

MF Advisers
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THE FINANCIAL FORMULA

Giving You The Financial Information You Need

December 2014



Happy Holidays everyone!
Please enjoy this month's issue
of The Financial Formula, and let
us know if you have any
questions!

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The Numbers Game: Finding the Right Accountant for Your Business

Here are some practical tips for finding the right accountant for your business.

Your Dollar at Work -- 12 Months of Smart Savings Tips

Make 2015 "the year of the dollar" by trying some of these smart saving and spending tips all year long.

January -- After-Christmas sales are a great way to stock up on holiday-themed products such as wrapping paper, candles, cards, and decorations. Most retailers reduce prices on these items by 50% or more. But don't stop there. Many specialty and gourmet food items, and items of clothing -- sweaters, hats, gloves, and scarves -- are put on clearance racks and sold for a fraction of their original price.

February -- Getting a raise? Consider adding the extra money to your retirement savings plan and/or open a special account for next year's holiday shopping or your summer vacation.

March -- March is considered a low-season travel month to Europe. That's the time of year when tourists are scarce, attractive destinations such as London, Paris, and Rome are quiet, and hotels and airfares are at some of their lowest rates.

April -- If you are among the majority of Americans who get a tax refund, consider using that money to pay down credit card debt, to make an extra principal-only payment on your mortgage, or to build the foundation of an emergency fund.

May -- The Department of Energy estimates that water heating can account for 14% to 25% of the energy consumed in your home. Lowering the temperature on your hot-water heater during the summer months will help cut costs. If you take a vacation, turn the temperature down further.

June -- Vegetables fresh from our garden are less expensive than canned and frozen foods -- and healthier, too! Start small -- try a few tomato plants. (Don't forget to water and fertilize regularly!)

July -- Play sports? Buy your equipment at used sporting goods stores. From catcher's mitts to surfboards, these stores sell their wares at a fraction of the original cost.

August -- Cash in on summer clearance sales. Spruce up next summer's wardrobe or outfit yourself for a winter cruise. Also, start pricing next winter's cord of wood.

September -- In September and October auto dealers try to clear their lots to make room for the next year's models. By haggling, you may be able to shave hundreds off a new car's sticker price.

October -- The Department of Energy estimates that heating and cooling account for 50% to 70% of the energy used in the average American home. Schedule a heating and cooling system tune-up, insulate your attic, replace furnace filters, and have your chimney cleaned.

November -- Many charities begin active fundraising during this month. Before sending a donation to your favorite charity, check it out with the [National Charities Information Bureau](#) or the [BBB Wise Giving Alliance](#).

December -- Have a few extra dollars to spare? Kick off 2016 by finding new ways to save and spend wisely.

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Stay Invested -- Keep Long-Term Potential Alive

Sometimes human instinct lets us down. Take the natural response some investors have to down markets: Sell to avoid possible losses and stay out of the market until things improve.

But while sitting on the sidelines might seem like a smart defensive move, it can actually be hazardous to your wealth. Time and again, statistics have shown that remaining invested through the market's inevitable up and down cycles has been the wiser choice for long-term investors. Those who have tried to time the market have often ended up with lower returns.

Costly Misses

Consider the performance of the S&P 500, a broad measure of U.S. stocks.¹ It appreciated an average of 9.22% annually during the 20-year period ended December 31, 2013.² An investment of \$10,000 would have grown to \$58,353 over the 20 years. However, an investor who missed just the top five days would have ended up with \$38,725, which is equal to an average annual gain of 7.0%. Missing the best 10 days in the 20-year period would have left the investor with \$29,185, which is equivalent to an average gain of 5.5%. Investors who missed the top 30 days during this period would have ended up with \$12,032 on their initial \$10,000 investment, which translates to an annual gain of just 0.93%.²

Slow and Steady Wins the Race

However well-intentioned their market-timing tactics may be, investors too often end up chasing past winners, buying in just as the price turns down, or making the wrong guess about which will be the next hot stock. In addition to these mistakes, frequent turnover can increase trading costs and trigger unwanted capital gains, which further reduce returns.

Like the fabled race between the tortoise and the hare, the investor who moves steadily forward toward his or her goal may be more likely to succeed than the one who darts in and out of the market. Although past performance cannot guarantee future results, history shows that the patient investor who had held to a well-crafted strategy is likely to have the money available when opportunities emerge to invest in undervalued securities and areas of the market with long-term growth potential.

This article offers only an outline; it is not a definitive guide to all possible consequences and implications of any specific investment strategy. For this reason, be sure to seek advice from knowledgeable financial professionals.

¹Standard & Poor's Composite Index of 500 Stocks is an unmanaged index that is generally considered representative of the U.S. stock market. It is not possible to invest directly in an index. Past performance is not a guarantee of future results. Investing in stocks involves risks, including loss of principal.

²Source: Wealth Management Systems Inc. This hypothetical example illustrates how a \$10,000 investment would have been affected by missing the market's top-performing days over the 20-year period ended December 31, 2013. Stocks are represented by Standard & Poor's Composite Index of 500 Stocks, an unmanaged index that is generally considered representative of the U.S. stock market. Past performance is not a guarantee of future results.

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The Numbers Game: Finding the Right Accountant for Your Business

Whether you are breaking ground on a new venture, buying an existing business, or rethinking your current business goals, one of the most important resources you can have is a first-rate accountant to handle your accounting, financial, and tax needs. Following are some practical guidelines for picking the best accountant for your business.

Consider a CPA

Certified public accountants are generally considered the most qualified of the profession because they have passed comprehensive exams and are publicly licensed by a professional board of peers. Check to see that the individuals you are evaluating are members of a prominent professional organization, such as the American Institute of Certified Public Accountants (AICPA), or the Institute of Management Accountants (IMA). While these organizations typically do not provide referrals, many state and local professional organizations have their own referral services. Do an online search for your state's Board of Accountancy website or check the government pages of your phone directory. Contact information can also be obtained from the AICPA.

Look for Previous Experience With Small Businesses

The accounting, financial, and operational needs of a smaller business differ drastically from those of a large company, and the individual you choose should be familiar with what it takes to get and keep a smaller business running smoothly. It also helps if the candidate has experience in your industry or particular type of business. Consider your own growth objectives when shopping around for an accountant. What you'll look for in an accountant will vary depending on your vision for the future.


Seek Personal Recommendations

Personal referrals can be a great way to identify potential candidates. Ask your banker, lawyer, and other business associates for their input. Determine on what basis a person is being recommended -- for example, integrity, competence, and small-business or industry experience. Seek out successful businesses similar in size and focus to your own and ask about their accountant's performance.

Meeting of the Minds?

Perhaps more than anything, you need an accountant you trust and with whom you feel you can communicate honestly in all types of situations. If you have doubts about a person, go with your gut instinct. You'll probably be right.

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Certified public accountants are generally considered the most qualified because they have passed comprehensive exams and are publicly licensed by a professional board of peers.