[VINTAGE] Financial Services, LLC

On the [MONEY]

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From the Grapevine...

We started off the new decade with a couple of big milestones at Vintage. The firm turned 35 years old in January and we're excited to have another party to celebrate. We'll return to the Michigan Stadium Jack Roth Club where we had our 30th celebration five years ago. This year we'll wait for a little warmer weather. Save Thursday, May 7th on your calendar and look for an invitation soon.

We also hit another milestone in our assets under management. Our AUM reached $700 million early this year.

Congratulations to Michael Stros, a financial planner who joined us last year. Michael passed the Certified Financial Planner (CFP®) certification exam in November. The six-hour exam is tough, with a pass rate typically in the mid-60% range. Michael has completed the education component, the certification exam and will meet the experience requirement next year to complete the process of acquiring the designation.

VINTAGE VINTAGE

As we celebrate our 35th anniversary, it's a fun time to look back to our founding and the origination of the firm name. Our roots started in September 1984 when Frank Moore worked with another investment firm on a commission only basis and he was asked to supervise a new employee, Jennifer McCutcheon. They started dating and Frank decided to leave the firm to better serve his clients at the end of the year. Jennifer joined him and they started Vintage at the beginning of 1985.

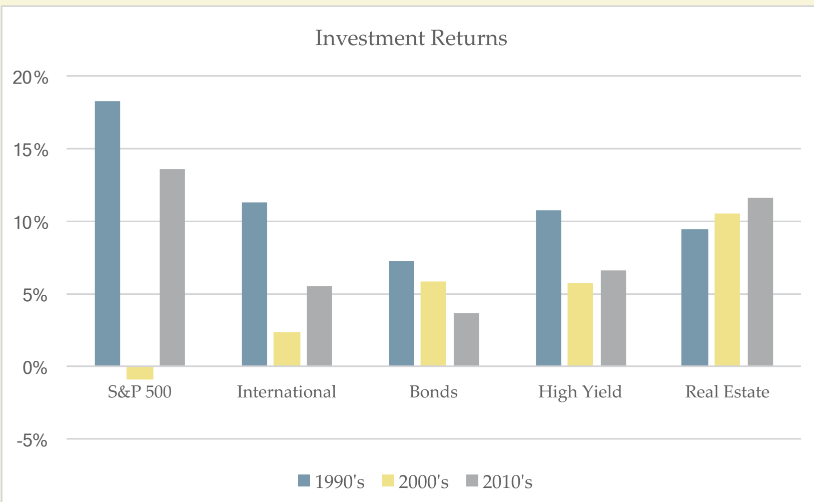
They found some affordable office space on Grand River Avenue in Farmington in an old building that had been a winery in the 1960's. Their actual space in the basement had once been a wine vat and thus the name Vintage seemed to fit. It also sounded more established for a couple new advisors in their early 20's.

In the spring of 1986, they were able to move to Ann Arbor and had their first of three Main Street addresses. Their relationship survived the stress of starting the company and in June 1988 they were married.

Today, Frank continues as the firm's Chief Investment Officer, managing the assets for all of our clients with support from our growing staff. He's also CEO and Chief Compliance Officer but most of the day-to-day operations are handled by our COO, Jack McCloskey. Jennifer has had a number of roles over the years, including raising their three children, and she now oversees the firm's accounting along with other projects.

INVESTMENT RETURNS FOR THE 2020'S

As we kick off the 2020's, it's a good time to reflect on investment returns of the past and consider what returns the new decade may produce. We've selected five different asset classes including the S&P 500 large cap US stock index (total return) along with the average return of mutual fund classes for real estate, intermediate core bonds, high yield and foreign large cap blend funds from Morningstar.



In recent years, investors have learned to love the large cap US stocks again as returns have been excellent like they were in the 1990's. In the 2000's, though, the S&P 500 index lost an average of almost 1% annually over the entire decade with two roughly 50% declines. International stocks, bonds and real estate all beat the blue chips for that decade.

The intermediate term core bonds produced the lowest returns of these asset classes over the thirty-year period as would be expected. It's interesting to note the yields at the beginning of the decade for the 10-year US Treasury bond and the corresponding ten-year total return for the mutual funds. The Treasuries yielded 7.9% to begin the 1990's and the funds earned an average of 7.3% that decade. For the 2000's, the yield started at 6.6% and the funds earned 5.8% and, for the 2010's, the yield began at 3.9% and the funds gained an average of 3.6%. Today the Treasury yield is just 1.6% which would suggest that bond investors may have a tough time earning much in the years ahead.

The stock market can be notoriously hard to predict in the near term, but longer term returns also correlate somewhat with beginning price/earnings (PE) ratios. A lower PE suggests lower beginning prices. At the beginning of the 1990's, the trailing PE of the S&P 500 index was about 15 and returns averaged 18.2% for the next decade. At the beginning of 2000, the PE was near a record high at about 29 and stocks averaged returns of -0.9% for the next decade. At the beginning of 2010, the PE was about 21 and returns averaged 13.6% for the 2010's. Today, the trailing PE on the S&P 500 is about 24, which would suggest more modest, but probably positive returns, for the 2020's.

Investors that focus on the large cap US stocks and higher quality bonds miss out on other asset classes that can help reduce risk and may produce excellent returns. Real estate mutual funds that invest in REIT stocks have fared consistently well over the past three decades with total returns similar to the large cap US stocks.

High yield bonds are another asset class that can provide good diversification. They can be more volatile than their higher quality cousins but have produced total returns of 2-3% more over the years.

As investors look to the decade ahead, it's best to plan on lower returns than we've had historically. With very low bond yields and high PE ratios, US stocks and bonds are likely to produce modest returns. Diversification into other asset classes that can reduce volatility and may offer better values today may help.

ESTATE DISTRIBUTION HELP

When your life is over, who will distribute your assets and settle your estate? Do you have children that will get along and one or more that can handle both the technical aspects as well as the family relationships? Do you have special language in your trust that may require someone to administer it long after you're gone? Or are there any other reasons that your executor may need professional help at that time?

A corporate trust company can be a good option to help in many estates. They have the technical expertise to distribute the assets according to your documented wishes and can handle any necessary tax filings. They can also mediate any family situations that too often arise after a death.

Many attorneys will recommend a family member as the primary executor with a corporate trust company as contingent. They often recommend their favorite bank trust company, but their clients may never have a relationship with that bank prior to their death. At Vintage we don't offer trust services, but we can continue to help with estate settlement by working in conjunction with Raymond James Trust Company or Charles Schwab Trust Company. The trust company can work to support a designated family member or on their own. And Vintage advisors can help assist with the investment management and to help ensure that your wishes are fulfilled.

It's important to know if there is a corporate trustee named in your documents and to be sure that they are aware of your estate situation. Often the trust company first finds out after a death and the trust language or size of the estate may not meet their requirements and they will not accept it. Feel free to contact our office to see if we can help.

TAX RECORDS TO KEEP

Tax filing season is here and most taxpayers are sorting through their tax documents to pass along to their tax preparer or getting ready to input them into their tax prep software. The supporting documents should be kept along with a copy of your tax return but how long do you need to keep them?

Generally, the IRS says that you should keep your documents for three years after filing your return. So, after April 15th you can discard any records for tax years 2016 and before. If you are audited and the IRS finds an error, they may go back further, but it's probably safe to discard your old returns and documents that are more than seven years old.

Brokerage firms have taken over the tracking of cost basis on your investments and they will report taxable gains directly to the IRS and you each year. This has removed a significant recordkeeping burden from individuals, but if you have investments that aren't held in a brokerage account, you'll need to keep records until the investment is sold.

The other notable records that should be kept are on the cost basis of your home or other property. The tax code allows you to exclude up to $250,000 in gain ($500,000 joint) when you sell your primary home. In addition to your original purchase price, some improvements may be able to increase your cost basis and thus reduce your taxable gain. These may include an addition, swimming pool, new roof, or other improvements. Repairs and things like repainting typically don't add to your basis. You may own a home for decades and it could appreciate above the exclusion amount so it's a good idea to keep a file to support your cost basis figure.

Contact us or search the IRS website for details as the tax code can be complicated.

VINTAGE FINANCIAL SERVICES OFFERS

Fee only investment management, financial planning,
and tax preparation.
Minimum portfolio $500,000
(401(k) balance may count toward minimum).

For a no charge, no obligation initial interview please call our office at (734) 668-4040 or (800) 666-9237 or e-mail:
Succeed@VintageFS.com
Or visit our website at www.VintageFS.com

- Retirement Planning
- Education Funding
- Investment Management
- Estate Planning
- Insurance Review
- Trust Investment Management
- Income Tax Preparation

Plan to succeed.

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