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FINANCIAL SERVICES

YOUR FINANCIAL FUTURE

Your Guide to Life Planning

September 2012

Making a positive impact on as many lives as I can.

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In This Issue

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We just returned from an investment conference in San Diego, California. We attended many sessions sponsored by multiple companies. We were also able to network with many colleagues in our field and found that our clients have very similar concerns about their financial future.

One of the top concerns was retirement. Retirement is something that needs to be planned for in advance. It's harder to creatively plan for retirement once you have arrived. Regardless of a clients age, many people have some of the following questions: "Have I saved enough?" "How much should I be saving to be able to retire and not change my lifestyle?" "When should I apply for Social Security benefits in order to maximize on the amount I can collect?" "What should I do about medical coverage?" "I am afraid of outliving my assets, what should I do?" "The market is volatile, how can I protect my family?" And these are just a few of the concerns.

No one plans to fail, but people fail to plan! We can help! The path to retirement and beyond is a road that always needs to be reviewed. Today, people are living longer than ever before. Over the last 60 years, the average life expectancy has increased by more than 10 years.* The timing of your retirement matters, as do the decisions regarding your retirement. Call our office to set up an appointment to review your portfolios. This is also a good time to review your beneficiary designations on your retirement accounts and life insurance products.

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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* Source: http://aging.senate.gov/crs/aging1.pdf

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Plan Ahead for the What-Ifs

An emergency fund anticipates life's little surprises

By most measures, Mark and Jenny O'Connor's life goals were on track: college loans paid off, they had settled into fulfilling careers, married, had two kids and bought an affordable home in a growing community. But then Mark lost his job as a project manager at a manufacturing company. Although the company severance package was generous, the job market in Mark's industry turned up few leads. The couple felt the loss of Mark's income within several months and they soon were short on cash.

Financial advice columns bombard you with lists of things to do to achieve financial independence. Pay off high-interest-rate debt. Max out your retirement account. Don't rent, buy a house. But most experts agree the first thing most families should do, after meeting basic needs and reducing spending, is to start an emergency fund.

What is an emergency fund?
An emergency fund is money that you can quickly access and use only in case of emergency. It's not to be used to buy a new car or a leather recliner for the den. A true emergency is something that threatens your survival, not simply your need to be comfortable. Any situation that puts your ability to pay the mortgage or rent, or put food on the table is an emergency. The easiest way to set up an emergency fund is through your bank, putting a fixed amount each week or each month into a no-cost savings account. Make sure that you can access this account quickly and without paying a penalty.

How much should I set aside?
There is no one right answer. Do what works for you. Most experts suggest setting aside enough money to cover your mortgage and essential living expenses for two to three months. Others suggest having just $500 to $1,000 set aside is enough to handle most emergencies. On the other hand, if you are a highly paid manager, or are a couple that works in the same industry or company, you may want to sock away nine months to a year's worth of expenses in the bank. Once you have established this cushion, move onto other goals such as saving for retirement or your kids' college education.

How do I get started?

1. Decide on how big a fund you need. Set up an interest-bearing account at a bank of at least $500 to $1,000. Don't carry a cash card tied to the account.
2. Pay down debt. Before you add any more to your emergency fund, pay off your credit-card balance or other installment debt.
3. Over time, build a three- to six-month financial cushion. Once your debts are paid down or eliminated, you should start building your emergency fund to be able to handle your basic expenses during a real hardship for up to half a year.

Studies show that people who maintain an emergency fund are less likely to accumulate debt, which is essential for anyone saving for retirement or other important long-term goals. By taking this step now, you can reduce the likelihood of negatively impacting your future goals.

Closing the Retirement Savings Gap

Delaying retirement can reduce the need to tap a nest egg.

Many retirement plan participants know that investing for their later years should be among their top financial priorities. But it is not always easy to translate what we know we should do into a plan of action, according to results of the State Street Global Advisors Defined Contribution Investor Survey.[1]

The following retirement action gaps were evident in the survey results:

- 82% of respondents believed it was important to know how to make retirement savings last a lifetime, but only 28% knew how to accomplish this objective.
- 83% were willing to reduce their household budget by at least 5% to save more.
- 67% knew that adjusting their investments over time was important, but only 30% knew how to do this.
- 52% were willing to increase their savings rate to as high as 10% of their salary if their employer was willing to automatically increase their savings rate by 1% each year.

If you see yourself in any of the following statements, consider whether the following strategies could be helpful.

- **Review potential sources of retirement income.** There are several sources of retirement income that can complement Social Security benefits. With a traditional employer-sponsored retirement plan, required minimum distributions (RMDs), based on the investor's account balance and life expectancy, are required after age 70½. If you have a traditional rollover IRA that contains retirement assets from a prior employer, RMDs are required from traditional IRAs as well. Your financial advisor can help you review annuities, dividend-paying stocks, bonds, and other potential sources of retirement income. Potentially delaying retirement, even if only for a few years, could postpone your need to tap your nest egg.
- **Consider ideas that could help you free up cash to invest for retirement.** Many retirement investors are paying more for higher education, property taxes, and other expenses than they had planned. But families can cut back with some creativity. Consider whether you could switch to a less expensive cell phone plan, purchase a used vehicle if an existing vehicle needs replacement, eat out less often, or plan a more modest vacation.
- **Rebalance as part of an annual investment review.** You may want to consider reviewing your investment mix once a year to ensure that your portfolio maintains your desired exposure to risk and potential return. In certain instances, market returns can cause a portfolio to drift from the desired investment mix. If you would like to adjust your investment mix, you may be able to allocate future contributions to the area you would like to increase or reduce your existing allocation in an area where you would like to cut back.

These are only a few ideas that may be helpful in taking action on the road to retirement. Your financial advisor can help you assess potential sources of retirement income and help you build a plan designed to pursue your goals.

[1]*Source: State Street Global Advisors, "401(k) Investors Willing and Able to Save More; 'Action Gap' Reveals Confusion That Dominates Many Retirement Decisions," July 18, 2012.*

1-091737

Weekly Market Commentary | Week of September 3, 2012

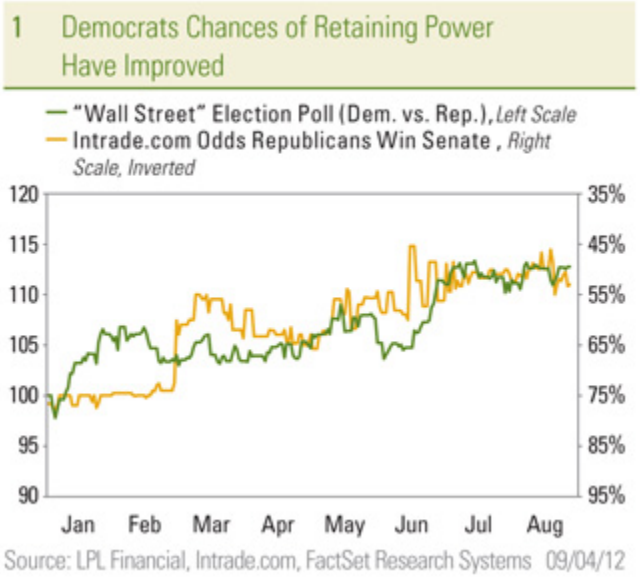
Highlights

- A stock market-based "election poll" is useful, in that it highlights what the market is pricing in about the outcome of the November elections.
- Our "*Wall Street" Election Poll* suggests Republicans have yet to erode the gains in the odds that Democrats retain their control in Washington.
- Investors may have become too complacent that the Senate Democrats will retain their seats and quickly find a grand compromise with House Republicans to avoid going over the so-called fiscal cliff into a recession in 2013.

What Wall Street Is Saying About the Election May Surprise You

While there are many election polls, what matters most to investors is what is *priced in* on Wall Street rather than what people are *saying* on Main Street. A stock market-based "election poll" is useful, in that it highlights what the market is pricing in about the outcome of the November elections.

Based upon the most legislation-sensitive industries, earlier this year we created two indexes to help us track the market's implied forecast of the election outcome reflected in the performance of these industries. Each index is composed of an equal weighting among eight industries that when combined total well over 100 stocks in the S&P 500 index. To track what the market has priced in for the Democrats' odds of retaining the White House and Senate, we took our Democrats index and divided it by our Republicans index. This is what we track as the "Wall Street" Election Poll, published by LPL Financial Research on Thursdays. An upward sloping line suggests the market may be pricing in a rising likelihood of the Democrats retaining the White House and their majority in the Senate, while a downward sloping line suggests improving prospects for the Republicans.



What Wall Street is saying about the election may surprise you. Our "Wall Street" Election Poll suggests Republicans have yet to erode the gains in the odds that Democrats retain their control. These odds improved early this summer as the Supreme Court upheld the Affordable Care Act, more commonly known as Obamacare. Our poll reflects the path taken by other market-based assessments of the election such the Intrade.com futures contracts on President Obama's re-election and on the party control of the Senate, which have moved from about a 75% chance the Republicans prevail in the Senate to a toss-up now.

2 S&P 500 Industries Likely to React More Favorably to One Party

Democrats	Republicans
S&P 500 Health Care Facilities	S&P 500 Coal & Consumable Fuels
S&P 500 Food & Staples Retailing	S&P 500 Diversified Financial Services
S&P 500 Gas Utilities	S&P 500 Oil & Gas Exploration & Production
S&P 500 Health Care Services	S&P 500 Oil & Gas Drilling
S&P 500 Life Sciences Tools & Services	S&P 500 Managed Care
S&P 500 Construction Materials	S&P 500 Electric Utilities
S&P 500 Homebuilding	S&P 500 Specialty Retail
S&P 500 Construction & Farm Machinery	S&P 500 Telecommunications Services

Source: LPL Financial 09/04/12

For detailed information about this index's construction, please see our *Weekly Market Commentary: The "Wall Street" Election Poll* (05/07/12).

With the S&P 500 having risen back to around four-year highs, investors may have become too complacent that the Senate Democrats will retain their seats and quickly find a grand compromise with House Republicans on extending the Bush tax cuts and other actions to avoid going over the so-called fiscal cliff into a recession in 2013. The Congressional Budget Office recently confirmed our long-held view that a recession is a given in 2013, if no action is taken to moderate the combination of tax hikes and spending cuts totaling over $500 billion already written into current law. We think a compromise may be harder to reach than the market seems to think if the Democrats prevail in the Senate and the House remains, as is likely, in the hands of the Republicans. Recall that the status quo in Washington was no help to markets last year, as the unwillingness to compromise on both sides of the aisle led to the debt ceiling debacle last August sending the S&P 500 down over 10% in three trading days.

Governor Romney's Vice President pick of Congressman Ryan may raise the stakes further for investors in 2013.If President Obama wins by focusing his re-election campaign on attacking the controversial and potentially unpopular elements of the Ryan plan (which is supported by the House Republicans and, notably, Ryan is chairman of the House Budget committee), it may make a grand compromise even more difficult between the White House and Congress in 2013 to avoid going over the fiscal cliff into a recession and bear market.

It is possible that stocks may be overstating Democrats' momentum ahead of what are likely to be close elections. If so, look for a potential surge in the Republican-favored industries. If not, stocks may begin to stumble until a clear path to a compromise on the fiscal cliff can be reached.

It is not just this year that markets may begin to fear a divided Congress. Since 1901, the Dow Jones Industrial Average has fallen an annualized -3% during the 12% of the time that featured a split-party Congress, according to Ned Davis Research. Returns were much better when the control of Congress was in the hands of one party or the other. Gridlock is unlikely to be good for investors in 2013.

3 Dow Jones Industrial Average and Congressional Control Since 1901

Party	Annualized Return %	% of Time
Democrats	5.5%	55.4%
Republicans	7.8%	32.3%
Split	-3.0%	12.2%

Source: Ned Davis Research 08/31/12

We will continue to publish the LPL Financial "Wall Street" Election Poll each Thursday as part of our investor election analysis as politics become a bigger driver of the market in the coming weeks.

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.

Dow Jones Industrial Average (DJIA): The Dow Jones Industrial Average Index is comprised of U.S.-listed stocks of companies that produce other (non-transportation and non-utility) goods and services. The Dow Jones Industrial Averages are maintained by editors of The Wall Street Journal. While the stock selection process is somewhat subjective, a stock typically is added only if the company has an excellent reputation, demonstrates sustained growth, is of interest to a large number of investors and accurately represents the market sectors covered by the average. The Dow Jones averages are unique in that they are price weighted; therefore their component weightings are affected only by changes in the stocks' prices.

This research material has been prepared by LPL Financial.

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