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## GOING GREEN

By Kari E. Mekler

Would receiving your quarterly statements and management fee reports electronically simplify your life?

*If so, we want to hear from you!*

Here at O'Brien, we are always looking for opportunities to be as Green as we can. Saving paper is a big step in this direction.

We can send your statements electronically via our secure messaging server.

We are also in beta testing of our O'Brien Client Portal which is directly linked to our portfolio accounting system and provides the ability to view your O'Brien managed account portfolio online, with market values updated daily.

With the launching of our new website, we will be looking into other technology which we may be able to utilize to provide

our clients with greater online access to their O'Brien reports.

So, let us know if you would like to switch from paper delivery to electronic delivery. We can enroll you in e-statements, or sign you up to test our client portal and send us feedback.

Send your request to Kari Mekler at [kmekler@obrienwp.com](mailto:kmekler@obrienwp.com).



**Kari E. Mekler**  
*Director of Operations*  
*Principal*

Please visit our new website @ [www.obrienwp.com](http://www.obrienwp.com) and let us know what you think!

## DID YOU KNOW?

**PLANNING FOR THE UNEXPECTED**

**60%** the percentage of Americans that don't have a will or other estate plan

Only **20 to 30** percent of Americans report having a living will



**90%** of people say that it is important to talk with their loved ones about end of life care

**27%** the number that have actually done so





# CURRENTS

## SUMMER 2017

## DID YOU KNOW?

**1913 to 1921** ...the years during which capital gains were taxed at ordinary income tax rates

**39%** ...the highest capital gains tax rate since 1936 (1936 – 37, 1976-78)



**\$250,000** ...the tax-free gain you can recognize on the sale of your home provided you owned and lived in it for two of five years before the sale. If you are married, the tax-free amount doubles to \$500,000



## A NOTE FROM JILL

One of our most deeply held core values at O'Brien is transparency. Our commitment to transparency drives us to present a clear picture of the investments we hold, and honest and timely interpretation of the performance of those investments. We are realistic in our representation of risk and return expectations and straightforward about what we can and cannot control. The promise and dedication to be transparent is fundamental to our culture.

Transparency also manifests itself in the day to day communications we have with our clients and among ourselves. As a firm, we are committed to fostering a culture of open communication, even about the tough topics. No conflict or misunderstanding ever resolved itself by being swept under the rug. No brilliant innovation was ever developed by the idea that wasn't raised. No team ever reached peak performance by refusing to engage in dialogue. Open discussion, without fear of criticism, makes us a stronger, better aligned team where everyone has a voice and knows that their voice counts.

This extends to our relationships with our clients as well. During the course of our relationship we create your financial road-map, identify potential risks, and implement a strategy to help achieve your goals. Along the way we make adjustments as your life situation, or the global economic, regulatory or legal climates change. At these times transparency and open conversations benefit you. At times we even encourage you to initiate difficult conversations. Talking to your family about money, particularly in the context of death and illness, is extremely tough. We can help facilitate these conversations; making sure that your loved ones know your wishes, and that you know theirs, can ensure that your desires for care and legacy are met.

Transparency, open communication and respect: these words guide our culture, govern our actions and shape our future. I welcome you to share your experiences with our firm, and I am always available to listen to any thoughts you might have on how we could serve you better. And I am thrilled to introduce our new website as another means of commitment with you. Please visit [www.obrienwp.com](http://www.obrienwp.com).

*Jill*

**Jill Fopiano, CFA, CFP®**  
President & CEO



## 5 QUESTIONS ABOUT CAPITAL GAINS: TO TAKE OR NOT TO TAKE, THAT IS THE QUESTION

By Lis Zimmerman

### 1. What are capital gains?

There are two types of capital gains for tax purposes, realized capital gains and capital gains distributions. Realized capital gains occur when a security is sold; the gain is the difference between the purchase price of an investment and the sale price. The tax on this gain is triggered by the sale. A capital gains *distribution* occurs within a mutual fund where shareholders are taxed on gains distributed, but the security is not necessarily sold. With a realized gain, the shareholder controls the timing of the sale, with a distribution the fund manager does.

### 2. What are the tax implications of creating gains?

Short term gains on securities held one year or less are taxed at the ordinary income tax rate. Long term gains, for securities held more than one year, are taxed at a lower rate. Currently, there are three rates for capital gains depending on your tax bracket. For those in the 10% and 15% income tax bracket, the rate is 0%. For those in the 25%, 28%, 33%, and 35% brackets, the rate is 15%. For those in the highest, or 39.6% bracket, the rate is 20%. Capital gains are also taxed at the state level.

### 3. Why do we create capital gains?

Two reasons: First, to replace a security held in a portfolio with one that is a better long-term fit. Second, because a security is overweight against our targets and we want to trim the position. We have been experiencing a very long bull market since the 2008 financial crisis. Therefore, most of your investments have grown in value.

### 4. What considerations are taken when creating capital gains?

We subscribe to the maxim "don't let the tax tail wag the investment dog" as we don't want to hold an unfavorable investment simply to avoid taxes. There are several considerations, including the following, that we review before realizing capital gains in portfolios:

- Effect on Adjusted Gross Income (AGI): Capital Gains are added to AGI which may affect your income tax bracket and your marginal tax rate. This may also affect your itemized deductions.
- Medicare premiums: Capital gains can increase your AGI, which may bump you into a higher tax bracket and thereby increase your Medicare premiums. The increase will be effective for only one year and the amount will vary depending on your AGI, but at most the total premium increase will be \$3,535.20 (2017) for one year. In most cases, the net capital gain realized will be more than any increase in Medicare premiums.
- Timing of sales: There is some control over when to realize gains. If other sources of income are lower in one year versus another, it may make sense to take the gains then.
- Capital: Capital losses can be used to offset capital gains. If there is opportunity to match a capital loss against a capital gain, the tax impact may be lessened.

### 5. What are common misconceptions?

The most common misconception is that capital gains create higher taxes. By realizing capital gains, one does pay additional taxes, but the tax rate is lower than the income tax rate for most individuals. Most importantly, by realizing capital gains, you produce additional wealth. Most of us wouldn't turn down a bonus because of the taxes owed on the additional income. We don't want to hold off taking capital gains for the same reason.

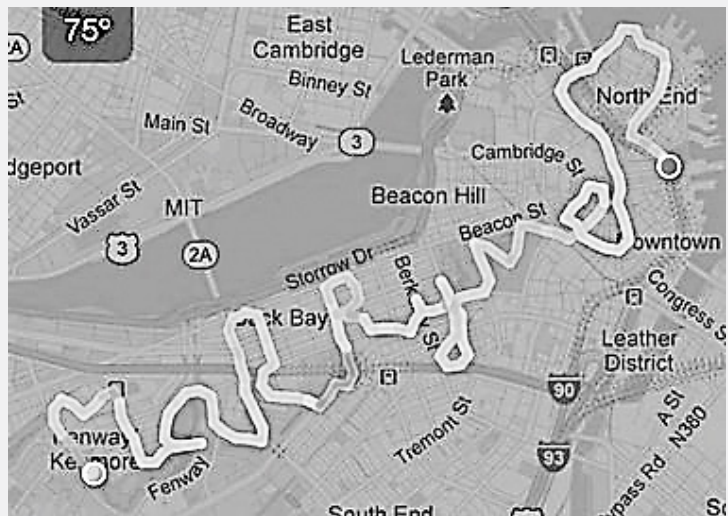


**Lis Zimmerman,**  
CFP®, CASL®, CRPC®

Senior Vice President, Client  
Relations & Financial Planning  
Principal

## O'BRIEN WEALTH PARTNERS IN THE NEWS...

**Tim Kaijala** joined O'Brien in May as our Director of Investment Research. Tim is responsible for strategic and tactical asset allocation, macro and fundamental research, investment selection and monitoring across the firm. Fun fact - Tim proposed to his wife, Joanie, on an 11 mile run that spelled out "Marry Me?"



**Brenna LaPierre** has returned to the firm for her second Northeastern co-op. We are lucky to have her with us through December 2017 until she returns to classes for her last semester.

As part of 177 Huntington's commitment to being a green building, our 25th floor is home to a family of Peregrine Falcons! Peregrine Falcons do not build nests; they lay their eggs on ledges – in this case the 25th floor balcony! Often the eggs blow off in the wind but this year our Falcons welcomed four new hatchlings. Recently Mass Audubon came to band the chicks as they are an endangered species.



**O'Brien Wealth Partners** is pleased to announce it has been named to the 2017 Financial Times Top 300 Registered Investment Advisory Firms. The List recognizes top independent RIA firms from across the US. This is the second year in a row that we have received this accolade. For more on the selection criteria and disclosures please see our website at [www.obrienwp.com](http://www.obrienwp.com).

Please check out our new website at [www.obrienwp.com](http://www.obrienwp.com)

## \$ PREPARING FOR THE UNEXPECTED

By Cindy Kuppens

It's fun to talk with your family and friends about planning for the exciting things in life: vacations, education, weddings, buying a home, a new job. But what about planning ahead for illness, disability or death? Not so fun—in fact, these topics are downright terrifying for many people.

### "When I die, how do I want to be remembered?"

Talking about illness and death is extremely difficult, but making sure that your family and friends know your wishes beforehand can help you—and them—care for you in the way you want. At O'Brien we walk with clients through all stages of life, including illness and death, and we can say definitively that planning ahead helps both the person who is ill or dying and those who love them. When discussing or documenting your wishes you may want to answer the following questions:

**How do I want to be cared for if I am ill?** What kinds of care do I want? Not want? Who should make healthcare decisions for me if I am not able to do so?

**If I become ill or if I die, what do my family and friends need to know about my financial and personal situation?** Who will take care of my children? My pets? Who will pay my bills? Where are my financial and insurance records kept? Do I have disability or life insurance? Who are my advisors?

**When I die, how do I want to be remembered?** Do I want a funeral? What should be done with my body? Who will inherit my assets and possessions? Where should my caretakers go for help and advice?

If it is difficult to have this discussion, either about your own wishes or about the wishes of a partner, parent or other loved one, you may want to begin by letting the other person know that you want to talk about your or their wishes to make things easier for them when this difficult time arrives. You and your loved ones may also want to document your wishes. We have prepared a simple worksheet that you can use to answer the questions above as well as record your important financial information that your caretakers will need should you become incapacitated or die. You can download a copy from our website at [www.obrienwp.com](http://www.obrienwp.com)

If you have very specific wishes about the types of medical care you wish and do not wish to have, you may want to complete an advanced medical directive; several of our clients have used one developed by Drs. Linda and Zeke Emanuel. Using this two-page document you can specify the types of treatment that you want—or do not want—in various types of medical situations, ranging from good

health to incurable disease to coma or vegetative state. The document lists 12 types of medical treatments and procedures (e.g., pain medications, antibiotics, diagnostic tests, surgery, mechanical respiration); completing the document may help you decide and communicate the types and extent of treatment you want should you become incapacitated or have a terminal illness. The document is available online; please let us know if you would like us to email you a copy.

Don't forget that it is also necessary to have up-to-date estate documents that outline your wishes, include a living will, and name who will be your health care proxy and who will act as your durable power of attorney if you cannot act on your own behalf. Also, if you are working, it is imperative that you plan ahead for income during disability, very likely through disability insurance. And, if others depend on you, be sure that you have adequate resources to support them if you die, either through savings or life insurance.

While talking about illness and death is never enjoyable, having a discussion about your wishes or your loved one's wishes is important. Please let us know if you would like to talk about how you can best plan for the unexpected events. We are here to help you and your loved ones navigate life's uncertainties.



**Cindy Kuppens, CFP®, AEP**

*Senior Vice President,  
Client Relations*

*Principal*



# THE MARKET: A VOTING OR A WEIGHING MACHINE?

By Tim Kaijala

Over the past year the world has held its collective breath as we have watched incredibly critical elections play out across the global stage. Three of the world powers have participated in their democratic process through elections, each of which will certainly have a ripple effect through history. A wave of populism has been building in the developed world – beginning with the Brexit vote last June where more than 30 million citizens of the United Kingdom voted in an election that would determine their fate within the European Union. At that time, the UK voted to leave and culminated this past March with Prime Minister Theresa May triggering Article 50 of the Treaty of Lisbon to exit the EU. In early June, May gambled on a snap general election to increase her majority in Parliament which ironically resulted in the conservatives losing seats and their majority. This vote was widely seen as a rejection of a hardline exit, paving the way for a softer exit than Prime Minister May had envisioned.

In our own election last November now-President Trump played the part of the populist candidate, lambasting Washington and promising an administration for the people. Only most recently, the populist movement met its match with a young Frenchman named Emmanuel Macron who defeated populist rival Marine Le Pen in the closely watched French presidential election. Had this election gone the other way – the fate of the entire European project would be much more unclear.

looks like this in short time periods as market participants vote with their buys and sells, tallying up which firms are popular or unpopular given the promises, tweets, or crisis of the day. Stock prices rise and fall, day in and day out as buyers and sellers compete to decide and profit on what is popular.

In the long-run, however, we know that the superficialities of the day will settle out over time and fundamentals will prevail. Stock prices will ultimately follow positive earnings and positive cash flows, as they have done for decades. The market, as Benjamin Graham put it, in the longer run is a weighing machine: assessing the substance of a company and assigning its value based on the earnings that it creates and the cash flows that it can provide for its stock-holders. At O'Brien, we subscribe to this philosophy –deliberately avoiding to vote on the hot stock of the day and instead carefully and meticulously finding areas of the market that are being incorrectly valued. These dislocations are always present in a world that trades on the fads of the day for the investor that is patient and disciplined enough to see the bigger picture. Our goal is to uncover these longer-term trends and patiently wait for the market's weighing machine to kick in and tip the scales back to currently out of favor but fundamentally solid investments that often make up part of our client's portfolios.

An example of analyzing these longer term trends can be seen in our diversified equity positioning geographically. The S&P 500, a proxy for the 500 largest companies in the US, has risen over 250% since the depths of the 2008 financial crisis while companies in developed countries outside the US (as measured by the MSCI EAFE Index ) have risen a little over 100%. Companies in the emerging market countries echo this experience. Firms in developed markets represented by the EAFE Index are also currently trading at a price-to-earnings ratio slightly less than their 20 year average while the S&P 500 is currently over its 20 year average.

In short - the rest of the world has simply not recovered from the global financial crisis as fast as the U.S. has. At some point we expect this leadership to change as earnings continue to improve abroad, monetary policy loosens (while the U.S. tightens) and political situations stabilize. The disciplined exposure we have maintained to international equities is an example of this philosophy in action. It should provide a great opportunity to capitalize on this longer-term trend as the market begins to recognize the relative attractiveness of these international companies.

Benjamin Graham was known as the “Dean of Wall Street” because of his academically based and diligent financial evaluation of companies. We are committed to that same level of institutional-quality rigor and patience in our analysis because we believe it is the only way to consistently add value to our clients portfolios over their lifetimes. Our focus should and will always be on ensuring that we keep the long-term perspective that we have promised our clients.



**Tim Kaijala**  
Director of  
Investment Research

# TAKE A CLOSER LOOK...



**Alicia Barrows**  
Associate Advisor

## WHAT DID YOU DO BEFORE O'BRIEN?

*In 2010 I graduated from the University of Maine with a B.A. in Political Science and an Minor in History. GO BLACK BEARS! After college I participated in a microfinancing internship in Hohoe, Ghana. There I worked with women towards obtaining small business loans from local banks. After my internship abroad, I was a paralegal specializing in contract law and business fraud in New York City and Washington D.C. In 2014, I made the decision to switch careers and began taking classes at Boston University in the Financial Planning Certificate Program and became a client service specialist at Windhaven Investment Management.*

## WHAT DREW YOU TO O'BRIEN?

*Finding a women-run, women-owned investment management and financial planning firm was like finding a needle in a really, really large haystack. I knew I wanted to work in an environment that valued continuing education, team work and out of the box thinking. At O'Brien all three of my qualifications were not only met but exceeded. I knew I had found a place where I could see myself long term.*

## WHAT IS YOUR ROLE?

*As an Associate Advisor at O'Brien, I work with our advisory team to support our wealth management and financial planning clients. A few of my hats include portfolio management, marketing, portfolio trading and cash flow planning.*

## TELL US MORE ABOUT YOU...

*I am one of five kids! Born and raised in Southern Maine, I grew to love the ocean, lakes and mountains. My family vacations are often spent in a little cabin in Northern Maine on a remote, disconnected lake. Like a true Mainer, my yearly January tradition is what is known as a “Lobster Dip” – a quick dunk in the Atlantic to benefit a local charity. As for my softer side, I can be found at 5:45 a.m. at my local kickboxing gym in Quincy, MA, jabbing, crossing, and roundhouse kicking my way into most mornings!*

**“In the short run, the market is a voting machine but in the long run, it is a weighing machine.”**

**– Benjamin Graham**

Our newspapers over the past year have been dominated by political headlines as each new saga, scandal and drama plays out quickly in never-ending 24-hour news cycles. It seems that each new day brings with it a new reason to be worried about the state of affairs around the world and our progress towards fixing them. In an age where it seems our votes are becoming more and more important politically, as we think about the markets I'm reminded of a piece of wisdom from Benjamin Graham, the father of value investing, who said, **“In the short run, the market is a voting machine but in the long run, it is a weighing machine.”**

As rhetoric meets the reality of turning promises into policy, we see the beginnings of the market questioning how effective our new president will be at implementing the changes he campaigned on. Short-term run-ups in stocks are beginning to fray as the priced-in perfection of potential tax reform meets the cold-hard reality that it probably won't happen in 2017, if ever. The market often