Buffett has been BRK's Chief Executive Officer since 1970. He is a legend among value investors—and for good reason. His investment record is unmatched by virtually any other investor over the last 100 years.



With the benefit of hindsight, Buffett refers to the BRK acquisition as one of his worst investments. Buffett shuttered BRK's textile operations in 1985. Fortunately, he used some of BRK's cash flow to acquire interests in such diverse businesses as insurance, newspapers, manufacturing and finance. The \$20 million float—money generated largely by insurance premiums that does not belong to BRK, but that it temporarily holds—that came with BRK's 1967 purchase of National Indemnity had ballooned to \$83.5 billion at the end of 2015's first quarter.

The backbone of BRK's business is its insurance operations (GEICO and General Re are other insurance companies purchased by BRK). BRK also owns equity

interests in such well-known companies as Wells Fargo, Coca-Cola and American Express. Its list of wholly owned subsidiaries includes Dairy Queen, Pampered Chef and See's Candies. Under Buffett's guidance, BRK was first transformed from a textile manufacturer into an investment vehicle. Today it is a conglomerate employing more than 340,000 people.

BRK's annual shareholder meeting in Omaha, Nebraska provides investors with the opportunity to hear Warren Buffett and his right-hand man, Charlie Munger, field attendee questions for about six hours. Munger is BRK's Vice-Chairman. In this capacity, Buffett describes Munger as "my partner."

This year, I was fortunate enough to be one of more than more than 40,000 who made the journey. Since this was the fiftieth anniversary of Buffett acquisition of BRK, it is likely that there were more than the usual number of first-time attendees. The crowd filled the arena at CenturyLink, a 1.1-million square-foot facility that includes an 18,975-seat arena, a 194,000 square-foot exhibition hall, and 62,000 square feet of meeting space. For the BRK meeting, there are also floor seats. In addition to filling the main arena, the crowd took over two spillover rooms in CenturyLink as well as two more in the Hilton Hotel across the street.

### THE EVENT

Seating at the meeting is first-come, first-served. This year, I decided to arrive very early and wait in line with a group of friends. I pulled in around 4:30 AM (doors open at 7:00 AM). We were able to get floor seats in the center section around 20 rows from the stage where Buffett and Munger sit.

The meeting started at 8:30 AM with a video that can only be seen by attendees. It primarily highlighted products sold by BRK's subsidiaries and equity investments. It also paid homage to the company's managers.

The equivalent of a trade show also took place in CenturyLink's exhibition hall. It helps the company generate tens of millions in revenues. For the first time this year, the exhibition hall opened on Friday at noon. There was a line of people waiting to get in before the doors opened.

### SOME Q&A HIGHLIGHTS

During the Q&A session, Buffett and Munger shared their views on investment-related topics as well as life in general. Among the more memorable discussion points from this year's meeting were the following:

Through its investments and/or ownership of companies such as Coca-Cola, Heinz and See's Candies, one could say that BRK is essentially long sugar consumption (i.e., BRK owns stakes in companies with sugar-rich products). When asked what impact changing consumer preferences toward sugar consumption might have on BRK, Buffett responded that he does not expect anything revolutionary. Companies will adjust to the preferences of consumers.

He thinks that 20 years from now there will be more Coke cases consumed than there are today. He went on to state that he is "one-quarter Coca-Cola. ... If I had been eating broccoli and Brussels sprouts, I would not have lived as long." Munger joined in by saying "Sugar is an enormously healthy substance. It prevents premature softening of arteries. If I die a little earlier, it will help me avoid a few months of drooling in a nursing home." Clearly Buffett and Munger are not big fans of the trend toward healthier eating.

On August 30, Buffett will be 85 years old. Munger turned 91 on January 1. With each passing year, the question of who will manage BRK when Buffett and Munger are gone becomes more prominent. Given BRK's size and scope, the questions go beyond leadership; they extend to wondering about the company's fate as well. As discussed in more depth in Lawrence Cunningham's book *Berkshire Beyond Buffett* (see <http://www.bwfa.com/articles/april-2015/book-review-berkshire-beyond-buffett/> for a review), the company appears well positioned to survive, if not thrive, for many years. The strength of the company's culture is one of the primary factors driving this belief. Buffett thinks BRK's culture is clearly defined and embedded in both the company and its subsidiaries. It even extends to the shareholders. "It has gotten reinforced over the years. People believe in it. ... It is self-reinforcing. The Berkshire culture will continue for decades and decades to come. It is institutionalized." When asked how BRK has built its culture, Munger suggested that it is all about "behaving well as you go through life." Buffett added, "Over time, you get the reputation you deserve. ... I believe it is the same for companies."

In our weekly economic updates, we often discuss how difficult it is to make economic forecasts. Buffett made it clear that BRK will "never make an acquisition based on macro factors." His reasoning is that "we [Buffett and Munger] know we do not know." Worrying about the global economy and the direction of interest rates is stressful and these are not factors we can control. It is better to do as Buffett and Munger do: focus on what you can predict and control.

Buffett and Munger also opined on the staying power of the US as a global power. They agreed that China was likely to be second to the US over the coming decades. Buffett also commented that he believes the US dollar will still be the global reserve currency in 50 years.

### OTHER REASONS TO ATTEND

There is nothing like being at the BRK meeting and getting to hear the thoughts of Buffett and Munger in a live forum. An added benefit of being there is listening to Munger's dry sense of humor. His one-liners, such as this comment about selecting a spouse — "Look for someone with low expectations" — often drew considerable laughter.

The other benefit of attending the meeting is the opportunity to meet with and talk to many like-minded investors. These discussions can lead to the research of potential new stocks for inclusion in client portfolios. In addition, expanding my network increases the number of individuals with whom I can discuss specific stocks or investing throughout the year. This year I added many individuals to my network. These aspects of the meeting are invaluable to me personally as well as to BWFA and its clients. I look forward to attending the BRK meeting again next year.



# B | W | F | A

RECOGNIZED AS ONE OF THE *FINANCIAL TIMES* TOP 300 FINANCIAL ADVISERS

*2nd Year in a Row!*

TODAY'S INVESTMENT LANDSCAPE IS MORE COMPLEX THAN IT HAS EVER BEEN. INCREASINGLY, IT TAKES A TEAM OF DEDICATED EXPERTS TO EFFECTIVELY MANAGE YOUR MONEY, AND MORE AND MORE PEOPLE ARE REALIZING THE VALUE OF WORKING WITH A FEE-ONLY INVESTMENT ADVISOR SUCH AS BWFA.

Recently, the *Financial Times* recognized 300 top RIAs\*, based on criteria including: assets under management (AUM), AUM growth rate, years in existence, compliance record, industry certifications (such as CFP® and CFA), and online accessibility.

While it's gratifying to be recognized, BWFA's main objective continues to be serving our clients with undivided loyalty. We provide impartial advice and work exceptionally hard at helping our clients achieve their goals. As always, we are dedicated to serving our clients' best interests.

*Robert Carpenter*

\*"RIA," as used in the *Financial Times* article, is an abbreviation for Registered Investment Adviser and is not a designation. Registration as an investment adviser does not constitute an endorsement of the firm by securities regulators nor does it indicate that the adviser has attained a particular level of skill or ability.



Top  
**Financial  
Advisers**  
2015

FT 300 Ranking June 2015

## Maryland firms in the FT 300

### FT 300 Top Registered Investment Advisers

Firm name	City	Client Segments Served			
		Retail (Individuals with less than \$1 million)	HNW (Individuals with \$1 million - \$10 million)	Ultra HNW (Individuals with \$10 million+)	Institutional
<b>MARYLAND</b>					
Baltimore Washington Financial Advisors	Columbia	✓	✓	✓	✓
FBB Capital Partners	Bethesda	✓	✓	✓	✓
Greenspring Wealth Management	Towson	✓	✓	✓	✓
Heritage Investors Management	Bethesda	✓	✓	✓	✓
Wagner Bowman Management Corp	Baltimore	✓	✓	✓	✓
WMS Partners, LLC	Towson		✓	✓	



NOTE: Above results are listed in alphabetical order and do not represent numerical ranking.

FT 300 Disclosure: The 2015 *Financial Times* Top 300 Registered Investment Advisers is an independent listing produced by the *Financial Times* (June, 2015). The FT 300 is based on data gathered from RIA firms, regulatory disclosures, and the FT's research. As identified by the FT, the listing reflected each practice's performance in six primary areas, including assets under management, asset growth, compliance record, years in existence, credentials and accessibility. Neither the RIA firms nor their employees pay a fee to The *Financial Times* in exchange for inclusion in the FT 300. Third-party rankings from *Financial Times* and other publications are no guarantee of future investment success. Working with a highly ranked adviser does not ensure that a client or prospective client will experience a higher level of performance results. These rankings should not be construed as an endorsement of the adviser by any client.



Launch of New Horizons. The Atlas V rocket on the launchpad, Cape Canaveral Air Force Station, Florida, United States. New Horizons' launch was the fastest ever to date, at 16.26 km/s.

Source (left/right pages): [nasa.gov/mission\\_pages/newhorizons/main/index.html](http://nasa.gov/mission_pages/newhorizons/main/index.html), [pluto.jhuapl.edu](http://pluto.jhuapl.edu) and [nasa.gov/sites/default/files/files/NHMissionFS082114HiPrint.pdf](http://nasa.gov/sites/default/files/files/NHMissionFS082114HiPrint.pdf)  
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## NEW HORIZONS TIMELINE

January 19, 2006	Launch
January 28, 2006	Trajectory correction maneuver (TCM)
January 30, 2006	Trajectory correction maneuver (TCM)
March 9, 2006	Trajectory correction maneuver (TCM)
April 7, 2006	Mars orbit crossing June 11–13, 2006 New Horizons "tracks" asteroid 2002 JF56 (later named "APL")
Sept. 21, 2006	First New Horizons images (with LORRI) of Pluto
February 28, 2007	Jupiter flyby/gravity assist
June 27, 2007	New Horizons' first entry into hibernation
Sept. 25, 2007	Trajectory correction maneuver (TCM)
Sept.–Nov. 2007	Annual checkout (ACO) 1
June 8, 2008	Saturn orbit crossing
July–August 2008	Annual checkout (ACO) 2
July–August 2009	Annual checkout (ACO) 3
Dec. 29, 2009	New Horizons reaches the halfway point (in distance traveled) to Pluto
May–July 2010	Annual checkout (ACO) 4
June 30, 2010	Trajectory correction maneuver (TCM)
October 16, 2010	New Horizons reaches halfway point (in time traveled) to Pluto
March 18, 2011	Uranus orbit crossing
May–July 2011	Annual checkout (ACO) 5
December 2, 2011	New Horizons becomes the closest spacecraft to Pluto
May–July 2012	Annual checkout (ACO) 6
May–August 2013	Annual checkout (ACO) 7
July 22–26, 2013	Pre-Encounter Pluto System Science Conference
June–August 2014	Annual checkout (ACO) 8; Optical navigation (OpNav) campaign 1
July 15, 2014	Trajectory correction maneuver
August 25, 2014	Neptune orbit crossing
December 6, 2014	Final wake-up from hibernation
January 15, 2015	Pluto encounter/approach phase 1 begins
January 25, 2015	Optical navigation (OpNav) campaign 2 begins
February 18, 2015	85th anniversary of Pluto's discovery by Clyde Tombaugh
March 10, 2015	Trajectory correction maneuver (TCM) opportunity
April 2015	Approach Phase 2 begins
April 5, 2015	100 days until Pluto close approach (P-100)
April 9, 2015	Color approach imaging of Pluto system begins
May 15, 2015	Trajectory correction maneuver (TCM) opportunity
May–June 2015	New Horizons provides best-ever images of Pluto system
June 2015	Last full Pluto system "family portraits" (from LORRI) expected; Approach Phase 3 begins; optical navigation (OpNav) campaign 3
June 4, 2015	Trajectory correction maneuver (TCM) opportunity
June 14, 2015	Trajectory correction maneuver (TCM) opportunity
June 18, 2015	Infrared approach imaging of Pluto system begins
June 24, 2015	Trajectory correction maneuver (TCM) opportunity
June 30, 2015	Trajectory correction maneuver (TCM) opportunity
July 4, 2015	Last trajectory correction maneuver (TCM) opportunity
July 12–13, 2015	Last critical pre-flyby data sent back to Earth (P-2 and P-1 days)
July 14, 2015	Closest approach to Pluto
July 15, 2015	First post-flyby data returned (P+1) Departure Phase 1 begins
August 2015	Departure Phase 2 begins
October 2015	Departure Phase 3 begins
January 2016	Pluto encounter ends
Oct.–Dec. 2016	Pluto encounter data playback ends
November 2017	Post-Encounter Pluto System Science Conference



In this artist's rendering, New Horizons soars past Jupiter as the volcanic moon Io passes between the spacecraft and planet.



New Horizons launched on Jan. 19, 2006; it swung past Jupiter for a gravity boost and scientific studies in February 2007, and will conduct a five-month-long reconnaissance flyby study of Pluto and its moons in summer 2015. Pluto closest approach is scheduled for July 14, 2015. As part of an extended mission, the spacecraft is expected to head farther into the Kuiper Belt to examine one or two of the ancient, icy mini-worlds in that vast region, at least a billion miles beyond Neptune's orbit.

Sending a spacecraft on this long journey will help us answer basic questions about the surface properties, geology, interior makeup and atmospheres on these bodies.

# Business Services



## SHOULD YOU SELL YOUR BUSINESS NOW?

**BRIAN MACMILLAN**  
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If you are a business owner, selling your business will most likely be the most impactful financial decision in your life. Deciding when to sell is difficult. Below, we have outlined some reasons why selling now may be the right move for you.

### THE ECONOMY

Currently, the combination of the overall economy, favorable tax rates, and the low interest-rate environment have created a good time for business owners to consider selling. After experiencing several tough years starting in the late 2000s, many businesses are starting to perform well. Less balance sheet debt and increased profitability are common in the business community. Selling when things are going well can be difficult for business owners to grasp, but a business heading in the right direction will attract more buyers and ultimately fetch a higher price. Business owners often think, "My business is just starting to gain real momentum, and I want to reap the reward of any future growth." In a perfect world, your business would continue to grow every year, but realistically businesses will either plateau or may even start to decline at some point.

While income and long-term capital gains tax rates for high income earners have increased modestly over the past few years, they are still relatively low. There is a good chance tax rates will continue to climb, which could significantly impact the net proceeds you receive from selling your business.

Over the past several years, institutional banks have been more willing to provide low interest rate loans to buyers. The Small Business Administration (SBA) has also increased the minimum dollar amount for loans that it will guarantee. This has allowed buyers to borrow more funds to purchase businesses, which can increase the amount of money the seller will get when the transaction closes. In addition, private equity firms have a significant amount of capital in their "war chests," and they are aggressively looking to put that capital to work. This means higher multiples for attractive businesses in the middle market.

### THE IMPENDING "BABY BOOMER" EFFECT

Baby boomers begin to turn 69 in 2015. The majority of small- and middle-market companies in the U.S. are still owned by baby boomers. Over the next 5-10 years, there will inevitably be a tremendous influx of businesses for sale as these boomers retire or pass away. As more and more businesses go up for sale, it will become more of a buyer's market and purchase prices may begin to drop. It may be wise to get out now before the market is overflowing with businesses for sale.

### UNDERSTANDING WHERE YOU STAND FINANCIALLY FROM A BUSINESS AND PERSONAL PERSPECTIVE IS PARAMOUNT TO DETERMINING YOUR OPTIONS.

### BUSINESS OWNERSHIP RISKS

Any business owner can tell you that business ownership is fraught with risks. Businesses can be negatively impacted by any number of issues. Many of these issues are out of the owner's control. While your business may be flying high today, an event causing the economy to crash, a natural disaster, or a sudden health issue can cause a business to go into decline quickly. In addition, there is always the chance that a new technology or a new competitor could enter the market, which could hamper your business' growth.

### START PLANNING

Whether you ultimately decide to sell your business now or later, understanding where you stand financially from a business and personal perspective is paramount to determining your options.

At BWFA, we recommend that business owners have a comprehensive personal financial plan performed along with a business valuation. The business valuation will indicate an approximate amount the owner will receive from a sale, and a personal financial plan will indicate how the sale proceeds will impact your retirement and your estate.

# Tax Services



## FUN TAX FACTS

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April 15 is our annual "anti-holiday"—the date we love to hate. Many Americans dread that day each year because of the misconception that individual tax returns must be filed by then. Actually, only a rough estimate of what you owe is due on April 15. The real filing deadline is Oct. 15. So, instead of adding unnecessary stress by hastily gathering your information and rushing to file by the April 15 "deadline," consider filing an extension. An extension to file is automatically granted — no justification is needed — provided you file Form 4868 on or before April 15.

Since you have some more time now to work on your taxes, here are a few "fun facts" showing that tax law often changes and that tax regulations are sometimes even less straightforward than they seem:

- 12 million people file an extension each year.
- The Revenue Act of 1861 included a tax on personal incomes. The income-tax provision was repealed in 1862.
- In 1894, Congress enacted a flat-rate federal income tax, which was found to be unconstitutional in 1895.
- The 16th Amendment gave Congress the power to levy and collect taxes on all sources of income.
- Wyoming was the 26th and last state needed to ratify the 16th Amendment.
- The Revenue Act of 1913 re-imposed the federal income tax and established March 1 as the date that tax payments were due. In 1918, Congress pushed the date forward to March 15.

- The Bureau of Alcohol, Tobacco, and Firearms (i.e., ATF) was originally part of the IRS.
- The Current Tax Payment Act of 1943 required employers to withhold taxes from employee's wages.
- The tax overhaul of 1954 moved the due date for tax payments to the current April 15.
- Former Supreme Court Chief Justice Oliver Wendell Holmes said, "Taxes are what we pay for a civilized society."
- If a refund is due to you, you will not be penalized for not filing.
- The IRS will deny a refund if you file a return three or more years late.
- You can deduct moving expenses for you and your pet if you are changing jobs and meet several tests.
- A clarinet and lessons can be considered tax deductible if an orthodontist has recommended playing the instrument as a method of correcting an overbite.
- Bingo-playing taxpayers can deduct the amount lost in a given year, up to the amount that was won. This deduction requires a detailed diary of winnings and losses.
- Food for guard dogs or other animals that protect your business property are a deductible business expense.
- Expenses for fostering a pet are deductible, provided the expenses are directly related and solely attributable to the rendition of services to a

qualified 501(c)(3) organization and you have proper documentation and written acknowledgement for expenses over \$250.

- The virtual currency bitcoin is a tradable good. Thus, the estimated market value of income received in bitcoins must be included in your taxable income.
- The United States Tax Court has ruled on some interesting and creative attempts at claiming deductions:
  - Approved business expense: Free beer offered by a gas station owner as a promotional scheme.
  - Approved medical expense: Travel, room, and board for sending a young child with respiratory problems to a boarding school in Arizona.
  - Denied theft-loss deduction: The theft of photographs, souvenirs, and other "memories" that a taxpayer claimed had been illegally removed and thrown away by their landlord.
  - Denied casualty loss: China and glassware broken by the family pet.
  - Denied medical expense: Dancing lessons used to ease arthritis, improve a nervous condition, and improve varicose vein problems.
  - Denied business expense: Dentures, even though the false teeth enabled an actor to articulate without a hiss.
  - Denied medical expense: The cost of bath oils to improve dry skin.



# Technology



## WHAT IS BWFA DOING TO PROTECT DATA?

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In our ever-changing technological landscape, new threats to cybersecurity are constantly arising. Businesses must evaluate and re-evaluate measures they can take to reduce the risk of cyber-attacks that could lead to theft or data loss. They must be especially vigilant about preventing data breaches that could lead to sensitive customer data being compromised. To protect clients' data, BWFA continues to create and implement strong technology policies, up-to-date employee best practices, and ongoing staff training.

### TECHNOLOGY POLICIES

Technology today includes more than just computers and the software they run—it also includes things like wireless networks and offsite servers that store data. Here is what BWFA does to ensure that our technology is protecting your data.

**HARDWARE.** BWFA installs reliable, top-of-line technology equipment. One of the most important pieces of equipment we have is an enterprise firewall. This technology blocks external intrusion attempts to the network and restricts Internet sites that employees can visit, reducing unnecessary downloads and the threat of viruses.

**SOFTWARE.** The software that BWFA uses in the course of everyday business is best-in-class. In addition to the software we use in the office, we use encryption tools when our staff is off-site, ensuring that all remote traffic to the BWFA network is secure and our data is protected.


**WI-FI.** Wi-Fi networks allow local wireless computing. Because Wi-Fi can allow access to hardware and software, BWFA's Wi-Fi networks are protected with strong passwords. We have created two Wi-Fi networks—one for our staff, and one for our guests. This allows our guests to have access to the Internet, while keeping them completely isolated from corporate resources.

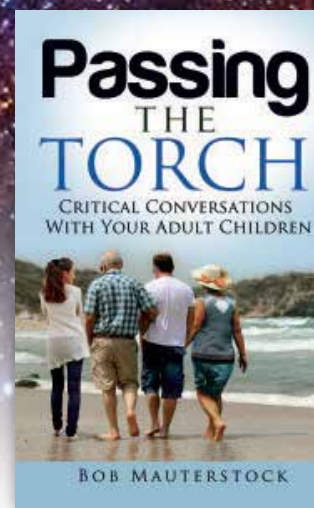
**CLOUD DATA.** In our July 2013 newsletter, we published a brief article titled "Ensuring Data Protection in the Cloud." That article discussed BWFA's efforts to make certain that any third-party vendor we use for data storage is credible and uses "above-code" firewalls and storage area network appliances. We've made certain that BWFA's cloud storage provider uses Secure Sockets Layer encryption (SSL) which is vital to transmitting sensitive information securely.

### BEST PRACTICES

Without clear best practices and ongoing training, even the best hardware on the most secure networks will not prevent accidents from happening or breaches from occurring. We have established written policies for safeguarding client information and reinforce them periodically with our employees. BWFA has partnered with one of the area's most respected IT consultants to help us keep client information secure. They test our systems against intrusion on an ongoing basis and adjust our technological defenses, as needed.

### BUSINESSES MUST EVALUATE AND RE-EVALUATE MEASURES THEY CAN TAKE TO REDUCE THE RISK OF CYBER-ATTACKS THAT COULD LEAD TO THEFT OR DATA LOSS.

BWFA works to make sure that our clients' data is always in good hands. As technology continues to evolve, so will our efforts to provide the best, most secure experience possible. 



# Book Review

## PASSING THE TORCH: CRITICAL CONVERSATIONS WITH YOUR ADULT CHILDREN BOOK BY: BOB MAUTERSTOCK

ROB CARPENTER  
PRESIDENT & CEO  
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On Thursday, April 23, BWFA hosted **Bob Mauterstock, author of *Passing the Torch: Critical Conversations with Your Adult Children***, for an insightful discussion. According to feedback from our guests, this was one of BWFA's best seminars yet!

### MAUTERSTOCK'S BOOK WILL PROVIDE THE TOOLS NECESSARY TO DEVELOP A STRONG PARTNERSHIP THAT WILL HELP PARENTS AND CHILDREN MAKE CRITICAL DECISIONS AFFECTING MULTIPLE GENERATIONS.


Talking with anyone about your finances can be awkward and difficult. But for many baby boomers, the realm of finance was one into which children were never invited. By not discussing financial matters openly with their children, these parents no doubt felt that they were protecting them from unnecessary worry and maintaining appropriate boundaries.

But now that the children of boomers are into adulthood, not knowing the basic outlines of their parents' finances can be problematic for everyone, especially as boomers age and may require more help with making decisions and managing their legacies. What once seemed helpful and responsible can now become problematic and even dangerous.

In Mauterstock's latest book, he provides a comprehensive, practical guide that leads baby boomers through the process of getting their financial lives in order and communicating their wishes, desires, and concerns to their adult children. For example, family meetings can open the lines of communication, and the book lays out the steps to prepare and hold such meetings. It also addresses critical areas such as legal issues that can impact the family, end-of-life planning, health-care planning, and passing on a legacy to the next generation.

For boomers who never saw the need to involve their children with family finances, Mauterstock's book will provide the tools necessary to develop a strong partnership that will help parents and children make critical decisions affecting multiple generations.



**Bob Mauterstock** is an accomplished speaker, author, and sought-after authority on the concerns of baby boomers and their desires to develop cohesive plans to preserve their financial security and pass on meaningful legacies. For more than a quarter of a century, he helped families achieve a comfortable, worry-free retirement. Bob received his bachelor's degree in psychology from Princeton University and his master's in Education from the University of Connecticut. He is a former Naval aviator and is a Certified Financial Planner®, Chartered Financial Consultant, and Chartered Life Underwriter. 

# What's Happening at BWFA



## TEAM BUILDING TRIP JUNE 5, 2015

MEGHAN MANAS  
DIRECTOR, CLIENT SERVICES  
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"TWO ROADS DIVERGED IN A  
WOOD, AND I - I TOOK THE ONE  
LESS TRAVELED BY, AND THAT  
HAS MADE ALL THE DIFFERENCE."  
- ROBERT FROST



The staff recently spent a day bonding while hiking Sugarloaf Mountain in Dickerson, MD., enjoying lunch at The Comus Inn, and wine tasting at Sugarloaf Winery.

AS YOU CAN SEE FROM THE PHOTOS BELOW, WE HAD A WONDERFUL DAY!



## ADMINISTRATIVE PROFESSIONALS' DAY DID NOT GO UNNOTICED AT BWFA!

We treated our Client Services Team to car detailing by On the Spot Mobile Car Detailing!



**TAKE YOUR CHILD TO WORK DAY AT BWFA!**  
We were pleased to welcome future BWFA Advisor Stone Kelly — son of Portfolio Manager Chris Kelly — on April 23, 2015. Stone went right to work helping out on multiple projects around the office. We look forward to having him back next year!



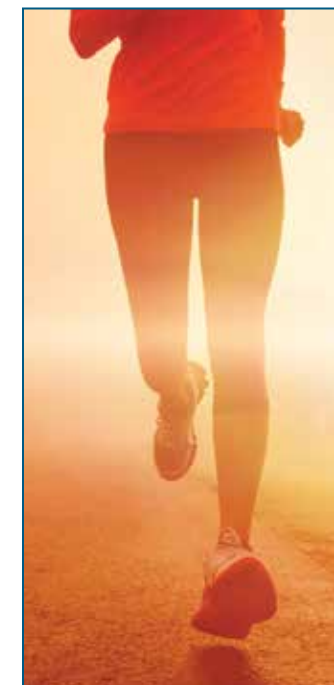
## BWFA OPEN HOUSE

Thank you to everyone who was able to make it to our Open House on Thursday, May 14, 2015. It was a very enjoyable evening for those who were able to overcome the horrendous traffic caused by a crowd-drawing concert. We learned that night that we can't compete with the Grateful Dead! We plan to be much more mindful of events at Merriweather Post Pavilion in the future!



## WINGS OF HOPE (wingsofhopemd.com)

Sue Kelley took part in the Wings of Hope benefit concert in Douglassville, PA. Each artist dedicated his or her performance in memory or in honor of someone whose life has been impacted by cancer. The event was a huge success; it raised over \$20,000 for charities, including the V Foundation, The American Cancer Society, Make-A-Wish Foundation, and For Pete's Sake Cancer Respite Service.



**BWFA IS A PROUD SPONSOR OF THE  
2 MILES FOR 2 HEARTS MEMORIAL RACE**  
BEING HELD ON SATURDAY, AUGUST 29, 2015, IN HISTORIC ELLICOTT CITY



**2 MILES FOR 2 HEARTS** is a fundraising race in Historic Ellicott City benefiting the **Elizabeth Nass Memorial Scholarship** and the **Rose Mayr Nursing Scholarship** through the **Howard Hospital Foundation**.



VISIT THE RACE WEBSITE HERE:  
[2MILESFOR2HEARTS.COM](http://2MILESFOR2HEARTS.COM)

FOR MORE INFORMATION ON HOW YOU CAN BE PART OF THIS SPECIAL EVENT

IN 2006, BWFA RAN THIS AD  
IN "THE BALTIMORE SUN"  
CONGRATULATING JHU APL.



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**CONGRATULATIONS** TO THE **JOHNS HOPKINS APPLIED PHYSICS LAB**  
for the successful launch of the **New Horizons Mission to Pluto!**



We can all feel proud that members of our community brought this ambitious mission to life. The New Horizons spacecraft, designed, built and operated by the Johns Hopkins University Applied Physics Lab (APL) in Laurel, MD, will be the first spacecraft ever to explore Pluto and the Kuiper Belt.

We acknowledge the vision and dedication of everyone at APL for carrying a rich tradition of exploration and discovery that made this country great.



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