CLAYTON
FINANCIAL SERVICES, INC.

the Quarterly

Q2, 2014

SAVE THE DATE!

Quarterly Seminar

Plan to attend our upcoming seminar to hear Clayton Financial Services' economic and investment update. We will also be discussing the mechanics of variable annuities with guaranteed minimum income benefits. Space will be limited so let us know if you plan to attend. Guests are welcome!

Presenter: Randy Clayton, CFP®
James Walden, CFA

Times: **Wed. Aug. 6, 2014**
2:00 pm – 3:00 pm
Thur. Aug 7, 2014
2:00 pm – 3:00 pm
6:00 pm – 6:00 pm

Place: Clayton Financial Services Office,
716 S. Kansas Ave.
Topeka, KS

Clayton Financial Services is a Corporate Member of the National Association of Personal Financial Advisors ("NAPFA"). If you'd like more information about NAPFA visit their website at napfa.org.

NAPFA
THE POWER OF TRUST

Inside this issue…

Why We Request Tax Returns .... pg 2
Credit Scores and Credit Reports .... pg 3
Starting Early Makes a Difference.......... pg 3
Economize Your Move ...... pg 4

Back on Track

by James Walden, CFA®
Director of Portfolio Management

In last quarter's newsletter, we discussed the impact that the harsh weather likely had on the U.S. economy during the first quarter. Since then, we've received final data suggesting the weather was indeed largely responsible for the quarter's weak economy.

But when the final revision to first-quarter real GDP came in at a surprising drop of 2.9%, the stock market shrugged it off and actually ended higher that day. Why? For one, the market accepted that the one-off impact of the weather was a big reason, and that the economy is probably on better footing than that number would otherwise suggest. Also, by the time GDP numbers (especially the final revision) are made available, they are already old news. The stock market had already been looking at bluer skies ahead.

In fact, recent and timely data indicate that the economy has rebounded to some degree. Important economic readings from the Institute of Supply Management confirm that we remain in expansion and are seeing better activity after the winter slowdown. Employment continues to show improvement; after May's job report, total payrolls have now joined the stock market and consumer net worth in returning to pre-crisis levels. Finally, housing has improved, with the May reading of the National Association of Realtors' pending home sales index up an adjusted 6.1% from April.

In contrast to the first quarter, financial markets were quite calm, with gains across most asset classes.

In contrast to the first quarter, financial markets were quite calm, with gains across most asset classes. Looking ahead, we continue to see reason for potentially increased volatility. The list includes geopolitical events (e.g., turmoil in Iraq, renewed violence in eastern Ukraine, etc.), increasing inflation, potential missteps in central-bank policy, elevated investor sentiment, and headlines related to upcoming mid-term elections. We remain watchful of these and others, and at this time, we think they are manageable. At this time, we think any sell-off would be short and shallow. However, we remain committed to adjusting our thinking as conditions change.

continued on page 2…

Back on Track... *continued from page 1*

We continue to favor equities over fixed income. While valuations for equities aren't great, neither are they terrible given where we are in the business cycle and with current inflation. Stocks in general are also more attractively valued relative to bonds based on historical valuation comparisons, and we still expect headwinds for fixed income over the intermediate future as interest rates rise with improved economic activity and the Fed winding down its easy-money policies.

Thank you for your continued support of Clayton Financial Services. Please let us know how we can help.

Why We Request Tax Returns

You may have recently received an email from our summer intern David Dugan requesting your tax return on behalf of the planning team. Although many of you are familiar with this request, some may not be. We would like to make sure all of our clients understand why we want a copy of your tax return.

One of the most immediate benefits to sharing your tax return is that over the years we have literally saved our clients tens of thousands of dollars in income taxes caused by mistakes and oversights that our planning team has caught. Every tax return goes through an in-depth checklist looking for the proper deductions, classifications, entries, etc. Having a second set of eyes reviewing the returns can be helpful.

> *… over the years we have literally saved our clients tens of thousands of dollars in income taxes caused by mistakes and oversights that our planning team has caught.*

The tax return also provides valuable answers to many of our investment decisions and/or financial planning recommendations. Some common examples are:

- If we sell an investment, what impact will potential capital gains or losses have?

Kathleen Heit, CFP®
Associate Financial Planner

- Does the client have any loss carry-forwards we can consider?
- Instead of selling an investment, is there an opportunity to donate it to a charity?
- Are 529 plan contributions (education savings) being properly deducted?
- Were adjustments for KPERS and/or long-term care insurance premiums made?
- Would it be appropriate to consider a Roth conversion this year?

We have had a great response to the email requests and we thank you for your willingness to trust us and let us help. We view this evaluation process as part of the comprehensive financial planning services we provide. Look for our requests again next year and the years following. Thank you for your cooperation.

Maternity Leave

Near the end of July, Associate Financial Planner, Kathleen Heit and her husband David Heit will be anticipating a new bundle of joy! Baby Heit is expected to arrive on July 28th. Kathleen intends to work up to her due date and will be out of the office approximately 6 weeks. Planners Elizabeth Young, Barbara Heller and Luanne Underwood will be handling questions from clients Kathleen ordinarily works with until she returns. Our client services administrator, Emily, will also be on hand to help out.

Credit Scores and Credit Reports

We are often asked for resources where clients can check, not only their credit reports, but also their credit scores. Following are two resources that are completely free where you can obtain both.

Credit Scores at www.credit.com

This website allows you to set up a login for free and they will update your credit score monthly. They will also tell you what attributed to any changes in the score (such as opening or closing accounts, late payments, etc.). You will not be asked to provide a credit card or any other payment information, but you do want to make sure when you set up your profile that the box for 3rd party offers is unchecked so your inbox does not receive unsolicited junk mail. I have had my login set up for 2 months and have not received one piece of spam mail from this site.

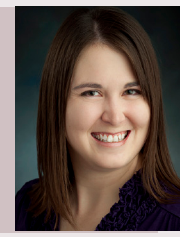
So what's the catch? You know they have to make money somehow or they wouldn't offer the service. They make their money through third party referrals. Once you have your score, they have suggestions and tools for improving your score, but also links to companies if you want to shop for a new card or loan. They receive referral fees from these companies. However, if you simply want to use the site for your credit score and nothing else, you can do that.

Credit reports at www.annualcreditreport.com

This is the official site to get your free annual credit report from all three companies. Be aware there are many look-alike sites that offer a free report but often they ask for credit card information, and impose future monthly fees for this 'monitoring'. Using the official site, you can get one report from each of the three nationwide consumer credit reporting companies during a 12-month period. This gives you several options for monitoring your credit. You can request all three at once and then wait a full 12 months, or you can get one report every 4 months and monitor throughout the year.

Both sites will ask you for information to verify your identity so if you are not comfortable entering this information online you may not be able to use the services to the fullest extent. The site also includes instructions for requesting the reports by phone or mail.

Barbara Heller
Senior Financial Planner



Starting Early Makes a Difference

Jeff Dishman
Business Development Manager

On June 26th, several young basketball players won the "sports lottery" by being picked in the NBA draft. Two of those lottery winners conducted their "short" college careers in Lawrence: Andrew Wiggins and Joel Embiid. Wiggins was selected as the number one pick overall by Cleveland while Embiid was selected number three by Philadelphia. Due to the NBA's salary scale for all newly drafted rookies (all future contracts are negotiated by the player's agents, with whatever team is interested) both have become instant millionaires. Wiggins is slated to earn about $14.4 million over the next three years, while Embiid will earn roughly $11.6 million over the same amount of time. This, of course, does not include any endorsement deals or shoe contracts both will certainly sign. It also does not include the 10% fee their agent is due to collect from those contracts.

Why do these young athletes go to such great lengths to begin their playing career as early as possible? Because "early earning power" is very real. An example of the difference in "early earning power" can be seen by looking at two long-time NBA veterans: Kevin Garnett, currently of the New Jersey Nets and Tim Duncan of the San Antonio Spurs. Garnett was drafted by the Minnesota Timberwolves straight out of high school at the age of 19. Tim Duncan was drafted by the San Antonio Spurs at the age of 21, after four years of playing collegiately for Wake Forrest. Both players are 38 years old. Garnett had a two year head start on Duncan.

Garnett's current NBA earnings stand at $315 million, while Duncan's earnings are $224 million, for a difference in career earnings of $91 million. It is interesting to note, both of these veteran NBA players have had great careers and both have won NBA titles. Kevin Garnett has one championship ring and Tim Duncan has five.

Most people don't have the luxury of being a top pick in the draft of any sport. Most of us work 30+ years and accumulate wealth over a much longer period of time (if we're lucky). For the folks not participating in the draft, instead of worrying about "early earning power", the key phrase is "power of compounding". Compounding means earning

continued on page 4…

Economize your Move

Luanne Underwood
Associate Financial Planner

In less than a three-month time span, all three of my daughters were involved in separate moves from one residence to another. So although I am no expert, I can speak with some experience on the matter of moving. Here are some tips, both financial and practical, that may be helpful if you find yourself involved with a move in the near future. It may be you, or an aging parent who is downsizing or even a student heading off to college. Whatever the move is, I hope you find the tips helpful.

- Start early! Clean up the clutter. Identify things you can donate, then deliver or contact a service to pick up the items. You will pack less and save space. You also will receive a tax deduction if you itemize your deductions.
- If you are industrious you may be able to sell items in better condition on ebay or other internet service. This could translate to additional cash. Be sure to consider the cost of shipping items into your price or you may not come out ahead.
- Pack an overnight bag with essentials. You will have what you need for a couple of days and won't be buying replacements. It will also make packing easier when you are not worried about what you "might need."
- The same goes for packing a tub or box of "Open First'" items. This may include hand soap, paper towels, Kleenex, cleaning items, or tool kit.
- Pack efficiently. Use existing suitcases, laundry baskets, and tubs for packing items. Instead of boxing towels, bedding, and clothing, use them to wrap and pack more fragile items. This will save expenses on boxes and bubble wrap, and reduce the number of containers.
- Plan your trip. If it is in town, reducing the number of trips can save you time, energy, and money. If the move is out of town, rental rates for vehicles or equipment may vary and additional drop off charges may apply. Check to see if it is better to return the vehicle to the original location. Verify time and location of the drop off to avoid an additional day's charge.

Pack efficiently. Use existing suitcases, laundry baskets, and tubs for packing items.

Starting Early...

continued from page 3

interest on interest; it creates a snowball of money and highlights the importance of saving early. Here's an example: If 20-year-old Jill makes a one-time $5,000 contribution to her Roth IRA and earns an average 8% annual return — and if she never touches the money — that $5,000 will grow to $160,000 by the time she retires at age 65. But if she waits until she's age 39 to make her single investment, that $5,000 would only grow to $40,000. Compounding can be made more powerful through regular investments. It's great that a single $5,000 IRA contribution can grow to $160,000 in 45 years, but it's even more exciting to see what happens when Jill makes saving a habit. If she contributes $5,000 annually to her Roth IRA for 45 years, and if she leaves the money to earn an average 8% return, her retirement savings will total over $1.93 million. The power of compounding is an extremely important factor in accumulating wealth. Just like the NBA, starting early makes a difference.