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This was a very exciting New Year's for me as I was still awake when the New Year started. That has happened less often in recent years. I am already excited about next New Year's as I will be going for two in a row.

New Year's is always a time of both reflection for the past year and excitement about the new one. In many ways, 2013 was a very good year. The stock market continued its impressive recovery since the low of March 2009 and though we would all like faster economic growth, the economy has continued to grow and show positive signs.

2014 will have challenges and difficulties, but there are also continued reasons for a positive outlook. Our allocation models are designed to be flexible within the specific objectives and risk level of each model. We did this to meet the challenges of a changing market and global economy.

One change we have made for 2014 is to change the name of the firm to Ranstrom Berg Wealth Management, LLC. We did this for two reasons.

First, it is in recognition of my very talented partners, two Ranstroms and a Berg, who contribute greatly to our firm. Their combination of credentials, experience, and background make them a very unique team in the financial services industry. I have said for many years that financial planning and money management are not a one-time event, but an ongoing process. We have worked with the majority of our clients for over ten years and many over twenty years. Our team provides security for all of our clients knowing that we will be here to continue to serve their financial needs for many years into the future.

Second, wealth management is more descriptive of what we do on a daily basis. Risk management, retirement planning, tax planning, estate planning, and money management are all parts of wealth management. Retirement planning is really about building wealth for retirement and then managing that wealth for income to maintain a comfortable and secure retirement. Strategies for both paying taxes and deferring taxes can affect wealth. Death, disability, and medical expenses can also affect wealth. Investors often focus on short-term returns, but it is really long-term returns with the twin objectives of managing both risk and reward that build wealth. Providing for dependents in the event of death or distributing an estate in the most efficient manner to heirs and charities are also part of wealth management.

Every week, if not every day, we receive phone calls or emails from clients with concerns or questions relating to the various areas of wealth management. This is part of our service to clients and if you should have specific questions or concerns at any time, be sure to let us know.

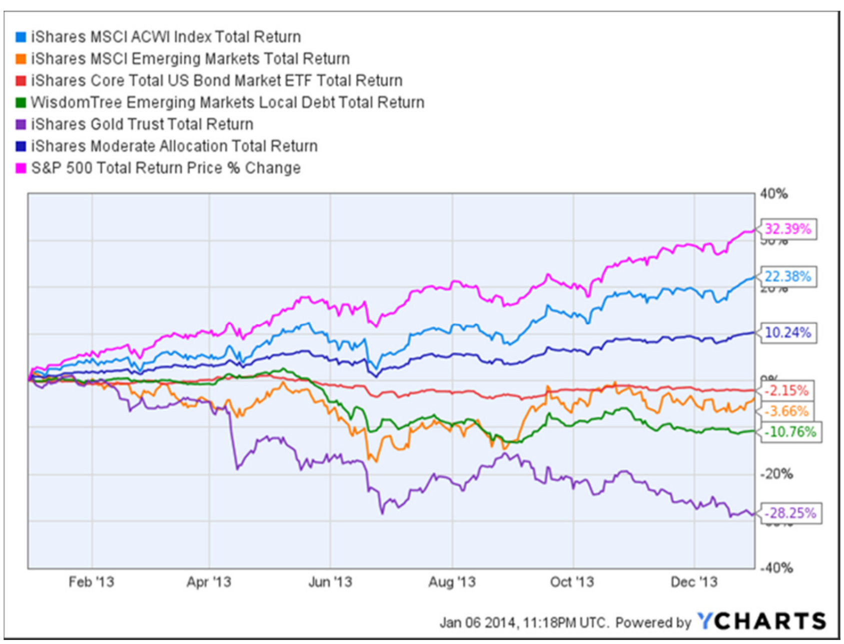
Best wishes for the New Year. Thank you for the opportunity to serve your financial needs this past year and we look forward to doing the same in 2014.

An Investment Update from Morgan

I'm not going to lie. 2013 felt *good*. After almost half a decade of post-financial crisis self-reflection, our healthy self-analysis had turned into a little too much self-loathing, and, quite frankly, a great deal of fatalism. 2013 was a kick in the pants, a wake-up call. It was a confident step into the next decade rather than the continued dwelling on the previous. Corporate America is healthy, profits are strong, companies are hiring, home prices are increasing, construction projects are moving ahead, and, after years of manufacturing crises, Congress realized no one cared anymore and passed a budget. Additionally, technological advancements in the energy sector are leading to strong domestic oil and gas production, improving the dynamics of our trade deficit and allowing US manufacturers to take advantage of incredibly cheap (and environmentally friendlier) natural gas when compared to the rest of the world. I cannot help but feel like we needed this, not necessarily to stick our chests out in some manly ritual of pride, but maybe just to relax a little bit and breathe. *(Editor's Note: Morgan also got married last summer and that may help explain why he's in such a great mood.)*

Pertinent to our cause here at Ranstrom Berg Wealth Management, domestic equities had a darn good year as the S&P 500 emphatically left behind the 2000 and 2007 bull market peaks. (Note: You cannot invest directly in an index.) Importantly, European and Japanese stocks also performed well. However, if one attempted to extrapolate this to any other asset class they would be sorely disappointed. Emerging market stocks and bonds, domestic bonds, and gold all performed poorly. This is important because these ill-performing asset classes used to make up something of a 'fear trade.' The idea was that emerging markets were the place to be while developed markets would languish in debt and slow growth. Depending on their respective political persuasion, fund managers bought (a) bonds because we were going to turn into deflationary Japan or (b) gold, commodities, and emerging market assets because central bank largesse was going to turn us into post-WWI hyperinflationary Germany. 2013 was the year that none of this happened.

For the purpose of context, the chart below depicts the performance of different asset classes, using widely used ETFs as market proxies in some cases. As you can see, the S&P 500 and the iShares MSCI ACWI (an ETF of global stocks somewhat skewed toward US, European, and Japanese companies) were the top performers in the group while gold and emerging market bonds were the clear laggards. We added the iShares Moderate Allocation ETF as a proxy for the performance of a rather typical 50% global equity/50% bond portfolio.



As you consider your annual return and maybe compare it to the chart, I offer the following. If you feel like the model your portfolio is invested in does not offer you enough 'kick' or, in contrast, if you feel as if you are taking on too much risk, let's talk about that. Not only do we offer different models for different risk tolerances, we also think the conversation is an important one in any ongoing wealth management relationship. However, it begs reminding that though everyone loves risk to the upside, what is really important is how you act and feel when markets are going down (as they inevitably will from time to time). Overall, our hope is that you feel comfortable with our process and what we are attempting to achieve with your portfolio. Lastly, I might add that we now offer two models and are set to release a third that invest in individual stocks. Over the last few years we have worked hard to develop our in-house research capabilities, and we see this as an area where we can add long-term value to our investment models. If this interests you, please give us a call or email us, and we would be happy to fill you in.

Lastly, on a personal level, with every passing year I have come to love and appreciate my job here at Ranstrom Berg more and more. Not only do I have the opportunity to research and learn so much about the world via my investment prism, but I also get to work with some incredible people – hey, even working with Doyle, Sr. and Doyle, Jr. (aka Courtney) ain't half bad. However, the turning of the calendar is one of my chances to express my extreme gratitude to you as clients for the opportunity to serve you in your wealth management journey. The despicable, unethical, and in some cases criminal behavior of Wall Street, Bernie Madoff, Allan Stanford, and even a few individuals in the Fargo-Moorhead area means that those of us who work in finance are often seen as guilty until proven innocent. To have earned your trust is one matter, but to have *deserved* it...well, that is the only thing that really matters around here.

A Tax Update from Ryan

Last January Congress passed a tax act that brought some certainty to many different provisions for 2013 and beyond. While many items were extended permanently, a good number were only temporary and expired at the end of 2013.

Provisions that will remain in effect into 2014 and beyond:

Medicare Surtax: An additional 0.90% will be imposed on all wage earners in excess of $200,000 for singles and $250,000 for those married filing jointly.
Investment Income Surtax: The Affordable Care Act imposes a 3.80% surtax on unearned income for high earners (as defined by the same income limits as the Medicare Surtax). This applies to interest, dividends, annuities, capital gains, and will generally apply to passive income from royalties and rent.
Long-Term Capital Gains & Qualified Dividend Income: For those filing a joint tax return no tax is due if taxable income is below $72,500, a 15% tax rate applies to those with income up to $450,000, and a new 20% rate applies to those with incomes above $450,000.
Estate and Gift Tax Exclusion: The current federal estate tax exemption remains the same at just over $5 million per person. The annual gift tax exclusion remains at $14,000.
Alternative Minimum Tax (AMT): The AMT was permanently 'fixed' by indexing the exemption amount to inflation.

Provisions that expired as of December 31, 2013:

Sales Tax Deduction: This provision allowed individuals to deduct state and local general sales taxes paid instead of state and local income taxes.
Tax-Free IRA Distributions to Charity: In the past, taxpayers over age 70.5 have been able to distribute up to $100,000 per year to charities.
Tuition and Related Expenses: Provided a tax deduction for qualified post-secondary education expenses, up to $4,000 for a married filer with income of $130,000 or less.
Bonus Depreciation: Generous 50% first-year write-offs were allowed on the basis of qualified property put into use for businesses after the recession. In addition, the provision for being able to deduct the full cost of new equipment was reduced from $2,000,000 to $25,000 per year.
Energy Credits: A credit was allowable for 10% of qualified improvements to your personal residence, subject to a lifetime cap.

Given that Congress has taken to pass tax laws retroactively on many of these provisions, we expect some of the expired laws will be extended, though we cannot venture a guess as to which will be extended or when.

Are You Prepared? from Courtney

On my first day back in the office after a lovely Christmas vacation with my family, my nearly new laptop died. So instead of having a quiet day in the office catching up on work before the New Year, I spent the morning on the phone with tech support. As I was in the throes of a temper tantrum, ready to recreate the iconic *Office Space* printer smash scene, I had a moment of clarity – this is why preparing for life's unforeseeable risks is so important.

In the grander scheme of things, having computer troubles is a hassle but not catastrophic. It had been longer than I'd like to admit since I backed up my hard drive, but most of the files could be recreated if they couldn't be recovered. I also have a second laptop that I can use in just these instances. We pride ourselves on being willing to adopt new technology to improve our firm. We started storing all documents and files electronically several years ago, long before going paperless was a marketing slogan. We also use several web-based programs, so we can have access to the information we need from any location at any time. It was important to us to set up an office environment that can keep running even during Fargo's brutal winter storms and spring floods. Even if the Fargo office is closed, Morgan and I can work from our respective offices in Carrboro, NC, and Portland, OR, because our data is securely stored on servers housed in various US locations.

In addition to disaster preparedness, we have worked hard to build a succession plan that allows our firm to continue supporting our clients long into the future. As business owners, succession planning is one of the more delicate conversations we have. It is also one of the most important. As our firm has grown and changed over the years, we have continued to put our clients' needs first and ensured that in the unlikely event something happens to one of the owners, our clients will be taken care of.

Disaster preparedness, estate planning, and risk management are not just topics for business owners. On our Financial Planning Questionnaire, one of the questions we ask is "do you have a will?" We encourage our clients to have estate planning documents prepared for them, in particular a will, durable power of attorney, and healthcare directive. At that point, it is important to discuss your estate plan and your intentions with your family members. While these are not easy conversations to have, they can give you peace of mind that your wishes will be upheld after your passing.

Insurance is another part of the risk management equation. Insurance needs vary throughout the different phases of life. Working age couples with families will want to evaluate what would happen in the event one of them passes away or is no longer able to work. In addition to health insurance, life and disability insurance can be important to have. For our retired clients, the need for disability insurance disappears, and paying for life insurance into retirement is generally evaluated on a case-by-case basis.

Fortunately, after replacing the AC adapter, my computer is working just fine now and I didn't lose any documents. However, though I felt like the universe was telling me I should have stayed on vacation, it ended up being a good reminder to be a little more diligent about listening to those pesky backup reminders.

In some ways, risk management and estate planning are quite similar to backing up the files on your hard drive. They are the type of things that do not seem necessary until they quite obviously (and unfortunately) are. Often, the start of a new year is a good time to sit down and review finances, look at your budget, and plan for the upcoming year. You might see it as an annual check-up of sorts. If you have questions on your financial plan and how estate planning and risk management fit in, please email or call us and we would be happy to consult with you regarding the process.