



## YOUR FINANCIAL FUTURE

Your Guide to Life Planning

October 2010



I hope this educational resource proves helpful. I believe an educated investor is a better investor. Please call me if you have questions.

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October 2010 Opening Paragraph

#### Weekly Economic Commentary | Week of September 27, 2010

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#### Four Questions to Ask Your Advisor During Your Annual Review

Preparing for an annual financial review may be easier with a checklist to help you focus on important matters. With that in mind, this article includes a list of key considerations that you may want to discuss with your financial advisor.

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October Message from Feiertag Financial Services

With so much going on in your busy lives, it can be difficult to take care of financial "housekeeping" chores, even though you realize their importance. An urgent task we encourage you to address promptly is to make sure your beneficiary designations are current for all your investments, insurance and financial-related accounts. I can make this process quick and easy for you.

Following are some reasons we stress the importance of reviewing designations:

- If your beneficiary information is not current, in the event of your untimely passing, your assets could be distributed to an unintended heir. *This may be true even if you have an up-to-date will*, as beneficiary designations often trump all other legal documents.
- Having proper designations in place may extend tax-related benefits and reduce the tax burden for your beneficiaries.
- Taking a small amount of time to update and verify your designations will ensure that your wishes are met, and will prevent your beneficiaries from bearing added stress due to legal complications.

It's really as simple as picking up the phone to get started. If you are not 100% certain that your beneficiary designations are current, please call me today and I will work with you to take care of this most important matter.

I appreciate your trust in me to help you manage your investments and finances.

Thank you for your time and business.

If for whatever reason you do not want to receive these Newsletters via e-mail, please use the "**remove**" function near the bottom of the email page.

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*This article was prepared by Steven Feiertag. LPL Tracking Number 670366.*

## Weekly Economic Commentary | Week of September 27, 2010

**Highlights:**

- Although it is a relatively quiet week for economic data, each report is likely to be scoured for clues as to the Fed's next move.
- With more than 20 global central banks are tightening, when will the markets care?

**Economic Calendar**

<b>Monday, September 27</b> Dallas Fed Survey <i>September</i>	<b>Friday, October 1</b> Personal Spending <i>August</i>
<b>Tuesday, September 28</b> Consumer Confidence <i>September</i> Richmond Fed Survey <i>September</i>	Personal Income <i>August</i> U of Mich Consumer Sentiment <i>September</i>
<b>Thursday, September 30</b> Initial Claims <i>wk 09/25</i> Core PCE Deflator <i>Q2</i> Real GDP <i>Q2</i> Chicago Purchasing Managers Index <i>September</i>	ISM Manufacturing <i>September</i> Construction Spending <i>August</i> Domestic Light Vehicle Sales <i>September</i>

**Is Another Round of Quantitative Easing on the Way?**

There is an eclectic mix of events and data due out this week in the United States, as market participants:

- Reflect on last week's Federal Open Market Committee (FOMC) statement
- Look ahead to the September jobs report, set to be released on Friday, October 8
- Continue to assess the odds of a double-dip recession

After digesting last week's generally better-than-expected economic data, and hearing from the Federal Reserve (Fed) that it is prepared to do whatever it takes to prevent deflation, the market marked down the odds of a double-dip. Looking ahead, the market will continue to view each new data point through the prism of a possible response from the Fed.

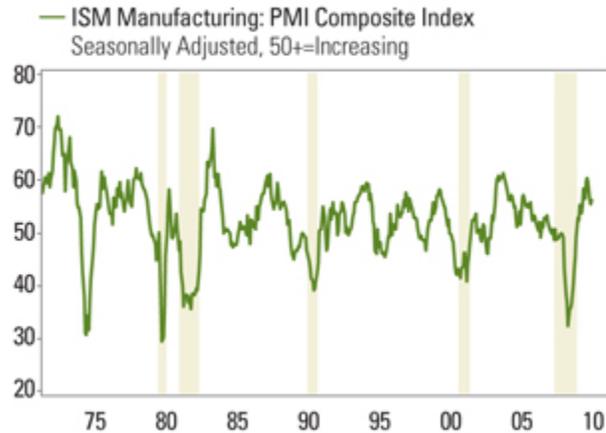
- If the economic data turns down again, it will raise the odds of a double-dip recession, and make another round of "quantitative easing" (QE)-large-scale purchases of Treasuries, Mortgage-Backed Securities, and/or agency securities by the Fed-more likely.
- If the data continues to come in as it has in recent weeks strong enough for the economy to avoid a double-dip, but not strong enough to suggest that the economy is growing fast enough to push inflation up or the unemployment rate down the Fed most likely will still need to do another round of QE to "re-flate" the economy, and ensure that it can grow fast enough to avoid deflation.
- If the data suggests that the economy is reaccelerating to a new, higher growth rate, roughly 3.5 to 4.5% growth in real gross domestic product, then the Fed will most likely not have to do another round of QE, as the economy under this scenario would be growing fast enough to lower the unemployment rate and push inflation higher.

Our best guess is that the economy will continue to muddle along, which will eventually prompt the Fed into doing another round of QE. The most likely start of the next round of QE would be at the November 3 FOMC meeting, although the December 14 FOMC meeting is also a possibility.

Although it is a relatively quiet week for economic data, each report is likely to be scoured for clues as to the Fed's next move. The week starts off quietly, but key data on manufacturing (September Purchasing Managers Index) and vehicle sales in September, along with consumer prices, spending and incomes for August are all due at the end of the week. In addition to the data, there are several Fed officials scheduled to make speeches this week, as the market continues to try to read the tea leaves on the Fed's next monetary policy move.

Title: The ISM is Likely Still on its Way from 60 to 50

## 1 The ISM is Likely Still on its Way from 60 to 50



Source: Institute for Supply Management/Haver Analytics 9/27/10  
Shaded areas indicate recessions.

The two key reports in the United States this week are the September ISM report and the report on personal consumption deflator excluding food and energy. Both reports are due out on Friday, October 1. Taking a closer look at the ISM report, we note that the August ISM report surprised markets when it was released on September 1, not only beating expectations, but also coming in higher than the July reading. Markets had thought that the ISM was in the midst of a slow slide from above 60 (60.4 in April 2010) to below 50, which is typically what happens to the ISM in the second year of an economic recovery. Market participants are betting that the slide resumes in September, looking for a 54.5 reading on the September ISM, down from 56.3 in August. A reading above 50 on the ISM signals that the U.S. manufacturing sector is expanding. A reading above 42 signals that the overall economy is expanding. The year-to-date reading on the ISM (January 2010 through August 2010) of 57.8 suggests that real gross domestic product (GDP) (excluding the effects of inflation) is growing at close to 5.0%.

Outside the United States, it is likely to be a relatively quiet week for monetary policy, with only a handful of central banks (Israel, Hungary, India, Poland, Romania) making policy decisions this week. Israel and India, along with more than 20 other global central banks, have already been raising rates since the worst of the global financial crisis ended in late 2009 and, thus far, markets have taken the rate increases in stride. At some point, markets will stand up and take notice of this tightening. However, with the Fed, the European Central Bank (ECB), the Bank of England (BOE), and the Bank of Japan (BOJ) all still on hold (and in most cases contemplating further monetary policy easing), markets are giving central banks in Emerging Markets and commodity-based countries in the developing world, including Canada, Australia, New Zealand and Norway, a "free pass" to rein in domestic inflation.

The wild card remains the Peoples Bank of China (PBOC), which has been selectively tightening policy in China since late 2009, but has not "raised rates" in the traditional sense. More recently, Chinese authorities (ahead of a likely vote in the U.S. House of Representatives this week) have been allowing the Chinese currency to appreciate versus the US dollar, making Chinese exports slightly more expensive in dollar terms, thereby "tightening" policy in China. Still, the market continues to await an actual rate hike in China, which may draw attention to the economies of the other 20+ nations that are already raising rates.

Aside from the Chinese September ISM report, it is another quiet week for the Chinese data calendar, as the focus remains on the Chinese currency and the aforementioned key vote on the Chinese currency in the U.S. Congress later this week. There is a ton of data due out this week in both the Eurozone and the United Kingdom. After surprising the markets over the summer, the European economic data has begun to disappoint again, perhaps reflecting the tax increases and government spending cuts put in place in early and mid 2010 in response to the flare-up in European debt concerns. On the other hand, the data in the United Kingdom has been softening (relative to expectations and in absolute terms) since June. Tax increases and spending cuts are expected in the United Kingdom in early 2011.

### IMPORTANT DISCLOSURES

*This research material has been prepared by LPL Financial.*

*Investing in international and emerging markets may entail additional risks such as currency fluctuation and political instability. Investing in small-cap stocks includes specific risks such as greater volatility and potentially less liquidity.*

*Stock investing involves risk including loss of principal. Past performance is not a guarantee of future results.*

*Investing in alternative investment may not be suitable for all investors and involve special risks such as risk associated with leveraging the investment, potential adverse market forces, regulatory changes, potential liquidity. There is no assurance that the investment objective will be attained.*

*Small-cap stocks may be subject to higher degree of risk than more established companies' securities. The illiquidity of the small-cap market may adversely affect the value of these investments.*

*The ISM index is based on surveys of more than 300 manufacturing firms by the Institute of Supply Management. The*

*ISM Manufacturing Index monitors employment, production inventories, new orders, and supplier deliveries. A composite diffusion index is created that monitors conditions in national manufacturing based on the data from these surveys.*

*Tracking #671190*

Making sure you are on track to amass the assets you will need for your later years should be one of your key concerns.

## Four Questions to Ask Your Advisor During Your Annual Review

Preparing for an annual financial review may be easier with a checklist to help you focus on important matters. With that in mind, here is a list of key considerations that you may want to discuss with your financial advisor.

### 1. Do I need to rebalance my asset allocation?

Depending on the performance of your investments so far this year, you may want to examine whether your mix of stocks, bonds, cash, and other assets is close to your target. If not, it may be time to rebalance to a mix that more closely resembles your desired exposure to risk and potential return.<sup>1</sup>

Rebalancing can be accomplished in two ways: You can sell existing assets and use the proceeds to bring your portfolio closer to your desired mix. Or you can leave your portfolio as is and allocate new investments to the areas that you want to increase. Rebalancing may involve tax consequences, especially for non-tax-deferred accounts.

### 2. Am I on track to fund my retirement?

Making sure you are on track to amass the assets you will need for your later years should be one of your key concerns. If you participate in an employer-sponsored retirement plan, consider investing as much as you can afford. For 2009 and 2010, the maximum employee contribution permitted by the IRS is \$16,500 annually for participants under the age of 50. Those aged 50 and above may contribute an additional \$5,000 "catch up" contribution if they have first contributed the annual maximum. (Note that employers can impose lower minimums. Check the details regarding your plan.)

If you do not have access to an employer-sponsored plan, or if you do and can afford to contribute even more, consider funding an IRA. Maximum contributions for 2009 and 2010 are \$5,000 for investors under the age of 50, plus an additional \$1,000 catch-up contribution for those aged 50 and older. Even if you cannot afford the maximum, consider contributing as much as you are able.

### 3. What were my yearly capital gains and losses?

If your year-end planning entails selling certain assets, be aware of rules regarding capital gains and losses. Gains on investments held less than one year, known as short-term capital gains, are taxed as ordinary income. Gains on investments held for one year or longer, considered long-term capital gains, are taxed at a 15% rate for federal income tax purposes. State tax rules may differ. On the federal level, capital losses can be offset against capital gains at an amount up to \$3,000 annually. Capital losses not used in a given year can be carried forward to future years. Note that different rules apply for gains on the sale of a primary residence, collectibles, or qualified small-business stock.

### 4. Am I taking full advantage of tax-advantaged accounts?

Remember that certain types of investments receive favorable tax treatment. Employee contributions to traditional 401(k)s, for example, are deducted from your paycheck before taxes are assessed, which lessens taxable income during the year the contribution is made. Contributions may potentially grow free of federal income taxes until qualified withdrawals are made during retirement. If you are age 59 1/2 or older and have maintained the account for a minimum of five years, qualified withdrawals from a Roth IRA are tax free.<sup>2</sup> (To contribute to a Roth IRA, investors must meet income thresholds established by the IRS. Learn more at [www.irs.gov](http://www.irs.gov).)

You may have additional concerns unique to your situation, but this checklist may help you keep your investment portfolio in order.

<sup>1</sup>Asset allocation does not assure a profit or protect against loss in a declining market. Investing in stocks involves risk, including loss of principal. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price.

<sup>2</sup>For nonqualified withdrawals, restrictions, penalties, and taxes may apply.

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