

December 31, 2014

American Financial Advisors, Inc. is proud to announce we are celebrating 25 years in business!

With over 600 clients and over \$430 million under management, we are helping more people than ever clients attain piece of mind through intelligent planning!

BENCHMARK CENTRAL 2014

Citi World Gov't Bond Index 3-7 Yr. Hedged	4.64%
MSCI EAFE (International Stock index)	-7.24%
Russell 1000 Value (US Large Cap Value index)	10.85%
Russell 2000 (US Small Cap index)	3.53%
S&P 500 (US Large Cap index)	11.39%
Wilshire 5000 (US Total Market index)	9.96%

TO OUR VALUED CLIENTS...

We've Made a Minor Change in our Target Returns

We utilize "target returns" as a way to gauge the return earned by various levels of risk. We then compare these target returns against our portfolios invested in similar risk tranches. Our target returns are not perfect, nor will they ever be. For one thing, it is impossible to invest directly in an index, as indexes have no expenses or trading costs or timing issues. For another thing, we do not invest solely in the indexes. The target returns are merely a proxy for what a specific risk level might have earned over any given time period.

To that end, we try to use indices that can explain most of our portfolios' returns as possible. We have always utilized three major indices to help explain the returns from the U.S. stock market (Wilshire 5000), the international stock market (MSCI EAFE), and the bond market (Barclay's US Aggregate Bond Index). Beginning immediately, we will be replacing the Barclay's index with the Citi World Government Bond Index 3-7 Year Hedged index for the following reasons:

1. The Barclay's Aggregate Bond Index is a U.S. only index. As with equities, we diversify our bond holdings across the entire globe, with 50% of our bond allocation being invested in a "global" bond fund. The new index more closely represents our philosophy.
2. Our investment philosophy calls for very conservative bonds. We try to limit our bonds to a target maturity range of no more than 5-6 years. The new index focuses only on bonds that match our ideals.
3. Additionally, the funds we utilize limit themselves to only bonds of the highest of quality, with a full 100% invested in only AAA or AA rated bonds. The Barclay's index has over 23% in bonds rated A or lower.
4. The global bonds we utilize are hedged into U.S. dollars to remove any additional risk from currency fluctuations. Academic studies of currency risk suggest - although without absolute certainty - that investors bearing currency risk are not compensated with higher potential returns, meaning it is essentially a needless risk to bear.

As you would expect, the correlations support our change. This does not affect our portfolio's actual returns but instead, provides a more accurate representation of the risk/return relationships.

QUARTERLY CLIENT WEBINAR

Starting date: Thursday, January 22, 2015 Starting time: 12:30 pm, Eastern Standard Time

Meeting Number: 198 715 315

Website link: <https://meetings.webex.com/collabs/#/meetings/detail?uuid=M0U7HX5M6KDPAJIGXEROQQ7VBF-5MWV&rnd=764610.82957>

To join the teleconference only: US TOLL: +1-415-655-0001 Access code: 198 715 315

If you cannot join us for this important webinar, we will post a recording of the entire presentation on our website at www.afadvisors.com.