



THE APPLETON GROUP, LLC

INVESTMENT MANAGEMENT · RETIREMENT PLANNING
CORPORATE 401(k) PLANS · MARKET RESEARCH

The Compass™

October 2014

The Appleton Group, LLC is an independent Registered Investment Advisor (RIA) located in Downtown Appleton, Wisconsin. Our firm provides wealth management and investment advisory services, using time-tested asset management strategies that prepare for cooperative and uncooperative markets. Since our founding in 2002, our firm has been recognized both locally and nationally as a leader in the wealth management community.

The Appleton Group, LLC currently manages approximately \$164.7 million, serving individuals, families, corporations, endowments, foundations, trusts, company sponsored retirement plans and third-party investment advisors.

The Compass™ is published quarterly, and is produced by The Appleton Group which is solely responsible for its content.

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Social Security Boot Camp

From the desk of Mark C. Scheffler

Over the years, the advisory team at The Appleton Group has prepared hundreds of financial plans for clients just like you. And Social Security is the one item that is a staple of every plan we've created.

It's a key piece of nearly every American's income plan in their later years, and as such we go to great lengths to make sure that you understand the variety of election choices available to you. It has been our experience that choosing the optimal benefit option can lead to significantly higher lifetime income, often resulting in hundreds of thousands of dollars in difference over your retirement.

There are many factors to consider: Should you choose to take Social Security immediately at age 62? Should you wait until full retirement age (typically age 66/67) or even wait until age 70? What about choosing a spousal benefit? And should I file and suspend my benefit until a later time?

Fact is, there are no fewer than a dozen different election scenarios that are available to most

retirees. And figuring out which option is best for you is a key piece of what we can do to help. Our goal is not only to maximize your lifetime benefit but to make sure that your election gives you the best chance of maintaining your desired standard of living throughout retirement.

There are a variety of factors to consider when making the proper election: First, we'll input your current age as well as your monthly benefit at full retirement age (commonly referred to as "FRA"). For clients who are currently married, we'll input this information for both spouses. We'll then consider life expectancy (how long you are likely to live). Typically, we'll assume age 87 for women and 83 for men, although we have the option of extending life expectancy into your 90s. We also consider inflation, currently running at around 2.5% per year.

Once this basic information is gathered, we can easily run a calculation that shows your estimated lifetime benefit starting at either age 62, full retirement age, or at age 70. In some cases, this calculation is sufficient.



Mark C. Scheffler
Senior Portfolio Manager,
Founder

But for married spouses with either a significant difference in monthly benefit amount or a significant difference in age (or both!), we can suggest a "hybrid" approach that can maximize benefit amounts to factor in these additional items. We use advanced strategies such as spousal benefit elections, staggered filing dates, and a strategy called "file and defer."

We call it our "Social Security Boot Camp" and it's yet another benefit to working with our experienced team of professional advisors. If you've not yet made your social security election, be sure to discuss this important topic during your next review.

-MCS

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Appleton Group Goes International

The Appleton Group is excited to announce that Carsten Breunig from the Karlsruhe Institute of Technology in Germany will be joining our staff this month as a research intern.

Carsten is majoring in both mathematics and economics,

and is scheduled to receive his degree in early 2016. During his internship, he will be working closely with both our portfolio management and advisory teams to provide investment research, 401(k) due diligence reporting, investment planning, and risk assessment.

And full disclosure: Carsten shares a distant relative with our firm's founder, Mark Scheffler. Both Mark and Carsten share the same great-grandfather, Sebastian Breunig, of Hettigenbeuern, Baden-Wuerttemberg, Germany. Willkommen!

From the Desk of Alex M. Haas

Have you ever played the game Monopoly and wondered why you collect \$200 from the bank for passing “Go”? I mean, you don’t really create any value by passing “Go”; all that really happens is that the bank sends more money into play as time passes. When the bank injects more money into play, players can afford to bid up the price of properties like Boardwalk, New York Avenue, and St. James Place, or they can build more houses and hotels. But we’ve all seen how this competitive game eventually ends – one player gets a huge competitive advantage over the other players, and they either take everyone else’s assets or someone gets mad and smacks the board across the room.

Well a similar scenario could be unfolding before our eyes in the real world. Over the past five years or so, the U.S. Federal Reserve has injected over \$4 trillion into our economic system in an attempt to rescue us from the last recession. No real value is directly created by doing this, just like no real value is created by your Monopoly piece passing “Go.” All that happens is that more money is chasing the same number of existing assets. So you might expect that just like the price of



Boardwalk, New York Avenue, and St. James Place gets bid up even higher with new Monopoly money, the price of companies like Apple, Nike, and McDonald’s would get bid up even higher with new U.S. Dollars. This is exactly what has happened in the stock market over the past five years. Since the Fed began injecting more money into our economic system in December of 2008, the S&P 500 stock market index has more than doubled in value.

However, a significant part of the Federal Reserve’s stimulus program will be coming to an end in October of this year. This is the equivalent of the Monopoly bank eliminating its \$200 payments for passing “Go.” Many experts (including our firm’s portfolio management team) are questioning whether this will cause markets and the economy to falter. If stimulus has helped propel markets upward over the past five years, it seems logical that taking away the stimulus could lead to a market decline, or at least some turbulence in the economy’s already slow recovery.

-AMH

Planned giving... 'tis the season

As the weather turns and we look forward to the holiday season, thoughts of counting our blessings and giving to others become top of mind. If you are planning on making a charitable gift, it’s wise to review your investments and current changes in legislation before writing that check.

With the market gains in recent years, you may have investments that have increased substantially in value. If they have been held at least one year they may be a great way to make a charitable gift. In addition to the deduction on your federal income

tax as an itemized deduction, you pay no tax on the capital gain, even though the shares have increased in value.

Another pending area of legislation to keep an eye on... The House passed a bill in July that included a provision making the Required Minimum Distribution (RMD) contribution to charities permanent. Next, it goes to the Senate, etc. General

opinion is that the Senate most likely will not make this provision permanent but may extend it another couple years. If passed, those over age 70 ½ will again be able to make a contribution to a “qualified” charity directly from their IRA without having to pay income tax on the distribution.

You have the opportunity to leave a legacy to a charitable organization by gifting in a

number of different ways. Other options include a bequest by will, a charitable gift annuity, life insurance or as a named beneficiary of your IRA, retirement plan or annuity.

Always check with your tax advisor before initiating any securities transfer.

-WMH

Tax laws change, so check with your tax or financial advisor to stay apprised of how you might make the most efficient gift.

An Apples-to-Apples Comparison

More than a decade ago, The Appleton Group was the first separate account manager in the State of Wisconsin to be listed in the Morningstar institutional database. This made it very easy to compare our offerings with the universe of other investment managers. And as one of the first managers in the United States to create risk-managed portfolios using exchange traded funds

(ETFs), we were often “lumped in” with other portfolios that presented much higher risk than our offerings. And now that’s changed!

We are eager to share the exciting news from Morningstar Research this quarter that our suite of portfolios are finally being compared to other risk managers like us, and are categorized as

“Tactical Allocation.” Tactical allocation portfolios (like ours) make adjustments as market conditions change rather than simply using a traditional “buy & hold” philosophy. And the early comparisons in this category are quite favorable.

According to Morningstar Research, we are one of only 76 tactical allocation portfolios in

the United States with a track record of at least 10 years. Of these, three belong to our firm: The Appleton Group Portfolio, Appleton Group Tax Managed Growth Portfolio, and Appleton Group PLUS Portfolio. We’ll be sharing our updated rankings with you in the near future, both during our quarterly reviews and upcoming press releases.

Quotable Quotes...

Let us all be happy,
and live within our means,
even if we have to
borrow the money
to do it with.

-Artemus Ward



October:
This is one of the
particularly dangerous months
to speculate in stocks.
The others are July,
January, September, April,
November, May, March,
June, December, August
and February.

-Mark Twain



*You can fool
all the people
all the time
if the advertising is right
and the budget
is big enough.*

-Joseph E. Levine



*An Economist is
an expert who
will know
tomorrow why
the things he predicted
yesterday
didn't happen today.*

-Laurence F. Peter

Save a Tree and Help the Forest - Go Paperless...

The Appleton Group Client Web Portal, not to be confused with the Charles Schwab website, is a secure website that each of our clients can access by using an email address and a custom password. As a client, you can view a variety of information about your individual accounts and household. At first glance, on the Overview page, you will see the following pieces of account information when you login to the web portal:

- List of Accounts
- Net Worth Summary
- Net Worth (Asset Composition) Graph
- Top 15 Holdings Chart
- Asset Allocation Graph
- Investment World Region Breakdown



In addition to the information above, you will have the ability to see individual account details, view electronic delivery of your statements, and you will be able to upload documents for us to review.

To take advantage of this great tool and sign up for paperless statements, please confirm your email address with Karen and expect the following to occur:

1. You will receive an email from Morningstar Office with a link to login into The Appleton Group web portal. Be sure to **BOOKMARK** this link.
2. A second email will arrive a few seconds later with instructions on how to set up your password. Please setup your password and close the link.
3. Click on the Morningstar Office link that came in the **FIRST** email (the one you bookmarked) and login.
4. There will be a pop-up asking you to consent to electronic delivery of your statements. Please click **ACCEPT**.
5. Once logged in, you will see an overview of all of your accounts.
6. If this does not occur, please let Karen know and she will gladly help you through the process. You can reach her at kanderson@appletongrouponline.com or 866.993.7727, ext. 10.

You will receive an email from Karen Anderson whenever a new document is posted to the client portal. The email will contain a link that will take you directly to the client portal to login. In addition to your quarterly statement, you will also be able to access your financial plan and The Appleton Group newsletter.

-KA



Are you looking for a daily fresh perspective on the markets? Maybe something a little more than the closing price of local stocks?

Look, or listen, no further. The Appleton Group is pleased to announce that they have entered into a content distribution agreement with WHBY 1150. Mark Scheffler and the staff at The Appleton Group have been providing WHBY

listeners with a morning market commentary at 7:40 A.M. and a closing market report at 4:40 P.M. since early September.

There are several ways to tune in to hear the insightful, informative and engaging commentaries - the old fashioned way (the radio) or visit whby.com and click on "LISTEN NOW" at the top of the page to listen on your computer or mobile device.

In addition to WHBY commentaries, clearTREND® content is featured in *Insight Magazine*, insightonbusiness.com, and in Appleton Group's Three Minute Trend Talks™.

Portfolio Workshop

The Appleton Group's family of investment portfolios has grown considerably over the last year. We've compiled a simple roll-call below, indicating absolute performance for the quarter (shown by up or down arrows), as well as ranking our offerings with top performers listed first:*

- ▼ Appleton Group Managed Income
- ▼ AG - Conservative Portfolio
- ▼ AG PLUS - Conservative Portfolio
- ▼ Appleton Group PLUS Portfolio
- ▼ AG - Moderate Portfolio
- ▼ AG PLUS - Moderate Portfolio
- ▼ Appleton Group Asia
- ▼ AG - Tax Managed Growth Portfolio
- ▼ AG Traditional - Conservative Portfolio
- ▼ Appleton Group Portfolio
- ▼ AG Traditional - Moderate Portfolio
- ▼ AG Traditional - Aggressive Portfolio
- ▼ Appleton Group Americas
- ▼ Appleton Group U.S. Sectors
- ▼ Appleton Group Europe
- ▼ Appleton Group Commodities - Heaven
- ▼ Appleton Group Commodities from Hell
- ▼ Appleton Group Wisconsin Select

- ▲ Positive Quarterly Performance
- ▼ Negative Quarterly Performance

Featured: Appleton Group Tax Managed Growth Portfolio

The Appleton Group Tax Managed Growth Portfolio combines an ETF trend-following discipline designed to systematically adjust the portfolio as market conditions change with a tax-advantaged strategy using high dividend paying ETFs.

The portfolio is designed to be a core component in a diversified investment portfolio, complementing investment vehicles which may be less responsive to changing market conditions.

The portfolio currently consists of the following ETFs:



Flagship: Appleton Group Portfolio

One of our three core offerings, The Appleton Group Portfolio represents perhaps our most straightforward, consistent and most profitable portfolio over the past decade. While still holding true to our passion for proactive investment risk management, this portfolio has also offered investors healthy, positive returns since the market's valley in March of 2009.

The Appleton Group Portfolio invests in a wide variety of exchange-traded funds (ETFs) that each target a specific part of the global markets. These include U.S. equities of all sizes and types, developed international markets, foreign emerging markets, real estate, and basic materials companies. During sustained market advances, this portfolio can invest as much as 95% of its assets in these growth areas; however, during sustained market declines it can reduce or eliminate exposure to the markets and invest in money-market securities for safety.

While not our most defensive portfolio, this offering gives our clients perhaps the best balance between growth and risk management. As such, it is suitable as a core holding for investors of all ages who seek the potential to grow their portfolios over time while managing risk along the way.

*Important information: Contains forward looking statements. **Not FDIC insured, may lose value, no bank or government guarantee.** Visit www.appletongrouponline.com for a complete history of these and all Appleton Group portfolios, including past performance, targeted and quarter-end holdings, strategy summary and suitability.