

KWAG February Update

Over the last few years, I've learned a few things about Mother Nature. First, you can't even remotely predict what she is going to do, so don't try to. And second, when mother nature is in the midst of her fury, don't try to fight against her, because she has a mind of her own. Last year, we had two NC client dinners interrupted (and canceled) by an ice storm and a tornado. This year, a snow storm, a canceled flight, and the birth of my two beautiful girls delayed the NY dinner...which will be rescheduled soon.

You're probably wondering about the health of our girls. We'll get to that after I've covered a few important financial topics. At this point, I can tell you that they are both healthy and in good hands at Mission Hospital. Thank God! Kellie and I want to personally thank you for all of your prayers, positive thoughts, karma and Chi. The outpouring of spiritual support has been heartwarming to both of us. Thank you!

It's Tax Time

Normally, at this time of year, we get a number of inquiries from our clients about their Gains/Losses statements, and their 1099 forms. Both must be sent out by Friday, February 20th, 2015, so you should be getting both soon. Over the last two years, there have been a number of tax law changes, so the IRS has pushed back the deadline to send the forms. Obviously, we want to get them right the first time, so we don't have to reissue them later. That said, there are always minor errors that sneak through the cracks. If you have any questions or concerns, please contact Katie, or have your CPA contact Katie. She will gladly help you! (Katie's email: katie@thekielygroup.com)

So, let me introduce you to Piper Elizabeth Kiely. Piper is obviously an instigator. It was her water that broke on Sunday night and it was her umbilical cord that snuck through Kellie's defenses yesterday afternoon around 3:30pm. Piper was born at 3:54pm on February 10th, 2015. She is a healthy 4 lbs. 3 oz. This afternoon, she nuzzled with her Mom, and she is doing great for 32 weeks! She has dark hair and is definitely feisty. We love her just the way she is. Did I mention she's feisty?

The Dinners

As you all know, we held a number of client dinners over the past two weeks across the state of NC. As usual, we have received a lot of constructive positive feedback about the dinners and our presentation. Almost everyone appreciated the broader message of "patience". Remember, investors by definition are focused on the long run. Sometimes it's helpful to be reminded why that simple principal (time) is so important to your financial health.

For those of you who could not make one of the dinners this year, our presentation reinforced (and added to) our year-end newsletter by focusing on four main topics: Long Term Market Trends, Trend Reversions, Professional Money Managers, and Downside Protection. If you would like to watch the entire dinner presentation, we have provided a YouTube link here ([KWAG Client Update](#)). Please let me know if you have any follow up questions on our presentation. If you watch the whole video, I think you'll have a new appreciation for our long term investment process. It works, but you have to remain patient. We have also attached the dinner handout as a Pdf, so you can follow along. Enjoy.

Our second daughters name is Kaitlyn Blake Kiely. Kate is definitely not the instigator. She wanted to stay in her snug warm comfy womb, but had no choice when her sister attempted an escape. Kate was born at 3:56pm on February 10th, 2015. Kate weighs 3 lbs. and 6 oz. Her lungs are not as developed, but she is receiving good care at the NICU unit at Mission Hospital. Kate was the first to nuzzle with her mother, when her Mom was wheeled by her Isolette at 7:00pm. Kate has blonde hair and a very mellow temperament. We love her just the way she is! She is just like her Mom...

The Markets

Most of you have probably noticed the increased volatility of the stock market during the first five weeks of the year. We embrace and welcome this volatility because it's healthy (long term), and because it provides excellent opportunities for our managers to buy stocks while they're on sale or underpriced (short term). At the end of January, the S&P500 (large cap index) and the Russell 2000 (small cap index) were both off more than 3%. Over the first few trading days of February, the stock market has recouped all of its losses and now sits flat for the year.

Our general message remains the same. We need to remain diversified, proactively rebalance, use excellent managers and focus on the long run. In doing so, we protect on the downside, which ultimately leads to greater long term returns. As we point out, in both our year-end newsletter and our client dinners, the two issues (downside protection and higher long run returns) are highly correlated, since avoiding major negative declines is critical to generating higher long run returns.

In layman terms, you can have a high scoring offense and a suffocating defense, if you construct a portfolio correctly and proactively rebalance.

One Final Note

I've spent my entire life studying finance and the markets. Over time, I have come to believe the practice of "risk management" is the absolute most important (and misunderstood) concept in finance. None of us has any control over how the markets will perform over time, yet that's precisely what most people obsess over. We do have 100% control over asset allocation or the risk we decide to take when we build a well-designed portfolio. If you build your portfolio correctly and then adjust using a well-defined protocol, you'll do great over time. I know that because my firm has been doing precisely that for over 25 years now.

Over the last week, Kellie and I have spent countless hours at Mission Hospital waiting for our new girls to arrive. A lot of people have wondered how stressful that must have been on us? I have to admit, it has not been that stressful at all. Mission Hospital has an excellent staff and an amazing critical care unit for premature babies. Their attention to detail and their protocol for any type of potential "risk" has left us with a peaceful feeling. Our girls have come a bit early, but we feel like we're in very good hands.

I hope you feel the exact same way about KWAG and our portfolio management.

You may not know it, but we have a methodical plan and a strict protocol for any type of potential storm that may be out there. We spend countless hours thinking about "portfolio protection" and any potential "risks" we may encounter. In fact, we design our portfolios with all of those potential "risks" in mind. Many of you have told me you sleep well at night knowing we're looking after your nest egg. This last week has reminded me how important that peace of mind is.

I want to personally thank you for putting your financial future in our hands. I promise I will do everything I can to manage your financial future in an honest, transparent, and thoughtful way. Thanks you again for your positive uplifting notes.

- **Joe and The Gang at KWAG**

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