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### *Monthly Musings*

To commemorate the 100<sup>th</sup> Year Anniversary of America's income tax I printed out the complete original 1913 Income Tax Return document. No worries if you are environmentally conscious (isn't that all of us?), double-sided and including the instructions it was only two-pages long!

Tax rates? Individuals earning less than \$3,000 (about \$250,000 today) paid no tax - zip, zero. Over that amount income was taxed at only 1% all the way up to \$50,000 (\$4.2 million today).

As you might expect "every citizen of the United States" earning over the threshold paid tax. Surprisingly, so did "every person residing in the United States though *not a citizen* thereof." It didn't matter if you were an illegal alien, if you lived and worked here and made enough money, you paid taxes. What a novel concept!

You also paid tax if you lived outside the US but earned money here, "every *nonresident alien* deriving income from... trade or profession carried on *in* the United States." I do wonder how much of that they collected.

Tax returns were due by March 1<sup>st</sup> with a 50% penalty on tax due for late returns and a 100% penalty for false or fraudulent returns. Given how short and simple the form was neither requirement seems too difficult to have met.

There was one requirement we no longer have. The tax return had to be made "*under oath or affirmation before an officer authorized by law to administer oaths* such as a magistrate or justice of the peace with certificate of the clerk of court verifying their authority. Given today's complicated and convoluted income tax law that's one regulation I'm glad to be without.

### *Things Financial*

The long-running battle between asset deflation and central-bank reflation still wages as close out the first 3<sup>rd</sup> of 2013. US Equities +11% and Real Estate +12% led all major asset classes.

The best US sectors were healthcare and utilities. Best performers were Vanguard Health Care +19%, NextEra Energy +17%, and Omega Healthcare +25%. Broader market security Vanguard Dividend Appreciation was up +12%.

Our recent purchases of the domestic Vanguard REIT index +8% and SPDR Dow Jones International Real Estate +10% did well.

Other than Japan, global Equity markets paled in comparison with World ex-US up only 4% and Emerging Markets down -3%.

With no inflation in sight, Commodity prices fell -6.1% overall. Lumber bucked the trend rising 14% which benefited our Rayonier +13% and Weyerhaeuser +9% holdings. Our energy distribution holding, JPM Alerian MLP was the best performer though up +24%. We exited our SPDR Gold Shares in Feb. well before the -20% gold sell-off from this year's high.

The 1<sup>st</sup> quarter's 2.5% growth rate was less than the 3.2% expected but sufficient to stave off recession and hurt Fixed Income performance. Our various bond holdings had flat to low single digit returns.

We look forward to seeing many of you this spring!

Best wishes,

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