GALECKI FINANCIAL MANAGEMENT FINANCIAL SENSE

	LAST MONTH	LAST 3 MONTHS	YTD
S & P 500 Index	-1.58%	7.04%	1.38%
Russell Midcap Index	-4.17%	2.60%	-2.44%
Russell 2000 Index	-5.02%	3.59%	--4.41%
Dow Jones Industrial Average	-1.52%	7.70%	0.21%
Morgan Stanley EAFE Index	-1.35%	4.71%	-0.81%
MSCI US REIT Index	1.83%	7.08%	2.52%
DJ UBS Commodity Index	-3.09%	-10.52%	-24.66%
Barclays Aggregate Bond Index	-0.32%	-0.57%	0.55%

INDEX RETURNS

The markets in the fourth quarter continued their volatility and brought an end to a mostly disappointing year for investors. Although equity markets recovered a bit in October, December brought additional selling pressure and losses across most asset classes. Concerns over a Chinese slowdown continued as well as concerns over the first Federal Reserve rate hike in more than nine years.

U.S. Large cap stocks fared pretty well if you look at the market cap weighted returns. The S&P 500 only lost 1.58% in December and finished positive on the year with dividends. Interestingly, if you remove the weighted returns of Facebook, Amazon, Netflix and Google, the S&P 500 was down around 5% on the year.

Mid-cap and Small-cap stocks struggled in December and in 2015 as a whole. The Russell Midcap Index lost 4.17% in December and was down 2.44% on the year. The Russell 2000 lost 5.02% in December alone.

The bond market showed some weakness during this first rate hike as the Barclays Aggregate Bond Index lost 0.57% in the fourth quarter and barely finished positive on the year.

ECONOMIC REVIEW AND OUTLOOK

The economy grew at a 2.0% annualized rate in the third quarter of this year. This followed the 3.9% growth rate in the second quarter. The fourth quarter typically experiences a holiday boost as a gift from consumers. Although consumer spending did increase in the quarter, the slowdown in exports due to a rising dollar and the weakness in energy due to depressed oil prices provided a stiffer headwind than most analysts predicted. We now believe that the fourth quarter GDP will be in the 1.5% to 2.0% range.

GALECKI FINANCIAL MANAGEMENT 1990-2015 25 YEARS

***2nd to Last Print Issue**

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The Leading Economic Index increased 0.4% in November to 124.6 following a 0.6% increase in October. This suggests the economy should continue to grow at a slow to moderate pace. Industrial Production decreased 0.6% in November after dropping 0.4% in October and the Capacity Utilization rate dropped to 77.0 percent. This is 3.1 percentage points below the historical average over the last forty years and suggests that there will not be much pricing pressure in manufacturing over the next few quarters.

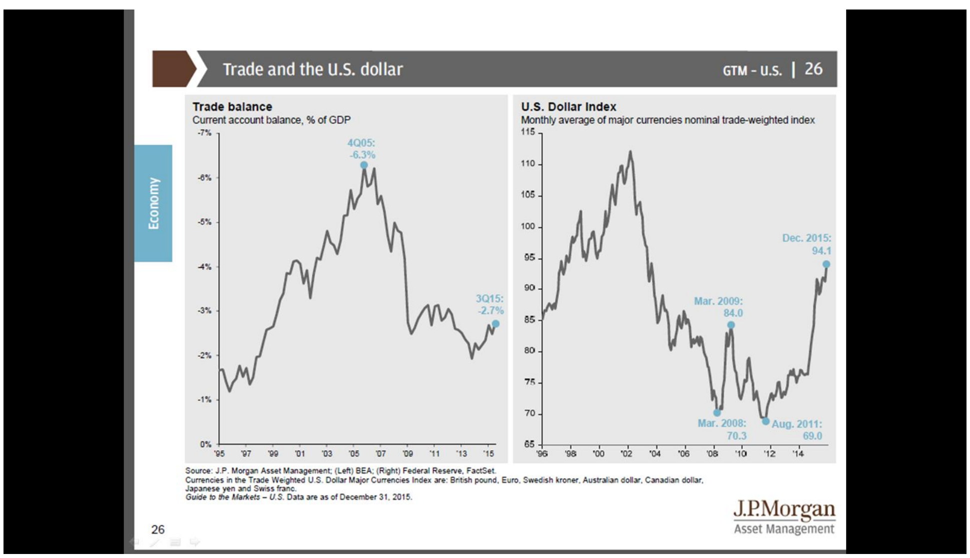
Non-farm payrolls increased by 211,000 in November and the unemployment rate dropped to 5.0%. Initial weekly unemployment claims were 287,000 for the week ending December 26. According to the JOLTS survey, there were 5.38 million job openings at the end of October. This is high, but down from the prior quarter.

Manufacturing has declined with the ISM Manufacturing Index at 48.2 for December. This was the second month in a row of contraction for manufacturing. The ISM Non-Manufacturing index came in at 55.3% in December. This is the lowest reading since April 0f 2014 and suggests that the service sector is continuing to grow, but at a slower pace than the first half of the year.

Global economies have been mixed recently. The JP Morgan Global PMI was at 50.9 in December up 0.3% from September. The Emerging economies are averaging 49.0. This is considered contraction territory but has improved over the last few months. The Eurozone PMI has increased to 53.1 and continues to be a bright spot. This area has been led by Italy at 55.6, Germany at 53.2, Ireland at 54.2 and France is now positive at 51.2.

EQUITY AND BOND MARKETS

This was another very difficult year for investors and advisors that believe in the benefits of diversification and asset allocation. The S&P 500 finished slightly positive on the year, yet if you break down the underlying asset classes, it tells a different story. U.S. Small value stocks were down 7.5% and small growth was down 1.4%. Mid cap value stocks fell 4.8% and mid cap growth was down 0.2%. Large value stocks were down 3.8% on the year. The asset class that was positive was U.S. Large growth which logged a 5.7% gain powered by Facebook, Amazon, Netflix and Google. Five of the six asset classes listed above were negative on the year.



A big story in 2015 was the surge of the U.S. Dollar. You can see in the chart above the strong move the Dollar has made versus other currencies. A strong dollar can have negative implications on our domestic economy and markets. Roughly 48% of revenue for S&P 500 companies is generated from outside of the U.S. A stronger dollar makes it more difficult for our companies to compete in the global economy.

A stronger Dollar also hurts returns on international funds. For example, Emerging Markets were down 5.4% from a local currency perspective, but down 14.6% when converted back to Dollars. The EAFE Index was up 5.8% locally but down 0.4% in Dollar terms. Germany was up 10.0% but down 1.3% in Dollars. Finally, Brazil was down 12.5% locally, which is bad enough, but it was down 41.2% in U.S. Dollar terms.

Another big story in 2015 was the drop in oil prices and the effect that it had on the energy space. Most analysts assumed a drop in oil prices (lower gas prices) would be a bolster to the overall economy. Consumer spending accounts for about 68% of our Gross Domestic Product. Consumer spending did increase with the lower gas prices, but not as much as economists expected. In addition, the hit to earnings on energy companies was a significant headwind for the S&P 500. The energy sector lost $4.52 per share in the third quarter alone dropping overall earnings to $25.44 per share from $29.60 a year earlier.

PORTFOLIO MANAGEMENT

The Federal Reserve hiked interest rates in December for the first time in nine years. Markets are expecting 2-3 more rate hikes in 2016. These hikes should not have a significant impact on earnings or inflation. The Fed needs to increase rates so that they can drop them in the future when the economy begins to contract.

In the last three rate hike cycles, the S&P 500 finished the cycle at a higher level than at the beginning of the cycle. However, there were some pretty good bumps along the way in each period. 2016 is a Presidential election year which will bring uncertainty to the market. China has continued to be in the news and is having an impact on the global economy. The conflict in Syria and ongoing violence in Afghanistan is driving massive migration across Europe. Terrorism continues to add more uncertainty and stress to Europeans and Americans.

Taking all of these factors in has caused us to become a bit more conservative with the portfolios. We have reduced our hi-yield bond and convertible bond exposure. We reduced our allocation to our alternative funds such as the real estate fund and the Salient MLP fund. We have reduced our exposure to domestic small-caps and mid-caps. This has created a simpler and more streamlined portfolio with cash available to take advantage of market corrections. Our strategy has not changed. We still believe that diversification and a long-term approach is critical to investing success. We are simply re-balancing to take advantage of the current situation.

FINANCIAL PLANNING

The wait is finally over. During the last session of 2015, Congress finally enacted the Protecting American's from Tax Hikes (PATH) Act of 2015. Within this Act, it made the Qualified Charitable Distribution (QCD) rules permanent! This allows individuals who are over age 70 ½ to take up to $100,000 from their IRAs and directly make a charitable contribution. This money counts towards satisfying the Required Minimum Distribution (RMD) but does not count as income on your personal tax return. If you are over age 70 ½ and you make annual gifts to charities, we strongly recommend that you consider gifting this way going forward. Keeping your Adjusted Gross Income (AGI) down will not only help you save on taxes, but it might also help you save on Medicare Part B premiums.

The Act also improved rules around what is constituted as a "qualified higher education expense" for 529 College Savings Plans. Within the new rules, computer equipment and related expenses (Software and internet expenses) now qualify as legitimate higher education expenses and thus can be purchased from 529 accounts. If you have children or grandchildren and would like to make a contribution to a 529 plan talk your planner today. If you are an Indiana resident, we recommend the College Choice Direct Savings plan. You can learn more about this plan and how to receive a 20% state tax credit by visiting www.collegechoicedirect.com.

Here are some smart phone apps that we think you might enjoy. Please let us know if you have any new apps that you would like to share with everyone.

- UBER **Uber**: This application allows you to get a ride in a vehicle from an Uber driver. It is comparable to a taxi service however, it is often cheaper. You can see cars and types in your area. The difference is that each ride is billed to your credit card on file with Uber. The app is free!
- **Red Laser**: Red Laser is a must have for serious shoppers. This application allows users to scan barcodes in a retail store and compare prices at other locations or online. It will also tell you what specials are available at each location. It is a free application on most platforms.
- **White Noise:** This application is great for individuals who frequently stay in hotels. The app allows you to have a constant noise such as rain, a fan, or the ocean to drown out other noises that could keep you from sleeping. It also has a sleep mode that displays a clock on your phone or ipad while you are using it at night. This application is free on most platforms.
- Key™ Ring **Key Ring:** Keep all of your loyalty cards in one application on your phone. The app is free.

Company News

We have spent the last two years expanding our professional and support staff to offer a more robust array of financial planning services. We now have seven Certified Financial PlannerÊ Professionals as well as a Certified Public Accountant.

We have spent a lot of time making sure each client has a designated Client-Service Specialist and Financial Planner. The Client Service Specialist assists the Planner in preparing for each meeting. They also work closely with each client to help with any account servicing issues, such as deposits or withdrawals. The designated Planner works with each client to make sure that planning items are being implemented and followed.

Andy Young, CPA has been conducting tax planning meetings for our clients the last two years. This additional planning has been a tremendous value to our clients as we work on Roth conversion planning and general income tax planning. Kevin Chandler has been working with all of our clients on estate planning reviews. He has been instrumental in implementing a thorough and effective review of clientÕs current estate plan.

All clients now have regularly scheduled meetings for cash flow, risk management, tax planning, and estate planning. In addition, we are launching a new cash flow planning tool that we are really excited about. The tool comes with a web portal and a smartphone application. Clients will be able to check net worth and portfolio balances daily with the use of this new app. We will begin rolling this out to all clients this year.

- Galecki Financial Management Investment Committee

Special Note: If you would like to schedule an appointment with a Certified Financial Planner™ Professional, please visit www.galecki.com.