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FINANCIAL SERVICES

YOUR FINANCIAL FUTURE

Your Guide to Life Planning

November 2012

Our roads to success may have twists and turns and ups and downs; together we can navigate a course and enjoy the scenery along the way.

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A rollover IRA can provide investors with the broadest range of investment choices and the greatest flexibility for distribution planning.

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There are many ways to lose money. Here's a look at 10 proven ways to manage your stock portfolio into the ground in no time.

Weekly Market Commentary | Week of October 29, 2012

Our view remains that a closely divided and hard-fought election will be followed by more fighting in a divisive and bitter lame duck session in Congress, resulting in higher volatility and a potential pullback for the stock market. As the race continues to tighten, the market shed -3.3% during last seven trading days (October 18-26).

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Year-End is upon us again. With the Presidential election just about completed, we are all waiting to see the changes promised by our leaders. Often clients wait for an event to take the time to start planning. We always encourage communication. Taking part in your financial future should be high on your priority list. It's important to plan. To help you plan, you'll need an advisor who understands your specific needs and who can provide guidance and information on the products and services you need to empower yourself.

We are always available to answer the tough questions relating to your retirement accounts, healthcare options in retirement, social security planning, estate planning, and everyday financial concerns.

Please contact me to set up an appointment at your convenience (800-252-4276). I can help you to plan for what lies ahead and own your financial future.

We always appreciate referrals from our satisfied clients. Please consider referring your friends, business partners, and family members. We welcome the opportunity to serve the people you care about. Please visit our website (www.stevenfeiertag.com) and if you like what you see, pass this on to your contacts. Thank you for your continued business and support.

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The Many Benefits of Rollover IRAs

IRA assets can generally be divided among multiple beneficiaries in an estate plan.

Have you switched jobs recently and are wondering what to do with the retirement plan assets at your previous employer? You could roll them over into your new employer's plan, but a rollover IRA may be a better choice. A rollover IRA can provide you with the broadest range of investment choices and the greatest flexibility for distribution planning, and can typically be operated with fewer restrictions. A rollover IRA gives you:

- **More control:** As the IRA account owner, you make the key decisions that affect management and administrative costs, overall level of service, investment direction, and asset allocation. You can develop the precise mixture of investments that best reflects your own personal risk tolerance, investment philosophy, and financial goals. You can create IRAs that access the investment expertise of any available fund complex, and can hire and fire your investment managers by buying or selling their funds. You also control account administration through your choice of IRA custodians.
- **More flexibility:** IRAs can be more useful in estate planning than employer-sponsored plans. IRA assets can generally be divided among multiple beneficiaries in an estate plan. Each of those beneficiaries can make use of planning structures such as the Stretch IRA concept to maintain tax-advantaged investment management during their lifetimes. Beneficiary distributions from employer-sponsored plans, in contrast, are generally taken in lump sums as cash payments. Also, except in states with explicit community property laws, IRA account holders have sole control over their beneficiary designations.

Efficient Rollovers Require Careful Planning

One common goal of planning for a lump-sum distribution is averting unnecessary tax withholding. Under federal tax rules, any lump-sum distribution that is not transferred directly from one retirement account to another is subject to a special withholding of 20%. This withholding will apply as long as the employer's check is made out to you -- even if you plan to place equivalent cash in an IRA immediately. To avert the withholding, you must first create your rollover IRA, and then request that your employer transfer your assets directly to the custodian of that IRA.

Keep in mind that the 20% withholding is not your ultimate tax liability. If you spend the lump-sum distribution rather than reinvest it in another tax-qualified retirement account, you'll have to declare the full value of the lump sum as income and pay the full tax at filing time. In addition, the IRS generally imposes a 10% penalty tax on withdrawals taken before age 59½.

Also, if you plan to roll over the entire sum, but have the check made out to you rather than your new IRA custodian, your employer will be required to withhold the 20%. In that event, you can get the 20% refunded if you complete the rollover within 60 days. You must deposit the full amount of your distribution in your new IRA, making up the withheld 20% out of other resources. When you file your tax return for the year, you can then include a request for refund of the lump-sum withholding.

If you have after-tax contributions in your employer plan, you may opt to withdraw them without penalty when you roll over your assets. However, if you wish to leave those funds in your retirement account in order to continue tax deferral, you can include them in your rollover. When you begin regular distributions from your IRA, a prorated portion will be deemed nontaxable to reimburse you for the after-tax contributions.

Potential Downsides of IRA Rollovers

While there are many advantages to consolidated IRA rollovers, there are some potential drawbacks to keep in mind. Assets greater than $1 million in an IRA may be taken to satisfy your debts in certain personal bankruptcy scenarios. Assets in an employer-sponsored plan cannot be readily taken in many circumstances. Also, you must begin taking distributions from an IRA by April 1 of the year after you reach 70½ whether or not you continue working, but employer-sponsored plans do not require distributions if you continue working past that age.

Remember, the laws governing retirement assets and taxation are complex. In addition, there are many exceptions and limitations that may apply to your situation. Therefore, you should obtain qualified professional advice before taking any action.

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Ten Investment Mistakes to Avoid

The temptation to sell is always highest when the market drops the furthest.

Who needs a pyramid scheme or a crooked money manager when you can lose money in the stock market all by yourself. If you want to help curb your loss potential, avoid these 10 strategies.

1. **Go with the herd.** If everyone else is buying it, it must be good, right? Wrong. Investors tend to do what everyone else is doing and are overly optimistic when the market goes up and overly pessimistic when the market goes down. For instance, in 2008, the largest monthly outflow of U.S. domestic equity funds occurred after the market had fallen over 25% from its peak. And in 2011, the only time net inflows were recorded was before the market slid over 10%.[1]

2. **Put all of your bets on one high-flying stock.** If only you had invested all your money in Apple 10 years ago, you'd be a millionaire today. Perhaps, but what if, instead, you had invested in Enron, Conseco, CIT, WorldCom, Washington Mutual, or Lehman Brothers? All were high flyers at one point, yet all have since filed for bankruptcy, making them perfect candidates for the downwardly mobile investor.

3. **Buy when the market is up.** If the market is on a tear, how can you lose? Just ask the hordes of investors who flocked to stocks in 1999 and early 2000 -- and then lost their shirts in the ensuing bear market.

4. **Sell when the market is down.** The temptation to sell is always highest when the market drops the furthest. And it's what many inexperienced investors tend to do, locking in losses and precluding future recoveries.

5. **Stay on the sidelines until markets calm down.** Since markets almost never "calm down," this is the perfect rationale to never get in. In today's world, that means settling for a miniscule return that may not even keep pace with inflation.

6. **Buy on tips from friends.** Who needs professional advice when your new buddy from the gym can give you some great tips? If his stock suggestions are as good as his abs workout tips, you can't go wrong.

7. **Rely on the pundits for advice.** With all the experts out there crowding the airwaves with their recommendations, why not take their advice? But which advice should you follow? Cramer may say buy, while Buffett says sell. And remember that what pundits sell best is themselves.

8. **Go with your gut.** Fundamental research may be OK for the pros, but it's much easier to buy or sell based on what your gut tells you. Had problems with your laptop lately? Maybe you should sell that IBM stock. When it comes to hunches, irrationality rules.

9. **React frequently to market volatility.** Responding to the market's daily ups and downs is a surefire way to lock in losses. Even professional traders have a poor track record of guessing the market's bigger shifts, let alone daily fluctuations.

10. **Set it and forget it.** Ignoring your portfolio until you're ready to cash it in gives it the perfect opportunity to go completely out of balance, with past winners dominating. It also makes for a major misalignment of original investing goals and shifting life-stage priorities.

[1]*Sources: ICI; Standard & Poor's. The stock market is represented by the S&P 500, an unmanaged index considered representative of large-cap U.S. stocks. These hypothetical examples are for illustrative purposes only, and are not intended as investment advice.*

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Weekly Market Commentary | Week of October 29, 2012

Highlights

- Between the election and the end of the year, tighter races have seen bigger moves and wider swings in the S&P 500. In addition, lame duck legislative sessions during presidential election years have resulted in a decline in the S&P 500.
- While we expect progress to be made mitigating the impact of the fiscal cliff in this year's lame duck session, progress alone does not mean market gains are assured, as history attests.
- The negotiations themselves, coming on the heels of hard-fought election battles, can drive wide market swings and result in modest losses.

Post-Election Apprehension

Our view remains that a closely divided and hard-fought election will be followed by more fighting in a divisive and bitter lame duck session in Congress, resulting in higher volatility and a potential pullback for the stock market. As the race continues to tighten, the market shed -3.3% during last seven trading days (October 18-26).

In general, the post-election environment has not been a bad one for stocks. The S&P 500 has posted gains two-thirds of the time from the election through year-end. This is similar to the performance of the markets during any other roughly two-month period. However, digging deeper into the markets' performance during elections that have similarities to the current one may shed insight into how the markets may perform in the coming months.

While the S&P 500 has posted gains, on average, between the election and the end of the year, the tighter races saw bigger moves and wider swings, as you can see in Figure 1. Nearly half of the time (four of the past nine elections), the ultimate loser of the election was ahead in the Gallup polls as of late October, highlighting a very close race. An exception can be seen in 2008. While 2008 was still relatively close, it was not as tight as the current race. Volatility was tremendous, as the financial crisis unfolded and stocks plunged as the United States fell into a deep recession-all unrelated to the election. The average percentage post-election change in the stock market (in either direction) for the close races in 1976, 1980 (though the election turned out to be an upset win for Reagan), 2000, and 2004 was 6.4%. This was triple the 2.2% average change in those elections that were not as close, when excluding 2008. The swing from high to low in the S&P 500 was twice as wide following the close elections than the others, excluding 2008. When including 2008, the tight races still had a much larger average move, but only slightly greater average swings.

1 Close Races Lead to Volatility

The Closer to Election, the Loser was Ahead in Gallup Poll, and the Bigger the Swings

Election Year	Winner	Loser	Loser's Last Lead in Gallup Poll	S&P 500 Post-Election Change	S&P 500 Post-Election Range in %
1976	Carter	Ford	October 30	6.2%	9.2%
1980	Reagan	Carter	October 26	4.2%	10.0%
1984	Reagan	Mondale		-1.1%	4.6%
1988	H.W. Bush	Dukakis	August 7	1.5%	6.0%
1992	Clinton	H.W. Bush	July 8	4.3%	5.5%
1996	Clinton	Dole		4.10%	6.3%
2000	W. Bush	Gore	October 23	-7.6%	11.5%
2004	W. Bush	Kerry	October 31	7.6%	7.6%
2008	Obama	McCain	Sept 15	24.8%	24.8%
Average for Close Races (1976, 1980, 2000, 2004)				**6.4%**	**9.6%**
Average for Other Races ex-2008				**2.2%**	**4.5%**

Source: LPL Financial, Bloomberg Data, Gallup 10/29/12

Drilling further down to look at those presidential election years that had lame duck sessions in Congress also may offer insight, since Congress has a big budget challenge ahead in this year's lame duck session. These years have not been good for stocks. Excluding 2008 from the four lame duck legislative sessions during presidential election years since 1948, the S&P 500 was down in each of the lame duck sessions that took place in 1980, 2000, and 2004. The losses were modest ranging from less than 1% to nearly 4%.

Importantly, these market losses took place despite important legislative accomplishments in those lame duck sessions. The Congressional Research Service in their 2009 publication entitled *Lame Duck Sessions of Congress 1935-2008* recount the accomplishments during these sessions:

- **1980 -**During the lame duck session, from November 12 to December 16, 1980, Congress completed action on many of the issues that had been left unfinished in the regular session, including the following: a budget resolution and a budget reconciliation measure; five regular appropriations bills, although one was subsequently

vetoed; and a second continuing resolution was approved to continue funding for other parts of the government. Non-budget-related actions included an Alaska lands bill and a "superfund" bill to help clean up chemical contamination, a measure extending general revenue sharing for three years, a measure that made disposal of low-level nuclear waste a state responsibility, changes to military pay and benefits, and authority for the president to call 100,000 military reservists to active duty without declaring a national emergency.

- **2000 -**The House returned on November 13 and the Senate a day later; they faced a still-undecided presidential election yet faced substantial budget decisions. They approved a short-term continuing resolution and then agreed to a further recess until December 5. After reconvening on December 5, Congress agreed to a series of five short-term continuing resolutions, while final decisions on the remaining appropriations were being negotiated. During this sequence of events, the Senate recessed on December 11 after providing, by unanimous consent, that when the fourth in this series of continuing resolutions was received from the House, it would automatically be deemed passed in the Senate. Finally, on December 15, both chambers completed action on fiscal year 2001 appropriations measures by agreeing to the conference report on the omnibus appropriations bill. In addition, Congress also cleared the Presidential Threat Protection Act, the Striped Bass Conservation Act, and the Intelligence Authorization Act. It also sent President Clinton a bankruptcy reform measure, which the president subsequently pocket vetoed.

- **2004 -**From November 13 through December 9, 2004, Congress reconvened with a need to increase the debt ceiling and address spending bills. Congress passed an increase to the debt limit, and an omnibus appropriations measure was passed that included caps on domestic discretionary spending as well as the elimination of many authorizing provisions. Congress also passed several other reauthorizations, including the Individuals with Disabilities Education Act, a moratorium on internet taxation, and authority for satellite television systems to carry network programming.

While again this year Congress has a full lame duck session agenda and the stakes are very high, we expect progress to be made mitigating the potentially recessionary impact of the budget bombshell of tax increases and spending cuts due to hit on January 1, known as the fiscal cliff. However, progress alone does not mean market gains are assured, as history attests. The negotiations themselves, coming on the heels of hard-fought election battles, can drive wide market swings and result in modest losses. A mildly defensive posture may benefit investors heading into the final months of the year as markets may provide attractive buying opportunities.

IMPORTANT DISCLOSURES

The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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