OCTOBER 2015

Advisor

BALTIMORE - WASHINGTON FINANCIAL ADVISORS

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President's Address

BWFA FAMILY OF CLIENTS CONTINUES TO GROW THROUGHOUT USA AND ABROAD

ROB CARPENTER | PRESIDENT & CEO

"BETTER SOLUTIONS, BETTER SERVICE, BETTER RESULTS."

BWFA always strives to make client relationships both impactful and meaningful. Those relationships are usually formed by in-person meetings with BWFA's team of advisors. Putting clients first by providing great service through knowledgeable experts who care about those whom they serve was BWFA's original mission, reflected in its motto: "Better Solutions, Better Service, Better Results." That continues to be what drives us, even as many of our clients start new chapters in their lives that carry them throughout the United States and around the world.

BWFA now works with clients in 28 states, and we even have a few clients living abroad. BWFA continues to broaden its base geographically and provide its clients with an excellent all-around experience by using new technology that includes cloud storage, video chats, conference calls, and webcasting. By investing in these technologies, BWFA can continue serving clients worldwide, without sacrificing the personal aspect of relationships — something we greatly value. When possible, our staff even visits clients who live in other states to keep the relationships vibrant and the communication strong.

Working with clients remotely does present some challenges, but we prefer to focus on the opportunities. Years ago when clients moved away for jobs and retirement, it might have been challenging to maintain relationships and address financial concerns from long distances. Today, however, we can effectively manage our clients' financial needs across a much larger geographic scale. For clients, this also means that they can continue to benefit from BWFA addressing all their investment, planning, and tax needs at one company. We take pride in caring for our clients' full financial picture, and providing high quality services with a personal touch.

So when a new chapter in life begins, BWFA will be there to help, no matter the distance. As clients continue to take new journeys, we aim to help them make smooth transitions. We work hard to establish a special bond between our team and our clients by handling their full financial picture, regardless of where they might be in the world. Even as people move farther away, the world is becoming smaller, and through technology we can maintain and even strengthen the bond between us and the families we help.

A map of our client base is shown on page 12.

Robert Carpenter

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

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Financial Planning

LONG-TERM CARE EXPENSES IN RETIREMENT

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More than 70% of people over the age of 65 will need some sort of long-term care during their lifetime. In addition, there is a 40% chance that you will enter a long-term care facility if you reach the age of 65, and a 20% chance of staying there five years or longer. Even though the average stay in a long-term care facility is two-and-a-half years, any length of stay can take a toll on your retirement savings.

The average daily rate for a Maryland nursing home is $260, or $94,900 annually. Other forms of long-term care might not be as financially devastating, but they can still significantly deplete your assets. Assisted-living facilities, where people can get help with routine daily activities and chores, are much less expensive, averaging $46,800 annually. For those who choose to stay in their homes, a home health aide can assist them for about $20 an hour. Another option, adult day care, also allows a person to stay in her home for an average cost of $79 per day, or $20,540 annually.

THERE ARE FOUR PRIMARY WAYS TO PAY FOR LONG-TERM CARE: MEDICARE, MEDICAID, SELF-INSURING, AND LONG-TERM CARE INSURANCE.

PAYING FOR LONG-TERM CARE

After deciding which form of long-term care is needed, the question of how to pay for it still remains. There are four primary ways to pay for long-term care: Medicare, Medicaid, self-insuring, and long-term care insurance.

Medicare will cover up to 100 days of long-term care, but only if you have previously been in a hospital for three consecutive days prior to needing long-term care services. In addition, only the first 20 days are covered in full—the remaining 80 days require a co-payment. Medicare is not an option if the long-term care needed is truly "long-term."

Medicaid was designed to help those with limited resources and limited incomes. Many Americans want to avoid depleting their assets and resources, as Medicaid requires, so that they can pass their assets on to their heirs. In addition, individual choices are limited under the Medicaid program. Not all long-term care facilities participate in Medicaid, and many that do participate limit the number of Medicaid occupants.

Self-funding is for those who have significant invested assets and/or substantial fixed income, such as a pension. This option is especially attractive to those who would be turned down for other options due to medical reasons. However, an extended stay in a long-term care facility could significantly deplete your assets. The greatest risk exists for married couples where one spouse has an extended stay in a long-term care facility. For example, if one spouse requires an extended stay in a nursing home due to dementia, she could be there for 10 years or more, costing around $1 million.

While she would be covered by Medicaid should their assets be depleted, the healthy spouse would no longer have assets at his disposal for living expenses.

A **long-term care insurance (LTCI) policy** pays a specified daily amount for nursing home care for a specified number of years or for the policyholder's lifetime. An LTCI policy typically covers care in other settings as well, such as the home or an assisted living facility.

LOOKING MORE CLOSELY AT LTCI

The three principal reasons to purchase LTCI are to preserve your assets for your spouse or heirs, to make sure that you can choose where and by whom your care is provided, and to protect your family from the consequences of providing you with long-term care.

LTCI has four key components, and the LTCI premium is affected by the amount of coverage you purchase in each category.

1. **Daily benefit:** the amount of benefit paid by the insurance.
2. **Benefit period:** the length of time the insurance will be paid.
3. **Compound inflation protection:** your daily benefit will increase by a fixed percentage each year until you enter long-term care.
4. **Elimination period:** the period of time after you enter long-term care and before the insurance company begins to pay benefits.

A "shared care" policy could help reduce the cost of LTCI. With this type of policy, a married couple purchases one policy and splits the benefits between them. For example, if a couple buys a benefit period of six years and one spouse uses two years of coverage, the second spouse would have four years of coverage remaining.

It is important to know that LTCI is relatively new and that it is still evolving. Insurance companies do not yet have reliable data upon which to base premiums. You also need to be concerned with the financial health and stability of the company providing coverage. Accordingly, you should expect to see changes in both the premiums you pay and the coverage you receive in the years ahead.

Whether you self-insure or purchase LTCI, planning for long-term care expenses in retirement is essential. Taking the right steps so that you are prepared for the unexpected will not only give you peace of mind knowing that your financial future is secure, but will also give you the confidence of knowing that you will have the care of your choice, while ensuring your long-term care will not be a burden to your family and heirs.

Investment Management

DO YOU REALLY WANT TO BEAT THE MARKET?

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All investors want their portfolios to do well, and of course we all would love to "beat the market." But at what cost? How much risk are you willing to take?

COMPARING APPLES TO ORANGES?

Generally, when we say "the market," we are referring to the S&P 500 index (S&P 500). This is the most commonly followed stock market index, which largely represents U.S. large-capitalization stocks such as Apple, General Electric, Johnson & Johnson, to name a few. *(Note: Shares of Apple, Exxon Mobil and Google are currently on BWFA's "Buy/Hold" list, representing securities held in client portfolios.)* Some view the S&P 500 as the primary equity benchmark to measure investment performance. It is certainly the most commonly used measure for portfolio performance. But, is the S&P 500 truly a reasonable benchmark for a diversified portfolio?

The average investor might hold many different types of common stocks in her portfolio, along with bonds, foreign securities, U.S. Treasuries and maybe even some commodities. If an investment portfolio is diversified in this manner, then an index that holds only large U.S. companies might not represent the best comparison.

Still, investors often question why their mutual funds or managed accounts did not beat the S&P 500. Were they supposed to? Was that a goal? In order to closely match the performance of the S&P 500, an investor would have to place 100% of her portfolio in in an ETF of that one particular index. This means that 100%of her entire retirement savings would be dependent upon the performance of one index—an index that consists solely of large-cap stocks. Ask yourself, do you want all of your money dependent on the performance of one index or one asset class?

Even if an investor were to place her entire savings into a single index, doing so would only give her the potential to match the S&P 500. In order to actually beat the index, she would have to insert other securities that are not part of that benchmark to hopefully provide the portfolio the boost it needs to outperform the index. An investor could also try to speculate which stock will perform the best and overweight that position. Another tactic could be to anticipate a market correction and trade ahead of it by increasing the allocation to cash, or even going all to cash. Sound risky? It is! Is this an effective strategy for your retirement assets? Most would agree that it is not.

THERE IS MORE THAN ONE "MARKET"

The Nasdaq Composite Index (Nasdaq), a group of stocks that is heavily weighted toward volatile industries such as biotechnology and information technology, is currently outperforming the S&P 500 in 2015 (as of 8/24/2015). It is probably unlikely that anyone has asked his fund manager or financial advisor, "Why haven't you kept up with the Nasdaq this year?" The truth is, there are many different indexes, and their year-to-year performance is unpredictable.

On the right are two separate charts illustrating performance for an array of market-based exchange-traded funds (ETFs), commodities and indexes over the last five years. As you can see, the returns of these different indexes vary depending upon which investment was held and when the investment was purchased.

These charts illustrate that the investment landscape can change rapidly and without warning. For instance, the oil market (CL1 Comdty) appeared as if it would outperform both the S&P 500 and the Nasdaq over the five-year span; however, starting in mid-2014, it declined heavily on concerns about rising supply and a slowing Chinese economy. Likewise, investments representing emerging market stocks (VWO) appeared to be heading for a great year in 2015, only to reverse course and fall into bear territory on news of slower global economic growth. Next year, we could see the opposite, with emerging markets and oil leading the charge.

When analyzing the performance over the last 10 years of some of the other major market indexes, we see that the S&P 500 has not been the best performer. There have been many asset classes and indexes that have outpaced the S&P 500.

SPY US Equity (SPDR S&P 500 ETF Trust) Daily 25AUG2010-24AUG2015 Copyright© 2015 Bloomberg Finance L.P. 24-Aug-2015 13:38:25

Shares of SPY and RWR are currently on BWFA's "Buy/Hold" list, and represent ETFs held in client portfolios

VWO US Equity (Vanguard FTSE Emerging Markets ETF) Daily 25AUG2010-24AUG2015 Copyright© 2015 Bloomberg Finance L.P. 24-Aug-2015 13:41:47

Shares of VWO and TIP are currently on BWFA's "Buy/Hold" list, and represent ETFs held in client portfolios

The Nasdaq, for example, has clearly outperformed the S&P 500 (SPX) by more than 30%. The same can be said for oil, as it, too, was outpacing the S&P 500 for much of this period until it started to plunge around the middle of 2014.

Does this mean investors are supposed to rush from sector to sector simply to keep up with the hottest asset class? The answer to that question is an emphatic NO! No one knows how these indexes will perform from one year to the next. So again we ask, is it reasonable to assess performance based on the returns of just the S&P 500?

FINDING YOUR COMFORT LEVEL

Investors who intend to maintain a well-diversified portfolio need to hold securities representing a variety of different indexes or asset classes. They should aim to gain exposure to several areas of the market and invest across multiple asset classes.

Before investing, make sure you understand your own risk tolerance and your time horizon for withdrawal. This will help determine your overall investment objective. It is said that diversification means holding investments in sectors you might not necessarily find attractive—meaning that you could also experience returns that are mediocre at times. The trick is to find a comfort level that balances risk and reward. When taking all of that into consideration, ask yourself, "Do I really want to beat the market after all?"

For information on how to construct a sound portfolio, please reference our earlier article on the subject, *"A Balancing Act: 5 Steps for Creating a Sound Portfolio"* in the January 2015 Advisor magazine. If you wish to speak with a BWFA portfolio manager, please call 410-461-3900 or 888-461-3900.

Investment Management

THE IMPORTANCE OF CONSOLIDATING ASSETS

There are many reasons why investors hold assets at multiple institutions. An individual might have left a 401(k) behind after a job change, retained accounts established for various reasons at different life stages, or received a gift of stock certificates or other assets from a relative. It could also simply be that moving accounts takes time, can be complex, and involves numerous steps with multiple institutions. Usually, however, it makes good sense to consolidate assets with one institution to reduce overall expenses, simplify your administrative burden of tracking and accounting for your investments, and make the process of managing your investments easier.

At BWFA, one of the greatest values we offer is our ability to look at a client's complete financial picture. BWFA's financial planning department can create a comprehensive pre-retirement, retirement, and/or estate plan that considers the many aspects of a client's financial well-being and outlines a strategy for helping the client achieve his goals. Our team of portfolio managers and financial planners work together to customize each client's investments to make sure they are in line with the client's overall financial plan and investment objectives. Though different clients often have very diverse financial goals, we find that in nearly every case, people who come to us for help can benefit from asset consolidation.

ASSET ALLOCATION: Holding accounts at multiple institutions may make it difficult to maintain a properly diversified portfolio. In addition, when assets are scattered, periodic rebalancing of the portfolio can be particularly challenging. Also, there is an increased risk that the portfolio may not meet an individual's overall goals. Assets that are consolidated under one roof may simplify administrative tasks.

REQUIRED MINIMUM DISTRIBUTIONS (RMDS): The most common problem that results from having assets at multiple institutions is missing a required minimum distribution (RMD) from a retirement account. This may result in costly tax penalties. You can save time, energy, and potential tax penalties by consolidating your retirement accounts, making it easier to manage RMDs.

STOCK CERTIFICATES: When physical stock certificates are held, there is a risk of losing or misplacing the certificates. When a certificate is lost or stolen, the issuer charges a hefty fee to re-issue the certificate. This can be avoided by depositing physical stock certificates into one or more appropriate, like-titled accounts.

BENEFICIARIES: Consolidating assets will help beneficiaries sort out an estate when the owner passes away. We have seen many instances where it was difficult and overwhelming for personal representatives to properly divide an estate, especially when actual stock certificates were still held. There are many extra steps required to transfer the paper stock certificates of a deceased individual. This can be avoided by depositing the certificates now, while the owner is still alive. Depositing stock certificates in an appropriate account and consolidating them at one institution with other assets will lighten the burden for beneficiaries during what can be a difficult period.

We recognize that consolidating assets can be complicated and challenging. We are available to help and will make this process as simple as possible for investment clients. Our operations team has experience transferring even the most complicated assets. We will coordinate every step in the transfer of assets to ensure your peace of mind. If you need help transferring or consolidating assets, please do not hesitate to contact us for assistance.

Team BWFA

TEAMWORK: THE SPORT OF ROWING... AND YOUR TEAM AT BWFA!

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HERE AT BALTIMORE-WASHINGTON FINANCIAL ADVISORS OUR COORDINATED TEAM APPROACH TO SERVING OUR CLIENTS, PARALLELS THE DISCIPLINED, SYNCHRONIZED EFFORTS REQUIRED IN THE SPORT OF ROWING, WHICH HAPPENS TO BE MY PASSION.

The sport of rowing has been in existence since the 15th century BCE in Egypt. The modern Olympic sport we know today has its roots in the United Kingdom. It blossomed in the United States in the middle 18th century with the advent of the Harvard-Yale race, the first intercollegiate sporting contest in our country.

I have competed in rowing since my college days, and I still compete today through USRowing Masters regattas. This is the ultimate team sport, where every rower must match exactly the movements of the others in the boat to achieve a successful outcome. But do not take my word for it—George Pocock, a pioneering boat builder in the 20th century who was featured in the recent *New York Times* number-one best-selling book *The Boys in the Boat* says it more poetically: "Where is the spiritual value of rowing? ...The losing of self entirely to the cooperative effort of the crew as a whole."

Others who have experienced the physical demands of this sport as collegians include pediatrician and author Benjamin Spock and actors Gregory Peck and Hugh Laurie, to name a few. They as well as I have shared with our fellow rowers the experience of harmony, balance, and rhythm that comes from racing in a boat that ranges to as much as 60 feet long and is no more than two feet wide. Those three attributes of harmony, balance, and rhythm give rowers the ability to handle many of life's challenges and, dare I say, help keep the world in better balance.

I once heard someone describe a rower as having the strength of a power lifter with the grace of a ballerina—which accurately describes the elite rowers of the world, and those of us striving to remotely resemble those top Olympic athletes. Olympic rowers race over a 2,000-meter course, and physiologists claim that racers expend the same amount of energy as basketball players in two back-to-back NBA games—only doing so in a mere six minutes!

At BWFA, our team approach to helping clients requires the same levels of precision, coordination, and synchronization found in the sport of rowing. Often, several BWFA associates are working in concert to achieve successful outcomes for our clients. Our tax advisors, financial planning professionals, business services manager, and investment management advisors, along with our support staff, join forces with one goal in mind—to achieve a winning result for our clients!

I had the privilege of competing this summer in England on the historic Henley course on the Thames River. In addition, I recently earned several medals, including two gold, at the USRowing Masters National Championships, which took place on the Cooper River in New Jersey. Take it from me: those long, sleek boats skimming across the river appear so peaceful and calm, but there is tremendous effort and extensive training that contributes to creating that outcome—much like what we aim to accomplish for our clients here at BWFA.

Joe is in the last seat of this gold-medal-winning boat at the USRowing Masters National Championships, Camden NJ, August 2015. He is pulling with his teammates from Potomac Boat Club.

Investment Research

THE IMPACT OF CHANGING DEMOGRAPHICS ON THE HOUSING MARKET

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Recent trends typically have little impact on BWFA's search for potential investments or our analysis of securities we already hold for our clients. We are more interested in trying to identify long-term or secular changes to the economy or demographics. This fits with our goal of identifying stocks that can be held for three-to-five years, if not longer.

In our opinion, some U.S. housing market data indicates changing demographics could potentially have a long-term effect on the type of housing in which people want to live. This has led us to look for investments that might benefit from such changes.

BACKGROUND

In short, it appears that a generational shift in people's view toward housing is underway. This change is being driven by some of the following factors: the size of the down payment required to purchase a home; credit conditions; and lowered expectations about the viability of home ownership as an investment. Lingering scars from the last severe down-cycle may also be causing a mind-shift among 20- and 30-somethings who want a more flexible and mobile lifestyle than earlier generations. According to research by the Joint Center for Housing Studies of Harvard University, homeownership rates among Gen Xers—now mostly in the 35-44 and 45-54 year-old age groups—have fallen further than those of any other age group. They currently sit 4%-5% below rates among same-aged households 20 years earlier.

In addition, people are getting married later and waiting longer to have children, which negatively impacts housing-related size requirements. The baby boom generation is also getting older and the oldest members are looking to downsize.

As a result of these shifting preferences, Americans are increasingly shifting away from the single-family home, which has been a cornerstone of our culture, toward multi-unit residences. In many ways, multi-family housing or rentals make considerable sense. They also provide a more efficient way to utilize space, especially within urban centers that are increasingly attracting residents that formerly lived in suburbia.

This secular shift is materially impacting the homeownership rate, which fell to its lowest level in nearly 50 years (lowest since Q1 1967) at 63.4% in 2015's second quarter. This was down from 63.7% in the prior quarter and 64.7% a year ago. In addition, in Q2 2015, the national rental vacancy rate fell to a three-decade low of 6.8%.

HOUSEHOLD FORMATION

In 2015's second quarter, the number of U.S. households increased by 1.6 million from a year earlier, the third consecutive quarter of relatively strong growth following years of tepid gains. However, the net increase was entirely due to new renters (up 2.0 million), as the number of owner-occupied households declined by 400,000. More broadly, since 2004, on balance, the number of households who rent jumped by 9 million. On the other hand, the number who own fell by 2.5 million since 2006.

Many of these new households are likely to be seniors living alone or young unmarried adults living either alone or together to share living expenses. These "selfies" are more likely to rent than buy homes. The percentage of the adult population 16 years or older who are singles has been running around 50% since June 2014. That is up from 37% in the mid-1970s.

The Pew Research Center reports that 36% of those aged 18-31 lived in their parents' homes as of 2012, the highest share in decades. Pew attributes this trend to declining marriage, rising college enrollment and declining employment.

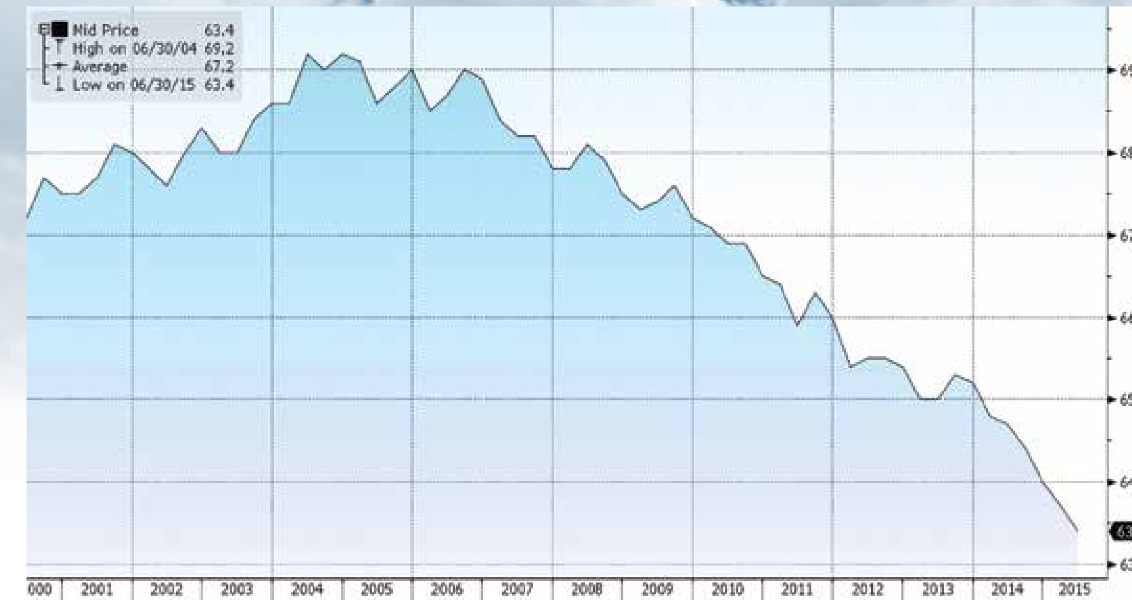
Student loan burdens provide another obstacle to home ownership. According to Pew's research, 37% of households headed by an adult younger than 40 have some student debt. In addition, households carrying student loan debt typically have more overall debt obligations (e.g., car and credit card loans) than those without them. They are also spending a lot on rent. As a result, it is harder to save for a down payment.

INCREASING RENT EXPENSES; LOWER MORTGAGE COSTS

These changes are happening even though, according to a new report from Zillow Group Inc. which tracked data back to 1979, rental affordability has steadily worsened. In 2015's second quarter a renter earning the median income in the U.S. spent 30.2% of her income on an apartment, versus 29.5% a year ago. From 1985-1999, the average was 24.4%. Higher occupancy rates also make it easier for landlords to increase rents.

Since interest rates remain low, mortgages remain relatively affordable. U.S. buyers devoted 15% of their income to mortgage payments, which is below the historical average of 21%. Strict lending requirements and tight inventories have kept many families in the rental market.

U.S. HOME OWNERSHIP RATE



U.S. RENTAL VACANCY RATE

BABY BOOMERS

Older Americans are helping to keep the homeownership rate as high as it is. Many baby boomers are now in the 50-plus age group which is when homeownership rates are high. However, once they decide to downsize, they are more likely to rent than buy. One reason may be that renting is easier than owning a home. There is no longer a need to pay property taxes, pay for and arrange for maintenance, plumbing or electrical. If you rent, it is also likely you will not have to pay for grass cutting or snow removal. Retirees are also likely to reach a point where they no longer can or do not want to go up and down a flight of steps. After all, it is easier to carry the laundry down the hall than up the stairs.

THE INVESTMENT PERSPECTIVE

Based on many of the above factors, we previously invested in a real estate investment trust (REIT) that primarily rents apartments in areas with increasing job opportunities for Millennials. We have to pay attention to building trends and occupancy rates, however. For example, in June, ground was broken on the most multi-family housing units since 1986. The number of permits issued for units for which construction has not even commenced has also swelled.

We prefer investing in REITs with the potential to grow distributions over time. Should the construction of too many multi-family dwellings cause vacancy rates to rise, we would consider an alternative.

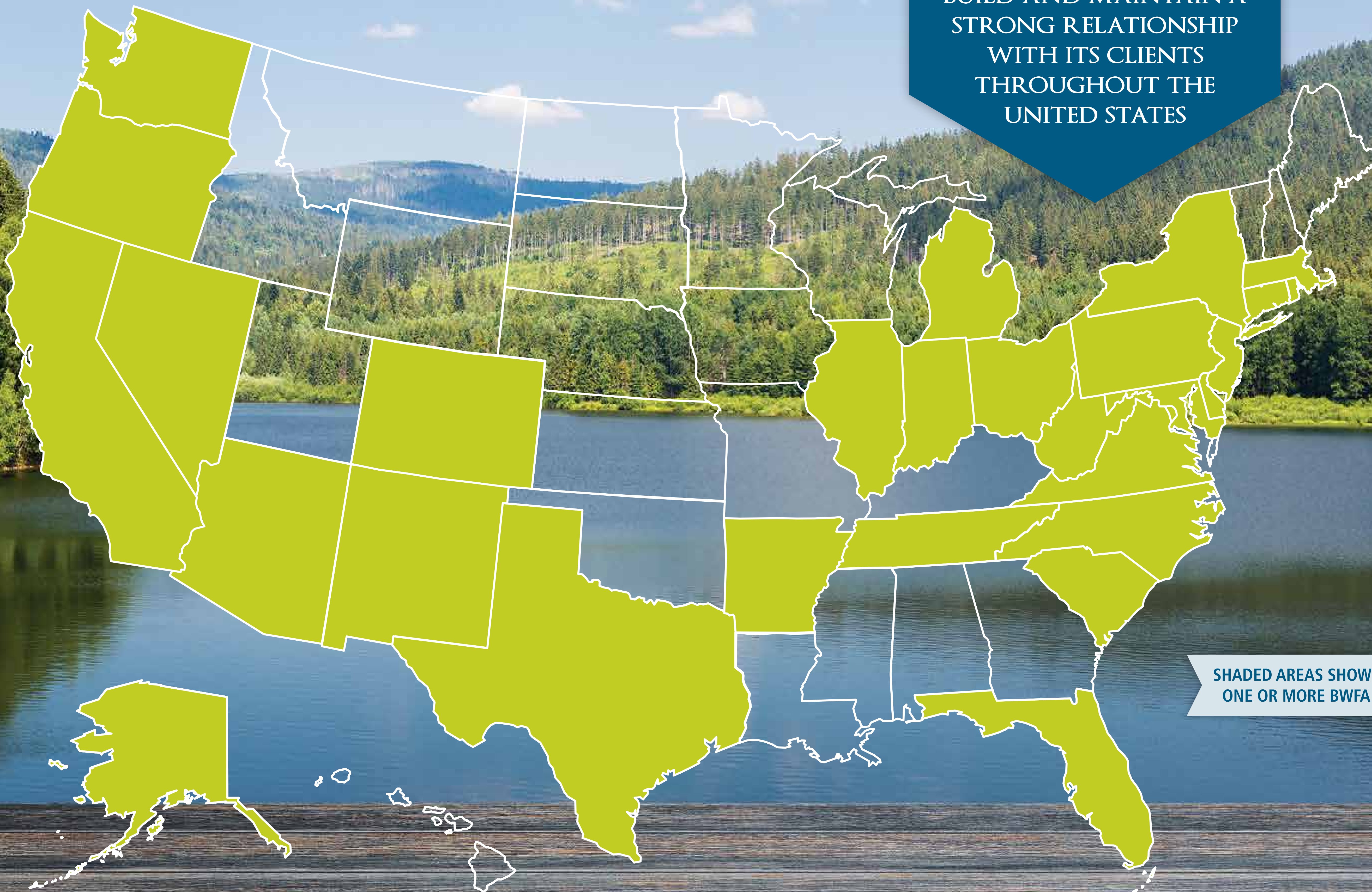
Similarly, we think a REIT focused on the assisted living industry would be a good fit for client portfolios. According to the aforementioned Harvard study, by 2025, "the large and growing population of seniors is likely to drive up demand for alternative housing arrangements that provide a combination of affordability, accessibility, and supportive services."

By the time this article goes to publication, we also expect to have added a REIT focused on the assisted living industry.

BWFA

Clients Explore New Paths

BWFA STRIVES TO BUILD AND MAINTAIN A STRONG RELATIONSHIP WITH ITS CLIENTS THROUGHOUT THE UNITED STATES



SHADED AREAS SHOW STATES WHERE ONE OR MORE BWFA CLIENTS LIVE.

Business Services

VALUE DRIVERS FOR BUSINESSES

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What enables owners of small- and medium-sized businesses to differentiate themselves from others in their industries? Most privately held businesses are valued based on a multiple of earnings or, in some cases, revenue. However, intangible value drivers can make a huge impact on how much a prospective buyer is willing to pay for a business. Below, I have listed several of these value drivers and their importance to buyers.

BARRIERS TO ENTRY: The more difficult it is for someone to get into your industry, the more valuable your business will be to prospective buyers.

MARKET SHARE AND MARKET POTENTIAL: If your business is in an industry that has limited potential for expansion and your company already has a substantial share of that market, buyers will have less of an interest in acquiring your business. Buyers will pay for your business based on what it has done to date, but the reason they buy is that they feel they can grow the business.

RECURRING REVENUE: Business models in which revenue from customers is maintained each year without the need for additional sales are ideal. Information Technology service providers with a "managed services" model get paid monthly from their customers. Financial Services companies also receive recurring revenue from their customers. Revenues within these companies are fairly predictable, which buyers prefer.

PRODUCT DIFFERENTIATION: Buyers love to see companies which produce or sell a product that is better from others on the market. It is important for businesses that have these products to make sure they maintain their intellectual property so others cannot copy their products.

CUSTOMER DIVERSIFICATION: Companies that rely too heavily on one or two customers may scare off buyers. For example, if your business receives 50% of its revenue from one client and that client leaves, your business will be significantly impacted. Most buyers are not willing to take this risk. By creating a situation where there are numerous customers each making up a small percentage of the company's revenue, business owners can provide a buyer with confidence that losing one customer will not "make or break" the company.

SENIOR MANAGEMENT: Many owners of small- and medium-sized businesses have built their companies from scratch. As such, each owner has played a crucial role in growing his business. However, buyers will want to see a company where everything does not flow through the owner. Ideally, the owner has passed on all or most of his responsibilities to the management team that will stay on with a new owner.

SALES & MARKETING: Recurring revenue may be tough to come by in some industries. A great sales and marketing team and strategy can help a business get past this obstacle by constantly and predictably bringing in new business. Buyers will take a close look at the sales process within a company to help determine the viability of the company's ongoing success and growth.

OPERATIONS: A "clean" organization will pique the interest of buyers much more than a company that does not have any of its systems and processes in order. Agreements with employees, customers, and vendors along with all corporate documents should be up to date and readily available. All human resources activities should be well documented. Businesses should have the proper amount of insurance coverage to protect against any unforeseen liabilities. Buyers will go through extensive due diligence. Having the company's operations in order can drastically cut down on any negative impact of due diligence (e.g., slowing down the process or potentially causing the seller to back out).

While profitability and revenue can be good benchmarks when trying to determine a business' value, buyers will take the whole picture into consideration when deciding whether or not to move forward with the acquisition. It is no coincidence that business owners who have implemented the value drivers listed above are the ones with the most profitable businesses.

Tax Services

TAXES: WHERE WE ALL STAND... WHERE DO YOU STAND?

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Each year after September, the IRS releases preliminary data for the previous filing year's tax returns. The most recent publication reports tax return data for returns processed for tax year 2013 (2014 preliminary data will be available later this year). With that in mind, below are some highlights of where the country's taxpayers stood in terms of tax return data as well as comparisons to how things looked for tax returns filed in prior years. **Take a look and see where you stand.**

1. 147.7 million tax returns were filed for tax year 2013. This represents a 1.9% increase compared to the 144.9 million returns that were filed for tax year 2012.
2. Of the 147.7 million tax returns filed for tax year 2013, 54.5 million (36.8%) were filed by married couples filing jointly.
3. Adjusted gross income (AGI) and taxable income both rose by 0.8% in 2013 as compared to 2012, while total tax increased by 3.6%.
4. 2013 was the first year of the Net Investment Income Tax ($11.68 billion in taxes collected in 2013), Additional Medicare Tax ($6.64 billion in taxes collected in 2013), and the new 39.6% tax bracket (35% had been the highest bracket in 2012).
5. The average AGI for all 2013 tax returns filed was $61,688. Of this amount, $44,857 came from salaries and wages.
6. AGI for all tax returns filed for 2013 totaled $9.11 trillion. Of this total, $6.63 trillion (72.7%) was related to salaries and wages.
7. Salaries and wages increased 2.6% year-over-year compared to 2012. Taxable distributions from pensions, annuities, 401(k)s, and individual retirement accounts (IRAs) increased 4.6% year-over-year. The S&P 500 returned 32.43% to investors for calendar year 2013.
8. Unemployment compensation decreased to $52.18 billion for tax returns filed in 2013. This represented a 27% decrease from tax returns filed for tax year 2012. The national unemployment rate decreased from 7.9% in December 2012 to 6.7% in December 2013, a decrease of 15.2% year-over-year.
9. U.S. taxpayers received $25.92 billion from state income tax refunds in 2013. That equates to $175 per tax return filed. If a taxpayer received a state income tax refund of that amount every year and invested it at an 8% return for 40 years, she would have an additional $46,630 in her nest egg.
10. National estimates calculated total student loans outstanding in 2013 to be $1.2 trillion. Using an average interest rate of 4%, the total loan interest paid would amount to $48 billion. Student loan interest reported as a tax deduction on 2013 tax returns was $11.75 billion. The IRS limits student loan interest deductions to $2,500 per return, and disallows the deduction completely for joint filers with AGI over $150,000.
11. Electronic tax return filing comprised 85.6% of all tax return submissions for tax year 2013 (126.53 million submissions). Only 80 million taxpayers filed their 2007 tax returns electronically.
12. Total U.S. public debt outstanding was $16.43 trillion at Dec. 31, 2012. The national debt increased to $17.35 trillion at Dec. 31, 2013 (representing a $920 billion increase, or 5.5%). Total income-tax liability before applicable credits for all taxpayers during 2013 was $1.29 trillion.

Educational Workshops

WANT TO KNOW MORE ABOUT THAT? COME TO A BWFA WORKSHOP!

SANDY HORNOR
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At BWFA, we strive to provide our clients with competent, ethical, and affordable guidance that enables them to make smart financial decisions. In an effort to expand the depth of our education-based approach, in 2015 we significantly increased the number of educational workshops that we conduct for our clients and the public.

Personally, I find my craving for education difficult to satisfy, as I am extremely busy being a professional, husband, father, community volunteer, and more. Knowing that most of you live at a similarly hectic pace, we designed our workshops to be concise as well as informative. We offer them both during the day (with lunch served) and at night (with dinner served), typically in the main conference room at our office. In approximately 90 minutes, we feed both your brain and your stomach!

Our workshops focus only on education—there is no sales pitch. The topics we explore vary, but the discussion format is consistent. Generally, we present prepared material for about 45 minutes, although we frequently stop along the way to delve into specific areas that garner particular interest. Attendees have the opportunity to learn and ask questions at their own pace. We are always open to answering questions, whether during the presentation or at the end during the structured Q&A session.

Topics that we have presented this year or that we are currently scheduled to present in 2015 include: investing, asset allocation, retirement income, creating a retirement paycheck, Roth vs. traditional IRA, managing your 401(k), estate planning, Social Security do's and don'ts, taxes, health insurance, Medicare, buying or selling a business, and annuities. And those are just the planned discussion topics—the active dialogue during our symposiums has generated additional discussions on a multitude of other topics, too.

THERE ARE APPROXIMATELY 15 BWFA SEMINARS SCHEDULED FROM OCTOBER THROUGH DECEMBER 2015; MOST WILL TAKE PLACE AT OUR OFFICE IN COLUMBIA AT LUNCH OR DINNER TIME.

Many of our workshops include the discussion of a particular book that is relevant to the subject matter being covered. In fact, seminar attendees have commented that the workshops have a "book discussion group" feel to them.

Here's a sampling of some of the books we've enjoyed discussing: *Get What's Yours: The Secrets to Maxing Out Social Security; The 5 Years Before You Retire: Retirement Planning When You Need It the Most; Passing the Torch: Critical Conversations with Your Adult Children; The Truth About Buying Annuities; and Berkshire Beyond Buffett: The Enduring Value of Values.*

Two of our "book group" workshops included the added benefit of having the author join us in the discussion, bringing a heightened level of knowledge and liveliness. At our March Investment Book Review workshop, we were joined during the Q&A session of the evening by Lawrence A. Cunningham, author of *Berkshire Beyond Buffett*. In April, Bob Mauterstock spoke at length and answered questions for over an hour about his book *Passing the Torch*. We usually give seminar attendees a copy of the book that was discussed, and Bob was gracious enough to sign a large number of books that night. With 65 guests, this was our largest audience, and so the workshop took place offsite at Petit Louis Bistro on Lake Kittamaqundi in Columbia, Maryland.

There are approximately 15 BWFA seminars scheduled from October through December 2015; most will take place at our office in Columbia at lunch or dinner time. Come and learn about how to be a better investor, about history's great investors, about Social Security... or about any number of financial and planning topics. Bring an appetite for knowledge and for good food, and we will do our best to fulfill both.

What's Happening at BWFA

2 MILES FOR 2 HEARTS MEMORIAL RACE

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2 Miles for 2 Hearts - In loving memory of Elizabeth Nass and Rose Mayr

This year BWFA was again proud to be a sponsor for the 2 Miles for 2 Hearts Memorial Run held on August 29th in Ellicott City. In 2012, Elizabeth "Liz" Nass and Rose Mayr, lost their lives when a train derailed in historic Ellicott City. 2 Miles for 2 Hearts is a memorial race that benefits two scholarship funds while celebrating the lives of Liz and Rose and bringing families and the community together to incorporate some of the things these young women loved most—music, exercise, and food.

If you would like to make a donation to the **Elizabeth Nass Memorial Scholarship** and/or the **Rose Mayr Nursing Scholarship** please visit:

2MILESFOR2HEARTS.COM AND CLICK ON "DONATE."

ENJOY THE PICTURES OF THE EVENT! We look forward to supporting this race in the future and hope to see some of you running next to us!

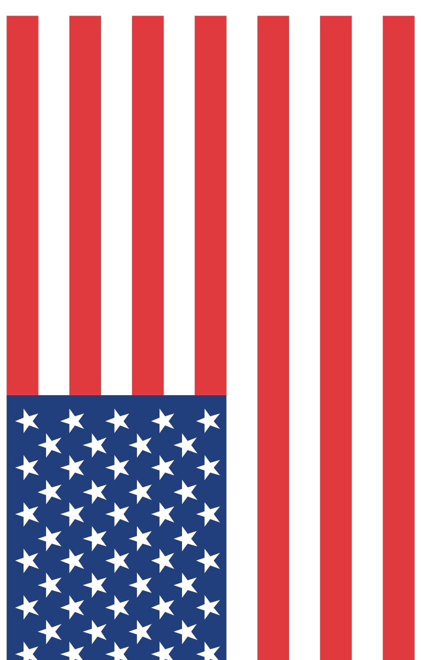
Congratulations

BWFA FAMILY NEWS!

BWFA's Director of Client Services, Meghan Manas and her husband Eric, welcomed **EZRA** on August 18, 2015.

CONGRATS TO THE NEW FAMILY.

BWFA
Fourth OF JULY 2015



FIREWORKS • FUN • PHOTO BOOTH

A great time was had, and captured, by all at the BWFA Fourth of July Celebration!

B|W|F|A

Baltimore-Washington

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