XML Financial Group

XML's Spotlight on Finance

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View on the Market — 3rd Quarter

The Market Downturn is here, now what?

What a difference how one quarter, or month, can change the markets and economic outlook. As we look back at the last quarter, the markets and economy were not running in sync, which in part, contributed to a significant market correction.

It is quite normal for stock prices to decline at some point almost every year. Since 1980, the stock market, as measured by the S&P 500 Index[1], declined at some point during the calendar year in every year except four. The average peak to trough decline during any year is approximately 15% even though stocks finish the year higher 70% of the time (see chart on page 3). The length of the current bull market, the lack of notable pullbacks, and the length of time without a correction may have increased investor sensitivity to pullbacks. Four years have passed since the last significant market correction (defined as a decline of more than 10%) in August 2011 and two without a drop into negative territory were recent: 2013 and 2014. So, perhaps recent history may have provided a false sense of security and we need to remind ourselves that market downturns are part of investing. As a bull market matures over the second half of an economic expansion, periods of increased market volatility are likely to become more common. A combination of worries has led to the latest episode of market turbulence, including: China fears, lower oil prices and the anticipation of the Federal Reserve's first rate hike.

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Introducing Our New Look

As you know, at the end of 2013, XML Financial Group entered into an agreement to purchase another financial planning firm, Finigan Financial Services, LLC. Over the course of the last two years, we have been working hard toward combining our two firms. This merger brings together two firms very similar in culture, with practice strengths that are highly compatible. Both firms are extremely proud of the quality of their staff, the quality of their work, the quality of their advice and counseling, and the quality of their service.

XML FINANCIAL GROUP TRUE INDEPENDENCE.™

Over the next few months you will begin to see a few changes. The most notable will be our logo. As we merge two companies into one, we want to better convey the strength of our two companies and our commitment to "*True Independence.*" With the introduction of our new logo, the Finigan Financial Services, LLC name will be retired as we continue as one company, stronger than before.

We hope you will join us in celebrating this major milestone. You can expect from our combined firm the same focus, the same high quality service and the same teams that you have come to know and trust.

What Keeps you up at Night?

See page 6 for our checklist of common financial concerns .

If any of these are on your worry list, give us a call.

View on the Market ….continued from page 1

Chinese stock market gains were simply unsustainable, and with the torrid pace of gains over the first half of 2015 it was ripe for a correction. However, Chinese stock market action is likely to have a limited impact, if any, on the global economy, Economic linkages with China exist, but are much less significant than the U.S.'s key trading relationships. U.S. trade with Europe and Japan combined is roughly four times larger than U.S. trade with China. And, U.S. trade with both Canada and Mexico is greater than our trade with China.

The reduction in oil prices weigh heavy on the energy industry. However, unlike past years, the decline in oil prices is a function of oversupply, and not weakening demand. Over the second half of 2015, energy companies will have dealt with lower oil prices for a year and profit declines will likely slow, removing a headwind from broader earnings growth.

The possibility of a Federal Reserve (Fed) interest rate increase in September came and went. For years, markets have feared the first Fed rate hike. Suddenly the markets didn't react well when the Federal Open Market Committee (FOMC) decided to wait on hiking rates because of international concerns. The markets fretted for a few days until Fed Chair Janet Yellen made an evening speech at the University of Massachusetts, stating that the Fed remains on track to hike rates this year. Yellen toned down the concerns over China and the international situation, and the markets reacted favorably.

Despite ongoing fears, economic data still points to continued U.S. expansion. Robust auto and home sales data, the two largest purchases that most consumers will make, argue strongly against a recession. Consumer spending accelerated after a slow start in 2015 and monthly jobs gains have exceeded 200,000 in all but three months over the past 18 — one of the most consistent stretches on record. The economic recovery has been gradual by historical comparison, but the silver lining is that the slow pace has not produced the excesses that typically accompany the end of a bull market or economic expansion. It is these excesses, not age, which end bull markets.

Steeper but climbable wall of worry. The list of market worries is long (China, the Fed, commodity company defaults, Volkswagen, drug company price gauging, Government shutdown, elections etc.). Returning stocks to positive territory will require some market reassurance on these issues, and a bit more downside in the short term is certainly possible as markets look for clarity. We expect more clarity to come in the coming months with help from the U.S. economy and steady earnings, and we continue to favor stocks over bonds.

[1] *The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.*

Investing can be confusing

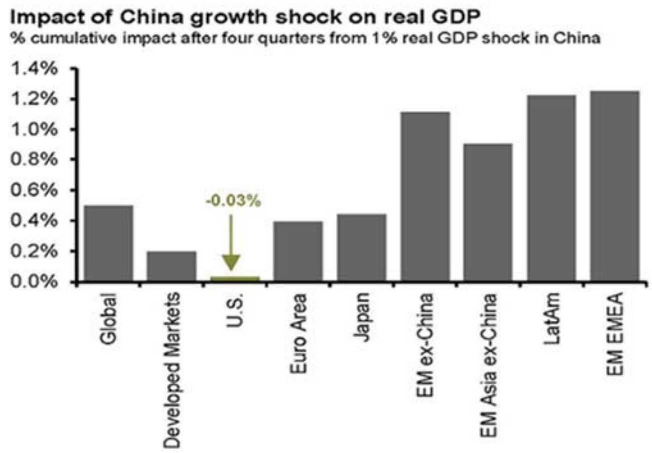
We can help you decide which way to go. Give us a call.

Think about it….

MARKET INSIGHTS

Weekly Market Recap | Chart of the Week

U.S. | September 14, 2015



Source: J.P. Morgan Securities LLC, J.P. Morgan Asset Management

Past performance does not guarantee future results.

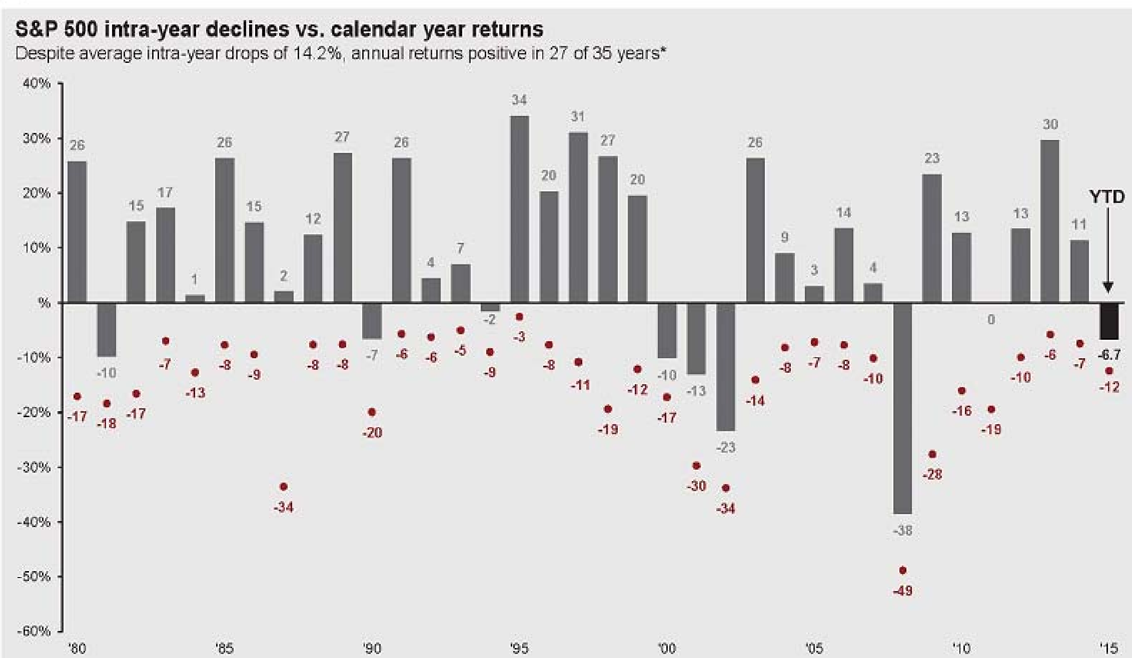
Diversification does not guarantee investment returns and does not eliminate the risk of loss.

Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The views and strategies described may not be suitable for all investors. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, accounting, legal or tax advice. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation.

The price of equity securities may rise or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. International investing involves a greater degree of risk and increased volatility. There is no guarantee that companies that can issue dividends will declare, continue to pay, or increase dividends. Investments in commodities may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage.

Annual returns and intra-year declines

GTM – U.S. |



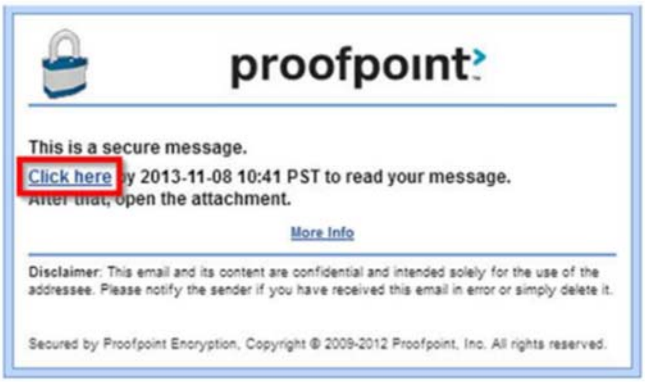
Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. *Returns shown are calendar year returns from 1980 to 2014 excluding 2015, which is year-to-date.
Guide to the Markets – U.S. Data are as of September 30, 2015.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

J.P.Morgan
Asset Management

Email Encryption with Proofpoint

You may have noticed that some emails you receive from us look a little different. Instead of seeing our message, you will see something similar to this:



Why Email Encryption?

With malicious spam and phishing attacks mimicking legitimate communications, both novice and tech-savvy users are well-advised to be cautious when asked to click on a link they've never seen before. We are committed to keeping your personal and financial information safe online. To enhance your security, any emails that include your personally identifiable information (PII), such as date of birth, social security number, account numbers, etc., are handled through **Proofpoint**, an email encryption technology solution.

It's Simple and Easy to Use

You ***do not*** need to download or install software to your computer. To read the encrypted email, you'll need to access it through **Proofpoint**, via a link provided in your received email message. When accessing the secure message on your mobile device, the message will include an attachment that you will need to tap on (select).

One-Time Registration

The first-time you receive an encrypted email message from our office, you'll be prompted to register in the **Proofpoint** email encryption system. This is a one-time registration process that requires you to type in your first name, last name, create a password and then confirm that password. You must complete this information in order to view the encrypted message. *Note:* You will create your own password; and it must be 7 to 20 characters long, with one number required. You'll need to remember the password you enter as it will be needed for any subsequent encrypted messages you receive from us.

If you will be sending us personal information, either in the body of a message or as an attachment, let us know in advance. We can initiate a secure email which you can then use to reply back to us with the private information. If you have any questions on how this process works, give us a call.

Staff News

Rob Kantor and Brett Bernstein will participate in the Eagle Bank Foundation 11th annual Fight Breast Cancer Golf Classic October 12th at the Woodmont Country Club in Rockville, MD (http://eaglebankfoundation.com/).

XML is a sponsor of the 2015 So What Else Annual Gala on October 23rd. So What Else provides recreational fitness, academic, cultural, life skills, and community service programs for at risk youth in the Washington, DC metropolitan area (http://sowhatelse.org/).

Jon Lowe, Executive Financial Consultant, hosted the *TJ-JL Foundation's* 11th annual Charity Invitational Golf Classic at Montgomery County Country Club on September 14th. XML was proud to be one of the Title Sponsors (www.tjjlfoundation.com).

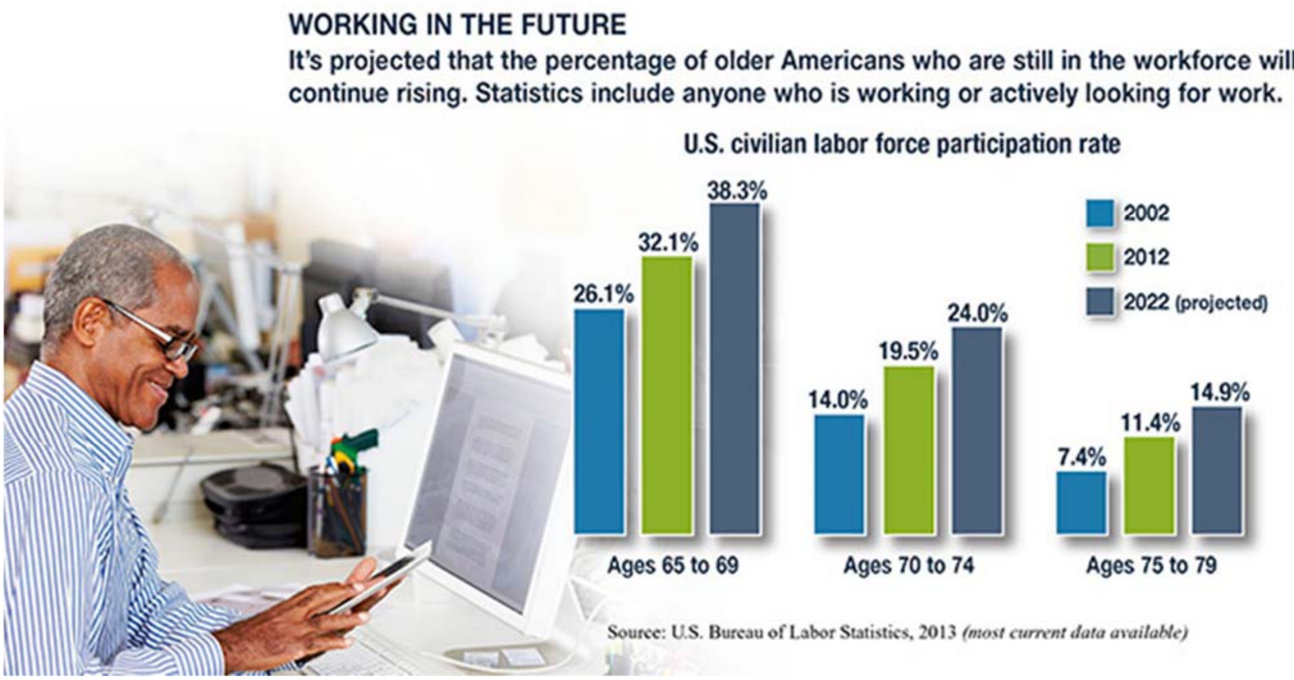
Congratulations, **Brett Bernstein!** He has been selected as a finalist for the Smart CEO 2015 Money Manager Awards! The awards program honors bankers, wealth managers and investors in the Greater Baltimore, New York, Philadelphia or Washington, DC, metro areas who have been instrumental in the growth and success of their clients' organizations and/or portfolios. Brett is now also a Certified Ethics Instructor with the Certified Financial Planner Board of Standards, Inc.

Kevin Peters, **Executive Financial Consultant**, has some new initials to add behind his name: CLU®, or Chartered Life Underwriter®, a widely respected designation of insurance expertise. To earn this designation, Kevin completed eight courses, and successfully passed eight exams with 100 questions each. Good job!

Should I Stay or Should I Go? Easing into Retirement

Unforeseen events can sometimes force a person to retire, but for many people the decision to retire is a personal choice. And like any big decision, it can be fraught with uncertainty.

If you're considering retirement in the not-too-distant future but not sure whether you're prepared — financially, emotionally, or both — here are two approaches that might help you make a smoother, more confident transition.



Practice Makes Perfect?

One "practice retirement" scenario that has been promoted in recent years goes like this: The pre-retiree would stop saving for retirement around age 60 and continue working into his or her late 60s, allowing current savings to grow and Social Security benefits to accrue, while spending the income formerly dedicated to savings on the fun things he or she imagines in retirement. Getting a jump-start on the fun would be great, but this approach might work only for those fortunate few who have saved enough by the age of 60 to support a comfortable retirement. For many people, spending instead of saving in their early 60s could be disastrous.

A more realistic approach may be to try living on your projected retirement budget for six months or a year before you make the decision to retire. You might even set up two separate accounts: one for the expenses you anticipate in retirement and another for expenses that you may no longer have when you retire (for example, commuter expenses or a mortgage that you expect to pay off). Put only the amount of retirement income you expect to have into the "retirement account" and determine whether you can live comfortably on that income. If not, you may have to adjust your spending or work longer to increase your savings and Social Security benefits.

If you plan to move to a different part of the country when you retire, it may be difficult to simulate your retirement lifestyle while maintaining your current job. In that case, you might take an extended vacation and try living for a time in your planned retirement destination.

Phasing Out

The federal government recently established a formal phased retirement program that allows eligible full-time federal employees to collect half their pensions while working half-time; at least 20% of their remaining work hours will be spent mentoring younger workers.

Continued on page 7

WHAT KEEPS YOU UP AT NIGHT?

Take a minute to review the topics and related questions below. Do any of these keep you up at night? If so, talk to us about your concerns. We can help you work though these worries.

RETIREMENT

◊ Will my money last through retirement?
◊ Do I need long-term care insurance?
◊ What are my retirement investment options?
◊ How do I manage all my retirement plans?
◊ What should I do with my employer retirement plan?
◊ Since I am retiring soon, what do I need to do now?
◊ Should I retire to a different state?

EDUCATION PLANNING

◊ How much should I save for college? When should I start planning?
◊ Will I qualify for financial aid? Where do I start?
◊ What are my college savings options?

LIFE EVENTS

◊ How do we manage our finances after getting married?
◊ What happens to my 401(k) when I change jobs?
◊ What are my options if I am laid off?
◊ I am getting divorced. What happens to my assets?
◊ How do I help my recent college grad transition into the workforce?
◊ What do I do when a loved one dies?

ELDERCARE

◊ How does Medicare work?
◊ What should I look for in a nursing home?
◊ How do I cope with Alzheimer's disease?
◊ What happens if I have to care for my parents?

ESTATE PLANNING

◊ What should I know about estate planning?
◊ How do I protect my estate from taxes?
◊ Will my family be secure if something happens to me?
◊ How do I create a legacy for my children?
◊ Can I provide for my favorite charity when I am gone?
◊ What will my survivors need to know?

FINANCIAL BASICS

◊ How do I keep my records safe and organized?
◊ How do I do a better job budgeting? How do I reduce my debt?
◊ How do I teach little kids about money?
◊ How do I help a young adult establish a financial strategy?
◊ How do I have financial discussions with family?

This material should be used as helpful hints only. Each person's situation is different. You should consult your investment professional or other relevant professional before making any decisions.

Checklist courtesy of MFS Fund Distributor, Inc. XML Financial Group does not provides legal, tax, or accounting advice.

Have You Maxed out your IRA?

One way to help increase IRA income is to increase your contributions. Like most investments, the more you put in, the more you potentially get out of it. If you are eligible to contribute to an IRA, the maximum allowable annual contribution for 2015 is $5,500 ($6,500 if over 50). Have you maxed out this year? If not, you have until April 15, 2016 to contribute for 2015 (as long as you make the contribution before you file your 2015 tax return).

An effective way to ensure you contribute the maximum each year is to set up a monthly investment plan. The funds are debited from your checking or savings account and deposited into your IRA.

If you aren't sure if you have maxed out your 2015 contribution or if you are interested in setting up a monthly investment plan, give us a call.

Stay or Go….continued from page 5

Only 11% of companies in the private sector offer some form of phased retirement, but there seems to be growing interest.[1] If your company does not offer such a program, you might suggest an arrangement that could be beneficial for all concerned. Here are some ideas to keep in mind.

- Make sure you understand the effect of reduced hours on your benefits, such as health insurance and employer pension or retirement plan contributions.
- Because pensions are less common in private industry, you may have to supplement your lost income. If you claim Social Security before full retirement age and continue to work, not only will you receive a permanently reduced benefit but you'll be subject to the "earnings test," which may temporarily reduce your benefit until you reach full retirement age.
- A moderate phase-out program, such as working four days instead of five, might allow you to try living on 80% of your income without tapping other sources. This could be good practice for retirement.
- If you do phase out of your current job, make sure you don't end up trying to do all of your former work in fewer hours!

Retirement should be a positive experience after a long working career. By taking a practice run or a phased approach, you may be more comfortable as you move into an exciting new stage of your life.

1) ConsumerReports.org, March 10, 2015

What Is a Required Minimum Distribution?

A required minimum distribution (RMD) is the annual amount that must be withdrawn from a traditional IRA or a qualified retirement plan (such as a 401(k), 403(b), and self-employed plans) after the account owner reaches the age of 70½. The last date allowed for the first withdrawal is April 1 following the year in which the owner reaches age 70½. Some employer plans may allow still-employed account owners to delay distributions until they stop working, even if they are older than 70½.

RMDs are designed to ensure that owners of tax-deferred retirement accounts do not defer taxes on their retirement accounts indefinitely. You are allowed to begin taking penalty-free distributions from tax-deferred retirement accounts after age 59½, but you must begin taking them after reaching age 70½. If you delay your first distribution to April 1 following the year in which you turn 70½, you must take another distribution for that year. Annual RMDs must be taken each subsequent year no later than December 31.

The RMD amount depends on your age, the value of the account(s), and your life expectancy. You can use the IRS Uniform Lifetime Table (or the Joint and Last Survivor Table, in certain circumstances) to determine your life expectancy. To calculate your RMD, divide the value of your account balance at the end of the previous year by the number of years you're expected to live, based on the numbers in the IRS table. You must calculate RMDs for each account that you own. If you do not take RMDs, then you may be subject to a 50% federal income tax penalty on the amount that should have been withdrawn.

Remember that distributions from tax-deferred retirement plans are subject to ordinary income tax. Waiting until the April 1 deadline in the year after reaching age 70½ is a one-time option and requires that you take two RMDs in the same tax year. If these distributions are large, this method could push you into a higher tax bracket. It may be wise to plan ahead for RMDs to determine the best time to begin taking them.

If you are unsure if your RMD has been completed this year, give us a call.

XML Financial Group

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We value our client relationships and appreciate you sharing your opinion about our firm. Any suggestions? Ways for us to improve? Let us know!

For more information email bbernstein@xmlfg.com

Find us on the web: www.xmlfg.com

Like us on Facebook: https://www.facebook.com/

Funny Money

"*What's the use of happiness? It can't buy you money.*" — Henry Youngman

"I'm so poor I can't even pay attention." — Ron Kittle

"*There's a way of transferring funds that is even faster than electronic banking. It's called marriage*" — James Holt McGavran