BEDEL FINANCIAL CONSULTING, INC.

Financial Planning and Investment Management

Summer 2016
After the Vote: The Brexit Impact

By: David Crossman, CFA
Sr. Portfolio Manager

On June 23rd, voters in the U.K., in a very close decision, chose to leave the European Union (EU). What was the universal reaction? Yikes! This decision created a slew of questions. Why did the U.K. vote to leave? What does it mean to you and me across the pond—nothing, or everything? And, what will change and how quickly?

Financial market reaction was swift and very negative, as worldwide stock markets plunged upon hearing the news. As I write this, markets have settled down and recovered to varying degrees. Some (e.g. the U.S. and the U.K.) are already above their pre-Brexit levels. Others (e.g. France and Germany) have only partially recovered from their plunges. But what does the future hold? As always, the honest answer is that nobody knows for sure. But Bedel Financial can offer some perspective and issues to consider.

Background on the EU
The EU is a politico-economic union of 28 nations. The original idea behind the EU took shape post-WWII as a way to forge closer ties among nations. The hope was that the EU would help them avoid another devastating war. In 1992, after several preliminary steps, the EU, in its current form, was formally established. In 2002, the euro, the EU's common currency, was issued. Economically, the agreement provides for the free movement of people, goods, capital and services among member nations. Taken as a whole, the EU is neck-and-neck with the U.S. for the title of the world's largest economy.

Why did the U.K. choose to leave?
While there were a number of reasons behind the decision, the main reason the U.K. left can be summed up in one word: immigration. Since the EU offers free movement of people—the ability to move among member countries is akin to traveling among the states in the U.S.—border controls are a thing of the past. This created a refrain that should sound familiar to us in the U.S. Some people in the U.K. were concerned about immigrants coming in and "stealing" jobs from local citizens. The Syrian refugee crisis only served to exacerbate these concerns. Those in favor of leaving the EU cited a desire to "take back" their country's sovereignty and determine their own border/immigration policy.

What exactly does "leaving" entail?
That's rather unclear at this time. No country has ever pulled out of the EU, so it's uncharted territory. The U.K. will have to negotiate new rules around the movement of people, goods, capital and services. Complicating the situation, the U.K. will need to obtain approval from 20 of the 27 remaining EU countries, in addition to the European Parliament. Needless to say, this will take some time. Current estimates are that it will take at least two years for the U.K. to finalize its exit.

What might it look like? Logically, the U.K. might pattern its new strategy based on the arrangements enjoyed by Iceland, Norway, Liechtenstein and Switzerland. While they aren't official EU members, they're closely tied economically to the EU through free-trade treaties. But this is a political issue and political issues are not always resolved logically. With some EU representatives sounding like jilted lovers in the wake of the vote, logic may take a backseat in negotiations.

So it's just a matter of time?
Not necessarily. The exit vote is not a binding vote. The U.K. Parliament could simply choose to ignore it, though that seems unlikely. There are rumblings of holding another referendum in which, presumably, voters would be asked: "No, seriously, do you really want to leave the EU?" A referendum could reverse the decision. This action would seem a more likely path than parliamentary inaction.

What are the financial and economic implications?
These implications will depend on how the U.K. and the EU redefine their relationship. A smooth transition that retains most, if not all, of the current free-trade benefits would minimize the negative impact. If spite plays a large role in the new agreement, it could mean slower growth and more significant economic damage for each. You would think that the specter of negative economic consequences would deter punitive negotiations, especially given that the EU has been struggling with slow growth since the 2008-09 financial recession. However, if history shows us anything, it's that people do not always act rationally.

Markets will likely remain volatile while all this plays out. Markets hate uncertainty and the potential U.K. exit is a huge dose of uncertainty. Perhaps the biggest uncertainty revolves around how the U.K. exit will affect other countries. For example, will there be a domino effect that sees other countries opting out of the EU? While the June 26th Spanish vote, which kept the incumbent pro-EU party in power, helped to ease those fears, the possibility remains.

Continued on Page 3

In This Issue

From Elaine

Lots to Keep Us Busy in the Upcoming Months

It's back-to-school time again and football season is right around the corner. If you and your family is like ours, your calendar is packed with events and activities until year's end.

But be sure to save room on your calendar for the treat we have in store for you! Both national party conventions are over, but the political scene is sure to heat up in the coming months. On September 27, just five weeks prior to the national election and the day after the first 2016 presidential debate, we're hosting our annual Bedel Financial Forum at the Indianapolis Museum of Art. This year Greg Valliere, a political analyst from Washington DC, will share his thoughts on the presidential election and its potential impact on the investment world. Those of you who attended our 2013 Bedel Financial Forum may recognize his name. That time Greg provided interesting insights about the government shutdown. This September's forum is a "must-see" event. If you haven't yet reserved your seat, email dturner@bedelfinancial.com or call 317-843-1358.

I'll be guest speaker for several upcoming events. In August, I'll discuss financial planning at a conference hosted by the Indianapolis FBI office. On September 29, I'll deliver the keynote address for the AspireTogether event. And for the seventh year, our firm will sponsor the reception for the Dress for Success Stepping out in Style gala. We are pleased to be able to support each of these organizations.

All of us at Bedel Financial enjoy supporting our clients by passing along timely, important information. In this issue of our newsletter, Dave Crossman, CFA, sheds light on the financial and economic implications of Brexit. Kathy Hower, CFP®, answers questions about savings bonds and Abby VanDerHeyden, Financial Planning Coordinator, offers advice on how to curtail wedding costs.

And if you haven't yet seen it, check out our online whiteboard video, "An Introduction to Wealth Management." It's a creative explanation of what we do at Bedel Financial that you can share with your family, friends and business associates who may be interested in learning more about our services.

That's all for now. What I find totally unbelievable is that our next newsletter will find us preparing for the holiday season! I can't believe 2016 is passing so quickly. If we all peddle backwards, will the world slow down? I think it's worth a try!

Enjoy the rest of the summer and prepare for a colorful fall—both the gorgeous display of leaves and the fireworks of the political scene!

Until next time,

Elaine

Elaine E. Bedel, CFP®

Be sure to find us on Social Media!

Q&A

Got EE Savings Bonds?

By: Kathy Hower, CFP®
Wealth Advisor

Quite a few people have savings bonds that they purchased or received as a gift years ago. If you're one of those people, you've probably wondered what they're worth or what you can do with them now? If so, read on for answers to some of the most common questions others have asked us and you might also be pondering.

Q: How do I know how much my bonds are worth?
A: If you have paper bonds, you can calculate their value at: www.treasurydirect.gov/BC/SBCPrice.
If you hold your bonds electronically, you can find out the value through the Treasury Direct website (treasurydirect.gov). (You'll need to establish an account and the value will be reflected under the "current holdings" tab.)

Q: Can you still buy EE bonds?
A: You can. However, they can only be purchased electronically through the TreasuryDirect website. These bonds are now sold at face value (i.e., $50 purchase price for a $50 bond). Paper bonds were sold for half of face value (i.e., $25 purchase price for a $50 bond).

Q: How much interest will bonds earn?
A: If you were to buy a bond today, the current fixed rate is 0.10%. Interest is paid on the bond for 30 years. After that time you won't earn any interest so it's best to cash it in by or at year 30.

Q: How do I redeem my bond?
A: You can redeem paper bonds at some banks, or you can mail them to: Treasury Retail Securities Site, PO Box 214, Minneapolis, MN 55480-0214.
Electronic bonds can be sold via the TreasuryDirect website.

Q: Will I be penalized for redeeming my bond early?
A: You must wait 12 months before you can redeem your bond. If you redeem it within five years of purchase, you will forgo the last three years of interest. There are no penalties after the fifth year of ownership.

Q: Do I have to pay taxes when I cash it in?
A: Yes. You will owe federal income tax on the bond's interest. There is no tax at the state level.

Q: Can I gift my bonds to my child/grandchild?
A: You can gift your bonds to whomever you wish. However, you will be required to pay federal income tax on the interest earned while under your ownership.

Q: Are there any tax savings if I use my bond proceeds for higher education?
A: Yes. For bonds purchased after 1989, qualified taxpayers are not required to pay taxes on the interest when the bonds are redeemed and the proceeds are used to pay for higher education at a qualified institution. (There are some conditions that must be met to qualify for this tax exemption, and not all higher education expenses are appropriate. You can find additional information at: www.treasurydirect.gov/indiv/planning/plan_education.htm.)

Contact Kathy if you have questions or would like additional information regarding this topic.

GenerationNeXt

Wedding Costs! Really?

By: Abby VanDerHeyden
Financial Planning Coordinator

If you're going to be planning a wedding any time soon brace yourself! The current cost of the happy event can take your breath away—and not in a good way. According to the Cost of Wedding website (costofwedding.com) people spend an average of $26,444 on weddings!

Costs vary depending on a variety of reasons, including geographic location. For example, Central Indiana weddings with a guest list of 100 to 200 people cost $18,000 to $47,000, according to the website's data. In the past five years, the average cost has increased by more than $5,500! So, be sure to factor in annual cost increases when saving for a future wedding. But don't let these high-priced figures deter your plans. Research shows 40 percent of Americans spend less than $10,000 when they tie the knot.

It's all a matter of choice
Remember that the total amount of money you spend on a wedding is based solely on your choices. The only required cost is a marriage license. In Indiana that's about $20! To cut costs, try getting married on a day other than Saturday. That will often reduce venue costs. You can also control costs by planning a buffet rather than a sit-down meal or by serving substantial appetizers at the reception. You can also limit the availability of alcoholic beverages and rent a DJ versus a band for entertainment. Another option is to reduce the number of invited guests. That can significantly lower the overall price tag. Experts estimate the nationwide average cost per wedding guest to be $237. In Indiana, the range is about $140 to $170 per guest.

So who pays?
Traditionally, the bride's parents fund the majority of wedding costs, while the groom's parents pay for the rehearsal dinner and perhaps all, or a portion, of the honeymoon expenses. While this still holds somewhat true, it isn't unusual to see the couple paying more of these costs—especially if they're marrying after living on their own for many years. In fact, 12 percent of couples in 2015 paid for their entire wedding. Only 9 percent didn't contribute a thing. Current statistics show the bride's parents contribute an average of 44 percent of the overall budget, the bride and groom pay for 43 percent and the groom's parents cover 12 percent.

Parental dilemma
Most parents are torn between what they can afford and their desire to make the occasion special for their children. Because of this, it's important for parents to determine upfront a reasonable amount to provide. This should be an amount that won't jeopardize their own financial wellbeing while taking into consideration their obligations for other children. The earlier the amount is determined and a systematic savings plan is started, the better!

The parents' contribution should be clearly communicated to the bride and groom. This allows them to make choices that will keep them within their budget. In fact, giving the couple the lump sum amount and letting them choose how to spend it, can eliminate painful money conversations as the planning process moves forward.

Since the cost of weddings has been on the rise in recent years, be sure to begin planning early. Creating a budget, researching options, and making choices that celebrate the day, but don't break the bank, is sound advice!

Contact Abby if you have questions or would like additional information regarding this topic.

Feature Continued

After the Vote: The Brexit Impact

Continued from page 1

We'll have to wait to see what happens in Greece, Italy, France and other member countries in the coming months.

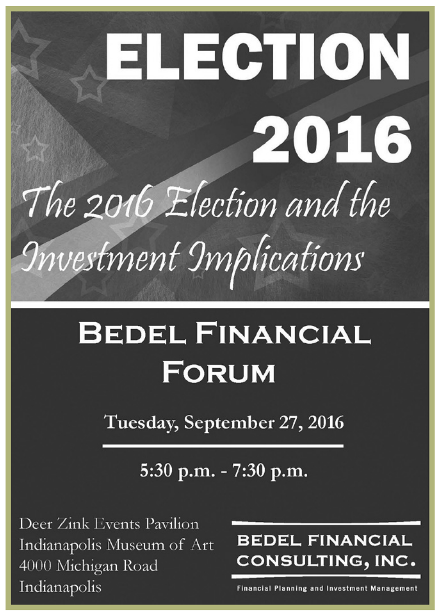
What should investors do?
Given that this is a British-inspired crisis, I'll use a British expression: "Keep calm and carry on." While it can be difficult in times of market volatility, try to stay focused on your long-term goals. Use market fluctuations as opportunities to buy or rebalance rather than reasons to panic.

Keep in mind that while the European Union has been around in some form since the middle of the last century, Europe has been around for a heck of a lot longer than that. Its future may look different, but I would expect that Europe will still be around to play a big role in the global economy.

Contact David if you have questions or would like additional information regarding this topic.

Congrats to Ryan and Angelique Collier and little brother Nash on the arrival of Elle Collier!

Welcome to the BFC Family, Elle!



- **We'd like to extend a warm welcome to our newest team member, Kate Arndt. She has joined the Financial Planning Team as a Financial Planning Coordinator. We're happy to have her with us!**
- **It's never too early to start thinking about year-end! Be sure to contact us if you need to take your Required Minimum Distribution or would like to make any charitable contributions prior to year's end.**

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Corporate Calendar

Bedel Financial Consulting will be closed for business on the upcoming days:

Sept. 5	**Labor Day**
Nov. 24	**Thanksgiving Day**
Nov. 25	**Day After Thanksgiving**
Dec. 26	**Christmas Day**
Jan. 2	**New Year's Day**

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