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FINANCIAL SERVICES

YOUR FINANCIAL FUTURE

Your Guide to Life Planning

August 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.

Steven Feiertag, CFP®
Feiertag Financial Services
2107 Reston Circle
Royal Palm Bch, FL 33411
800-252-4276
Fax: 561-333-0721
steven.feiertag@lpl.com
www.stevenfeiertag.com

In This Issue

The latest report on the health of the nation's economy (as measured by gross domestic product [GDP]) found that the economic recovery that began three years ago in June 2009 continued through June 2012.

Please CLICK On Any Article Title, The SCROLL To See All Pages

The seasons pass quickly. We have been in Florida for eleven years. We think this is a good time to review your insurance needs as well as the beneficiary designations on your current insurance products and retirement plans. As your life changes, so do your insurance needs.. A new addition to the family, a marriage, or a child leaving the nest may result in the need for more or even less life insurance Call our office to discuss your life, disability, or long-term care insurance needs, as well as to review your IRA's and Roth IRA's, workplace retirement plans, and other investments.

The next several months will have most of us following the Presidential race. I am sure by November we will all be tired of the campaigning and will be curious as to what changes the new Congress and President will make. The presidential election results are intertwined with the markets and the economy. Surprisingly, it is not the stock market performance that can serve as a predictor of whether the incumbent president wins or loses the election - but is instead some economic data that plays this role. However, regardless of the winner, the markets and economy will be impacted by the outcome of the November 2012 elections.

This is a good time to review your investments to do some fine-tuning. We want you to continue to look long term, but encourage your calls for periodic reviews.

As always, if you have questions, I encourage you to contact me (800-252-4276).

We always appreciate referrals from our satisfied clients and their 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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Steven I Feiertag, CFP®

Registered Representative, LPL Financial

2107 Reston Circle

Royal Palm Beach, FL 33411

800-252-4276

steven.feiertag@LPL.com

www.steven.feiertag.com

LPL Tracking Number 1-085246

Scam Alert - Check That Area Code

The fraudsters say you have won a lottery or a free vacation, or there is a package for you awaiting delivery. They give you a telephone number and tell you to call for details.

The come-ons to call may arrive by letter, email or voice mail. If you dial, expect to be hit with a pitch to wire an upfront fee or disclose personal information.

But even if you laugh off that request - you are wise enough to know it is a scam - **you may discover you have still been tricked,simply because of the area code you used!**

On the surface, the code may seem legitimate. It has three digits, and there is no 011 international dialing code in front of the number. You think you will be paying just a few cents a minute for a U.S. call, if anything. But, surprise, **you have just called a foreign country**.
If the area code is284, 809, or 876, you have called Jamaica, the Dominican Republic or the British Virgin Islands, the new hotbeds for telephone scams. Similar cons are also run out of other Caribbean Islands.
For these calls, you will typically pay $1.49 to $3.99 **per minute**, depending on the plan and carrier. You are never told this, but the numbers function like American "premium rate" lines that use the 900 area code, with sky-high rates that are split between phone companies and those who operate the lines.

Dial one of these Caribbean numbers and chances are you will get scammed. But the fraudsters' real goal is often just to keep you on the line as long as possible and maximize the cost of the telephone call. You will endure long holds, frequent transfers, and lots of small talk. Result: A call lasting just a few minutes can cost more than $20, a charge you discover only when your telephone bill arrives.

Some cons try to get you to call Canada, which also has three-digit, U.S.-style area codes. But this time it is generally not about your telephone bill but various fake prizes or the notorious "grandparents scam" - you are told your grandchild has been arrested and needs you to wire bail money.

If you try to contest such a charge with your telephone company, they may respond by saying that all it did was connect you to a foreign number that you willingly dialed, and that it has no control over the high per-minute costs.

In that case, you can go to the Federal Communications Commission website: fcc.gov/complaints to tell them your story. Or you can call the FCC Consumer Center at 1-888-225-5322. There is no guarantee you will get the charges voided, but your tale could help build a case for tougher regulations against these kinds of scams.

Your best strategy: Avoid the charges in the first place. Never call back a strange long-distance number. First look up the area code by going online or by checking the area code charts in the front section of your telephone book. Don't dial unless you know exactly where you are calling.

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Registered Representative, LPL Financial

2107 Reston Circle

Royal Palm Beach, FL 33411

800-252-4276

steven.feiertag@LPL.com

www.steven.feiertag.com

LPL Tracking Number 1-085250

Weekly Economic Commentary | Week of July 30. 2012

Highlights

- Progress toward a resolution of Europe's fiscal issues, a long-term solution to our own "fiscal cliff," and a reinvigorated Chinese economy could help the U.S. economy reaccelerate.
- We continue to forecast 2% gross domestic product (GDP) growth for 2012.
- We still expect the Fed to boost the economy with a third round of quantitative easing (QE3) before year-end.

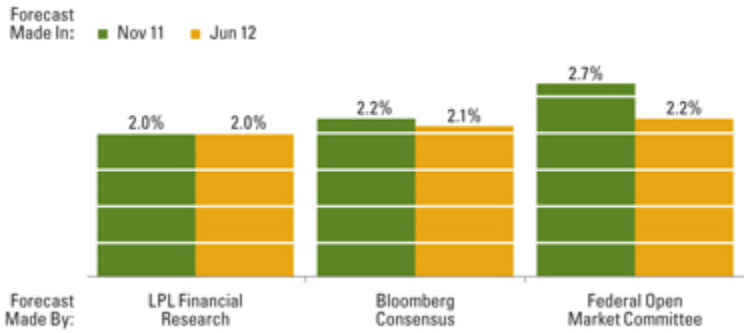
Please see the LPL Financial Research Weekly Calendar here.

Resisting Recession

The latest report on the health of the nation's economy (as measured by gross domestic product [GDP]) found that the economic recovery that began three years ago in June 2009 continued through June 2012. However, the pace of growth remains frustratingly slow. The slow pace of growth has implications for Federal Reserve (Fed) policy in the near future. Although it would be tempting to make the case that economic growth has decelerated sharply since the economy grew at an annualized (and quite robust) 4.1% in the fourth quarter of 2011, we do not take that view. Progress toward a resolution of the debt and fiscal issues in Europe, a long-term solution to our own "fiscal cliff," and a reinvigorated Chinese economy are among the factors that could help the U.S. economy to reaccelerate in the coming quarters.

We continue to expect that the U.S. economy, as measured by real GDP, will grow at 2.0% in 2012 [Figure 1]. We first published this forecast in November 2011 and reiterated it in our recent *2012 Mid-Year Outlook*. This forecast is now closer to-but still below-the consensus estimate and the Fed's estimate for GDP growth in 2012. When we published our 2012 GDP forecast in November 2011, the consensus GDP forecast for 2012 (as measured by a survey of economists by Bloomberg News) was 2.2%, while the Fed's forecast for 2012 called for 2.7% growth. Today, the consensus forecast for 2012 GDP growth is 2.1%, and the Fed's own forecast is for 2.2% growth this year. Real GDP growth so far in 2012 has averaged 1.75%, posting a 2.0% gain in the first quarter of 2012 and a 1.5% gain in the recently completed second quarter.

1 LPL Financial Research Economic Forecast Still Below Consensus, Fed Forecasts



Source: LPL Financial Research, Bloomberg, Federal Reserve 07/27/12

Can Anything Kick-Start the Economy?

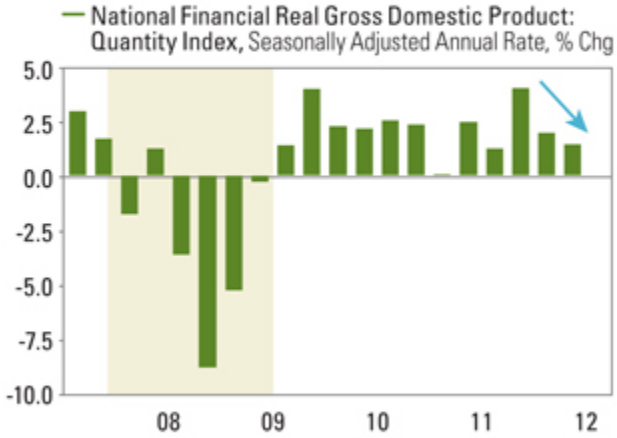
While a modest reacceleration in economic activity may occur in the second half of the year, more robust growth in the U.S. economy is not likely unless some of the uncertainties around the fiscal situation in Europe and our own looming "fiscal cliff" begin to lift (see the *2012 Mid-Year Outlook* for more details). A reacceleration of growth in China would also help to kick-start growth here in the United States. In the meantime, we resist the notion, as Figure 2 implies, that the economy is decelerating sharply and is headed for recession soon. We do think, however, that the economy is weak enough to warrant another round of stimulus from the Fed, possibly as early as this week. The Fed's policymaking arm, the Federal Open Market Committee (FOMC), meets this Wednesday, August 1, to discuss policy. Our view remains that the Fed will likely take action between now and the end of 2012 to inject more monetary stimulus in the form of bond purchases (a third round of quantitative easing-QE3) into the economy, and that move could come at this week's meeting. It is more likely, however, that the Fed will wait until the September 13 FOMC meeting to act.

A Sharp Slowdown? We See It Differently

A quick look at Figure 2 would suggest that the U.S. economy is decelerating sharply. However, a closer look at the pattern of economic growth in 2011 and early 2012 and the forces that shaped the pattern suggest otherwise, in our view. The 4.1% growth rate in the fourth quarter of 2011-which was the best quarter for GDP growth since the 5.1% gain in the first quarter of 2006-benefited from warmer-than-usual weather in the final two months of the quarter (November and December 2011), and a return to health of the global supply chain that was disrupted in March 2011, as a result of the

devastating earthquake, tsunami, and nuclear disaster in Japan. In addition, GDP growth in the fourth quarter of 2011 was somewhat artificially boosted by the expiration of business tax credits that pulled forward some business capital spending (which grew at an 18.3% and 8.5% pace over the final two quarters of 2011).

2 It Would Be Easy to Extrapolate the Last Three Quarters of GDP Growth as a Sharp Slowdown in the Economy, but That's Not Our View



Source: Bureau of Economic Analysis, Haver Analytics 07/27/12

(Shaded areas indicate recession)

3 Economy Still in Recovery, but Growth—Adjusted for Recent Wiggles—Is Slower Than the Economy's Long-Term Potential

Last 6 Quarters	Last 25 Years	Last 40 Years	Fed's Long-Term Forecast	Long-Term Potential GDP (CBO Estimate)
1.9%	2.6%	3.0%	2.4%	2.5%

Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Board, Congressional Budget Office 07/27/12

Some "payback" from the expiration of the business capital spending tax credit was evident in the GDP growth slowdown in the first quarter of 2012 to 2.0%, but the continuation of warm weather, as well as some noticeable improvement in housing construction, helped to boost growth. In the second quarter of 2012, while housing and business capital spending were solid, there was a noticeable payback in consumer spending (after spending was artificially boosted by warm weather in the first quarter). In addition, a moderation in exports (due to the economic slowdown in Europe and China) and continued contraction in federal and state and local government spending weighed on growth in the second quarter.

What's a Wiggle Worth?

Looking through the wiggles in the data caused by unusual weather (late 2011 and early 2012) and global supply chain disruptions (middle of 2011) over the past six quarters, the U.S. economy has grown, on average, at around a 2.0% clip. Not a recession, but not robust growth either. At 2.0%, the economy is growing below the pace seen over the past 40 years, about 3.0%-and the past 20 and 25 years, about 2.6%. Most importantly, however, as it relates to the labor market and, in turn, the future of Fed policy, economic growth is not keeping up with the long-term potential growth rate. The estimate of the output the economy would produce with high capital and labor resource utilization is about 2.5%. A sustained growth rate above 2.5% would push the unemployment rate lower over time, while sustained GDP growth below 2.5% would tend to keep the unemployment rate at current levels or push it higher. Unless the Fed sees GDP

growth of at least 2.5% on a sustained basis, it is likely to continue to provide monetary stimulus to the economy. As noted above, the Fed meets this week to assess the economy's recent progress-and more importantly its most likely path in the quarters ahead-and to decide on what to do next.

IMPORTANT DISCLOSURES

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

^ Federal Funds Rate is the interest rate at which depository institutions actively trade balances held at the Federal Reserve, called federal funds, with each other, usually overnight, on an uncollateralized basis.

† Private Sector - the total nonfarm payroll accounts for approximately 80% of the workers who produce the entire gross domestic product of the United States. The nonfarm payroll statistic is reported monthly, on the first Friday of the month, and is used to assist government policy makers and economists determine the current state of the economy and predict future levels of economic activity. It doesn't include:

- general government employees

- private household employees

- employees of nonprofit organizations that provide assistance to individuals

- farm employees

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.

Stock investing involves risk including loss of principal.

International investing involves special risks, such as currency fluctuation and political instability, and may not be suitable for all investors.

Quantitative Easing is a government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market. Quantitative easing increases the money supply by flooding financial institutions with capital in an effort to promote increased lending and liquidity.

The Federal Open Market Committee (FOMC), a committee within the Federal Reserve System, is charged under the United States law with overseeing the nation's open market operations (i.e., the Fed's buying and selling of United States Treasure securities).

Purchasing Managers Index (PMI) is an indicator of the economic health of the manufacturing sector. The PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.

The S&P/Case-Shiller U.S. National Home Price Index measures the change in value of the U.S. residential housing market. The S&P/Chase-Shiller U.S. National Home Price Index tracks the growth in value of real estate by following the purchase price and resale value of homes that have undergone a minimum of two arm's-length transactions. The index is named for its creators, Karl Chase and Robert Shiller.

The Institute for Supply Management (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.

Challenger, Gray & Christmas is the oldest executive outplacement firm in the United States. The firm conducts regular surveys and issues reports on the state of the economy, employment, job-seeking, layoffs, and executive compensation.

This research material has been prepared by LPL Financial.

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Tracking # 1- 087927 Exp. 7/13