



THE APPLETON GROUP, LLC

INVESTMENT MANAGEMENT · RETIREMENT PLANNING
CORPORATE 401(k) PLANS · MARKET RESEARCH

The Compass™

October 2015

The Appleton Group, LLC is an independent Registered Investment Advisor (RIA) located in Downtown Appleton, Wisconsin. Our firm provides wealth management and investment advisory services, using time-tested asset management strategies that prepare for cooperative and uncooperative markets. Since our founding in 2002, our firm has been recognized both locally and nationally as a leader in the wealth management community.

The Appleton Group, LLC currently manages approximately \$170.4 million, serving individuals, families, corporations, endowments, foundations, trusts, company sponsored retirement plans and third-party investment advisors.

The Compass™ is published quarterly, and is produced by The Appleton Group which is solely responsible for its content.

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Creature Comforts

From the desk of Mark C. Scheffler

“So what is it exactly that you do?”

We’ve probably all gotten this question at one time or another in our lives. Maybe you’re at a party, you meet somebody new, and during the course of chit-chat they ask: “What do you do?”

“I work at Miller Electric,” or “I’m a dentist,” or “I’m a Sheriff’s Deputy.” The list of occupations is of course practically endless. But maybe you’ve noticed that each of these answers isn’t quite right. The first person might have answered “I build equipment that makes sure the metal in your office building stays together.” The second might have said “I help keep your teeth pain-free and healthy.” And the third could have said “I help protect you from bad guys and slippery roads.”

Each of these answers really does get to the heart of what a person actually does.

For years, I would answer something like “I run a wealth management firm” or “I work at the Appleton Group” as if that’s really what I do. But here’s the actual answer:

“I help keep people just like you remain comfortable and secure with your money.”

Comfortable and secure – two powerful feelings that really everyone can appreciate, right? Our experience over the years tells us that these are really what we provide and that client comfort is really what our firm is all about.

And while comfort is always important, it’s during periods of economic uncertainty (like now)



Mark C. Scheffler
Senior Portfolio Manager,
Founder

that comfort is paramount. So while the rest of the world is in economic turmoil, our risk-managed portfolios are awash with cash (which carries no market risk). We’ve long since adjusted our client’s portfolios in an effort to manage the risk that this current market downturn could continue.

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Timing is Everything! Is it Time to Convert to a Roth IRA?

First introduced in 1974, the Individual Retirement Account (IRA) has been a preferred way for U.S. citizens to save money for retirement. Although the rules governing IRAs have changed over the years, the basic idea behind an IRA remains the same: namely, to provide IRA holders with tax advantages that encourage them to save for that point in life when they will no longer be working. Today, the most popular IRA options are the Traditional IRA and the Roth IRA.

What is the difference between a Traditional IRA and Roth IRA?

The biggest difference between a Traditional IRA and a Roth IRA is when the taxes are paid on the funds saved. With a Traditional IRA, contributions may be tax deductible, but then income taxes are generally paid when money is withdrawn. The IRS also requires that you start withdrawing funds by April 1 of the year after you turn 70 ½. A Roth IRA is typically the opposite. Instead of pre-tax, the contributions are not deferred. There is no exclusion from your W-4 income, therefore they are “after tax” contributions. Roth contributions are not tax deductible, but funds are withdrawn tax free if the

distribution is qualified. The Roth IRA, although subject to the same Required Minimum Distribution as a traditional IRA, is not a taxable event.

Is it time to convert to a Roth IRA?

Should I pay taxes now or later? The main thing to be aware of is that you’ll pay income tax on the amount you convert, but converting at the right time can help minimize those taxes. There are several times when you should make a Roth conversion in order to reap the highest tax savings:

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Creature Comforts...concluded

And so while we're hearing from other non-Appleton Group investors that their portfolio losses are mounting, the response that we've gotten time and time again over the past month has been "Thank you" and "I'm comfortable."

And there's a lot that we do to try and make our clients as comfortable as possible. A whole list of things, perfectly suitable for a "Top 10" list ...

10. Smooth Operations. From easy-to-open accounts, rapid money transfers, and timely portfolio adjustments, we've invested a lot of effort to make sure our firm runs smoothly.

9. Identical Compensation No Matter What We Recommend. As true fiduciaries, our advisor's compensation is identical across all managed portfolios. We know that for a lot of our competition, investors are charged often wildly different amounts based on what is recommended. It's no wonder that variable annuities (typically with a hidden 7% commission) are sold more often than money market accounts (often with little or no commission).

8. Fee Transparency. From the start of our firm, we've offered a "fee-only guarantee," which means that the only form of

compensation we receive comes from the fees our clients pay us to manage their portfolios and to offer objective advice and guidance. Our competition might often receive commissions, trading revenue, finder's fees, advisory fees, corporate finance fees, underwriting fees, and on and on.

7. Honest, Fair Marketing Practices. Visit our web site and you'll see something almost unheard of among advisors in northeast Wisconsin: historical performance for every strategy we offer. We want our clients to know the entire history of the strategies they use, which means fairly and accurately calculating the outcomes of the advice we give. Today, there's no requirement in our industry for this to be standard practice. We do it anyway because it's the right thing to do.

6. Frequent, Meaningful Communication. From *Three Minute Trend Talks* to this most current edition of *The Compass*, we pride ourselves on making sure our clients are well-informed.



5. Complete Client Control. Since our firm's inception, we've taken a courageous step to ensure that all of our clients are in complete control of their

relationship with us. No penalties to change strategies, no surrender fees to leave our firm, no long-term contracts. It's your money; you're in control.

4. Solid Relationships. Your personal advisor knows you and your financial goals inside out. And because we work in teams, you get the full attention and experience of multiple professionals along the way.

3. Objective Advice. Clients remain comfortable with the knowledge that the advice you get is always in your best interest. No conflicts of interest, no hidden relationships with vendors, no advice that enriches us ahead of our clients. Amazing, but no such requirements exist for the vast majority of our competition.

2. Full-Time Risk Management. Investment risk is real, and it must be addressed from the start of

any serious wealth-management strategy. This is a hallmark of our firm and probably one of the top issues in keeping clients comfortable.

1. Reasonable Progress. Investment gains and current income are the end result of any successful investment strategy. Humans are creatures of progress – we all want to be secure in our own financial future, and for many of us it's important to experience reasonable and predictable investment returns. And that's why risk management is so important: quite simply, experience tells us that investments tend to make more when they lose less.

As investment fiduciaries, we pledge our best to help each client become comfortable and remain comfortable, but it does take a commitment on our clients' parts too: they have an obligation to communicate to us when they start to become less comfortable in any aspect of their relationship with us.

So we always invite you to answer two basic questions: "How are we doing?" and "Are you comfortable?" Asking these two basic questions can make all the difference.

-MCS

Timing is Everything!...concluded

1. When you expect your income and tax rate to go up in the future.

Some may dispute whether taxes are ever truly low; current rates are relatively modest from a historical standpoint so that alone may be reason enough to convert now before tax rates increase. More important than tax rates is whether a worker expects to be in a higher tax bracket in the future. That's why Roth IRAs are an obvious choice for younger workers who are early in their

career and can reasonably expect their income and tax bracket to go up as the years go by.

2. When you are in a low-income period.

Since converting an IRA is a taxable event, some people may hesitate to do so during a period when they aren't making much money and have limited discretionary funds. However, low income periods can be a great time to convert to a Roth IRA especially if your taxable income

will land in a lower bracket or provides more "wiggle room" to the top of your existing bracket.

3. When you are doing estate planning.

You can pass assets income tax free.

4. When the market is down.

The primary reason to consider a conversion in a market downturn is because of the tax savings that such a move can generate. When you convert an IRA to a

Roth IRA, you will pay taxes on the entire value of the amount converted. Obviously, if the value of the IRA has declined then you can convert the IRA assets at that lower value, generating a correspondingly lower tax liability. Let it grow in the new Roth tax-free vehicle.

The deadline for the conversion is December 31, 2015, so don't delay. Contact your advisor at the Appleton Group for further information.

In the Community...

Local non-profit organizations have seen an increase in their services needed as the economy continues to be uncertain. Please consider donating to the organizations below when you are cleaning out your closets this fall.

Community Clothes Closet

Mission: Provide free clothing to those in need while maintaining their dignity and providing opportunities to improve their lives.

Wish List: New or gently used children's, men's, and plus size clothing; shoes, linens, children's books and stuffed animals

They are also in need of copy paper, office supplies, paper towels and tissues. Financial donations are also greatly appreciated.

Donations Hours: Monday - Friday from 10 a.m. to 1 p.m. and Monday & Wednesday from 6 p.m. - 8 p.m.

Clothes may also be dropped off at any Gunderson Cleaners.

To volunteer or for more information visit: www.communityclothescloset.org

Goodwill

Mission: Elevating People, Transforming Communities.

Donations needed: Used clothing, shoes, jewelry, housewares tools, children's toys, stuffed animals, books and small furniture

Also, financial donations are always welcome.

Store Donations Hours: Monday - Friday from 8 a.m. to 8 p.m. Saturday 8 a.m. to 9 p.m. & Sunday 9 a.m. to 7 p.m.

Visit their website for locations and volunteer opportunities: www.goodwillncw.org

St. Vincent de Paul

Mission: An organization that leads women, men and youth to join together and provide person-to-person services to those who are in need.

Donations needed: Housewares, linens, small electronics, holiday decor, collectibles, books and toys. They also accept working cars, vans, SUVs and trucks. Financial donations are greatly appreciated.

Appleton location donations hours: Monday - Friday from 9 a.m. to 6 p.m. Saturday 9 a.m. to 4 p.m.

For other locations in the Fox Valley and volunteer opportunities, visit www.svdpusa.org

Mark Scheffler Appointed to the Fox Cities Chamber of Commerce Board of Directors



The Appleton Group's Founder Mark C. Scheffler has been appointed to the Fox Cities Chamber of Commerce Board for the 2015-2016 fiscal year.

Mark was one of five new board members named by the Chamber for the upcoming year. There were 71 nominees considered.

"I'm thrilled to be asked to join the Board of this important community organization. As a long-time Chamber member and past recipient of numerous awards including 2010 Small Business of the Year, I recognize that this organization is important to the long-term sustainability of the economy of Northeast Wisconsin," said Scheffler.

Mark brings a diverse skill set to the Board, most notably his experience in the financial services arena and his experience in the creation of notable sustainable economic initiatives. His work includes the Powered by Wisconsin Program, the Invest In Wisconsin Program, and the Wisconsin Grown Program.

Scheffler added, "I'm encouraged by the current Chamber leadership team's efforts to create a more inclusive and diverse Board roster. Our community benefits greatly from a variety of economic perspectives, and I'm thrilled to help represent the interests of progressive, successful business owners.

Scheffler's Board membership began on August 19, 2015.

A New Perspective



Alexander Hunt

When I relocated to Appleton after college, I came back home with a different perspective on the community I had left years before. Many of the friends I grew up with had moved and some of my favorite teachers had retired, so even though I was coming "home," it felt like I was moving to a new place.

Since then, I've realized that I can't expect to be given a network of relationships like the ones you inevitably fall into when you grow up next to your peers. And to start developing new relationships with my community, I decided to put effort toward attending social and business events, playing weekly volleyball at the local sports bar and perhaps more importantly, joining an established organization that spends its resources giving back to the community.

Enter United Way of the Fox Cities. Now, I wasn't familiar with United Way until I went to the Celebrating Our Volunteers event back in April and talked with people who regularly volunteer (and by the way, I was absolutely amazed at the culture of selflessness and giving in Fox Cities). After getting a recommendation, I decided I needed to check out this organization for myself.

Well, a few phone calls and meetings later, I got a pretty good view of the type of work United Way does for the Fox Valley. One of the most valuable things they bring to the table, I think, is their recognition that treating symptoms doesn't solve problems. In fact, it could be a waste of resources trying to address symptoms while leaving the root of the problem untouched. This organization crafts its initiatives around attacking the root causes of some of the Fox Valley's problems which, in my opinion, is the way to get things done.

For example, United Way creates "impact areas," or areas in the community where their efforts will have a great impact. One of these areas is in providing basic needs and skills for self-sufficiency. So, although they help improve the availability of food and shelter for the disadvantaged and homeless, United Way also goes a level deeper by helping improve employment readiness skills and access to transportation with the hope that people can become and stay self-sufficient. And that's what I find exciting; seeing and being a part of real and meaningful change.

So during my journey to imbed myself back into the community I once grew up in, I hope to meet each and every one of you. Until then, watch out! I may have to introduce myself and tell you about United Way or my bar-league volleyball team.

-AJH

Portfolio Workshop

The Appleton Group's family of investment portfolios has grown considerably over the last year. We've compiled a simple roll-call below, indicating absolute performance for the quarter (shown by up or down arrows), as well as ranking our offerings with top performers listed first:*

- ▲ Appleton Group Europe
- ▼ Appleton Group Managed Income
- ▼ AG PLUS - Moderate Portfolio
- ▼ AG - Tax Managed Growth Portfolio
- ▼ Appleton Group PLUS Portfolio
- ▼ AG - Tax Managed Growth Cons Portfolio
- ▼ AG - Conservative Portfolio
- ▼ AG - Moderate Portfolio
- ▼ Appleton Group Portfolio
- ▼ Appleton Group Asia
- ▼ Appleton Group U.S. Sectors
- ▼ AG Traditional - Income Focus Portfolio
- ▼ Appleton Group Americas
- ▼ AG Traditional - Aggressive Growth Portfolio
- ▼ AG Traditional - Growth & Income Portfolio
- ▼ Appleton Group Commodities from Hell
- ▼ Appleton Group Commodities - Heaven
- ▼ Appleton Group Wisconsin Select

- ▲ Positive Quarterly Performance
- ▼ Negative Quarterly Performance

Flagship: Appleton Group Portfolio

One of our three core offerings, The Appleton Group Portfolio represents perhaps our most straightforward, consistent and most profitable portfolio over the past decade. While still holding true to our passion for proactive investment risk management, this portfolio has also offered investors healthy, positive returns since the market's valley in March of 2009.

The Appleton Group Portfolio invests in a wide variety of exchange-traded funds (ETFs) that each target a specific part of the global markets. These include U.S. equities of all sizes and types, developed international markets, foreign emerging markets, real estate, and basic materials companies. During sustained market advances, this portfolio can invest as much as 95% of its assets in these growth areas; however, during sustained market declines it can reduce or eliminate exposure to the markets and invest in money-market securities for safety.

While not our most defensive portfolio, this offering gives our clients perhaps the best balance between growth and risk management. As such, it is suitable as a core holding for investors of all ages who seek the potential to grow their portfolios over time while managing risk along the way.

Quick Commentary - Third Quarter Statistics:

The third quarter ended sharply lower as uncertainty over the future direction of interest rates and fears over the health of the global economy. During the period the U.S. Core equity markets declined by -7.38%, with foreign equity markets declining by a larger -12.17%. Basic materials companies were the big loser during the quarter shedding -19.16%*, led lower by coal, oil & gas, and metals companies.

While the majority of our firm's risk-managed strategies declined during the period, losses were generally held to low-mid single-digit losses. All risk-managed portfolios held significant cash and other defensive positions at the end of the quarter, which clients will see reflected in their current statements.

Looking ahead to the upcoming quarter, it is likely that many publicly-traded companies will experience significant profit shortfalls due to the slowing global economy. This belief may already be largely factored into the market; however, the guidance the companies offer will be critical in determining if the recent selloff is overdone, just right, or merely getting started. If overdone, we will readjust portfolio holdings accordingly in an effort to take advantage of recent weakness (sell high, buy low). But if markets cannot find their footing, our current defensive posture – though somewhat extreme – may be exactly the best posture to hold for the time being.

Stay tuned...

*Source: Morningstar

*Important information: Contains forward looking statements. **Not FDIC insured, may lose value, no bank or government guarantee.** Visit www.appletongrouponline.com for a complete history of these and all Appleton Group portfolios, including past performance, targeted and quarter-end holdings, strategy summary and suitability.