GALECKI FINANCIAL MANAGEMENT FINANCIAL SENSE

	LAST MONTH	LAST 3 MONTHS	1 Yr.
S & P 500 Index	-1.58%	0.95%	12.73%
Russell Midcap Index	0.06%	3.95%	13.68%
Russell 2000 Index	1.74%	4.32%	8.21%
Dow Jones Industrial Average	-1.18%	1.67%	12.56%
Morgan Stanley EAFE Index	-1.52%	4.88%	-0.92%
MSCI US REIT Index	1.75%	4.75%	22.00%
DJ UBS Commodity Index	-5.14%	-5.94%	-27.04%
Barclays Aggregate Bond Index	0.46%	1.61%	5.72%

INDEX RETURNS

The first quarter of 2015 brought increased daily volatility and yet domestic large cap returns were largely unchanged. U.S. Large cap stocks as measured by the S&P 500 were up 0.95% in the first three months. Small-cap stocks according to the Russell 2000 grew 4.32% in the first quarter.

International markets pushed higher; however returns were muted by the strengthening dollar. International Developed markets as measured by EAFE were up 4.88% in the three month period, but were actually up 11% in local currency terms. Emerging markets were up 2.3% in the quarter or nearly 5% in local currency terms. Commodities were down 5.94% in the quarter with continued pressure from declining oil prices. Real Estate continued to do well by increasing 4.75% in the first three months of the year.

The bond market continues to be resilient. The Barclays Aggregate Bond Index rose 1.61% in the first quarter and is now up 5.72% over the last 12 months. Emerging market bonds were up 2.09% in the first quarter and are now up 5.73% over the last year according to the JPMorgan EM Bond Index.

ECONOMIC REVIEW AND OUTLOOK

The economy has continued to grow for the last three quarters. Real Gross Domestic Product (GDP) increased 2.2% in the fourth quarter following a 5.0% rise in Q3. The current economic expansion which began in 2009 has averaged 2.3% Real GDP growth per year. The average growth rate over the last fifty years is closer to 3%. Due to a frigid February and California port issues, look for Q1 2015 GDP to be relatively weak.

The Leading Economic Index increased 0.2% in February to 121.4 following a 0.2% increase in January and a 0.4% increase in December. These numbers suggest that the economy should continue to grow at a slow pace. Industrial Production increased 0.1% in February and the Capacity Utilization rate dropped to 78.9 percent. This is 1.2 percentage points below the historical average over the last forty years. This means that there is still some slack in manufacturing and pricing pressure is not a huge concern at this point.

GALECKI FINANCIAL MANAGEMENT, INC. I A FEE-ONLY Financial Planning Firm
7743 West Jefferson Blvd. I ph: 260.436.8525 or 800.838.6441 I fax: 260.436.8825 I galecki.com

The U.S. labor market continues to improve. Non-farm payrolls increased by 126,000 in March and the unemployment rate remained at 5.5%. Initial weekly unemployment claims were 268,000 for the week ending March 28th. Our economy lost roughly 8.8 million jobs in the 2008-2009 Recession. Since then we have added 12 million new jobs.

The ISM manufacturing survey was at 51.5% in March. This shows a manufacturing sector that has expanded for the 27th consecutive month and the overall economy has grown for the 70th consecutive month. The ISM Non-Manufacturing index came in at 56.5% in March which was lower than the 56.9% reading in February. Both numbers show a growing manufacturing sector and a growing service sector for the U.S.

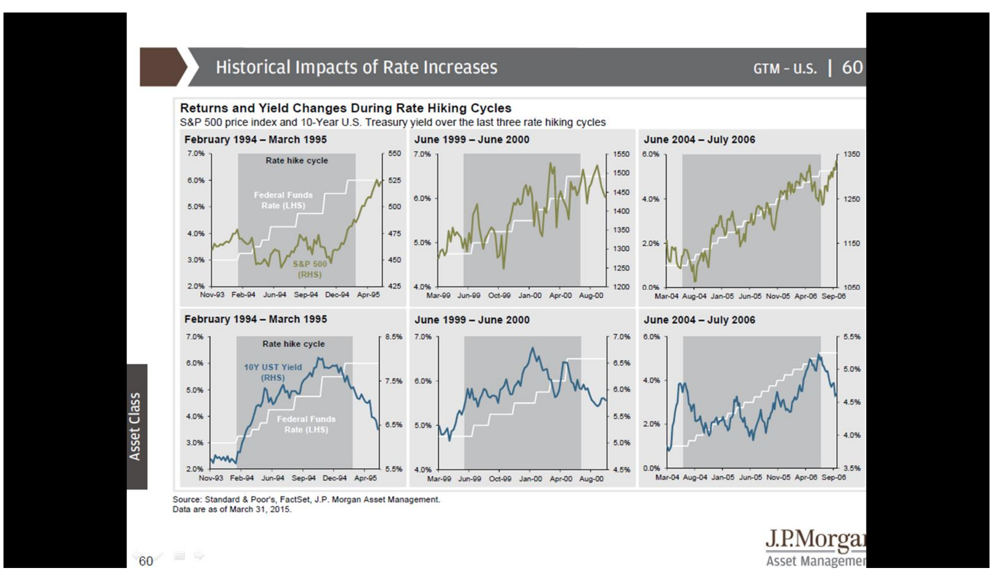
The housing market data from the first quarter cooled, but then again, the temperature was even colder. Housing starts in February were at a seasonally adjusted annual rate of 897,000 units. This was a drop of 17%. The Northeast saw the biggest drop of the four regions with a decline of 56%. Clearly the snow and temperatures had a major impact on this data. Supply is still limited so 2015 should bring some minor price improvements.

Global growth is still expandingé but slowing. The JP Morgan Global Manufacturing PMI is now at 51.8 in March up from 51.5 in December. The U.S. has a PMI of 55.7. The Euro area is at 52.2 with Ireland leading the way at 56.8. China is at 49.6 while Mexico is at 53.8. Brazil has dropped to 46.2 from 50.2 in December. This data suggests that manufacturing is still improving outside of the U.S.

EQUITY AND BOND MARKETS

How does the strength of the US Dollar impact the economy or the equity and bond markets? The easiest answer is that it impacts virtually everything. Approximately 50% of the revenue for the S&P 500 companies comes from outside of the USA. If the US Dollar is stronger in these foreign countries, it means that their currencies are now weaker. If their currency is weaker, then our (USA) products become more expensive relative to local products. Hence, we have reduced revenue for our larger US companies and reduced profitability.

Economists believe that for every 10% increase in the US Dollar currency index, we lose 1% of GDP growth. This index has surged more than 20%, which equates to a roughly 2% loss in domestic GDP growth. Our economy only grew by 2.2% in the fourth quarter and February 2015 was the coldest February on record. This means that we could see negative GDP numbers for the first quarter of 2015, just like Q1 of 2014.



The Federal Reserve will likely increase short-term rates in the second half of this year. The last three rate hiking cycles are identified in the above chart. In each of the three cycles, the S&P 500 was higher at the end of the cycle compared to the beginning of the cycle. In addition, the yield on the 10 year US Treasury was also higher at the end of the cycle compared to the beginning; meaning bond prices declined.

Operating earnings for the S&P 500 have moved into negative territory on a quarter/quarter basis due to plunging oil prices and a rising dollar. They are expected to remain negative for the next two quarters. According to BCA Research, there have been three times when this has occurred outside of a recession since 1970 (1986, 1998, and 2012). In all three prior cases, stocks dropped by more than 10% in the short-term. It has also been more than three years since the S&P 500 has had a 10% correction. We typically see a 10% correction occur every 18 months. Remember to keep a long-term focus as we go through these short-term pullbacks.

PORTFOLIO MANAGEMENT

We utilize a diversified long-term approach when managing our client's portfolios. In the last 5 months of 2014, this approach did not pay off as U.S. Large companies did well, and almost all other asset classes lagged. We warned that only investing in one asset class was not prudent. So far in 2015, the diversified approach is working really well. Returns are off to a great start this year and we are very happy with the relative growth and volatility.

The S&P 500 is only up fractionally on the year and yet with our small-cap and mid-cap exposure, our domestic returns look great. The international exposure that hurt our portfolio in 2014 is driving returns this year. We are seeing international returns up nearly 4%, even after the currency loss due to the dollar. We are still holding about 11% in real estate and MLP funds. These holdings have done well so far and are up more than 2% on the year.

The bond side of the portfolio is doing just fine and performing as expected. Although our tactical bond category is flat on the year, we are seeing good returns from our convertible bonds, market neutral fund, and floating rate fund. Remember to keep a long-term perspective and ignore short-term fluctuations. We do not know what will happen over the next few months but we firmly believe in our long-term strategy and results.

FINANCIAL PLANNING

Qualified Charitable Distributions: Congress enabled tax free transfers from an IRA (also known as qualified charitable distributions) to charities on December 19, 2014 allowing only a week and a half to execute this technique. For individuals that make charitable contributions annually and are over age 70 ½, we recommend that you make these donations directly from your IRA in 2015. If it is approved again, then these distributions will be tax-free and will reduce your Adjusted Gross Income. If it is not approved, it will just be a normal distribution.

IRS On-Line Estimated Payment System: The IRS has officially rolled out a free on-line payment system for either tax payments or quarterly tax estimates. You will need a prior year's tax return so that a match can be made between the payment you are making and the taxpayer. The website for the utilizing this service is www.irs.gov/Payments.

Galecki Enhancements: We have listened to our clients and are now offering fillable PDF files for our clients. We are not getting rid of the paper copies but enhancing our offering to facilitate our tech savvy clients. If you would like to start utilizing these new forms for your cash flow updates, please reach out to your para-planner.

Here are some new smartphone applications that we have found to be beneficial. Give them a try and let us know what you think. Also let us know if you find any other great apps for your smartphones.

- **Google Calendar**: The official Google Calendar application is now available on iPhones. It has sleek views of schedules. It allows you to see immediate events along with photos and maps to the places you are going. It even adds events to the calendar such as flights, hotels, concerts and restaurants if you used your Gmail account. It also works with iCloud and Exchange so you can use one app to track all of your appointments and events. It is free on most platforms.
- **Hopper**: Hopper is an airline flight checker that searches billions of flight options and predicts when the best time will be to buy your ticket. This could save you a lot of money on your next trip. It is free on most platforms.
- **Viber:** Viber is an application that allows users to connect via text, phone call, or video call over Wi-Fi or 3G/4G. This is a great app if you are traveling outside of the USA, or if you want to video chat a Droid user from an iPhone. The app is free on most platforms.

Company News

Our firm has grown a lot over the last few years. We have added many new clients and have subsequently added additional industry professionals to handle the growth and enhance our service offering. We are now very well equipped to provide the type of financial planning service to all clients that we have always envisioned.

The addition of Andrew Young, CPA® has truly enhanced our tax planning efforts. The recent addition of Kevin Chandler, CFP® has given us additional expertise in our estate planning offering. With a full team of experienced para-planners now in place, our seven CFP® Professionals can work more efficiently and effectively with their clients.

What does this mean for our clients? We have redesigned our financial planning component to meet the needs of all of our clients. We now have pre-determined schedules to review the following for each client:

- Cash Flow and Retirement Projections
- Estate Planning
- Tax Planning
- Risk Management
- Portfolio Management

The new schedule and agenda will be discussed at your next regularly scheduled meeting. Our goal is to make sure that we are meeting all of your financial planning needs on an ongoing basis. We all continue to grow and evolve as humans, and so must your financial plan.

- Galecki Financial Management Investment Committee

Special Note: If you would like to receive a color copy of this newsletter, or schedule an appointment with a financial planner, please visit www.galecki.com.