

### Introducing Morningstar Office® -- New System, New Reports

First Ohio Planning is in the process of transitioning our record keeping, tracking, and reporting from dbCams®, a system we have used for more than 20 years, to Morningstar Office®. As a result of this change, quarterly reports will be similar in appearance, but somewhat different. Clients will see an accounting of total dollars invested and returns, as well as graphic displays of their allocation and accumulations. We will continue to provide Time Weighted Return analysis for their portfolios since First Ohio Planning began managing the investments. We are excited about the expanded capabilities of Morningstar Office® and the new reporting format and look forward to discussing them with you. In the future, we anticipate using Morningstar Office's secure web portal where we will populate all of our reports and clients will have anytime access to all documents.

### Avoiding Probate: Is It Worth It?

When you die, your estate goes through a process that manages, settles, and distributes your property according to the terms of your will. This process is governed by state law and is called probate. Probate proceedings fall under the jurisdiction of the probate court (also called the Surrogate's, Orphans', or Chancery court) of the state in which you are domiciled at the time of your death. This court oversees probate of your personal property and any real estate that is located in that state. If you own property located in a state other than the state in which you are domiciled at the time of your death, a separate "ancillary" probate proceeding may need to be initiated in the other state.

*Note: "Domicile" is a legal term meaning the state where you intend to make your permanent home. It does not refer to a summer home or a temporary residence.*

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Items that are subject to probate are known as probate assets. Probate assets generally consist of any property you own individually at the time of your death that passes to your beneficiaries according to the terms of your will. Examples of nonprobate assets include property that is owned jointly with right of survivorship (e.g., a jointly held bank account) and property that is owned as tenants-by-the-entirety (i.e., real property owned jointly by a husband and wife). Other examples are property that passes to designated beneficiaries by operation of law, such as proceeds of life insurance and retirement benefits, and property held in trust. Property that does not pass by will, right of survivorship, beneficiary designation, or trust will also be subject to probate.

#### Why avoid probate?

Most wills have to be probated. The rules vary from state to state, but in some states, smaller estates are exempt from probate, or they may qualify for an expedited process.

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**Avoiding Probate: Is It Worth It?** - *(continued from page 1)*

Probate can be slow. Depending on where your executor probates your estate and the size of your probate estate, the probate process can take as little as three months or as long as three years. Three years can be a long time to wait for needed income. It can take even longer if the estate is a complicated one or if any of the heirs are contesting the will.

Probate can be costly. Probate costs usually include court costs (filing fees, etc.), publication costs for legal notices, attorney's fees, executor's fees, bond premiums, and appraisal fees. Court costs and attorney's fees can vary from state to state. Typically, the larger the estate, the greater the probate costs. However, if a smaller estate has complex issues associated with its administration or with distribution of its assets (e.g., if the person who died owned property in several states), probate can be quite costly.

Probate is a public process. Wills and any other documents submitted for probate become part of the public record-- something to consider if you or your family members have privacy concerns. Why choose to go through probate?

For most estates, there's usually little reason to avoid probate. The actual time and costs involved are often modest, and it just doesn't make sense to plan around it. And there are actually a couple of benefits from probate. Because the court supervises the process, you have some assurance that your wishes will be abided by, and if a family squabble should arise, the court can help settle the matter. Further, probate offers some protection against creditors. As part of the probate process, creditors are notified to make their claims against the estate in a timely manner. If they do not, it becomes much more difficult for them to make their claims later on.

In addition, some states require that your will be probated before the beneficiaries under your will can exercise certain rights. Among the rights that may be limited are the right of your surviving spouse to waive his or her share under the will and elect a statutory share instead, use your residence during his or her remaining life, set aside certain property, and receive a family allowance.

**How to avoid probate**

An estate plan can be designed to limit the assets that pass through probate or to avoid probate altogether. Property may be passed outside of probate by owning property jointly with right of survivorship; by ensuring that beneficiary designation forms are completed for those types of assets that allow them, such as IRAs, retirement plans, and life insurance (to avoid probate you shouldn't name your estate as beneficiary); by putting property in a trust; and by making lifetime gifts.

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## **What is this new chip-card technology I've been hearing about in the news?**

In recent years, data breaches at major retailers have increased across the United States. As a way to counteract these data breaches, many U.S. credit-card companies have started implementing a more secure chip-card technology called EMV (which is short for Europay, Mastercard, and Visa).

Currently, most retailers use the magnetic strips on the back of your debit or credit card to access your account information. Unfortunately, the information contained in the magnetic strips is easily accessed by hackers. In addition, the magnetic strips use the same account information for every transaction. So once your card information is stolen, it can be used over and over again.

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**What is this new chip-card technology I've been hearing about in the news?** - *(continued from page 2)*

With the new EMV technology, debit cards and credit cards are embedded with a computer chip that generates a unique authentication code for each transaction. So if your card information is ever hacked, it can't be used again--it's a "one-and-done" scenario.

While many developed nations moved to EMV technology years ago, U.S. retailers have previously been unwilling to shoulder the costs. Fortunately, there is good news for U.S. consumers on the horizon.

Beginning in 2015, many large retailers will switch to the new EMV technology by installing payment terminals designed to read the new chip-embedded payment cards. It may take additional time, however, for smaller retailers to adopt this latest technology.

Along with EMV, even more advanced encryption technology is being developed that will increase security for online transactions and payments made with smartphones. In fact, new mobile payment options like Apple Pay and Google Wallet could eventually make paying with plastic entirely obsolete.

In the meantime, in the wake of these data breaches, you should make it a priority to periodically review your credit-card and bank account activity for suspicious charges. If you typically wait for your monthly statements to arrive in the mail, consider signing up for online access to your accounts--that way you can monitor your accounts as often as needed.

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## **How Does Divorce Affect Social Security Retirement Benefits?**

One of the challenges of planning for retirement is that an unexpected event, like divorce, can dramatically change your retirement income needs. If you were counting on your spouse's Social Security benefits to provide some of your retirement income, what happens now that you're divorced?

### **What are the rules?**

Even if you're divorced, you may still collect benefits on your ex-spouse's Social Security earnings record if:

- Your marriage lasted 10 years or longer
- You are age 62 or older
- Your ex-spouse is entitled to receive Social Security retirement or disability benefits, and
- The benefit you're entitled to receive based on your own earnings record is less than the benefit you would receive based on your ex-spouse's earnings record

If you've been divorced for at least two years, and the other requirements have been met, you can receive benefits on your ex-spouse's record even if he or she has not yet applied for benefits.

### **How much can you receive?**

If you begin receiving benefits at your full retirement age (66 to 67, depending on your year of birth), your spousal benefit is equal to 50% of your ex-spouse's full retirement benefit (or disability benefit). For example, if your ex-spouse's benefit at full retirement age is \$1,500, then your spousal benefit is \$750. However, there are several factors that may affect how much you ultimately receive.

Are you eligible for benefits based on your own earnings record? If so, then the Social Security Administration (SSA) will pay that amount first. But if you can receive a higher benefit based on your ex-spouse's record, then you'll receive a combination of benefits that equals the higher amount.

**How Does Divorce Affect Social Security Retirement Benefits?** - *(continued from page 3)*

Will you begin receiving benefits before or after your full retirement age? You can receive benefits as early as age 62, but your monthly benefit will be reduced (reduction applies whether the benefit is based on your own earnings record or on your ex-spouse's). If you decide to receive benefits later than your full retirement age, your benefit will increase by 8% for each year you wait past your full retirement age, up until age 70 (increase applies only if benefit is based on your own earnings record).

Will you work after you begin receiving benefits? If you're under full retirement age, your earnings may reduce your Social Security benefit if they are more than the annual earnings limit that applies.

Are you eligible for a pension based on work not covered by Social Security? If so, your Social Security benefit may be reduced.

Planning tip: If you decide not to collect retirement benefits until full retirement age, you may be able to maximize your Social Security income by claiming your spousal benefit first. By opting to receive your spousal benefit at full retirement age, you can delay claiming benefits based on your own earnings record (up until age 70) in order to earn delayed retirement credits. This can boost your benefit by as much as 32%. Because deciding when to begin receiving Social Security benefits is a complicated decision and may have tax consequences, consult a professional.

**What happens if one of you remarries?**

Benefits for a divorced spouse are calculated independently from those of a current spouse, so your benefit won't be affected if your spouse remarries. However, if you remarry, then you generally can't collect benefits on your ex-spouse's record unless your current marriage ends. Any spousal benefits you receive will instead be based on your current spouse's earnings record.

**What if your ex-spouse dies?**

If your marriage lasted 10 years or more, you may be eligible for a survivor benefit based on your ex-spouse's earnings record.

For more information on how divorce may affect your Social Security benefits, contact the SSA at (800) 772-1213 or visit [socialsecurity.gov](http://socialsecurity.gov).

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## QUARTERLY MARKET REVIEW: APRIL-JUNE 2015

### The Markets

As winter weather finally lost its chokehold on the U.S. economy, investors grew increasingly comfortable with the Federal Reserve's slow-and-steady approach to determine when to raise short-term interest rates. Historic highs were reached by the large-cap Dow (18351) and S&P 500 (2134); the small-cap Nasdaq (5164) and Russell 2000 (1296) also reached all-time highs during the second quarter. Unfortunately, those gains were all but wiped out as the financial crisis in Greece affected markets domestically and around the world. Both the Dow and S&P 500 lost 0.88 percentage points and 0.23 percentage points respectively compared to the end of the first quarter. The Nasdaq and Russell 2000 still finished ahead of last quarter, but not by much.

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**QUARTERLY MARKET REVIEW: APRIL-JUNE 2015** - (continued from page 4)

U.S. Treasury prices declined from the first quarter, with corresponding yields making their biggest gains since 2013. The decrease in bond prices was largely attributable to increased consumer spending coupled with investor confidence in the equity markets, which encouraged more money shifting from bonds to equities. Lower unemployment rates along with a slowly improving economy are additional factors leading to lower prices/higher yields.

Oil prices grew to \$59 a barrel during the quarter, pushing gas prices higher. Gold, meanwhile, also felt the effects of the global economy, finishing the quarter down at roughly \$1,172 an ounce.

Market/Index	2014 Close	As of June 30	Month Change	Quarter Change	YTD Change
DJIA	17823.07	17619.51	-2.17%	-0.88%	-1.14%
NASDAQ	4736.05	4986.87	-1.64%	1.75%	5.30%
S&P 500	2058.90	2063.11	-2.10%	-0.23%	0.20%
Russell 2000	1204.70	1253.95	0.60%	0.09%	4.09%
Global Dow	2501.66	2513.38	-2.81%	-0.19%	0.47%
Fed. Funds	.25%	.25	0 bps	0 bps	0 bps
10-year Treasuries	2.17%	2.35%	23 bps	41 bps	18 bps

Chart reflects price changes, not total return. Because it does not include dividends Or splits, it should not be used to benchmark performance of specific investments.

**Quarterly Economic Perspective**

- Globally, economic woes in Greece, China, and Puerto Rico serve to illustrate just how fragile the economy is in other parts of the world. The worsening financial crisis in Greece has caused markets to tumble across the globe. The declines came as Greece shut down its banking system and its central bank initiated actions to institute controls aimed at stopping money from leaving the country, which might otherwise cause banks to collapse. Cash withdrawals are limited to 60 euros (\$67) per day, causing long lines at ATMs. With Greece missing its scheduled debt repayment, the odds increased that Greece might exit the eurozone, all of which has prompted the markets to fall as investors were in a sell, sell, sell mode. A voter referendum scheduled for July 5 may determine whether the country will accept financial and economic constraints proposed by creditors, which could lead to continued relief, while a "no" vote could lead to an uncertain financial future for Greece.

China, which has been experiencing favorable market returns for several years, saw its stocks sink the most in five years after reports from several high profile analysts among other analysts warned that valuations had climbed too far, according to *Bloomberg*. In response to the selloff in Chinese stocks, the People's Bank of China (the country's central bank) cut both its benchmark interest rates and the amount of reserves certain banks are required to hold. All this as the country continues efforts to promote an economy driven by private business and consumer spending rather than infrastructure (government-sponsored) outlays and exports.

Puerto Rico, with its economy ailing, has indicated that it cannot pay its debts. Puerto Rican bond holders are looking at significant losses, as the central government may run out of cash within a month, according to the *Wall Street Journal*. However, at the time of this writing, Puerto Rico was close to a deal with its creditors to avoid default.

**QUARTERLY MARKET REVIEW: APRIL-JUNE 2015** - *(continued from page 5)*

- In spite of the latest financial upheaval in Europe, the domestic economy is showing continued signs of improving in the second quarter, following a similar trend begun at the end of the first quarter. Nevertheless, there are still several sectors lagging as described by Federal Reserve Chair Janet Yellen in her June update. Some of the factors that have led the Federal Open Market Committee to refrain from raising interest rates include lagging exports (primarily due to the strength of the dollar), continued weakness in the labor market, and subdued wage growth. In addition, if the global economic tumult hits the United States, the Fed could further delay an interest rate hike.
- The revised estimate for the first quarter gross domestic product substantiates Chairperson Yellen's analysis of the economy. Several factors, including unusually severe weather, the West Coast port strike, and the strong dollar, are reflected in the GDP's first quarter contraction of 0.2%. Nevertheless, June's estimate is better than had been reported in May (-0.7%), with exports not lagging quite so far and consumer spending better than first estimated, which may be leading a favorable economy for the latter part of 2015.
- In another sign of some economic prosperity, the Department of the Treasury reports that through May, the federal deficit for fiscal 2015 was \$365.2 billion--16.3% lower year-on-year. Government receipts were up 9%, although government spending also increased 6%.
- The second quarter saw an increase in consumers' income and spending. The Bureau of Economic Analysis reported consumer spending increased 0.9%--the largest increase since August 2009. Income increased 0.5% in May, following a similar 0.5% increase in April. The fact that more consumers are spending is indicative of their growing confidence in the economy. The University of Michigan's Consumer Survey jumped to 97.8--the highest it's been in about 12 years.
- Inflationary trends continued on a rather benign track through the quarter, still well below the Federal Reserve's 2% annual target. The Consumer Price Index rose 0.4%--the largest gain since February 2013. However, the increase is primarily attributable to rising gasoline and energy prices. While producer prices increased 0.5% in the second quarter, overall, they are down 1.1% on the year. Generally, annual core inflation has remained between 1.6% and 2% since mid-2012.
- Following a slow but steady trend that began toward the end of the first quarter, the housing sector has started to take off in the second quarter. According to the National Association of Realtors®, total existing home sales jumped 5.1% in May to a seasonally adjusted annual rate of 5.35 million--9.2% above a year ago. The median existing-home price for all housing types in May was \$228,700, which marks the 39th consecutive month of year-over-year price gains. New home sales also increased, moving from 494,000 in March to 546,000 in May--a gain of 10.5%, according to the Census Bureau.
- More people are working and fewer are filing for unemployment insurance. The Bureau of Labor Statistics reports that the labor participation rate grew to 62.9%, nonfarm payroll employment increased by 280,000, yet the unemployment rate was essentially unchanged on the year at 5.5%. Jobless claims are at historic lows with initial claims at 271,000 toward the end of June, while continuing claims held at 2.247 million, according to the Department of Labor.

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**QUARTERLY MARKET REVIEW: APRIL-JUNE 2015** - (continued from page 6)**Eye on the Month Ahead**

All eyes will continue to focus on the financial crisis in Greece. Will the initial negative impact on the markets in response to Greece's shuttered banks, repayment default, and the prospect of the country's exit from the eurozone continue to drive markets further into negative territory? Will the Federal Reserve provide more information on the timing of the anticipated interest rate hike? Will the dollar increase in strength, further softening domestic exports?

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indices listed are unmanaged and are not available for direct investment.

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**Mission:** To establish long-term consultative relationships with clients to comprehensively serve the financial needs of their businesses and families.



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