INSIGHTS

QUARTER ONE NEWSLETTER
2015

MILLER RUSSELL ASSOCIATES

QUARTER ONE NEWSLETTER

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TAX SEASON HAS ARRIVED:

THE IRS WANTS YOU TO OUTSMART FRAUD & SCAMMERS

By: Brock Ramaglia, Client Associate

Each tax season a new generation of scams emerges to take advantage of their targets. We are all susceptible. Miller Russell Associates wants to keep our clients aware of potential schemes, like false requests for information, and keep your privacy and financial health in top shape throughout the coming year.

The IRS informs taxpayers of new scams at tax time and reminds them to take care to guard their identities and assets. We've mapped out some common scams along with tips and recommendations for what to do if you find yourself targeted.

Scams by Email

Since email is the primary path of communication for many, it is also an attractive target for attackers. Phishing is a common scheme, where criminals send emails that imitate real email correspondence from legitimate companies.

Phishing attacks are usually geared toward gathering financial and account data from victims. Emails ask for sensitive information, from social security numbers to bank accounts, and can even ask for electronic payment. For instance, a phishing attacker may pose as a web hosting company and send spurious invoices to real clients. In this way, companies can also wind up targeted. Corporations may find their employees paying false invoices, or giving sensitive company information to attackers.

The IRS has released notices about phishing attacks coming from criminals claiming to be the IRS: perpetrators ask their victims to update their filings, or even to "submit information early for a faster or larger refund." Victims follow these authentic-looking leads to sites controlled by the criminals and designed to steal their information. The IRS does not contact taxpayers or corporations via email, so all email correspondence that appears to be from the IRS is likely part of a phishing scheme and should be disregarded.

The masquerade is difficult to detect because it is often well-targeted, sending offers and requests just to clients of the real corporation. Confirming all communication or conducting business using client-initiated phone numbers, websites, and forms can help you steer clear of schemes.

Scams by Telephone

The IRS reports that telephone scams are surging, as scam artists impersonate IRS employees to target taxpayers. The IRS has seen so many cases in the last year that they have released several notices warning taxpayers about the potential risks. As of April 2014, the IRS reported that thousands of victims had paid more than $1 million to scammers impersonating the IRS.

The largest threat comes from a popular scamming technique in which a taxpayer simply receives a call from someone who claims to be representing the IRS and uses several different tactics to obtain personal information and/or money from the taxpayer. The scammer will imitate an employee, asking for information to update an IRS account. The scammer may threaten the taxpayer, arguing that he owes money to the IRS and will suffer extreme penalties if not resolved -- even telling the taxpayer he can increase his refund by filing sooner via the phone call. These bogus claims strike fear into some taxpayers with the threat of jail time or heavy fines, so much so that frequently unsuspecting taxpayers are quick to give banking information to resolve frivolous balances. Requests that use these tactics, requiring "immediate" attention, should be regarded suspiciously.

Additional tactics that the IRS commonly sees are scammers using fake names and IRS badge numbers, sometimes already knowing the user's last four digits of their social security number, spoofing the IRS 1-800 number to make it look like the IRS is calling on caller ID, sending bogus emails (mentioned above) that supplement the bogus claims on the call, and even mimicking background noise so the taxpayer hears what sounds like an IRS call center. In addition to these extreme tactics, some taxpayers have also had scammers make additional calls impersonating other government divisions such as the department of motor vehicles trying to support their fictitious claims.

The IRS will never call a taxpayer as a means to contact him; it almost always sends communication via registered postal mail. Additionally, the IRS will never ask for banking information, credit, or debit card numbers over the phone, or demand that a taxpayer pay money without an opportunity to investigate or appeal.

If a taxpayer ever wants to confirm a notice or call they receive, Miller Russell Associates suggests that the taxpayer contact a member of your engagement team to help you. Taxpayers can also directly contact the Treasury Inspector General for Tax Administration at 1-800-366-4484. The Treasury Inspector General can also help taxpayers file a complaint with the Federal Trade Commission. Due to the high number of reported incidences in recent months, the FTC has employees devoted to the "IRS Telephone Scams" department.

Identity Theft

Identity theft is a top priority for the IRS, in part because it winds up paying millions each year to identity thieves stealing sensitive tax information, filing on behalf of victims, and pocketing the refund checks. Because of the scope of theft and the difficulty catching perpetrators, it is one of the most difficult problems that the IRS faces. As of 2014, the agency employs thousands whose sole job is to work with identity theft issues.

A common identity theft trap occurs when a criminal impersonates a taxpayer and claims a refund by filing a fake tax return. In many cases, a taxpayer may be surprised to see a letter from the IRS explaining that the IRS received two or more tax returns filed for the tax year. Although this is not the only identity theft scam, it is quite common.

There are several methods of protection that a taxpayer can use to help lower their exposure to such scams.

What you can do:

- Do not carry your Social Security cards or any documents that include this number around with you.
- Do not offer your Social Security number to a business just because they ask. Only provide it when required.
- Check your credit score at least once every 12 months. The website www.annualcreditreport.com allows you to check your credit score for free once a year from all three major credit bureaus. It helps to check every four months and use a different bureau each time to keep better watch.
- Be sure to secure all personal information in your home. There have been many taxpayers victimized by the simple act of inviting guests, workers, and outsiders into their homes.
- Protect your personal and business computers by using strong firewalls, employing anti-spam and virus software, encrypting data, and updating security phrases and passwords regularly.
- Do not offer personal information over the phone or via mail unless you have initiated the call with a trustworthy source and are content with whom you are dealing.

If you believe you have been victimized by identity theft you should:

- Alert Miller Russell Associates as soon as possible if you are a client to review your accounts, contact the IRS, and take other precautions necessary to protect your assets and information.
- Update all passwords and security phrases.
- Contact the local police to file a report.
- Close any accounts that have been opened fraudulently.

This season it is critical to be aware of the scams and threats out there preying on taxpayers to achieve undeserved benefit. Miller Russell Associates is always here to help our clients counter attacks, remedy any issues brought upon by these attacks, and offer answers to their questions. If you have any concerns or would like to find out more about what you can do this year to protect yourself and family, please do not hesitate to contact one of our experienced team members to help assist you.

Ramaglia is a Client Associate with Miller Russell Associates. In this role, he provides tax planning, tax compliance, and wealth management services to clients.

CYBERSECURITY STARTS AT HOME

WHAT YOU CAN DO TO STAY SAFE ONLINE

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#1

Strong Passwords Do Have:

- UPPER CASE LETTERS
- lower case letters
- Numbers -15937
- Special Characters - #$%&*!
- Minimum 15 characters
- Different for each login

Passwords Should NEVER Use:

- Complete words
- Common numeric sequences
- Personal details like: kids' names, business names, birth dates, & other public information

#2

Mobile devices are vulnerable:

- Download apps only from official app stores
- Check privacy permissions for every app
- Always update operating system & apps
- Passcode protect your mobile devices
- Back up to a cloud program
- Use anti-virus software on your devices

Protect against theft and loss:

- Track your phone with an app
- Lock your phone with a passcode
- Remotely wipe the data
- Checkout Find My iPhone, Avast Anti-Theft or Norton Anti-Theft.

#3

Software to ward off infection:

- Anti-virus - Kaspersky, Avast, BitDefender
- Anti-malware - Malwarebytes
- Anti-malware - SUPER AntiSpyware

Computer viruses evolve in the wild, just like viruses that attack human bodies.

- Inoculate your computer with regular updates to your anti-virus programs, apps, and operating system.
- Keep your computer healthy by running one, and only one, anti-virus program.

#4

Social Media 101

- Research and use privacy settings to control the information you share with the world.
- Be wary of third-party sites and apps that connect to your social media accounts.
- Know your social media footprint - who's posting about you and what is posted.

Everyone is vulnerable to cyberattacks. Educate yourself and take all appropriate measures.

FIND A FINANCIAL ADVISOR WHO WILL PUT YOUR INTERESTS FIRST

By: Barry Ritholtz

Today's column is going to be on the wonky side, but stay with me — it is very important stuff. For investors seeking some help, it can be crucial.

If you want financial advice, there are two things you should be aware of: First, the quality of advice you receive varies widely. You probably knew this already. The quality of everything you buy varies widely. It is as true for financial advice as it is for any product or service you may buy or otherwise consume. You can buy a Yugo or a Mercedes-Benz. They may both be automobiles, but they vary dramatically.

Regardless, everywhere these cars are sold, they each must meet the same government rules. Safety regulations, crash worthiness standards, fuel economy, consumer warranties, etc., apply equally to both vehicles.

This is decidedly not true of the people who provide you with financial advice. So we come to the second point: There are two completely different standards for these people — they are governed by two wholly different sets of regulations. The two standards are "suitability" and "fiduciary."

People who operate under the suitability standard typically are called "brokers," but they also go by the name registered representative — or, on their business cards, vice president. (On Wall Street, no one ever has a title below VP.). People who adhere to the fiduciary standard are called registered investment advisers, or RIAs.

Fiduciaries have a much stricter duty and legal obligation than do those who operate under suitability rules.
In 2011, the Securities and Exchange Commission published its "Study on investment advisers and broker-dealers. It recommended that all financial advisers should be placed under a uniform fiduciary standard. Wall Street was not happy about this, and spent tens of millions of dollars lobbying to prevent the higher standard from becoming the law of the land.
Why do you think they did that?

The fiduciary legally obligates the registered investment adviser to act at all times for the sole benefit and interest of the client. That straightforward, cut-and-dried standard has enormous ramifications.

The standard is simple. There is zero wiggle room. Any advice, product or service offered to a client must meet the test of "Is this in the client's best interest?" If the answer is "No," then it cannot be performed by a fiduciary. It is against the law.

In contrast, the suitability standard is far more complicated — and offers much less protection to investors.

The simplest way to describe this standard is "Don't sell AliBaba IPO to Grandma." In other words, all that matters is the investor is "suitable" for a particular product. This is true regardless of how expensive that product might be or how much of a dog the investment is. There are lots of wrinkles and permutations, but the bottom line is that the client's best interest is not part of the equation.

How They Charge

The RIAs operating under the fiduciary standard charge fees — typically, a percentage of assets under management. These range from 25 basis points up to 2 percent per year.

The brokers governed by suitability rules typically charge commissions. This is a transactional rate, and ranges from the online broker who gets $8 a trade to the full- service operation that charges thousands of dollars per trade.

There is nothing inherently wrong with commission-based compensation. However, it seems to work best with institutional investors. Hedge funds, mutual funds, endowments and the like are in the business of understanding the details of financial products. They have the financial wherewithal and technical expertise to understand what the brokers are advising them to buy, what it will cost them, and the associated risks. Paying commissions to a sales person is simply one of their costs of doing business.

Unlike the big firms, mom-and-pop investors don't have a sophisticated staff on the payroll. They are rarely in a strong position to judge the value of what is being sold to them. They are very easily hoodwinked into buying expensive, poorly designed products that fail to perform as promised.

My personal observations and experiences indicate that over the course of a year, brokers charge from five to 10 times (or more) what an investment adviser will charge per account. So long as it is for "suitable" investments, it is all perfectly legal.

So the ordinary individual investor has three problems with the suitability standard:

1. It favors the brokerage firm and its employees over the investor.
2. It costs much more than services provided under other standards.
3. And it creates an inherent conflict of interest between the adviser and the investor.

The last one is perhaps the most important. Any conflict of interest between an investor and their adviser is extremely problematic.

Any time the client's best interest is not the focus, what occurs instead is the opportunity to "max out" the revenue each client generates. Brokers under the suitability standard are allowed to do this, yet remain within their rules. Since "maxing out fees" is not in the client's best interest, fiduciaries cannot.

Why two standards?

How did we come to have such wildly different standards of acceptable behavior for investment professionals?

The short answer is that the SEC enforces the standards for fiduciaries — but brokers, aiming to head off more regulations, created the suitability rules themselves. They did this through self-regulatory organizations called the National Association of Securities Dealers, or NASD, and its modern successor, the Financial Industry Regulatory Authority or FINRA.

Investors rarely come out on top when a self-regulating entity is involved. Any system where brokerage firms police themselves are not nearly as strict as a third-party regulator operates free from conflicts of interest.

You can find information on the suitability standard on FINRA's Web site. It's a fairly technical legalistic standard, saying in part that a broker must have "a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through

the reasonable diligence of the member or associated person to ascertain the customer's investment profile. A customer's investment profile includes, but is not limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose to the member or associated person in connection with such recommendation."

And that's the short version. The longer version runs for many, many pages and involves the opinions of lawyers and compliance officers and arbitration judges. It is a mess to follow. And it does exactly the sort of job you might expect.

To be fair, FINRA occasionally nabs bad brokers or others engaging in unethical behavior. They also shut down firms that are engaging in fraud. They are pretty good with the very visible blatant crimes.

But in my observations, the suitability standard serves more of a public-relations role for brokers than a protection function for investors. I have jokingly said that the next lower standard of care below suitability is "grifting." I wish that was more of an exaggeration. Any mention of the word "fiduciary" generates a furious lobbying campaign by Wall Street. That ought to give you an idea of exactly how loose and lucrative the suitability standard is.
Over the years, I have worked for firms that were governed by each of these standards. Both sets require sitting for a licensing exam and regularly taking continuing education every two or three years.

But fiduciary rules protect investors from adviser malfeasance, while suitability rules protect brokers from investor lawsuits.

When seeking out advice, do yourself this favor: Find an adviser who is legally obligated to put your interests first. When you are retired and living comfortably off of your investments, you will thank me.

Ritholtz is chief investment officer of Ritholtz Wealth Management. He is the author of "Bailout Nation" and runs a finance blog, the Big Picture. This article was reproduced with permission.

Editor's note:

Just as we were about to hit the send button on this newsletter, the following articles came out. These articles directly relate to the article you've just read. The articles highlight the views of the Department of Labor and President in terms of the cost of bad advice to people saving for retirement. We will continue to cover these potential regulatory changes as they unfold.

USATODAY.com: *http://usat.ly/1Eoc7vD*

Washington Post: *http://wapo.st/1ArHCmN*

BEYOND RESOLUTIONS

10 STEPS FOR A HAPPY AND HEALTHY 2015

MILLER RUSSELL ASSOCIATES

Beyond Resolutions
10 Steps for a Happy & Healthy 2015

In December 1755, Benjamin Franklin's Poor Richard's Almanac advised, "Be at War with your Vices, at Peace with your Neighbours, and let every new year find you a better Man." We all resolve to change at the start of each year, but as the end of January approaches, most of us have already set aside our New Year's promises. Instead of making and breaking resolutions, why not try simple changes that will make a lasting difference in the year to come? Here are ten small steps to take towards feeling happy, focused, and stress free in 2015:

DRINK H20

Drinking more water can lead to healthier skin and muscles, aid in weight loss, and increase focus and energy. Handy apps can help you drink enough water. Try Waterlogged or Water Your Body.

GET OUTSIDE

A few minutes a day spent in nature can lower stress, improve fitness, mood, creativity and concentration, and even speed healing. Try a walk, run, or hike in a nearby park.

MEAT-FREE FOR A DAY

Eating less meat can reduce the risk of heart disease and stroke. Try going meat free one day a week. Check out Meatless Monday on Facebook, or Paul McCarthey's Meat Free Mondays.

MAKE CONNECTIONS

Strong connections with others create huge benefits for mental and physical health. Volunteering and mentoring also provide opportunities to meet new people and make a difference.

PRACTICE GRATITUDE

Recent research shows that practicing gratitude can lead to increased happiness and optimism, lower blood pressure, and a stronger immune system. Try a gratitude journal app.

FIND A HOBBY

Hobbies can increase overall health, memory, and concentration, and decrease anxiety and anger. Try scheduling time for your hobbies, giving yourself permission to take a break.

GET ORGANIZED

Living and working in an organized environment can lead to greater efficiency and productivity, as well as decreased levels of stress and anxiety. Try searching Pinterest for ideas and tips.

DO A DIGITAL DETOX

Take time to switch off. Taking a break from digital devices can lower stress, increase productivity, improve sleep, and help us reconnect with friends and family.

READ A BOOK

Reading can decrease stress, increase mental agility, and according to one study may even reduce the risk of Alzheimer's disease. Pick up a good book and enjoy greater memory, focus, and concentration.

BREATHE DEEP & SLEEP

It can be hard to switch off at the end of the day, but simple relaxation techniques can help. Try "Relaxing Breath" or listening to white noise apps. MIT Medical has additional resources.

Incorporating healthy practices for your mind and body into your daily life are important for making 2015 a year that is full of adventure and wellness. It is also vital to incorporate healthy financial practices into your 2015 – and that is what Miller Russell Associates is here to do. Call your engagement team to set up a financial check-up to start the year right.

This past year was a time of exciting change, growth, and excellence for Miller Russell Associates. In the early months of 2014, we launched a rebranding campaign that introduced a new logo and website, as well as focused our brand philosophy on growing a sustainable firm for future generations. It begins with fostering an environment in which dedicated and talented team members have the opportunity to become leaders in the firm and enrich the ability of the firm to serve our clients for generations to come.

New Partner

We ended the year with changes that are the embodiment of this philosophy. We are excited to announce that Nathan Erickson has been made partner in the firm. As a partner, Nathan will continue to lead the investment team in their efforts to identify, implement, and review our investment-related strategies; devise solutions for continuous improvement; and help our firm recognize and avoid risks. Nathan's passion for his work and leadership within the firm are vital to our success.

Promotions

There are four promotions to celebrate within the firm. Brenda Bernardi has been promoted to Director of Business Operations; Danielle Fillmore has been promoted to Client Support Services Team Manager; Jessica Cobb has been promoted to Client Support Services Project Manager; and Mandy Stalker has been promoted to Senior Client Associate. At Miller Russell Associates we know that our collective and personal success is directly related to the passion and dedication with which we pursue this work. All of these promotions are shining examples of people who daily give their best to our firm and our clients.

New Team Members

The end of 2014 was also a time of growth for the firm. Over the past several months we have welcomed several new employees. This fall John Brimhall, Jo Leong, and Eric Nystrom joined the Miller Russell Associates team. John, our newest Client Associate, attended the W.P. Carey School of Business where he earned a Masters of Accountancy and was recognized for his outstanding teaching of undergraduates. Jo, who studied at the London School of Economics, joins our team as Controller. Eric, who has more than 30 years of professional technology experience, joins our team as the Director of Technology.

Firm and Staff Recognitions

The caliber of professionals at Miller Russell Associates is clearly demonstrated through our constant commitment to serving our client's best interests. Of course, the most meaningful result of that work is the success and happiness of our clients. We measure that success by the footprints we leave in our community via our reputation. In 2014, Miller Russell Associates was recognized in many ways for the impact we have on the industry. This list of awards and honors is one measure of the excellence we strive for as a firm and as individuals:

Top Companies to Work for in Arizona

Repeatedly named on the list of CareerBuilder's Top Companies to Work For in Arizona, a list comprised of only 50 companies.

Most Admired Companies in Arizona

Named one of Arizona's 40 Most Admired Companies in 2014. This award shows the firm's continued effort to provide a culture of leadership, social responsibility, customer opinion and innovation within the business community.

Best Places to Work in the Valley

Named to the list of Best Places to Work in the Valley in 2014 by the Phoenix Business Journal.

Five Star Wealth Manager

Mark Feldman, Brad Lemon, Christina Burroughs, Dave Westra, and Russ Bucklew were all named on the list of the top wealth managers in Phoenix in 2014.

Phoenix Business Journal Book of Lists

Independent Investment Adviser Rankings 2014

Ranked as the No. 1 independent investment adviser by assets under management in the Phoenix Business Journal's annual ranking.

Financial Planning Magazine

Top 50 Fastest Growing RIA Firms in the U.S. - #17 in January 2014

Only Arizona firm ranked on the list of the top fastest growing RIA firms in the U.S. Published in Financial Planning Magazine and ranked firms based on growth in AUM between 2011 and 2013.

Financial Advisor Magazine

2014 Top RIA Ranking

Included in the 2014 Financial Advisor Magazine's Top RIA Ranking.

Financial Times Top 100 Women Financial Advisors

2014

Christina Burroughs was recognized as one of 2014's top 100 women financial advisors by Financial Times.

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