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Review of the Third Quarter of 2014

U.S. stocks rose modestly, with the Standard & Poor's 500 Composite Index edging 1% higher. After touching a series of all-time peaks through mid-September, the S&P 500 and the Dow Jones Industrial Average retreated late in the quarter amid a combination of geopolitical worries, a strong dollar and softer economic data. Still, it was the seventh consecutive quarterly gain for both the S&P 500 and the NASDAQ composite, which rose 2%, as did the Dow Jones average.

Bonds edged higher as investors sought U.S. Treasuries for their relative value and safety. The Barclays U.S. Aggregate Index advanced 0.2%. Having trended lower, yields reversed course in September; the benchmark 10-year Treasury note ended the quarter 4 basis points lower at 2.49%; municipal bonds advanced 1.5%; high-yield corporates declined 1.9% as outflows from high-yield funds gathered pace.

European stocks declined amid weak economic growth, mounting deflationary pressures and a rapidly depreciating euro. Deteriorating conditions prompted the European Central Bank to cut its primary lending rate to 0.05% in September and launch a U.S.-style bond-buying program in a bid to boost the euro-zone economy. Overall, the MSCI Europe Index fell slightly in local currency terms and lost 7% in dollar terms. Emerging markets equities fell amid concerns about the potential for tighter monetary policy in the U.S. and geopolitical instability. The MSCI Emerging Markets Investable Market Index (IMI) lost 3% after last quarter's rise.

(Note that unless noted all figures represent total rates of return, measuring both price changes and reinvested dividends, supplied by Morningstar)

Investment Outlook

Rising Treasury yields with widening spreads in the third quarter and the turmoil in emerging markets indicate that exiting from quantitative easing (QE) could be challenging for many asset classes. QE works through portfolio rebalancing and has the effect of pushing investors out the risk spectrum. Investors may move into higher-risk asset classes, where they may be uncomfortable with the additional risk, simply because they are searching for yield. As QE reverses, it is expected that some of those yield-seeking capital flows also reverse resulting in increased volatility.

Summary

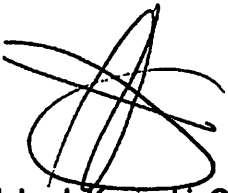
The recent volatility in the equity markets is long overdue. Just as a 38% decline in 2008 was not normal; a sustained recovery for five years in equity markets without a meaningful correction is just as abnormal.

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Historically, equity markets suffer a decline of 20% or more in one out of five years. About 25% of the time, there is a 10-15% correction. Even with the recent sell off, we are not at these levels.

It is impossible to time the markets. No one can accurately predict when there will be an equity pull back. Those of you that didn't sell out in the Fall of 2008 (99% of our clients) have fully recovered those losses from 2008 and have participated in the recovery from 2009 to now. As we contact you to review your account in the last quarter of 2014, it's time to reassess the income needs you may have from the account and your own stomach for risk. We spend a great deal of time analyzing the risk or Beta of our portfolios and you need to know how much of an effect a market sell-off will have on your account. Don't put your head in the sand – we will have a market correction – it's not an "if", it's a "when".

Best regards,



John J. Kosinski, CLU, ChFC, MSFS
President



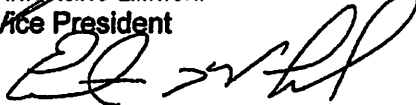
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