

A photograph of a blue-painted wooden door set in a wall of vertical wooden planks. A circular wreath made of brown twigs is hanging on the door, decorated with small, multi-colored lights. The scene is framed by snow-covered, bare branches on both sides, and a light snowfall is visible throughout the image.

The
Holiday
Edition

Note from the CEO

Richard Manske, CFP®
Chief Executive Officer



As we enter another holiday season, our thoughts turn toward spending time with friends and family. We may rush from party to family gathering and search frantically for that perfect gift. Let's remember that, sometimes, the gift of your full attention and presence is all that some people want.

We wish to express our gratitude for the continued opportunity to work with you and your family. We hope you have a safe, happy holiday season and healthy, prosperous new year.

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Chocolate Chip Bundt Cake

Karen Augliera

- 1 - 18.25 oz. box of yellow cake mix
- 1 - 4-serving size package instant chocolate pudding mix
- 3/4 cup vegetable oil
- 4 eggs
- 3/4 cup water
- 8 oz. sour cream
- 1/2 bag mini semi-sweet chocolate chips
- Sifted confectioners' sugar

Preheat oven to 350 degrees. Grease and flour Bundt pan.

Combine cake mix, pudding mix, oil, eggs, water, and sour cream. Pour into Bundt pan.

Bake for 50 minutes. Cool and dust with confectioners' sugar.



Cranberry Relish

Sarah DerGarabedian

- 1 package fresh cranberries
- 1 small orange, cut into pieces (remove seeds but leave peel on)
- 1 cup pecans, chopped
- 3/4 cup sugar
- 1/4 cup Grand Marnier
- 1 tsp. mace (can substitute ginger or nutmeg; I usually use ginger)

Finely chop cranberries and orange in a food processor. Combine with rest of ingredients in a bowl. Hint: I always chop the pecans separately from the cranberries and orange, because I don't want them to be chopped as fine.

It's best to let the mixture sit in the refrigerator for about a day to let the flavors meld. It makes a lot of relish but freezes well - if you have any leftovers! The relish tastes great for leftover turkey sandwiches.

eat!



Gluten-Free Macaroni & Cheese

Carrie Tallman

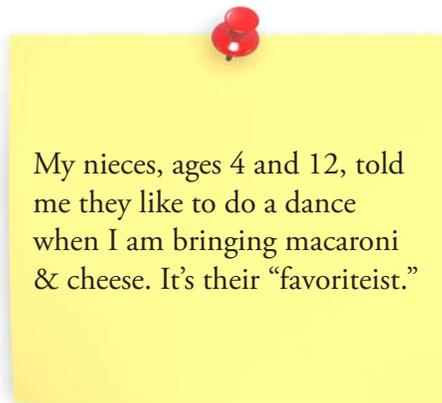
- 1 pound (16 oz.) gluten-free elbow macaroni
- 12 oz. shredded cheddar cheese (I use half mild, half medium)
- 1 cup sour cream
- 1 can (10 3/4 oz.) gluten-free condensed cream of chicken soup
- 1/4 cup butter (melted)
- 3/4 cup almond flour

Preheat oven to 400 degrees.

Cook the macaroni in boiling water according to package instructions. Once cooked, drain the macaroni and evenly spread it in a large casserole dish.

In a separate bowl, add the sour cream, soup, and shredded cheese. Spread mixture evenly onto the macaroni in the casserole dish. Sprinkle almond flour over the mixture. Drizzle the melted butter over the mixture.

Bake for approximately 30 minutes or until the top is golden brown.



My nieces, ages 4 and 12, told me they like to do a dance when I am bringing macaroni & cheese. It's their "favoriteist."

World's Best Dog Treats

Source: *Dining with Pioneers, Volume II*

Cristy Freeman

- 1 1/2 cups powdered milk
- 1 1/2 cups wheat germ
- 1 - 2 oz. jars of meat baby food (I use chicken)
- 2 - 4 oz. jars of sweet potato baby food
- 2 eggs

Preheat oven to 350 degrees.

Lightly beat eggs. Add baby food and mix well. Add dry ingredients to the mixture.

On a parchment-paper lined cookie sheet, drop the mixture in spoonfuls. Adjust size according to your dog. I make small treats for my terrier.

Bake for 20-25 minutes or until golden brown. Store cooled treats in the refrigerator. Dogs love these treats. You can use different veggie types; just make sure they are dog friendly. TIP: The treats freeze well.



Are the treats ready, Mama?



What's on Your Wish List?

Carrie Tallman

While the holiday season is definitely not about money, as investors we can't help but look at the numbers. Doing so helps us gauge the health (and hopefully happiness) of the U.S. consumer. And more than that, keeping tabs on holiday spending trends is a reflection of our values and an opportunity to readjust our priorities if needed.

With that in mind, holiday sales have been relatively healthy over the past six years. In 2015, holiday spending – defined as discretionary U.S. retail sales during the months of November and December - were up 3% year-over-year, according to the National Retail Federation. That means the average American spent about \$908 on gift-giving last year. In 2009, during the depths of the Financial Crisis, average holiday spending bottomed at \$417 per person. Accordingly, average holiday spending per person has grown at an annualized clip of about 14% from 2009 to 2015.

The long-term average increase in holiday spending has been closer to 3%, but because of the depths of the most recent depression - when consumers drastically cut back on gift-giving - growth levels since that time are slightly elevated. This year, economists also expect the average U.S. consumer to slightly increase his or her holiday spending.

At least part of the string of good holiday spending growth can be tied to strong jobs gains over the last few years and, more recently, gains in U.S. household incomes. In 2015, median household income grew 5.2% year-over-year, to an annual income of \$56,516, the strongest gain since 1967. While it's encouraging to see income improvement, current levels are still shy of the pre-financial crisis level in 2007; however, economists predict that if current trends continue, we'll surpass 2007-levels next year.

Other reasons to cheer include meaningful declines in the poverty rate, income growth for the bottom fifth of all earners, and more people with health insurance.

Now that we've examined the numbers, let's talk gifts! Amazon's most wished for gifts include Rubix cubes; glow sticks; popular movies like *Captain America: Civil War*, *The Jungle Book*, and *Star Wars*; electronics such as gaming headsets and WiFi IP cameras; and books like *Harry Potter and the Cursed Child*.

While Amazon may have the market on material giving, I surveyed a sample of Parsec employees to find out what my colleagues wanted most this holiday season. The responses I got were varied and often heartfelt. And simply asking the question was a lovely way to learn more about my co-workers - sort of a holiday gift in and of itself.

Without further adieu, here's a sampling of what Parsec employees (and our families) want this year by category:

Things:

- Anything basketball related
- A mountain bike
- Cash
- An Xbox One S
- A reusable rice cold pack
- Books
- Art supplies
- A fly rod
- A new vehicle for a growing family (but not a minivan)
- Paw Patrol toys
- A baby puppy

Intangibles/Non- Things:

- Time
- A time-turner (à la Hermione in *Harry Potter*)
- More time in the day
- More time with family
- A beach vacation
- A solo trip to Hawaii
- More EXPERIENCES, not more stuff
- To be an aunt
- Eyesight for my dog
- Good books, good friends, and big warm fires
- For all homeless animals to have a home
- A mountain biking or snow skiing trip
- Nothing at all
- A trip to Europe with my son
- More time with our sons and daughter-in-law
- That my sister, whom I haven't seen or spoken to in years, finds her way back home for Christmas
- That my husband and I both have time off at Christmas so we can have a big family get-together
- That the Christmas spirit lasts throughout the year

So there you have it. A comprehensive (sort of) summary of the state of the American consumer in terms of holiday giving, a glance at the top wish lists according to Amazon, and a peek into Parsec's holiday hopes and dreams.

From our family to yours, we wish you a happy and healthy holiday season. And that all your holiday wishes come true!

Budgeting During the Holidays? Really??

Michael Ziemer

I know...I know...a boring financial article about the importance of budgeting right before the holiday season. That is like a lecture on counting calories right before Thanksgiving dinner. The holiday season is supposed to be a time that we celebrate with friends and family, host and attend neighborhood parties and give gifts to those that we love. A time for giving...not budgeting!

As we approach 2017 and plan for another year, I am reminded of the importance of creating and implementing a budget. Not only is budgeting (a process that few of us enjoy) an important facet of financial planning; it is probably the most important variable in your long-term financial plan.

Unfortunately, we cannot control the markets on a day-to-day basis. Although we are confident that prices will rise over the next 5, 10 and 15 years, it is virtually impossible to predict market returns over the next 3-6 months. What we can control is our spending (uhm...uhm budgeting). During negative return environments, it is important to have a firm grip on your spending in order to make smart financial choices. By altering discretionary spending, you can lower the short-term stress on your portfolio and improve your long-term plan.

During my 12 years of financial planning with clients at Parsec Financial, I have come across two recurring budgeting mistakes. In order to help you plan for 2017, I thought I would share these mistakes and how you can easily avoid them.

Mistake #1:

Not Having a Budget at All

It is surprising how often we meet with a new client (both working and retired) and learn they don't have a budget. Most investors know their income, their portfolio allocation, their returns for the prior calendar year, et cetera, but many don't know their annual spending.

Although programs like Quicken and Mint will track your spending, they can also be laborious to manage on a day-to-day basis. Quite often in order to calculate a client's spending, we start with income (which most of us know), then subtract taxes (which we all know) and then subtract/add portfolio savings/withdrawals. Although less scientific than budgeting software, this simple calculation should give you an initial understanding of what you spend on an annual basis. This can be used as a basis for setting-up a more detailed budget.

Mistake #2:

Ignoring Recurring Non-Recurring Expenses

It is also common for clients to give us a rough list of monthly expenses. Most of the time, these expense reports include cable bills, utilities, mortgage payments, and other normal recurring monthly expenses. What is most often left off the list, are what I like to call "Recurring Non-Recurring Expenses". These are expenses that happen less frequently, but it always seems like we have one or two of them a year. Examples are a new roof, new air conditioner, a new car, or a large family vacation. These typically are not listed on a monthly bank or credit card statement.

The best way to incorporate such expenses and avoid this common mistake is to calculate expenses on an annual basis (not monthly). This way, you are able to incorporate large one-time expenses, vacations, and holiday spending. If you look at your expenses on a three-month basis and annualize, you are much more likely to leave out annual large ticket expenses.





It can be stressful and surprising to learn what we actually spend on an annual basis, yet it is as important as (if not more important than) knowing the annual rate of return on your portfolio. The last thing you want to do in a long-term financial plan is either overestimate rates of return or underestimate spending and be forced to cut spending in the future. One of the main benefits of financial planning is being able to make educated short- and long-term decisions about your finances. By having an accurate understanding of your expenses, you will be able to make proactive decisions regarding your spending, retirement, saving, and investment plan.

We have several tools at Parsec to help you better calculate your annual spending. As

you meet with your advisor in 2017 to review your long-term financial plan, make the commitment to spend a little extra time on your spending budget.

We at Parsec would like to thank you for your continued trust and support. Here's to a prosperous 2017!

Parsec's Holiday Schedule

So that our colleagues can enjoy time with loved ones, our office will be closed for certain holidays.

At Thanksgiving, our office will be closed on Thursday, November 24 and Friday, November 25, 2016.

Our office will close at 1:00 p.m. on Friday, December 23 and all day on Monday, December 26 in observance of the Christmas holiday.

For the New Year's holiday, our office will be closed on Monday, January 2, 2017.

The closures apply to all offices located in Asheville, Charlotte, Southern Pines, and Tryon.

We hope you enjoy time with your loved ones and have a safe, happy holiday season.

2016 Contributions - Last Call!

Daniel Johnson III

With year-end quickly approaching, time is running out to take advantage of annual tax planning strategies. Each year, the IRS allows many “use it or lose it” strategies. Some of the most well known are 401(k) contributions, Roth or Traditional IRA contributions, and Health Savings Account contributions. Since these allowable contributions reset each year, think of them as “at-bats”. Every person only gets so many. For this reason, maximizing these available strategies each year is crucial for wealth building over your life.

For 2016, individuals under the age of 50 can contribute up to \$18,000 to an employer-sponsored retirement plan and up to \$5,500 to a Traditional or Roth IRA. For individuals that are older than 50 and still working, they are eligible to contribute an additional \$6,000 catch-up contribution to employer-sponsored plans and an additional \$1,000 to an IRA. It is important to note that 401(k) contribution must be made prior to December 31, but IRA contributions can be made up until April 15th, or the tax filing deadline.

Health Saving Accounts (HSAs) are similar to IRAs in their contribution rules. However, in order to contribute to one, you must have a qualifying health insurance policy. Policies that are considered “High-Deductible” make you eligible for an HSA. A common misunderstanding about HSAs is that you must spend the account to zero each year. This is true for Flexible Spending Accounts provided by employer cafeteria plans, but not for HSAs. An individual may contribute up to \$3,350 each year, and a family may contribute up to \$6,750. For individuals older than age 55, they may make a catch-up contribution of \$1,000. The deadline for contributions mirrors the deadline for IRAs, April 15th of the following year.

Lastly, another great tax planning tip for individuals that expect to have an estate tax problem at the end of their lives is annual limitation gifting. The IRS each year allows an individual to give another person up to \$14,000 free of tax and reporting requirements. For someone with an estate tax, this could save upwards of \$6,300 (45% of \$14,000) in estate taxes. You have until December 31 to make these gifts.

If you need help on one or all of these strategies, get in touch with your advisor. We stand prepared to help you fully maximize your annual “at-bat.”

Alternative Gift Ideas

Tracy Allen

Halloween is now behind us, and if you live in Charlotte, you know that 104.7FM will soon begin airing holiday music 24/7. That means the giving season is just around the corner. But before you write a check to your favorite charity or drop a bundle at the mall buying gifts for loved ones, think about some more practical and just-as-appreciated alternatives.

We all know that December is the month you get the most requests for charitable donations. If you are charitably oriented, we wholly support your decision to give. Making charitable contributions can be a great way to simultaneously be generous and tax efficient. However, we recommend that for gifts larger than a few hundred dollars, you consider donating appreciated assets from your brokerage account. This allows you to preserve cash and avoid capital gains. Contact your advisor for a recommendation on which securities to use.

When making charitable donations, there are a few rules to follow for you to qualify for the deduction. First and foremost, you must itemize your deductions on your tax return. Secondly, your organization must be a qualified charity. The IRS has an Exempt Organizations checklist that you can search here:

<https://www.irs.gov/charities-non-profits/exempt-organizations-select-check>.

Finally, your gift must be made by December 31, 2016. If you mail your donation, the envelope must be postmarked by December 31, 2016 and the check must be payable in the same year. Credit card charges qualify, even if the bill payment isn't due until 2017. If you are gifting appreciated assets, we recommend that you give your advisor at least two week's notice of your intentions as there will be forms to complete and transfers to be made.

In addition to making charitable gifts, the holiday season is a favorite time for grandparents to dote on the grandkids. While we don't expect you to completely refrain from toy shopping, consider putting some of your money into a 529 College Savings plan. Each grandparent may gift \$14,000 per person without exceeding the gift tax limit. An added benefit of the 529 plan is that you are also getting these assets out of your estate for estate tax purposes.

What if your grandchild is a teen or in college? Consider funding a Roth IRA to give him or her a head start on retirement savings. To be eligible, the child must have earned income in 2016 – passive investment income doesn't count. The contribution limit can be dollar-for-dollar of earned income up to a maximum of \$5500 for 2016. If the child is under age 18, you will need to open a custodial IRA and then the assets can be transitioned when the child reaches the age of majority.

I realize giving a Roth IRA contribution or funding a 529 plan is not as much fun as watching a grandchild open a big present, but take heart in the big dividends these tax-deferred assets will pay down the road. Your gift could be the one that "keeps on giving."



Holiday Movie Guide

Sarah DerGarabedian



When the days are short and the temperature is dropping, what could be better than curling up with a bowl of popcorn and a classic movie to put you in a festive mood? Most holiday movies convey heartwarming life lessons, but there are a few that convey financial lessons, too. Here are a few of my favorites:

Trading Places

Financial Lesson: Speculation and Investment are Not the Same Thing

The Duke Brothers fall into financial ruin by speculating that the price of FCOJ (frozen concentrated orange juice) futures will rise, based on the results of the illegally-obtained crop report. Of course, the crop report was a fake, but they didn't know that. When the report was released and it indicated that the orange crop would be fine, the Duke Brothers were stuck with overpriced futures contracts. Because they purchased the futures on margin and didn't have the cash to meet the margin call, they lost everything. Aside from the fact that they were trading on inside information, they were betting it all on borrowed funds. Diversification, asset allocation, and not using leverage are much more prudent investment strategies. You may not get rich overnight, but you won't be out on the street, either.

It's a Wonderful Life

Financial Lesson: Have an Emergency Fund

When George Bailey's bank experiences a "run" and the townspeople want to withdraw all of their money, George has to explain that the bank doesn't hold all of the cash on the premises, but they loan it to other people in the form of mortgages. Those mortgages are highly illiquid, and can't be redeemed for cash overnight. George manages to calm everyone down by giving them just what they need until the crisis is over, but the lesson is this – make sure your short-term spending needs can be met with cash on hand or highly liquid securities, so you're not caught in a bind should the unexpected arise.

A Christmas Carol

Financial Lesson: Generosity

There are as many financial (and life) lessons in this Dickens tale as there are actors who have played Ebenezer Scrooge over the years. In short, you can't take it with you so enjoy it while you can! Pay your employees what they deserve, so that they can support their families and give back to the community. Donate to charities, not just for the tax deduction but to help make the world a better place for everyone. Take your good fortune and spread the wealth, enjoy life while you have it, and celebrate daily. Spend the holiday season with family and friends, for "there is nothing in the world so irresistibly contagious as laughter and good humor."

Happy viewing!

In lieu of a traditional holiday card, Parsec made a donation in honor of our clients and colleagues to Friendship Trays.

Friendship Trays is the Meals on Wheels organization for the Charlotte/Mecklenburg County area. Their mission is to deliver daily meals to individuals who are unable to obtain or prepare their own meals. You can learn more about the organization by visiting their website, www.friendshiptrays.org.

We would like to take this opportunity to thank you for your trust and support. We hope you and your loved ones have a happy holiday season and a peaceful new year.



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